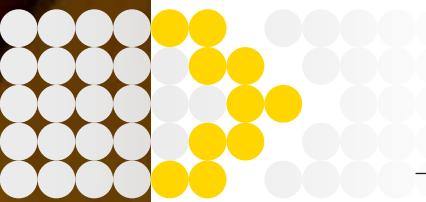


ANNUAL REPORT

2010

Experience life  
in the Digital World





## KEY FIGURES

	2005	2006	2007	2008	2009	2010
<b>// P&amp;L Highlights</b>						in million euro
<b>Revenue</b>	<b>733.5</b>	<b>813.5</b>	<b>931.9</b>	<b>1,018.8</b>	<b>1,197.4</b>	<b>1,299.0</b>
Cost of services provided	(456.7)	(510.7)	(553.5)	(589.3)	(688.9)	(735.8)
<b>Gross profit</b>	<b>276.8</b>	<b>302.8</b>	<b>378.4</b>	<b>429.6</b>	<b>508.5</b>	<b>563.2</b>
Selling, general and administrative expenses	(145.6)	(159.0)	(173.1)	(190.8)	(210.0)	(218.7)
<b>Operating profit</b>	<b>131.2</b>	<b>143.7</b>	<b>205.3</b>	<b>238.7</b>	<b>298.5</b>	<b>344.5</b>
Net finance expense	(193.2)	(101.0)	(211.7)	(191.3)	(153.6)	(197.6)
Share of the loss of equity accounted investees	-	-	(0.3)	(0.3)	(0.5)	(0.4)
<b>Profit (loss) before income tax</b>	<b>(62.0)</b>	<b>42.8</b>	<b>(6.7)</b>	<b>47.1</b>	<b>144.4</b>	<b>146.5</b>
Income tax benefit (expense)	(15.0)	(34.3)	27.4	(62.3)	88.7	(57.2)
<b>Profit (loss) for the period</b>	<b>(77.0)</b>	<b>8.5</b>	<b>20.7</b>	<b>(15.2)</b>	<b>233.1</b>	<b>89.3</b>
<b>// Cash Flow Highlights</b>						in million euro
Profit (loss) for the period	(76.7) <sup>(1)</sup>	5.5 <sup>(1)</sup>	20.7	(15.2)	233.1	89.3
Depreciation, amortization and impairment	206.3	222.9	237.6	261.6	302.8	313.8
Working capital changes and other non cash items	33.8	20.7	20.3	(0.3)	(45.6)	(17.0)
Income tax expense (benefit)	14.9	34.2	(29.8)	62.3	(89.0)	57.5
Net interest expense and foreign exchange loss	170.4	65.8	99.6	158.3	132.8	150.7
Net loss (gain) on derivative financial instruments	(25.8)	8.9	25.5	33.0	20.9	39.0
Loss on extinguishment of debt	13.7	21.4	86.7	-	-	7.9
Cash interest expenses and cash derivatives	(124.0)	(68.0)	(253.2)	(147.7)	(114.2)	(137.4)
<b>Net cash provided by operating activities</b>	<b>212.6</b>	<b>311.4</b>	<b>207.4</b>	<b>352.0</b>	<b>440.8</b>	<b>503.8</b>
Cash capex	(183.0)	(207.9)	(193.9)	(230.8)	(273.9)	(246.0)
Acquisitions of subsidiaries and affiliates, net of cash acquired	(1.4)	(183.6)	(0.3)	(205.1)	(6.4)	(2.3)
Other	0.5	0.1	0.0	2.4	0.7	0.3
<b>Net cash used in investing activities</b>	<b>(184.0)</b>	<b>(391.4)</b>	<b>(194.2)</b>	<b>(433.5)</b>	<b>(279.6)</b>	<b>(248.0)</b>
Net debt redemptions	(212.7)	(60.4)	677.5	77.1	5.0	526.2
Payment of shareholder disbursement	-	-	(654.9)	(0.8)	(55.8)	(249.8)
Other financing activities (incl. finance leases)	249.3	(11.1)	(18.1)	(5.8)	(30.3)	(38.3)
<b>Net cash provided by (used in) financing activities</b>	<b>36.6</b>	<b>(71.5)</b>	<b>4.5</b>	<b>70.5</b>	<b>(81.1)</b>	<b>238.1</b>
<b>Net cash generated (used)</b>	<b>65.2</b>	<b>(151.5)</b>	<b>17.8</b>	<b>(11.0)</b>	<b>80.1</b>	<b>493.9</b>
Cash and cash equivalents at beginning of period	145.2	210.4	58.8	76.6	65.6	145.7
Cash and cash equivalents at end of period	210.4	58.8	76.6	65.6	145.7	639.6
<b>Free Cash Flow<sup>(2)</sup></b>	<b>29.6</b>	<b>103.5</b>	<b>13.6</b>	<b>121.2</b>	<b>166.9</b>	<b>257.8</b>

(1) Net income from continuing operations, i.e. excluding contribution from the Phone Plus Sprl carrier pre-select telephony business.

(2) Free Cash Flow is defined as net cash provided by the operating activities of the Company's continuing operations less capital expenditures of its continuing operations, each as reported in the Company's consolidated statement of cash flows. Free Cash Flow is an additional measure used by management to demonstrate the Company's ability to service debt and fund new investment opportunities and should not replace the measures in accordance with IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable IFRS measure. Free Cash Flow is a non-GAAP measure as contemplated by the U.S. Securities and Exchange Commission's Regulation G. For related definitions and reconciliations, see the Investor Relations section of the Liberty Global, Inc. website (<http://www.lgi.com>). Liberty Global, Inc. is the Company's controlling shareholder.





## KEY FIGURES

	2005	2006	2007	2008 <sup>(3)</sup>	2009	2010
<b>// Balance Sheet Highlights</b>						in million euro
Non-current assets	2,235.7	2,403.3	2,457.5	2,859.7	2,995.3	2,895.3
Current Assets, excl Cash & Cash Equivalents	125.3	130.0	133.2	110.5	132.2	157.8
<b>Cash and Cash Equivalents</b>	<b>210.4</b>	<b>58.8</b>	<b>76.6</b>	<b>65.6</b>	<b>145.7</b>	<b>639.6</b>
Total assets	2,571.4	2,592.1	2,667.3	3,035.8	3,273.2	3,692.7
<b>Total Equity</b>	<b>709.1</b>	<b>721.7</b>	<b>170.1</b>	<b>170.2</b>	<b>360.1</b>	<b>217.5</b>
Non-current liabilities	1,344.5	1,411.8	2,061.7	2,387.0	2,404.2	2,923.4
Current Liabilities	517.8	458.6	435.5	478.6	508.9	551.8
Total liabilities	1,862.3	1,870.4	2,497.2	2,865.6	2,913.1	3,475.2
<b>Total equity and liabilities</b>	<b>2,571.4</b>	<b>2,592.1</b>	<b>2,667.3</b>	<b>3,035.8</b>	<b>3,273.2</b>	<b>3,692.7</b>
<b>Total Net Debt</b>	<b>1,155.8</b>	<b>1,232.4</b>	<b>1,825.4</b>	<b>1,919.9</b>	<b>1,844.7</b>	<b>1,882.5</b>
Total Net Debt (incl. finance leases)	1,279.2	1,355.1	1,969.7	2,297.7	2,220.4	2,287.8
<b>// Adjusted EBITDA reconciliation</b>						in million euro
<b>Adjusted EBITDA<sup>(4)</sup></b>	<b>339.7</b>	<b>368.3</b>	<b>443.4</b>	<b>506.4</b>	<b>607.7</b>	<b>668.7</b>
Adjusted EBITDA margin	46.3%	45.3%	47.6%	49.7%	50.7%	51.5%
Share based compensation	(2.2)	(1.6)	(0.5)	(4.6)	(5.1)	(9.8)
Operating credits (charges) related to acquisitions or divestitures	-	-	-	(0.8)	(1.3)	(0.3)
Restructuring charges	-	-	-	-	-	(0.3)
<b>EBITDA</b>	<b>337.5</b>	<b>366.6</b>	<b>442.9</b>	<b>501.0</b>	<b>601.3</b>	<b>658.3</b>
Depreciation, amortization and impairment	(206.3)	(222.9)	(237.6)	(262.2)	(302.8)	(313.8)
<b>Operating profit</b>	<b>131.2</b>	<b>143.7</b>	<b>205.3</b>	<b>238.7</b>	<b>298.5</b>	<b>344.5</b>
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Share of the loss of equity accounted investees	-	-	(0.3)	(0.3)	(0.5)	(0.4)
Income tax benefit (expense)	(15.0)	(34.3)	27.4	(62.3)	88.7	(57.2)
<b>Profit (loss) for the period</b>	<b>(77.0)</b>	<b>8.5</b>	<b>20.7</b>	<b>(15.2)</b>	<b>233.1</b>	<b>89.3</b>

(3) As re-presented. Adjustments to the preliminary, purchase price allocation for the October 1, 2008 Interkabel acquisition were made retrospectively in 2009 as if those adjustments had been made at the acquisition date. The impact of these adjustments for the year ended December 31, 2008, is reflected as "re-presented" in the consolidated financial statements.

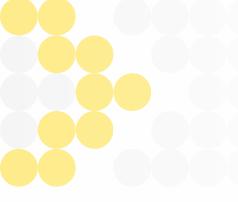
(4) EBITDA is defined as profit before net finance expense, income taxes, depreciation, amortization and impairment. Adjusted EBITDA is defined as EBITDA before stock-based compensation and restructuring charges, and before operating charges or credits related to successful or unsuccessful acquisitions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

(5) Since Telenet's stock market listing on Euronext Brussels stock exchange as of Oct. 10, 2005.

(6) Leverage ratio is calculated as Total Net Debt to Consolidated Annualized EBITDA under the Senior Credit Facility. Total Net Debt is calculated as set out in the Senior Credit Facility and excludes, among other things, capitalized element of finance leases.



	2005	2006	2007	2008 <sup>(3)</sup>	2009	2010
<b>// Total Services</b>		in thousands, except for customer relationship information				
<b>Homes passed</b>						
<b>- Combined Network</b>	<b>2,500</b>	<b>2,531</b>	<b>2,744</b>	<b>2,769</b>	<b>2,794</b>	<b>2,819</b>
Telenet Network	1,699	1,715	1,920	-	-	-
Telenet Partner Network	801	816	824	-	-	-
Analog Cable TV	1,551	1,407	1,340	1,729	1,342	1,033
Digital Cable TV	75	226	391	674	1,001	1,242
<b>Total Cable TV</b>	<b>1,626</b>	<b>1,633</b>	<b>1,731</b>	<b>2,402</b>	<b>2,342</b>	<b>2,274</b>
Broadband internet	624	729	883	985	1,116	1,227
Fixed telephony	364	455	548	629	741	815
Mobile telephony	-	13	56	87	129	199
<b>Total services (excl mobile)</b>	<b>2,614</b>	<b>2,817</b>	<b>3,162</b>	<b>4,016</b>	<b>4,199</b>	<b>4,316</b>
Triple-play customers	176	236	323	539	651	719
Total customer relationships	1,626	1,633	1,731	2,402	2,342	2,274
Services per customer relationship	1.42	1.50	1.60	1.67	1.79	1.90
ARPU per customer relationship (€ / month)	<b>24.8</b>	<b>26.7</b>	<b>29.4</b>	<b>32.5</b>	<b>35.0</b>	<b>38.8</b>
<b>// Per share data</b>		in euro, except for shares outstanding				
<b>Share price for the period</b>						
Year-end	10.60 <sup>(5)</sup>	14.39	17.52	10.82	18.08	29.48
Average	11.44 <sup>(5)</sup>	11.97	16.25	12.79	13.84	22.59
High	14.08 <sup>(5)</sup>	14.75	18.07	17.56	18.08	31.74
Low	10.60 <sup>(5)</sup>	10.19	14.42	8.70	10.51	17.88
Weighted average number of shares outstanding (basic)	89,503,387	100,625,547	104,615,436	109,981,494	111,354,953	112,093,758
Weighted average number of shares outstanding (diluted)	89,503,387	104,453,726	108,588,515	109,981,494	111,956,540	113,542,782
Average daily volume of shares traded	582,034	233,222	238,543	267,404	262,794	281,360
Basic earnings (loss) per share	(0.86)	0.05	0.20	(0.14)	2.09	0.80
Diluted earnings (loss) per share	(0.86)	0.05	0.19	(0.14)	2.08	0.79
Operating cash flow per share	2.38	3.09	1.98	3.20	3.96	4.49
Free Cash Flow per share	0.33	1.03	0.13	1.10	1.50	2.30
Shareholder disbursement per share	-	-	6.00	-	0.50	2.23
<b>// Multiples</b>						
Market capitalization at year-end (€m)	949	1,448	1,833	1,190	2,013	3,305
Enterprise value at year-end (€m)	2,228	2,803	3,802	3,487	4,234	5,592
Gross profit margin	37.7%	37.2%	40.6%	42.2%	42.5%	43.4%
Adjusted EBITDA margin	46.3%	45.3%	47.6%	49.7%	50.7%	51.5%
Net margin	(10.5%)	1.0%	2.2%	(1.5%)	19.5%	6.9%
Free Cash Flow margin	4.0%	12.7%	1.5%	11.9%	13.9%	19.8%
Number of employees (full-time equivalents)	1,503	1,552	1,592	1,597	1,887	2,000
Revenue per employee (€)	488,024	524,162	585,362	637,975	634,563	649,497
Adjusted EBITDA per employee (€)	226,022	237,312	278,518	317,111	322,030	334,344
Accrued capex/sales	25.5%	27.4%	24.0%	24.1%	26.5%	24.3%
Leverage ratio <sup>(6)</sup>	3.4	3.4	4.1	3.8	3.1	2.9
Leverage ratio (incl. finance leases)	3.8	3.7	4.4	4.6	3.7	3.5
EV/Adjusted EBITDA	6.6	7.6	8.6	6.9	7.0	8.4
EV/Sales	3.0	3.4	4.1	3.4	3.5	4.3
Free Cash Flow yield	3.1%	7.1%	0.7%	10.2%	8.3%	7.8%



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# Corporate profile



## 1.1 Telenet at a glance



## 1.2 Mission Statement



## 1.1 Telenet at a glance





From left to right above: // Jan Vorstermans - Executive Vice President Technology & Solutions // Inge Smidts - Senior Vice President Residential Marketing // Herbert Van Hove - Senior Vice President Product Management // Patrick Vincent - Executive Vice President Residential Sales & Care // Duco Sickinghe - Chief Executive Officer and Managing Director Telenet // Martine Tempels - Senior Vice President Telenet Solutions // Renaat Berckmoes - Executive Vice President and Chief Financial Officer

From left to right front row: // Luc Machtelinckx - Executive Vice President General Counsel // Claudia Poels - Senior Vice President Human Resources // Ann Caluwaerts - Senior Vice President Public Affairs and Media (as from 01/04/2011) // Ronny Verhelst - Executive Vice President Public Affairs and CEO Telenet Mobile (until 01/04/2011).

Telenet is the largest provider of cable services in Belgium.

Telenet focuses on the provision of broadband, fixed and mobile telephony services and cable television, to residential customers in Flanders and Brussels. Professional communications services are also provided to corporate customers in Belgium and Luxembourg under the Telenet Solutions brand name.

As a telecommunications company, Telenet finds innovation and development extremely important, including the constant optimization of existing applications, the continuing expansion of the technological possibilities and the enlargement of the product and service offering. A convincing marketing approach, a creative product mix and efficient customer service ensure that Telenet is always able to appeal to new target groups.

As a growth company, Telenet is highly conscious of its increasing responsibility in the community. Telenet has managed to significantly decrease its ecological footprint through a number of initiatives. Telenet has also demonstrated great social engagement, which is not only reflected in the socially-engaged product range, but also in the efforts of the Telenet Foundation to further close the digital gap between social groups.

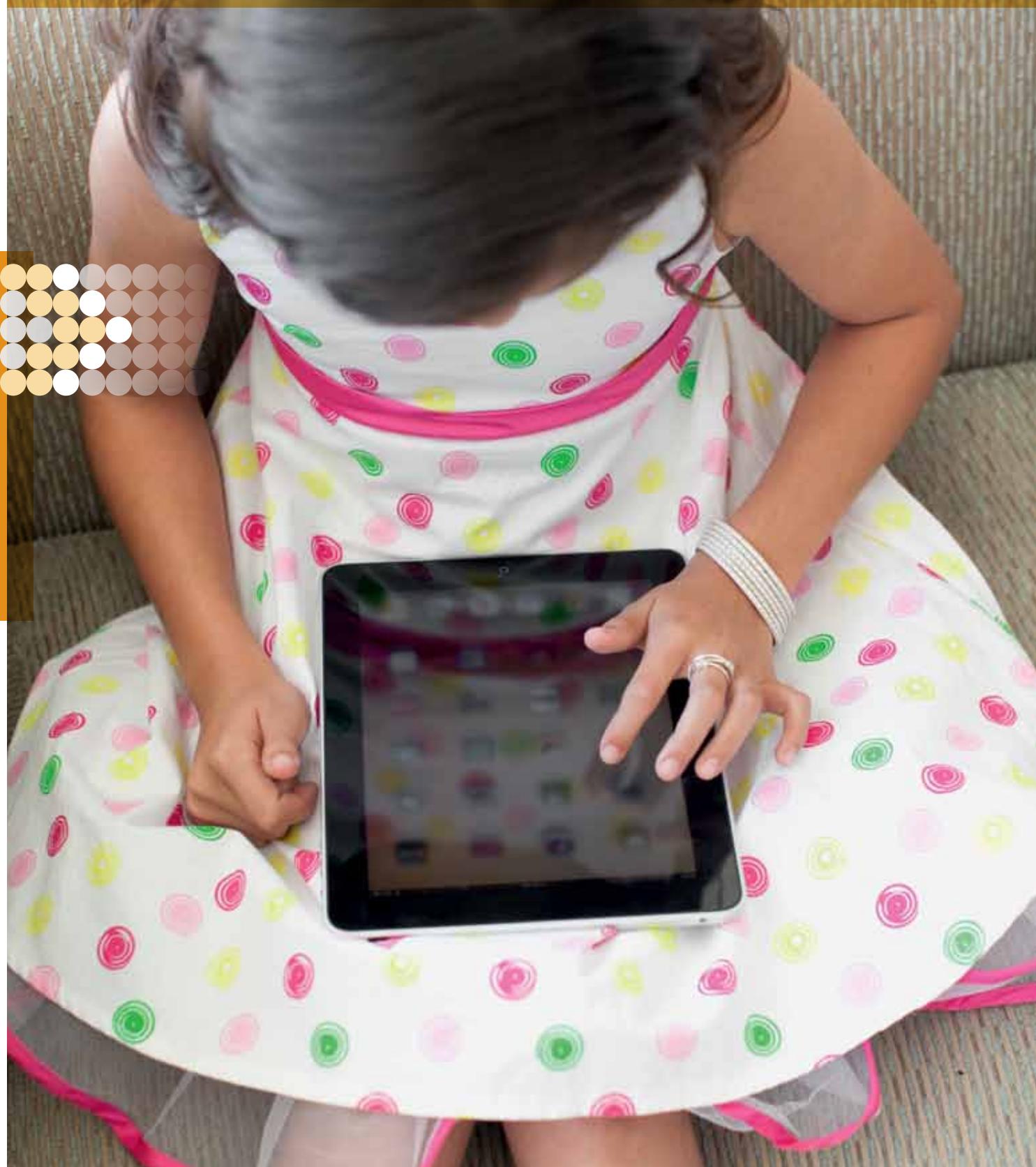
Telenet's main office is located in Mechelen, with contact centers in Herentals, St-Truiden and Aalst, Telenet-shops in Mechelen, Leuven, Schaarbeek, Hoboken and regional sites in Flanders to provide technical assistance.

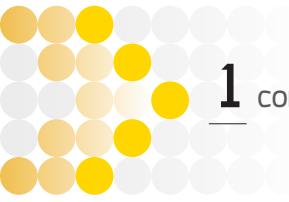
In 2010 Telenet employed 1,898 people in total and generated turnover of 1.3 billion euros.

Telenet is listed on Euronext Brussels in the Bel 20 index.



## 1.2 Mission Statement





Telenet wishes to contribute to the positive social development of people and companies through innovative, accessible networks. Today and tomorrow.

Telenet wishes to enrich the daily life of its customers with products and services that combine great technological performance and high entertainment value.

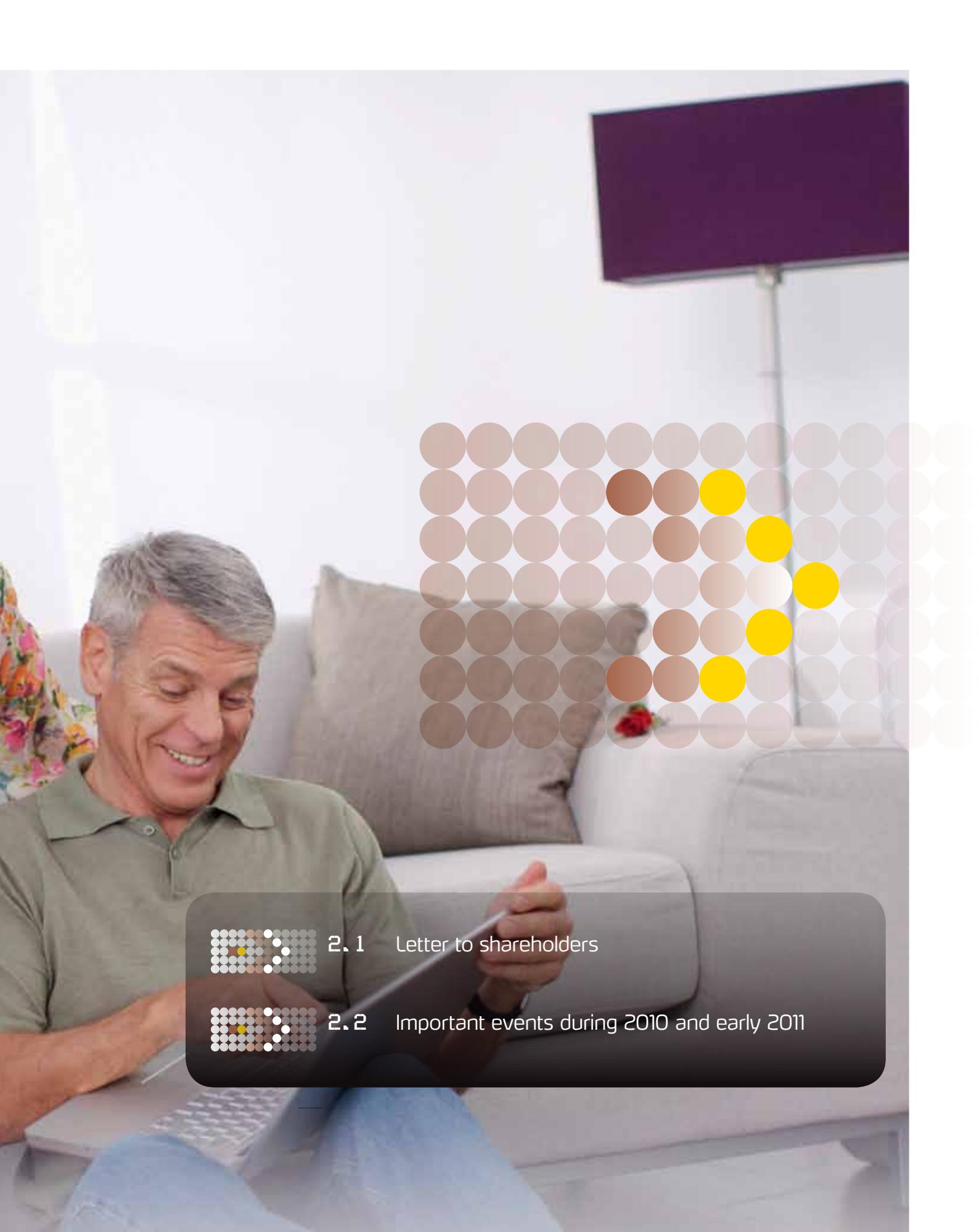
Telenet has targeted a leading role for itself at the intersection of television, internet and telephony.

Telenet has set itself the goal of being an honest and reliable partner for all customers, residential and corporate, as well as other target groups, through great quality consciousness and a focus on maximum customer satisfaction.

Telenet wishes to achieve its objectives by leveraging the commitment and motivation of a valuable team of inspired employees who are given opportunities to develop and improve their job skills.







**2.1** Letter to shareholders

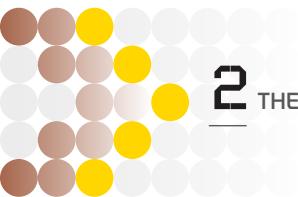


**2.2** Important events during 2010 and early 2011



## 2.1 Letter to shareholders





Dear shareholder,

The financial year just ended was an exceptionally successful one for Telenet. One in which we took another big step forward in terms of both operations and results.

2010 was again characterized by sustained strong demand for our trend-setting products for residential customers and growing interest from the market in our B2B solutions. 2010 saw an increase in the total number of residential subscribers across the board, including Telenet Digital TV, broadband internet and fixed telephony. Our success is driven by our constant focus on customer service, strong product innovation, a host of network improvements and sustainable product pricing based on perceived value for money. Customers are increasingly showing their appreciation for these qualities, which has driven up the average revenue per user by 11% compared with 2009. And there is still plenty of room for further growth, bearing in mind that 40% of our customers are subscribed to only one product.

The strong increase in the number of both residential and business customers resulted in very solid financial progress. Operating income rose by 8% to €1,299 million and adjusted EBITDA was up 10% to €669 million, which improved our margin by 51.5%. In 2010 we invested 22% of turnover in attracting new customers and making further improvements to the network. Thanks to our increasing profitability, there was a 54% hike in free cash flow in 2010 to €258 million.

Telenet continues to invest in product innovations that will lay the foundations for sustainable growth. We are very enthusiastic about our revolutionary new TV platform Yelo, which allows customers to watch TV on mobile devices. It is just the first step in the creation of a whole new customer experience. Our broadband internet offering was upgraded again at the beginning of 2011 with the commercial launch of a whole string of EuroDocsis 3.0-based Fibernet products. Our cable network offers broadband speeds up to 100 Mbps; as a result we offer the most advanced, extensive and reliable internet services on our markets. With Digital Wave 2015, a project to split optical nodes, we want to offer our customers unequalled speed, quality and service in the future.

All these innovations, in combination with sustained growth, strengthen our conviction that Telenet will take a big leap forward in 2011, in both operational and financial terms. We are therefore proud that over the past 15 years Telenet has blossomed into an impressive business with strong local roots. The acquisition of the intercommunal network in 2002, the IPO in 2005 and the launch of Yelo in 2010 – to name but a few – would not have been possible without a strong partnership with the local actors. Thanks to the many investments, over the past 15 years Telenet has grown into a provider of basic telephony and internet services, a multimedia service provider in the whole of Flanders and part of Brussels. We now have more than 3,000 direct and indirect employees who proudly deliver products and services that exceed customer expectations on a daily basis.





Telenet is convinced that with its own growth comes only greater responsibilities in terms of sustainable enterprise. As a business in the heart of society Telenet can also be a lever for social change. In 2010 a general strategy was developed to combine the main points of a modern sustainability program into an overall business strategy and approach. The purpose of the LEAP project (Linking Environment And Profit) is integrating Telenet's sustainable nature as a business and a brand to a great degree and encouraging its employees to make a positive commitment.

Since its formation the Telenet Foundation has spent over one and a half million euros on creating equal digital opportunities. Between 2006 and 2010 the Foundation helped 90,000 people, mainly in the younger age groups, to get online.

As a socially responsible business we are more committed than ever to helping everyone to access a rich digital experience at the best price. Telenet's entry-level broadband internet product is one of the cheapest in Belgium and the price of basic TV is among the cheapest in Europe. Our sector is more dynamic than ever before. In recent years we saw various new players and platforms come on stream, resulting in a high degree of innovation. With that in mind, Telenet is surprised that the fast-evolving TV market is to be regulated and is consequently in dialogue with the various regulatory bodies.

Telenet achieved success in the year under review thanks to the loyalty of our customers. The enthusiasm and drive of our employees were very important too. We would also like to thank our operational and technical suppliers, and our media partners. We strive to provide the unique Telenet experience year after year.

We look forward with great ambition and hope to make 2011 another big success for you all – customers, employees, partners and shareholders.

Sincerely,

DoCo Sickinghe  
Chief Executive Officer

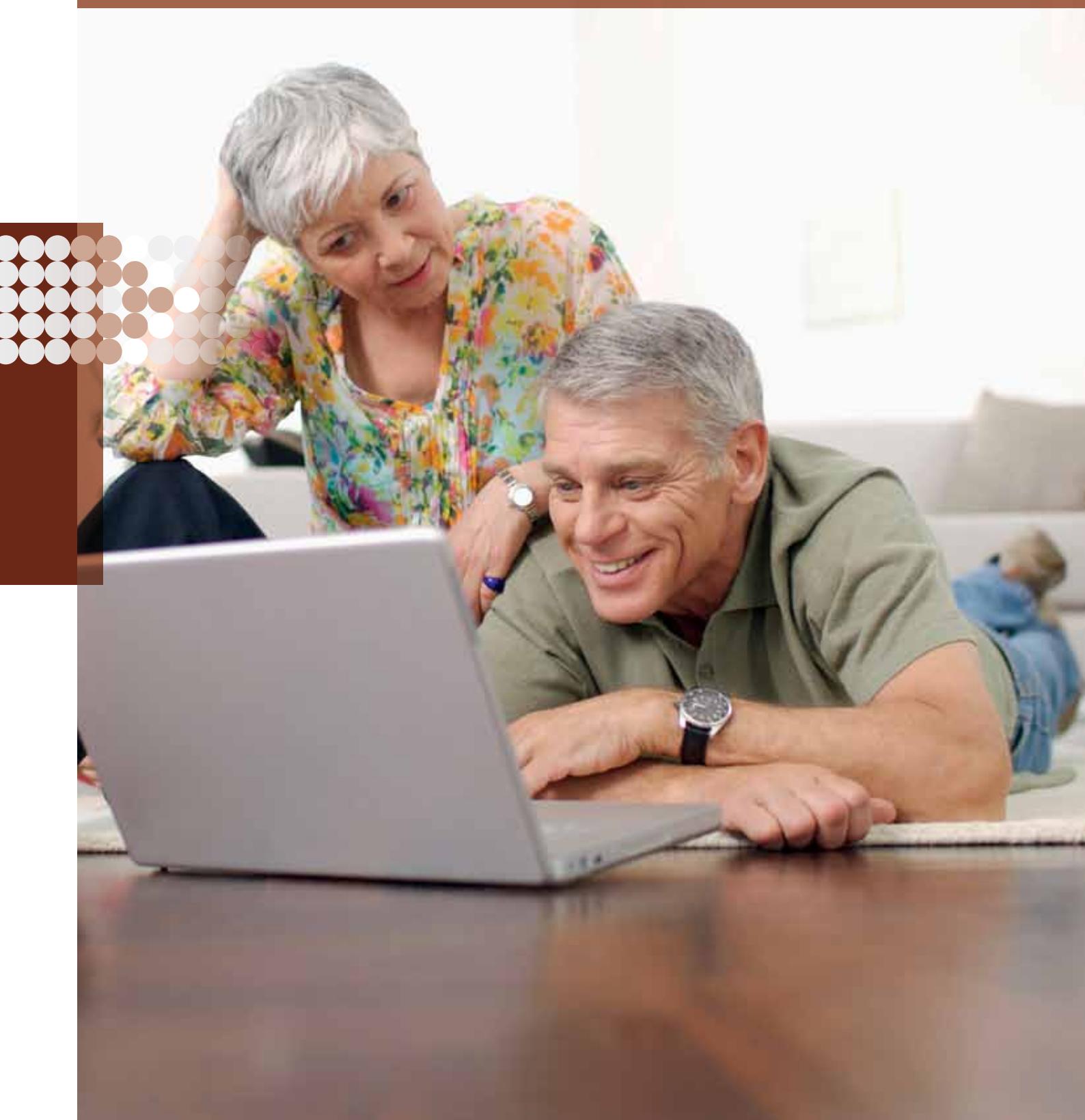
Frank Donck  
Chairman

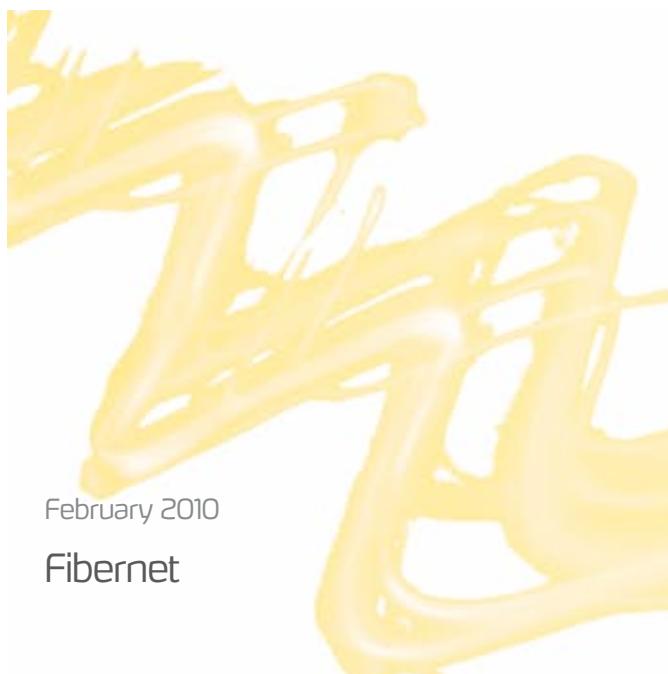






## 2.2 Key events during the financial year 2010

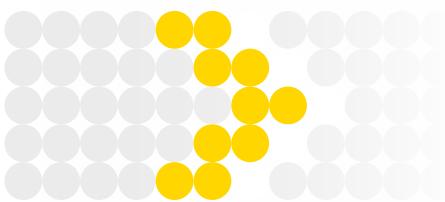




February 2010

## Fibernet

Telenet launched Fibernet, a new generation of broadband internet, with speeds of up to 100 Mbps. In addition to the higher connection speed, Telenet also offers a higher download volume to more than one million internet customers.



2010

## Norkring Belgium

Telenet concludes an agreement with Norkring Belgium for the use of capacity on the Norkring television network infrastructure. This gives Telenet the opportunity to offer its customers in Flanders and Brussels digital television and radio through an antenna/dish as well as through a cable. The deal means that Telenet is able to follow its customers, offering them the opportunity to receive digital TV and radio in remote homes, caravans, cars, vessels and holiday homes.

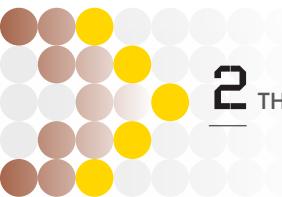


March 2010

## Digital Wave 2015

Telenet presented its future vision at the European Cable Congress in Brussels. As announced in its Digital Wave 2015 program, Telenet will work further to build the fastest, most robust network yet to open the way to new applications in the near future, such as high-tech video, 3D TV and remote medical support. Through this ambitious program Telenet is actively contributing to the continued digitization of Flanders.





May 2010

4G

Telenet becomes the first mobile virtual network operator in Belgium to start tests to study and evaluate the new possibilities of 4G or LTE (Long Term Evolution). Telenet obtains the requisite test licenses from the Belgian Institute for Postal services and Telecommunications (BIPT) for coverage of the city of Mechelen and the E19 motorway between Mechelen North and Mechelen South.

## Netbook promotion

After the success of its smartphone campaign, Telenet Mobile launches a promotional campaign giving Telenet customers the opportunity to buy a netbook for one euro. Through the initiative Telenet hopes to stimulate the increased penetration of mobile internet in Flanders.

## Start2Surf@home

Through federal ICT minister Van Quickenborne's Start2Surf@home project the federal government wishes to contribute to bridging the digital gap and to give everyone the opportunity to learn to use computers and internet. An attractively priced computer and internet package is offered as part of the initiative. Telenet extends its Start2Surf@home project until the end of 2010 and offers consumers a wider choice of computers in combination with an entry-level internet package.



June 2010

## C-CURE

Telenet acquires C-CURE, an internet security expert working out of Mechelen. Through the acquisition Telenet wants to integrate security solutions in its internet services for businesses and enlarge its product range to include managed security services.

## Disney Channel

Telenet introduces a new family channel for its analog TV cable customers in Flanders, Disney Channel. The new channel is another step in Telenet's permanent strategy to broaden its analog offering to cater to the widest possible audience and adapt the digital offering to the wishes of customers.



July 2010

## Electric cars

Telenet joins Toyota's test project and announces its intention to conduct extensive tests on the Toyota Prius Plug-in, a hybrid car that can run on both gas and electricity, for three years. The move is closely aligned to Telenet's efforts to significantly reduce its ecological footprint, a goal for which an extensive program to drive down the company's carbon emissions has already been implemented.



September 2010

## Business Fibernet

Telenet beefs up its offering to small and mid-sized businesses, the self-employed and liberal professionals with the introduction of Business Fibernet. Telenet's goal is to provide businesses with access to super-fast internet while responding to the specific needs of business customers.

August 2010

## K.U.Leuven research contract

Telenet signs a three-year research contract with the Neuro and Psychophysiology Laboratory of the K.U.Leuven Medical School. Telenet wants to study the effect of 3D TV images on the human brain in association with K.U.Leuven. The partnership between Telenet and K.U.Leuven is part of Digital Wave 2015, the innovative project through which Telenet wishes to strengthen the leading role played by Flanders in a world that is digitizing at high speed.

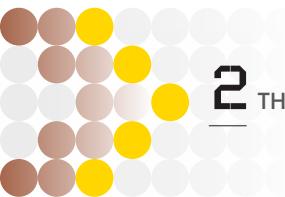
## Executive Team

Telenet strengthens its Executive Team. The move takes account of the fast-evolving digital landscape and a desire to respond to breaking trends and customer demands faster. The repositioning of the Executive Team will speed up the adoption of an innovative, proactive approach to the challenges facing the industry, including increasing convergence between products and services on the one hand and between residential and corporate market on the other, with cable as unique and dominant technology.

## Train-bike@work

Telenet launches the Train-bike@work project. Sixty commuters are given the loan of a bike for their journeys between Mechelen station and their workplace. Through the initiative Telenet wishes to encourage more employees to switch from cars to public transport and so drive down its carbon footprint even further.





December 2010

## Yelo

Telenet launches Yelo, a new multimedia platform enabling digital TV customers to watch their favorite shows and movies on iPad, iPhone and, in the future, computers and other smartphones. With Yelo Telenet brings yet more innovations to how the inhabitants of Flanders can watch TV.

October 2010

## Mobile telephony tariff plan

Telenet launches a new tariff plan for mobile telephony. Walk & Talk 45 is the first such plan to include a 200 MB data allowance. The plan is Telenet's response to two closely related trends: higher smartphone penetration and increased mobile internet use in Belgium.



20 11

## Cable regulation

Belgian regulator BIPT and the regional media regulators (including the VRM for Flanders) wish to present draft decrees to provide additional operators with access to digital TV by cable and IPTV and for the resale of analog TV and broadband internet. Telenet is surprised by the intention to impose stricter regulation on cable operators and is convinced that four networks provide consumers with access to a wide range of TV, media and broadband internet services on various platforms and from various providers without the need for further regulation of the Belgian TV and internet landscape.

## Optimization of the capital structure

The Telenet Group Holding NV announces the first new issue of € 350 million under the terms of its existing credit facility (the "senior credit facility"). The second issue of € 100 million was successfully completed in November. After a voluntary debt exchange and the extension of the terms, these transactions are the next step in the continued optimization of Telenet's capital structure.







### 3.1 Our strategy

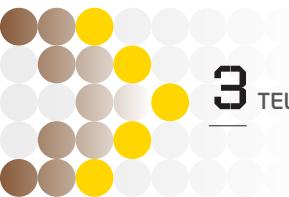


### 3.2 Strategic prospects for 2011



### 3.1 Our strategy





Telenet's strategy has been characterized by a large degree of stability over the years. Telenet still wants to be the intersection of TV, internet and telephony.

We continue to believe in this strategy totally, but we have shifted our focus slightly. TV is no longer tied to a single appliance; it is now watched on mobile devices too. Telephony is increasingly shifting in the direction of smartphones and internet is getting faster and faster, with Fibernet at the vanguard.

Telenet not only aspires to be the best-in-class and preferred provider of digital television, broadband internet and telephony services, alongside it integrates business services, while improving revenues, profitability and cash flow. To accomplish this, Telenet is committed to constantly improving the quality of its network and marketing cutting-edge technologies and services. The key components of Telenet's strategy are:

## More products to customers

Driving continued revenue and profit growth by leveraging its superior products and multi-play bundles. Telenet has achieved significant growth in digital TV, broadband internet and telephony. The next step is to enlarge the subscriber base further in these services and its multiple-play bundles through product positioning, attractive pricing and a strong focus on customer care.

Telenet has launched several successful product and marketing initiatives to further increase bundle uptake and migrate subscribers to its product bundles. At December 31, 2010, 58% of Telenet's residential customers subscribed to multi-play packages. 32% of this 58% were triple-play subscribers (719,200), a 10% increase compared with 2009. Telenet will continue to upsell bundles to improve ARPU per customer, cut customer acquisition costs, reduce churn rates and lower maintenance expenses.

## Increased digitization

Further converting Telenet's basic analog cable TV subscriber base to digital TV. Telenet continues to migrate its subscriber base to the digital TV platform, which boasts much richer content, an extensive video-on-demand (VoD) library and interactive applications through a set-top box, which can be rented. On average, ARPU is significantly increased via supplementary services, including additional content packages, VoD and interactive applications. In 2010 Telenet upgraded all set-top boxes to run its next-generation user interface, enhancing the user experience of digital TV customers, and launched online set-top box programming.





## Even greater customer satisfaction

Enhancing customer satisfaction and loyalty. Telenet has improved its operations, upgraded customer care and billing systems, and implemented management incentive schemes to enhance customer satisfaction. Telenet has invested in customer care at all customer touch points to improve satisfaction and so retention. Satisfaction with products and processes is monitored in monthly surveys conducted by an independent party. Telenet believes investments in customer care and a sustained focus on customer satisfaction are key to its ability to maintain current low churn levels.

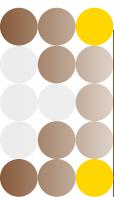
## Innovation

Exploring additional growth opportunities. Telenet believes business-to-business is a growth segment where it can leverage its existing network and EuroDocsis 3.0 technology to meet the needs of small and mid-sized businesses. Telenet plans to reposition and market its B-to-B offering more aggressively going forward to capture market share. Telenet believes its ability to provide telephony and high-speed broadband services over its existing cable network leaves it well-positioned to provide cost-effective voice and data services to meet the needs of Small Business without significant capital investment.

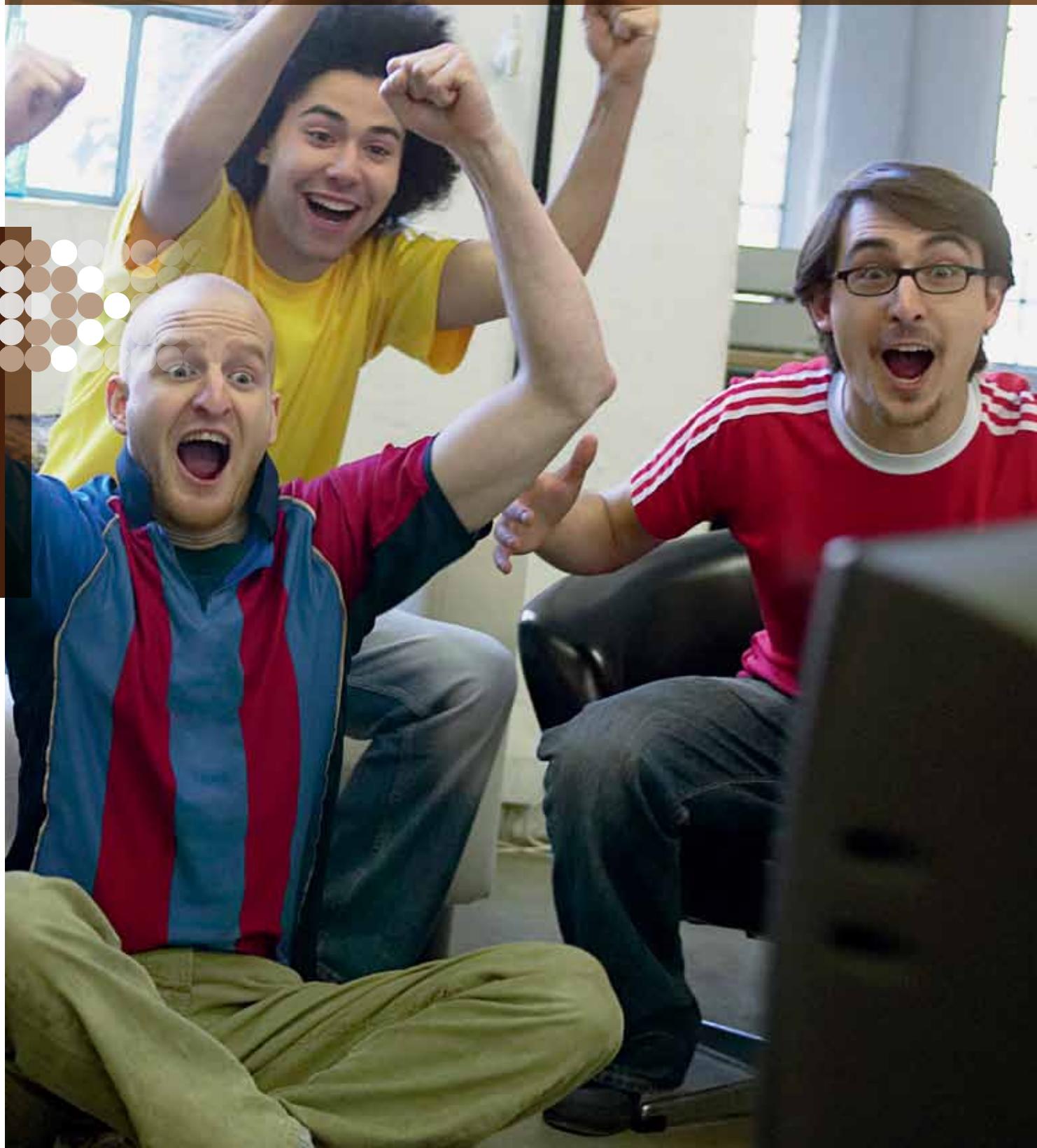
Telenet will also continue to defend and grow its market share by exploring balanced growth opportunities in mobile broadband and mobile voice. Although mobile voice is already a highly penetrated market, Telenet believes its ability to offer combined fixed and mobile products will prove an important differentiator as converged service offerings start to develop. In addition, given the immature mobile broadband market in Belgium, Telenet believes its position in fixed broadband gives it the competitive edge needed to capitalize on future growth when it comes. In 2010 Telenet launched Yelo, a revolutionary new multimedia platform enabling digital TV customers to watch shows and videos anywhere, on a variety of mobile devices, not just TV. It also offers a range of convenient services, such as an electronic program guide, remote programming of your set-top box and VoD. Yelo is the first step in a new world where Telenet will be able to develop relationships with individuals rather than households.

## Healthy financial growth

Focusing on cash flow growth. Telenet has a solid adjusted EBITDA margin and cash flow generation profile and is committed to taking advantage of growth opportunities to generate a high incremental return on investment. Telenet believes that it has the requisite scale of operations to invest in new products and services and harness revenue growth to achieve improved profitability and cash flow.



## 3.2 Strategic prospects for 2011





Telenet's goal for 2011 is to continue its tried and tested growth strategy, which has driven its past successes. The sustained migration of customers subscribed to just one product to a product bundle subscription remains the main value driver. Telenet believes that its product leadership in broadband internet and digital TV, combined with its constant focus on customer service and loyalty, has laid the foundations for another year of strong operational and financial growth.

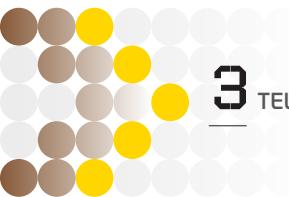
At the end of 2010, 42% of customers were subscribed to a single service, mostly analog TV, which generates the lowest average revenue per user of all products. This group therefore has potential when it comes to the sale of additional services and bundles, which would significantly boost the average revenue per user and lower the risk of customers terminating their subscription contracts. Telenet remains convinced that the projected growth of broadband internet will be achieved, bearing in mind that only around 75% of households in the Telenet geographical market have broadband internet and given the unique positioning of the recently introduced Fibernet products. In addition, the continued migration of customers with an analog TV subscription (still 45% of the total number of customers with a TV subscription) to a digital TV subscription will drive up turnover further, because the average revenue per user with a digital TV subscription is on average twice as high as the average revenue per user with an analog TV subscription.

The mobile products will help grow Telenet's general revenue alongside its core business offering, which comprises fixed-connection products. Telenet's unique position on the mobile telephony market, the Telenet brand, the distribution channels and an increasing focus on smartphone users in the higher segment will drive this growth.

Based on selected major contracts entered into in 2010 and the integrated offering of connectivity, data services, security and hosting solutions, Telenet also expects its B2B activities to continue to perform well in 2011.

- For 2011 Telenet expects healthy growth of about 6% of its operating income, primarily driven by further growth in the residential and business segments.
- Telenet expects the adjusted EBITDA margin to remain stable in 2011. Telenet will achieve this by implementing a number of innovative efficiency improvements to its sales, customer service and installation processes, in combination with an unremitting focus on controlling costs.





- In 2011 the accrued capital expenditures are expected to account for approximately 21% of operating income. Telenet will continue to invest in its network, based on the growth of its customer base and upgrades to technology. These upgrades are part of the long-term Digital Wave 2015 project, through which Telenet will develop a next-generation network that meets the evolving needs of customers and is ready for new online applications and future services and technologies. One of the cornerstones of Digital Wave 2015 is Pulsar. This project, which entails splitting optic nodes, will enlarge Telenet's network capacity through the increased use of glass fiber and more nodes in the network.

- Telenet expects free cash flow to exceed € 250 million in 2011. In 2011 free cash flow will be impacted by additional financial interest liabilities as a consequence of the refinancing transactions in 2010, which improved Telenet's debt servicing profile considerably and ensured greater cash flow flexibility. That being said, Telenet does expect the rise in the interest liabilities to be compensated by the continued growth in profitability.

## // Prospects for financial year 2011

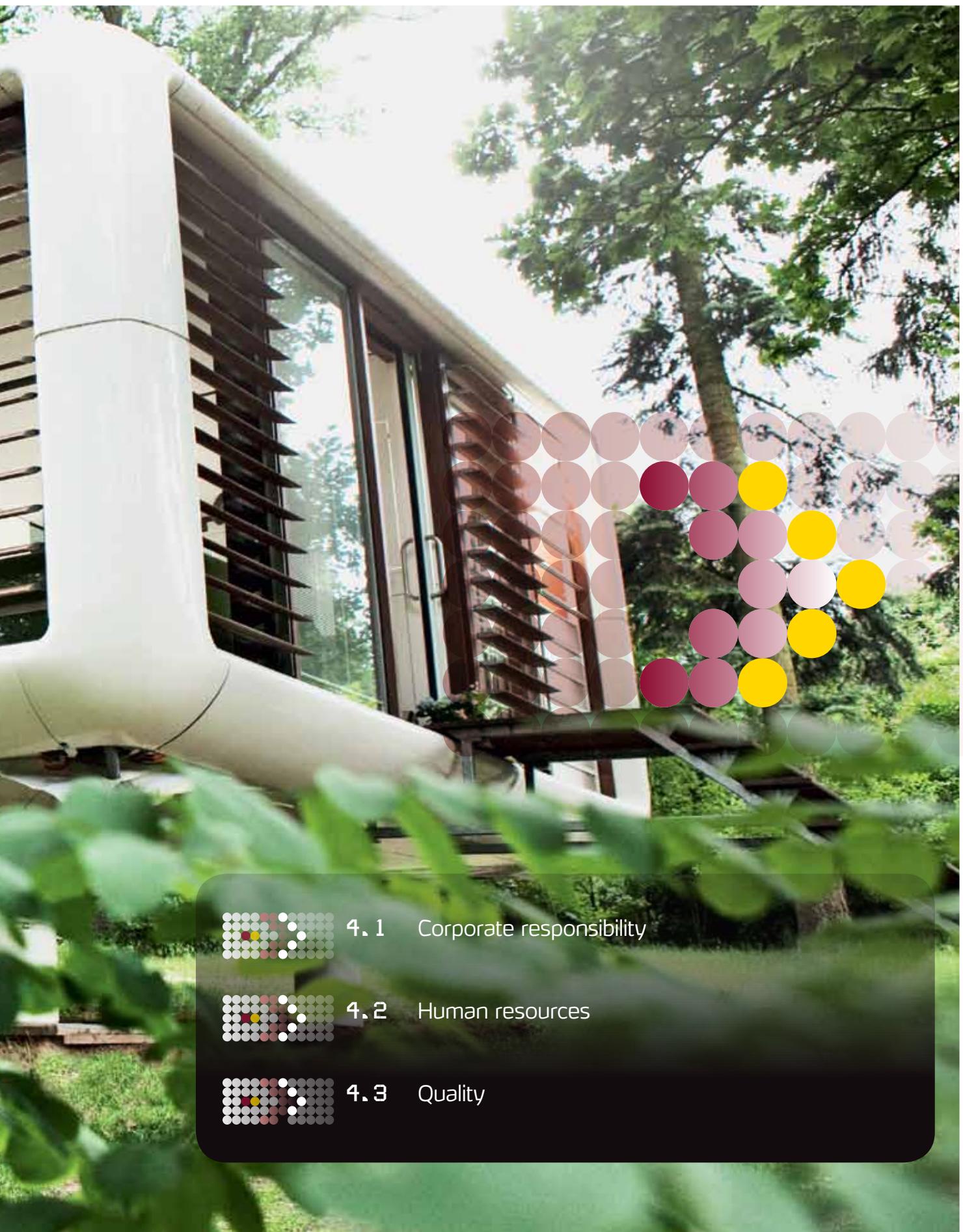
Growth in operating income	<b>Approximately 6%</b>
Adjusted EBITDA margin	<b>Little change compared to financial year 2010</b>
Capital expenditures <sup>(1)</sup>	<b>Approx. 21% of operating income</b>
Free cash flow	<b>Over € 250 million</b>

(1) Accrued capital expenditures, including non-financial expenditures under financing leases and rented set-top boxes





## Corporate culture



**4.1** Corporate responsibility

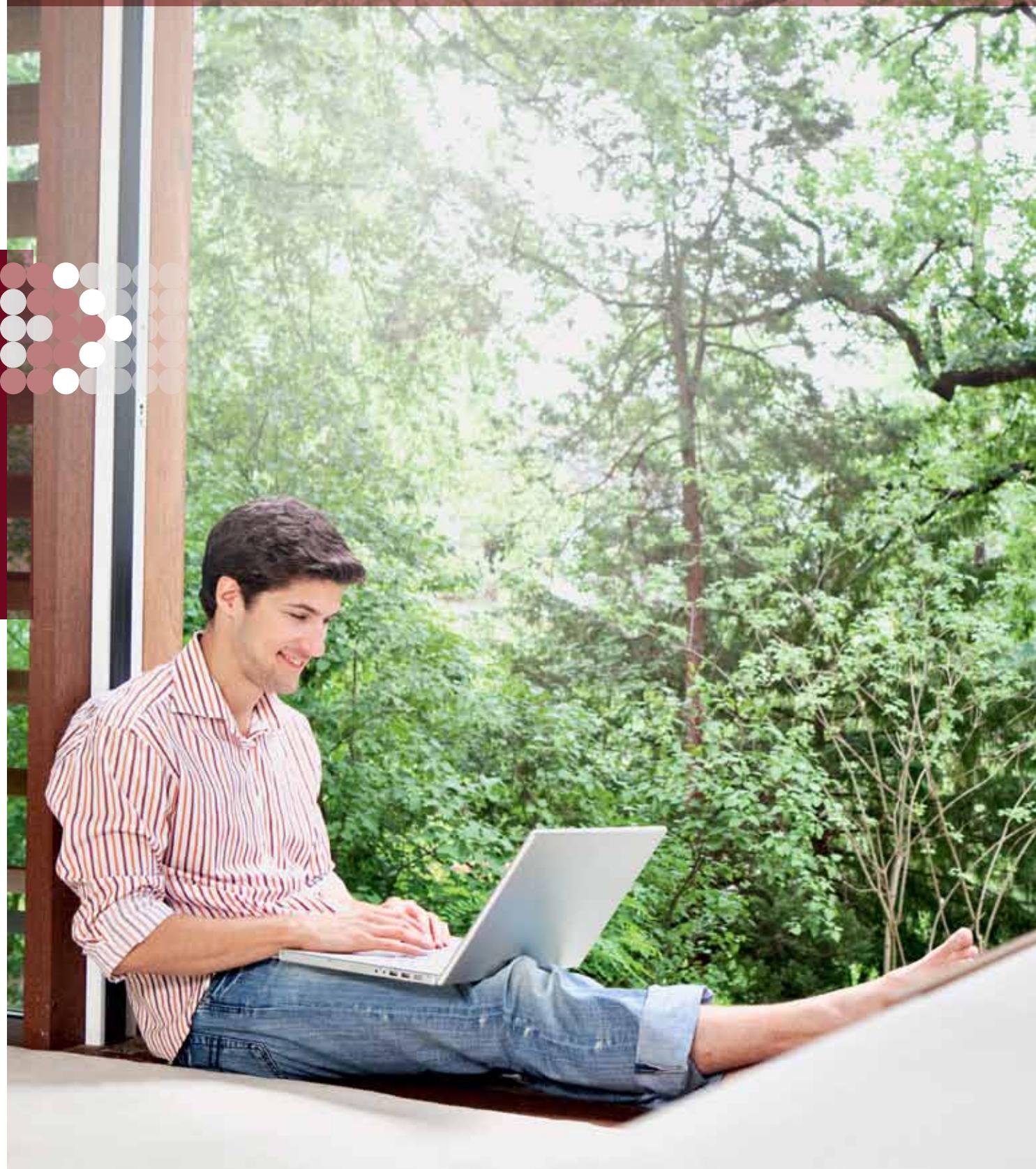


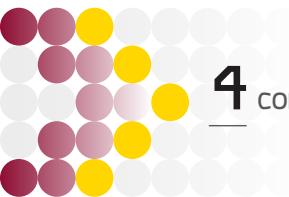
**4.2** Human resources



**4.3** Quality

## 4.1 Corporate responsibility





Telenet concludes that its own development, which has taken on remarkable proportions since the company was first formed in 1996, brings with it greater responsibilities in terms of sustainable enterprise. This is also demanded by developments in society. Corporate responsibility was expressed in two clear directions as per tradition. The first was the Samen Groen program to minimize Telenet's ecological impact. The group also launched numerous initiatives to expand its role as a socially responsible company.

## LEAP

New for 2010 was the development of an overall strategy gathering together the various focus points of a modern sustainability program to produce a general corporate direction and approach. The purpose of LEAP (Linking Environment And Profit) is to establish Telenet's sustainable character as a company and a brand to an even greater degree and promote the positive commitment of its employees.

LEAP is built around the following three themes:

- **Connect:** creating digital opportunities is the keystone of Telenet's social commitment. Everyone must have the opportunity to access the new telecom possibilities resulting from the creativity and technological development facilitated by Telenet.

- **Care:** Telenet bears responsibility for the community in which it operates and wishes to give attention in the long term to the social needs of all stakeholders, including employees, customers and others.
- **Cascade:** Telenet is a pioneer in corporate responsibility and as such wants to contribute to the integration of sustainability in the daily life of its main stakeholder groups.

These principles have been put into practice in action plans, the performance of which is assessed against stringent KPIs. They are expected to help Telenet achieve its ambitious objectives by 2015:

- **Committed employer:** Telenet wants to score in the upper quartile of the Dow Jones Sustainability Index (DJSI) with regard to social performance.
- **Environmental stewardship:** Telenet wants to further reduce its carbon emissions to the level at which it can call itself a carbon-neutral business.
- **Enhanced customer loyalty:** a 20% improvement in Telenet's citizenship score.

The LEAP objectives have been set out in a charter signed by the entire Executive Team.





## Environmentally friendly growth

### Climate Neutral mission

Reducing the ecological footprint in 2010 was a prominent goal in Telenet's sustainability program, in line with the goals of the Samen Groen plan, which was rolled out in 2009 in a close partnership with main shareholder Liberty Global. Since mid 2008 Telenet exclusively consumes green energy and numerous initiatives were launched in 2009 and 2010 to drive down carbon emissions even further.

Permanent awareness campaigns within the company have resulted in a striking number of initiatives and inspirational actions on various themes, including energy consumption, mobility, network efficiency and management of premises and spaces. These efforts produced promising results. The ratio of carbon emitted to operating income improved by 2% in 2010 (see figure).

### // Main achievements in environment and carbon emissions

#### Set-top boxes:

Set-top boxes are assembled in the Czech Republic, which means they can be transported from the production plant in the Far East by sea, which produces significantly lower carbon emissions than air transport.

The new set-top box comes in a smaller box, which reduces the required transport capacity. A task force is also working on a new packaging concept, made from material with higher environmental credentials and comprising fewer superfluous parts.

Virtually all set-top boxes (and modems) are reused; the remaining articles are recycled by an accredited firm. This intensive reuse resulted in a 374-ton reduction in waste in 2010.

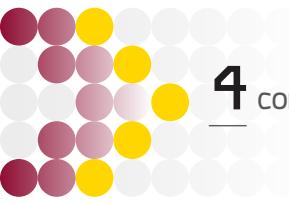
#### Electricity:

The Hostbasket datacenter achieved its ambitious targets for 2010: 18.9% virtualization, 40% e-invoicing and power usage effectiveness of 1.63.

Telenet has consumed green energy since mid 2008. Hostbasket followed suit on January 1, 2010 and Belcompany in September 2010. Energy consumption in 2010 was approximately 65 MWh, which resulted in a 12,515 tons reduction in carbon emissions compared to 2007.

The purchase of innovative turbo compressors, the use of free-cooling and the introduction of a sleep setting for the climate chambers in 2010 will produce an annual saving of 900 MWh.





## Material and reuse:

Targeted campaigns encouraged customers to switch to e-billing. The target to double the number of customers registered for e-billing compared with 2009 was achieved. By the end of 2010, 800,000 residential customers – 40% of the total – received their bill electronically. This will save an additional 250 tons or so of paper in 2011.

With the switch to FSC paper for internal use, Telenet exclusively consumes FSC paper since May 2010. Based on the consumption of 25,000kg of paper in 2009, this produces a saving of 5 tons of CO<sub>2</sub>. FSC paper has been used for marketing matter since 2009, representing a saving of 250 tons of CO<sub>2</sub>.

The reduction in the number of pages and the use of thinner (FSC) paper for the PRIME guides produces a saving of 39 tons of paper.

The new printing contract was awarded to two printers committed to reducing their environmental impact, for example by purchasing new machines, using green energy and organizing more efficient transport.

Every year 20% of Telenet's computers are giving a new lease of life, among other things in Telenet Foundation projects and through PC Solidarity.

## Mobility and transport:

Telenet is one of the four Belgian participants in a three-year test program of the Toyota Prius Plug-In, a hybrid car that can run on both gas and electricity.

Rental bikes provided by 't Atelier, a sheltered workshop, have been made available to sixty train commuters to cover the journey between Mechelen station and the Telenet offices. 't Atelier also takes care of servicing.

Various initiatives have been launched within the company to reduce car use. The Finance department achieved its target of a 10% reduction in commuter journeys by car in 2010. At Supply Chain and Procurement 40% of commuter journeys in 2010 were not by private car.

The participation of 91 employees in the Kyoto project produced a carbon emission reduction of 5,752 tons.

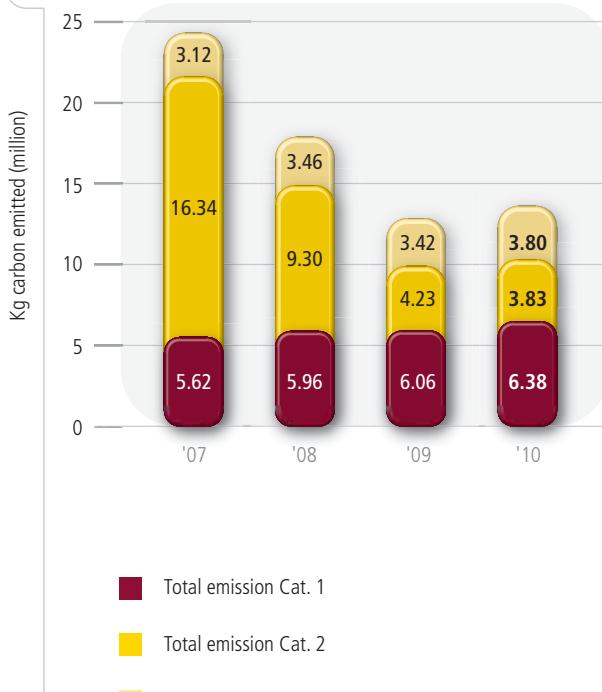
The Telenet fleet is gradually becoming greener. Since April 1, 2010 employees with a company car can choose a model that emits less carbon.

The proceeds of the end-of-year campaign was given to '1 miljoen bomen voor Vlaanderen' (A million trees for Flanders). Customers sent their season's greetings to family and friends through Facebook. Telenet donated 50 cents to '1 miljoen bomen voor Vlaanderen' for every greeting, which paid for 10,000 trees.





### → // Telenet emission by category



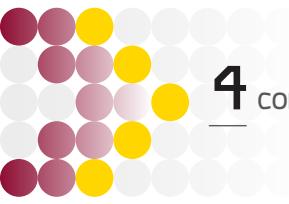
Since the spring of 2010 Telenet supports recreational mountain biking alongside professional cyclo-cross. When organizers rebrand their race as a *Telenet Mountainbike Tour* they receive both logistical support and a social and green program. Participants get a bio-bottle and the satisfaction of knowing they are supporting Bonjour Afrique, a project to build a school in Senegal, for which cyclo-cross specialist Tom Meeusen is the proud ambassador.

### Explaining our CO<sub>2</sub> footprint

At Telenet we catalogue our footprint in three main categories, in line with the World Business Council for Sustainable Development Greenhouse Gas Protocol.

- Category 1: direct energy sources, such as fuel (petrol, diesel, fuel oil etc)
- Category 2: indirect energy sources, such as electricity
- Category 3: other energy sources, such as business trips and commutes

In 2010 CO<sub>2</sub> emissions in categories 1 and 2 was 10,207 tons. With the addition of category 3, our total CO<sub>2</sub> emission was 14,007 tons. Telenet's total CO<sub>2</sub> emissions have fallen by 44% since 2007.



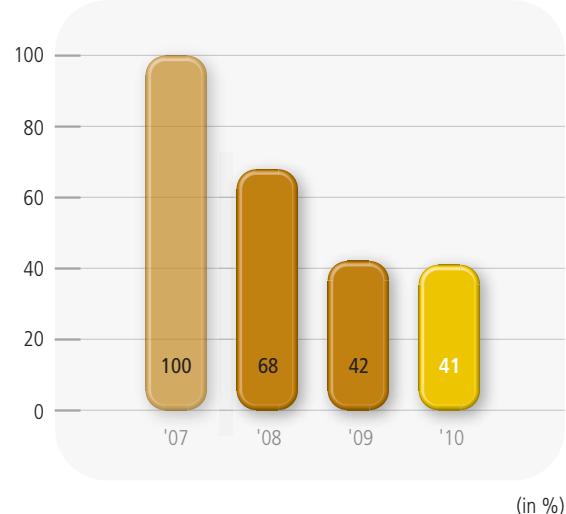
The slight rise in the emission compared with 2009 (2% or 297 tonnes of carbon) is due in part to the expanding customer portfolio and the growth in the operating activities.

In terms of carbon efficiency, a measure of emission to operating revenues, Telenet actually achieved a 2% improvement in 2010 compared with 2009. Carbon efficiency has improved by 59% since 2007.

The ecological footprint was calculated for all Telenet activities, including Hostbasket, Interkabel and Belcompany. The Hostbasket, Interkabel and Belcompany figures for 2007 and 2008 were included in the group figure, as if these companies were part of Telenet at that time to enable an accurate comparison of the annual change in the ecological footprint. In reality, Telenet did not acquire Hostbasket until early 2008 and the agreement with Interkabel was not concluded until mid 2008. Belcompany was acquired in June 2009.



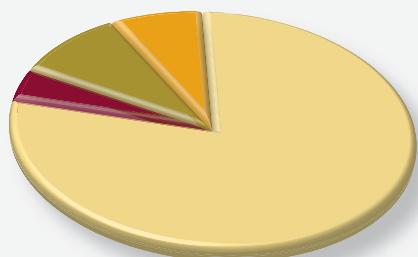
#### // Telenet carbon efficiency index





## // Total contribution in 2010

(including cash, time, gifts in kind and management costs)



- Cash 78.4%
- Voluntary work by employees 4.4%
- Contributions in kind 9.8%
- Management costs 7.3%

## Telenet's social role

### Telenet Foundation, creating digital opportunities

As a telecommunication company, Telenet has a key role to play in developing the digital society. Technological advancement and digitization are given even greater prominence with the introduction of Fibernet and the new possibilities Digital Wave 2015 will open up. At the same time, Telenet realizes that digitization can be a social trap for people unable to keep up with technological advancement for any reason.

Too few underprivileged young people have no access or too little knowledge of today's information and communication technology. This only perpetuates their social difficulties. That is why the Telenet Foundation supports initiatives to bridge the digital gap every year. The projects are based in Belgium and abroad, but they all share the same main goal of helping young people to get online.

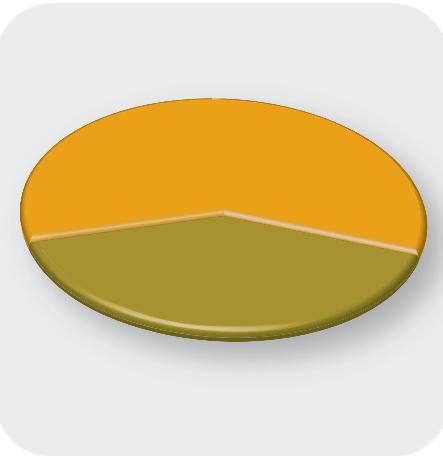
The Telenet Foundation's mission is to bring modern information and communication technology within the reach of all its target groups. The official website is at [www.klikmee.be](http://www.klikmee.be). The Telenet Foundation has helped 90,000 primarily young people get online between 2006 and 2010. (Source: Why5 Research)

Since being formed in 2007 the Telenet Foundation has received almost 1100 project applications, around 80 of which receive active support. These have been funded to the tune of over € 1.5 million.



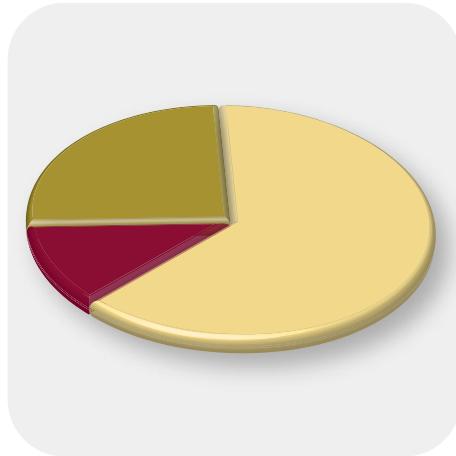


### → // Why we contribute



- Investments in community 59.1%
- Charitable gifts 40.9%

### → // Contributions by theme



- Child-raising and young people 63.2%
- Health 11.3%
- Emergency assistance 25.4%

Research shows that:

- 75% projects did not exist before receiving funding from the Telenet Foundation
- 95% of projects remain active after receiving support from the Telenet Foundation
- 65% of projects are now viable without further funding from the Telenet Foundation

The Telenet Foundation is delighted to see its funds for 2011 substantially increased by a considerable personal contribution by the CEO of Telenet NV.

Telenet employs the London Benchmarking Group (LBG) model to measure its support to social organizations and charities. The LBG model enables standardized measurement and management of a company's social engagement. In 2010, the contribution in cash, time and management was € 1,378,275.





## PC SOLIDARITY

POWERED BY CLOSE THE GAP

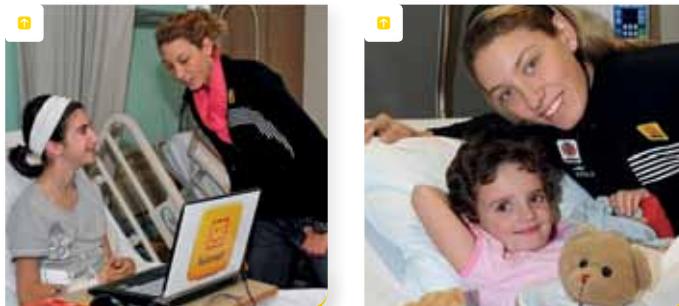


### PC Solidarity

In 2009 the Telenet Foundation formed a partnership with PC Solidarity, which reconditions computer equipment donated by companies and gives them a new lease of life at social organizations. As in the previous year, in 2010 the Telenet Foundation contributed to the donation of 250 personal computers with an overall value of 50,000 euros, which were distributed to various NPOs in Belgium.

### My Zone by Telenet

Chronically sick children who are hospitalized for a protracted period fall out of the digital boat. One of the major initiatives of the Telenet Foundation is the My Zone project. Active chat sessions are set up with Cliniclowns using laptop, webcam and internet connection. The project ran in eight hospitals in 2010. It will be rolled out further in 2011. Telenet ambassador Yanina Wickmayer gave her active support to My Zone in 2010 with a visit to the hospitals involved in the project.



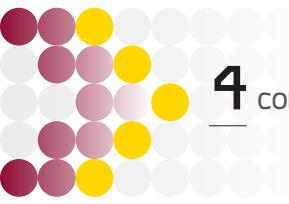
### Bonjour Afrique

Bonjour Afrique is a striking international project in which a group of Telenet employees implement initiatives in Senegal to help bridge the digital gap. The project will continue in 2011, its fourth year. Achievements include the building of a school in Medina Gounass (Dakar), the establishment of a computer and educational training courses centre and an agricultural project in Sindia.

### Haiti Lavi

Telenet also showed its solidarity with the people of Haiti after the earthquake and subsequent humanitarian disaster there at the beginning of 2010. In addition to money Telenet also provided technological support during the Haïti Lavi 1212, a live TV benefit show jointly broadcast by public and commercial stations. Many Telenet teams worked in their area of expertise to ensure the show was a rousing success.





## Klik Mee

The Klik Mee campaign was launched in November to raise awareness of the digital gap and the work of the Telenet Foundation. Anja Daems and Ben Roelants spent the day at Ghent Sint-Pieters station interviewing famous guests, including Yanina Wickmayer, Ianka Fleerackers and mayor Termont. The aim of the event was to raise awareness of the digital gap and get people to visit the campaign website. The Byte Me! youth project received one euro for every click registered at [www.klikmee.be](http://www.klikmee.be).

## Byte Me! and Jeugdwerknet VZW – Ghent

*Byte Me!* is a project for socially vulnerable young people. Jeugdwerknet's aim is to help members of this target group to learn the skills they need in the information and communication society within the framework of the NU game, a technology-based game. Telenet's aim is to support and assist youth workers in accordance with the train-the-trainer principle so they are able to give a more advanced workshop as well as training interested Jeugdwerknet volunteers and trainees to work with the target group.



## Start2Surf@home

One in three inhabitants of Belgium still do not have an internet connection. With this in mind, federal ICT minister Van Quickenborne launched Start2Surf@home, an initiative offering a low-cost computer and internet package. With Start2Surf@home the federal government wishes to give everyone access to a computer and internet. Telenet is playing its part too. A good low-cost Start2Surf@home internet package is made available, thanks to the consortium that Telenet formed with Voo and Numericable. The package includes a laptop and a basic internet subscription, so that the less well-off in Belgium can also take advantage of what the web has to offer.

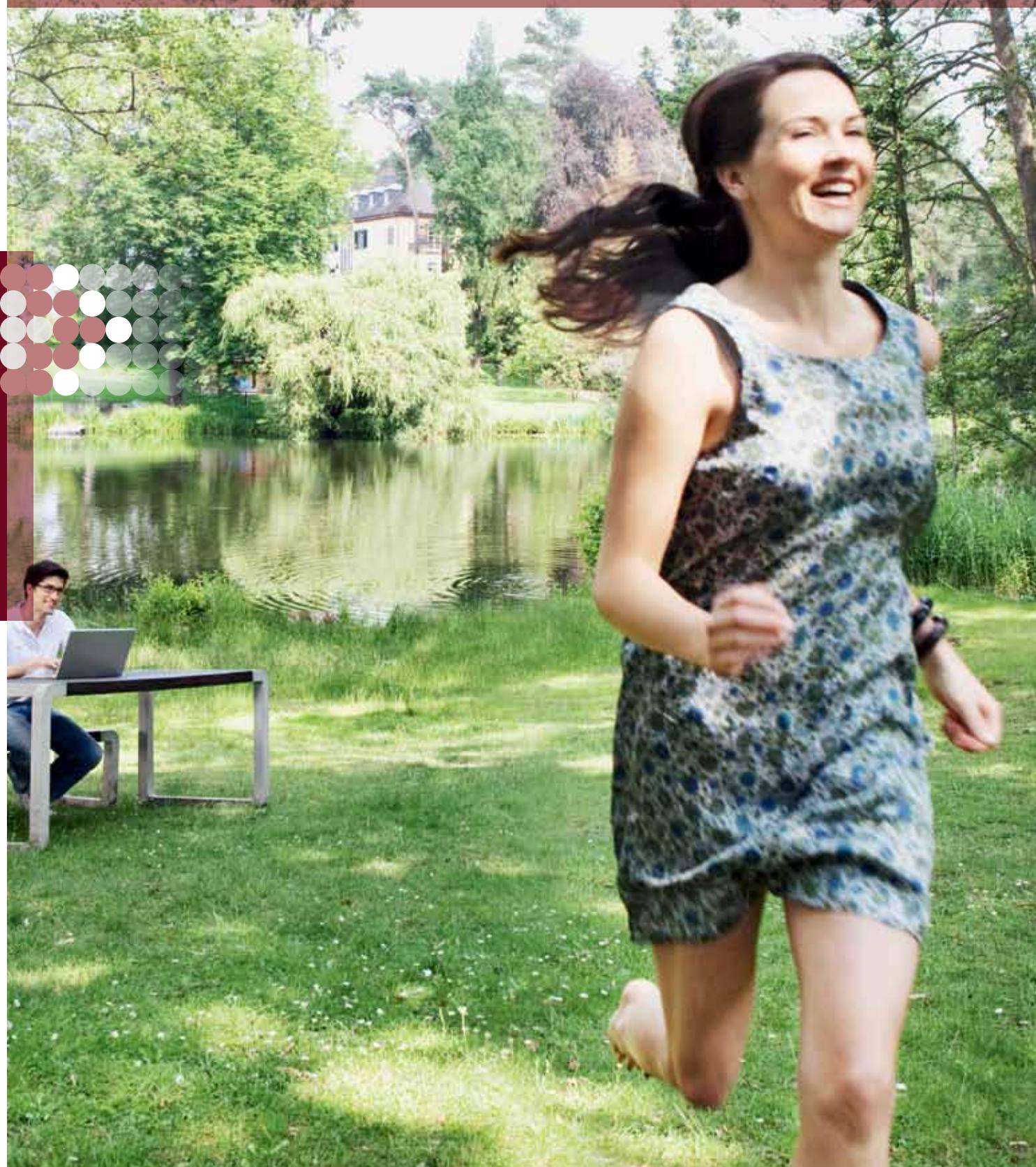
In addition to the above projects Telenet supports dozens more initiatives every year. A focus on charity is in fact part and parcel of the Telenet philosophy with respect to all sponsoring projects. In that way Telenet wishes to fulfill its social role and enthusiastically take up its responsibilities as a corporate citizen.

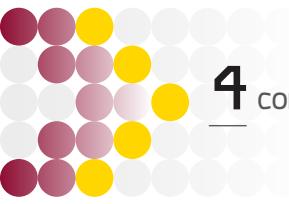
## SOS Kinderdorpen is getting strong support from Kim Clijsters

In addition to her work as Telenet ambassador, Kim Clijsters recently began supporting SOS Kinderdorpen. Kim got the partnership off to a fantastic start, presenting a cheque for 100.000 euros – a great way of investing part of her Telenet sponsorship fee. With this gesture, among other organisations Kim is supporting the Simbahuis in Liedekerke, which helps families get through difficult situations. Kim's aim is to provide not only financial but also moral support, by dropping by from time to time. She'll also bring her daughter along to play with the other children.



## 4.2 Human Resources





Telenet has experienced exponential growth since its formation. The fast rise in the number of employees has demanded the comprehensive professionalization of HR in recent years. The human resources policy has evolved from a purely administrative staff management to a comprehensive internal service provider. It plays an active role in the company's development. HR at Telenet is based on the traditional foundations of staff policy, including recruitment and training. These are complemented with a number of eye-catching Telenet initiatives that reflect our dynamic character in this area too.

## Recruitment

Telenet's unrelenting growth led to the creation of additional jobs in a range of fields in 2010. 300 hundred people were hired in total, which was slightly more than the 2009 figure. The overall workforce increased to 1,898 employees. The main source of job creation was the expansion of the regional call centre network and the growth of the B-to-B segment. As a large, dynamic company Telenet has an uninterrupted flow of vacancies at all levels.

Uniquely, Telenet does not hire only through the established channels; alternative sources are also used. Employees can make an active contribution to Telenet's hiring efforts through the Refer a Friend program, which stimulates mutual involvement and motivation. In 2010 this led to the hiring of 35 employees, which consolidates the referral program's status as its most important recruitment channel. The aim is to increase this percentage in the future. Other alternative sources were also used more actively for hiring purposes in 2010, including social networking sites.

### // Man Bijt Hond

Five call center advisors were given the opportunity to present their job in an informal way in an item on the popular Belgian TV show *Man Bijt Hond* on November 1, 2010. The aim was to get people interested in applying for a similar vacancy. The show was a big success. Five advisor vacancies were filled not long after the broadcast.

In-house one-day recruitment events were also organized for Telenet hiring purposes. The entire selection process is run through at these events, together with relevant keynote speakers (like Peter Hinssen on the IT Recruitment Day). Dozens of people were hired for the call centers and the IT department through these events.

The internal rotation system is another way to fill vacancies. As a dynamic company Telenet wants to ensure its employees have every opportunity to realize their potential. The possibility of internal job rotation helps employees gain the hands-on experience they need to grow and remain motivated. One in three vacancies in 2010 were filled internally.





Change to improve  
Care to grow  
Cooperate in trust  
Passion to deliver



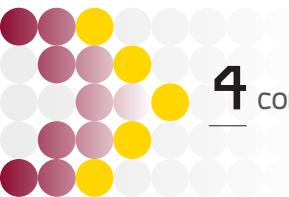
## Training

Telenet's training program comprises an array of internal and external trainings. There were more training days in 2010 than in the preceding year, excluding the Windows Vista courses in 2009. The range of courses was also expanded, including courses on such themes as mindfulness, people management and business writing. Alternative forms of learning were also utilized, including corporate theater, role-play and individual coaching sessions. The courses were linked to the competence model comprising the key competences for all Telenet employees. The competence model was actively integrated in the HR process in 2010, giving it an important position during hiring, personal assessments and identification of personal training needs.

The personal development plan is as important as the training program. These plans are also linked to the competence model, providing both technical and non-technical training. By the end of 2010, 500 personal development plans had been registered. The goal is for all Telenet employees to have a personal development plan in the long run.

## Performance management

Like both the hiring strategy and the training program, the assessment system is also based on the competence model. There are two main opportunities to monitor and assess day-to-day performance. One is the annual assessment, which examines



the personal goals over the year and how employees put the Telenet competence model into practice in more depth. An interim talk is also scheduled in the middle of the year. Employees also have the opportunity to assess their line manager's coaching style using the coaching compass, a significant barometer of the leadership style of group managers and the foundation for initiatives undertaken by those managers to improve their coaching skills. The coaching compass survey is held twice a year.

The bonus system linked to the assessment is influenced not only by how personal goals have been achieved but also by Telenet's collective performance, including the customer loyalty score. This has a 40% weighting in the management bonus scheme, which clearly shows how important Telenet rates customer loyalty.

## Telenet, a company of and for people

Telenet shows the same dynamism as an employer as it does in its expansion policy. Employees are given plenty of challenges, development and training opportunities and a stimulating, young, dynamic atmosphere dominates the work floor. Internal promotion is highly prized and stimulated by the large number of jobs at the many levels in various fields. People seize their career opportunities and at least one in three advance. The key success factors are proactivity, team spirit, integrity, dedication and customer focus. These are qualities that ensure optimal customer satisfaction at every level.

## // Workforce year-on-year

YEAR	NUMBER OF EMPLOYEES (*)
2007	1,687
2008	1,716
2009	1,817
2010	1,898

\* The number of employees is based on the number of persons on a fixed contract, regardless of the nature of the contract.  
Telenet also employs around 1,000 external employees in contact centers and other service jobs.





## // Workforce by gender

NATURE OF THE JOB	MEN	WOMEN
Total group	65%	35%
Managers	71.5%	28.5%

## // Average age in years

GENERAL	MEN	WOMEN
37.35 [*]	38.82	34.61

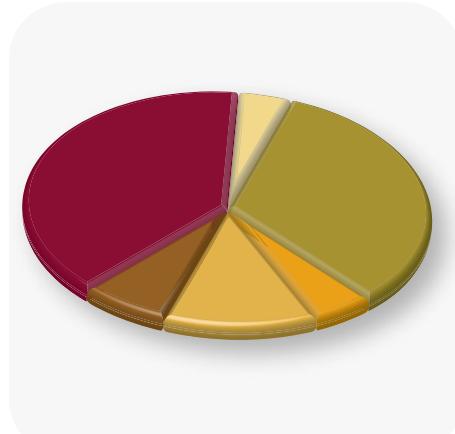
\* A slight fall compared with 2009

## Workforce by skills domain

As a technology company, Telenet is obviously very concerned about ensuring that the technical profiles within the company are filled optimally. But Telenet has a lot more to offer. The workforce is made up of employees in many other skills domains. The intensive efforts invested in customer service and satisfaction in recent years, for instance, have led to a significant rise in the number of staff at the regional call centers.



## // Workforce by skills domain

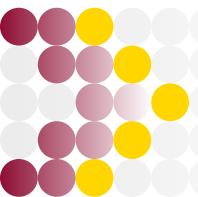


- Engineering & technical profiles 33%
- Sales & customer care (including contact centers) 39%
- Marketing & product management 5%
- Staff & administration 12%
- B2B 7%
- IT 4%

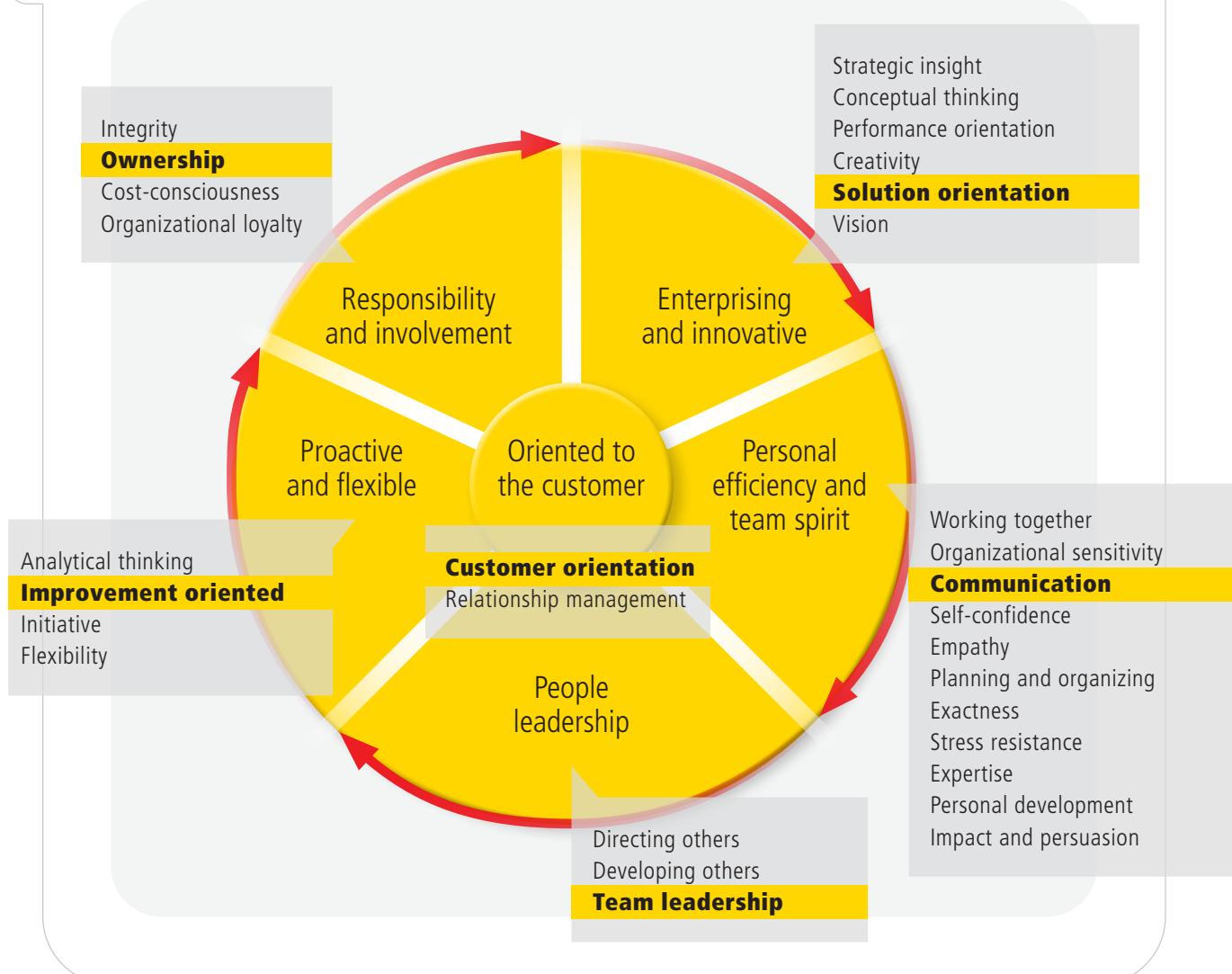
## Telenet leadership model

As part of an in-depth study, Telenet has identified the thirty key skills important to all employees. These can be classified in one of six skills clusters, as shown in the figure below. The competence model has played a central role in Telenet's hiring policy since 2010. It is the foundation of the personal training program and the performance management cycle. One competence has been pushed forward in every cluster, combining to form the set of six main competences.





→ // The 30 Telenet skills



## 4.3 Quality





## Focus on customer loyalty

Quality is a popular concept that numerous companies wish to leverage to differentiate themselves from their competitors. At the same time, quality is often an abstract thing that is difficult to measure.

Telenet has made the quality of its products and services one of the most important strategies in efforts to assure the future of the company. At the same time Telenet wishes to guarantee quality by converting the abstract concept of quality into measurable parameters.

In 2009 the quality experience was converted into a customer satisfaction rating, which was determined on a monthly basis by the marketing department in association with the third-party experts. The concept of quality was broadened in 2010 and replaced by the customer loyalty score. This rating still takes customer satisfaction with regard to technical and content matters into account, but the aim is to take the pursuit of quality to a new level, so it can be applied in all echelons of the company.

The importance of service quality in Telenet's corporate philosophy is clearly illustrated by the integration of the customer loyalty score as a parameter in the bonus system. A significant percentage of the total amount in potential bonuses awarded to Telenet managerial staff is directly linked to the company's customer loyalty score.



In 2009 Telenet launched a program to convince its employees of the need for quality in everything they do and the critical importance of customer service in particular. The Customer Certificate now has a permanent place in HR policy. The aim is to assimilate the pursuit of better and better customer service as a central theme in day-to-day operations.

To ensure the success of the program, all employees are expected to gain intensive experience in a job that entails direct contact with customers over a certain period. That gives all employees a tangible sense of what customer satisfaction means in practice, especially those who have direct contacts with customers on a daily basis.

91% of employees were awarded the customer certificate in 2010, a sharp rise compared with the previous year. Opportunities to gain the certificate were increased somewhat and this trend will be continued in the future. Following discussions in the new social media is a potential way for Telenet employees to gain an understanding of how the company is perceived by customers and the market in general.





## // GRACE

Telenet has launched various programs to further improve the customer loyalty score, which is already at a satisfactory level in several areas, and to raise the bar in terms of targets across the board. The company also wants to adopt a mindset promoting transparency with regard to customer loyalty results.

Within this context, Telenet contributes to the charter submitted to all telecom operators at the beginning of 2011 on the request of federal business minister Van Quickenborne, the aim of which is to make customer service a priority. The charter, which was drawn up by consumer organization Test-Achats and the Radio1 show Peeters & Pichal, is expected to reduce call centre and helpdesk waiting times in the long run.

In 2010 most technical customer support was web-based. The online support site was rebuilt from the ground up, offering searches to common fixes based on key words, which contributed to the growing number of web-based customer contacts. Just 16% of all customer contacts were by phone, but Telenet embraces the principle of customer satisfaction in that channel too.

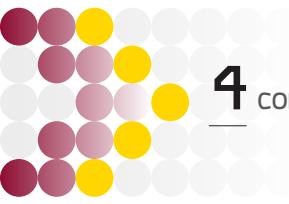
Telenet has launched the GRACE program, which focuses on further improving customer satisfaction based on phone calls, most of which come in through the call centers. These calls relate to technical aspects, content and the commercial offering.

GRACE – Getting the Right Appreciated Calls Every time – was launched by Telenet in 2010 and applies to the entire company. The goals are driving down the number of calls and raising efficiency when it comes to resolving issues or proposing solutions.

In 2010 Telenet managed to achieve a drop in the number of incoming calls for the first time, despite a history of increasing calls as the company and the customer base have grown. By offering customers solid 'self-care' options for potential issues and providing an effective solution during the initial call – the first time right principle – Telenet has targeted a continued reduction in the number of calls.

## // SPEAKING WITH ONE VOICE

Telenet currently has more than 2,600 direct and indirect employees in daily contact with customers. It is important that all these people speak with the same voice. With this in mind, Telenet has invested strongly in the further expansion of a scripting system.



Customer satisfaction is also influenced by how long you have to wait until your call is taken. Telenet has set ambitious targets with regard to both call response time and limiting the number of times customers are patched through to another person. They are expected to further improve efficiency and have a positive impact on customer satisfaction.

### ACHIEVEMENTS IN 2010

**69%** of calls were answered within 30 seconds

**77%** of calls were answered within 120 seconds

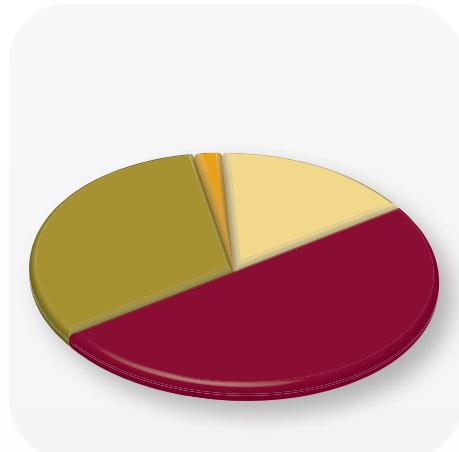
### TARGETS FOR 2011

**80%** of calls answered within 30 seconds

**90%** of calls answered within 120 seconds

Lastly, in 2010 Telenet set up a steering group to draw lessons from an intensive analysis of calls with the aim of working further on improving internal operations and formulating precise, permanent fixes for any recurring complaints.

→ // Number of contacts by channel



By phone 16%

Mijn Telenet 50%

Online Support 32%

Social Media 2%

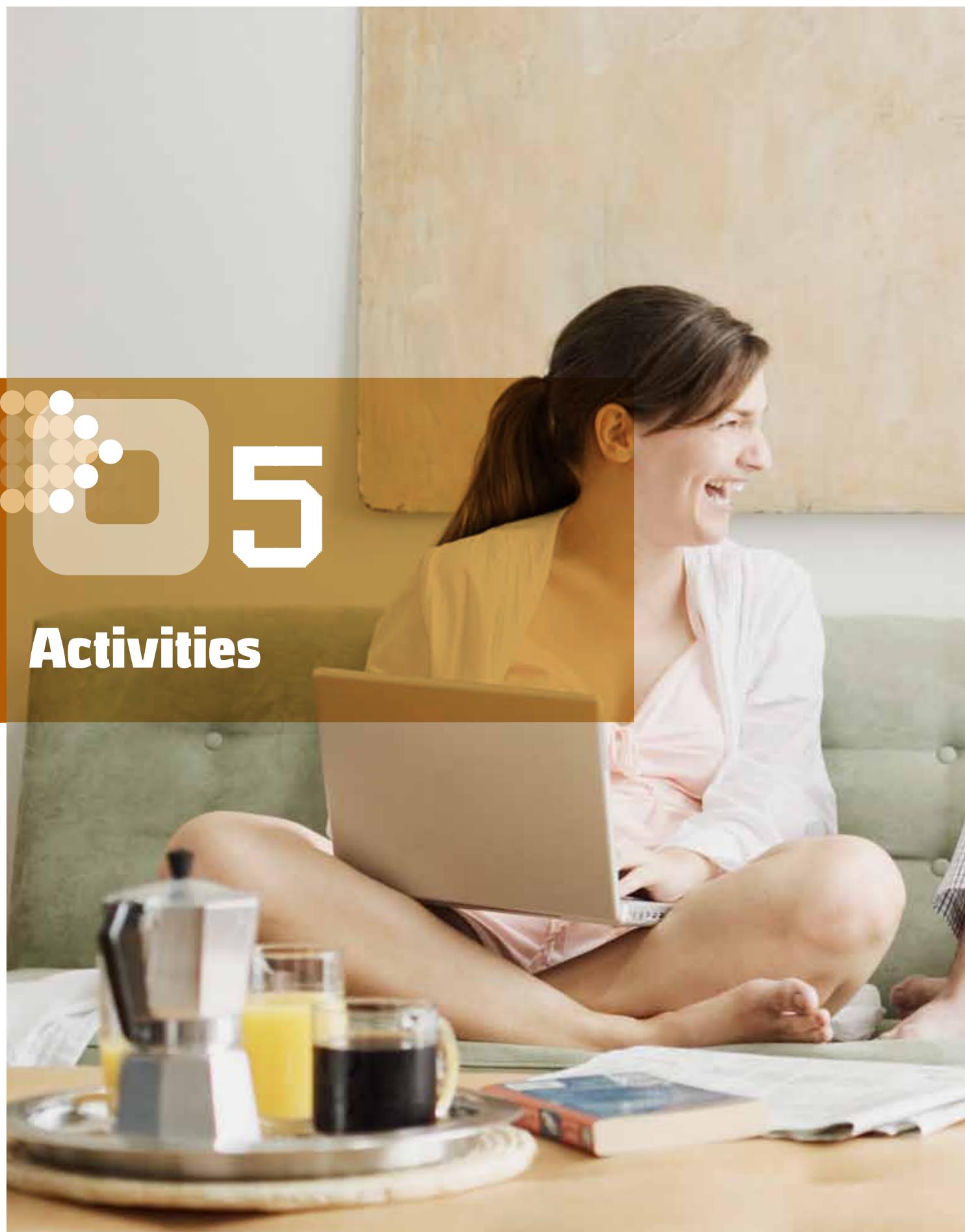
In 2011 Telenet will make further investments to increase its presence in new channels, such as Twitter and Facebook. Social media is a new customer service opportunity for Telenet, enabling customers to share their experiences of products and services, help other customers, launch new ideas and access additional information on facilities and functions.

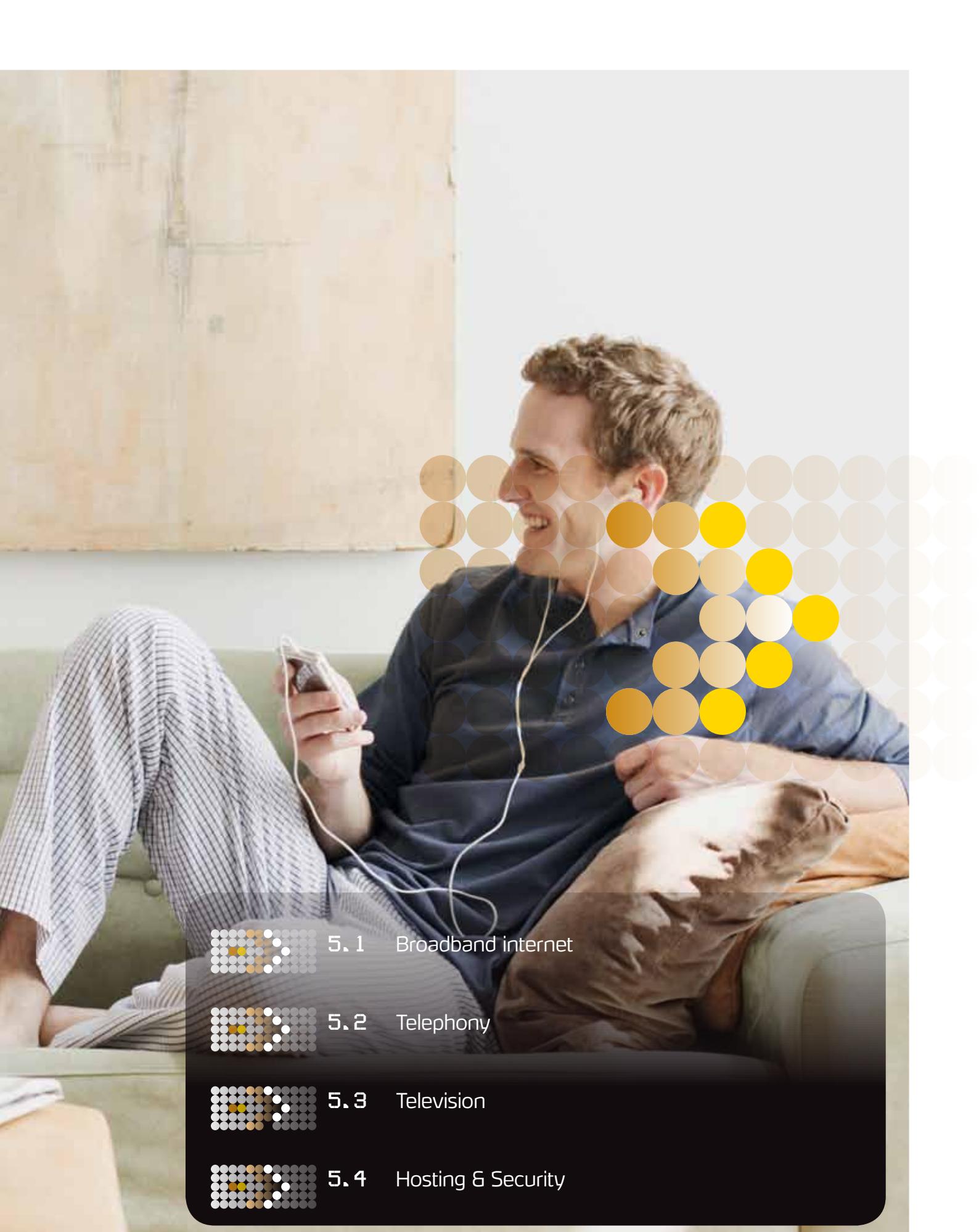




5

## Activities





**5. 1** Broadband internet



**5. 2** Telephony



**5. 3** Television

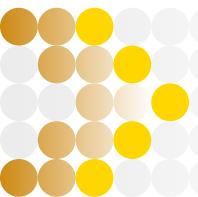


**5. 4** Hosting & Security



## 5.1 Broadband internet





Broadband internet was one of the first operational activities to be developed by Telenet. The fiber network and coax cables enabled Telenet to market the fastest internet connections around from day one. To fulfill the expectations of today's dynamic customers speeds and volumes have been continually improved in recent years. That has enabled Telenet to reinforce its leading position in this area. Thanks to Telenet's efforts Belgium is now one of the global leaders when it comes to connection speeds.



## Associated services

Telenet provides not only high-speed web access, but also associated services, such as hosting, anti-spam and anti-virus protection. By raising awareness among parents, Telenet wishes to contribute to ensure that children are kept out of harm's way when they are online.

## Business Solutions

Specifically for businesses, Telenet markets internet and data products over various media (coax, DSL and fiber). The offering is tailored to the needs of the sector, including full solutions with respect to internet connectivity and secure networks for companies working out of multiple sites.

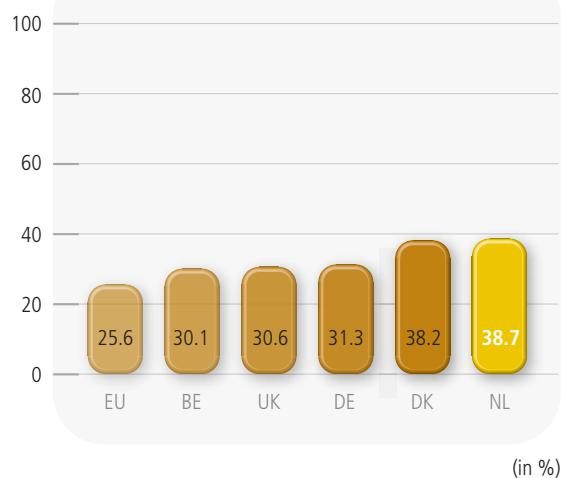
**Fibernet** Internet tegen lichtsnelheid, nu voor iedereen.

info en voorwaarden op telenet.be

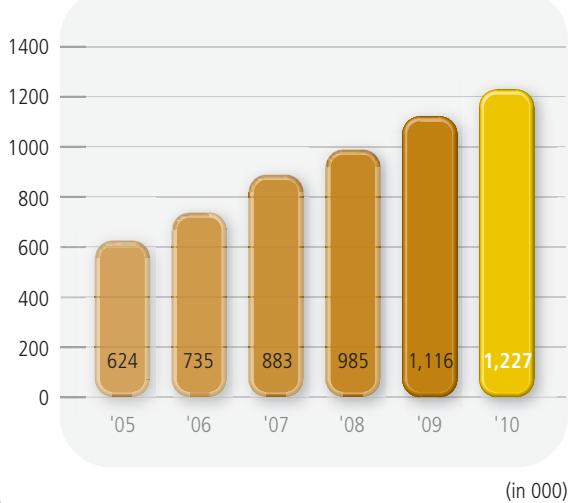




## // Broadband penetration per inhabitant



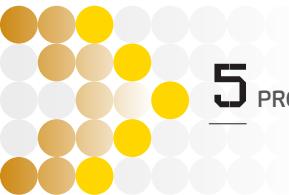
## // Broadband internet customers



## Broadband penetration

The quality of the broadband offering in Belgium has driven product penetration significantly. Belgium is rated very highly in the Broadband Efficiency Index (BEI), which measures the theoretical expected penetration of countries with actual results.





## Developments in 2010

### Subscriber base

At December 31, 2010 Telenet had 1,226.600 broadband internet subscribers, a 10% increase compared with the end of 2009. In 2010 Telenet welcomed a net 110,700 new broadband subscribers, a robust performance given the greater broadband penetration in the geographical market and the strong competition. Annualized customer churn in 2010 was 7.2%, comparable with the previous year.

Telenet attributes this positive operational result to the high speed and improved specifications of its broadband products compared with competitor technologies.

### Product range

The current product range is focused on the low end and high end of the broadband market. The entry-level product Basicnet with a download speed of 4 Mbps is specially designed for customers who are taking their first steps online. At €18.90 per month it is also one of the cheapest internet packages in Europe.

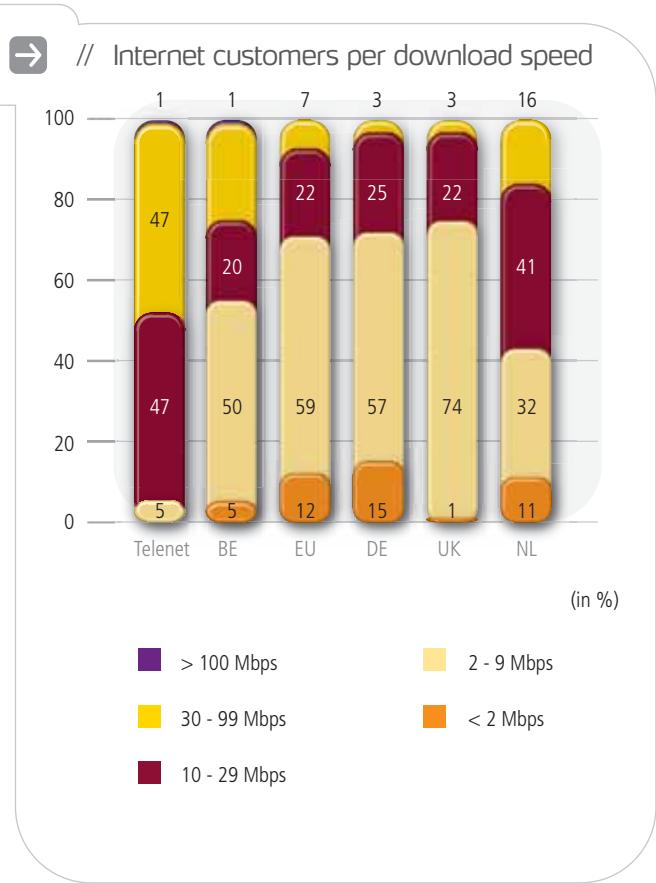
In response to the increasing demand for more broadband, which is needed to guarantee simultaneous online access to an increasing number of devices, and the rising consumption of online video services, last year Telenet raised the specs of its existing broadband products and introduced some new ones.

In February 2010 Telenet enhanced its existing broadband products by boosting download speeds and data volumes without raising prices. At the same time, Telenet introduced the first phase of its next-generation broadband internet products based on the EuroDocsis 3.0 technology, which has been implemented across the entire network. With Fibernet Telenet offers the highest download speeds (up to 100 Mbps) in its geographical market.

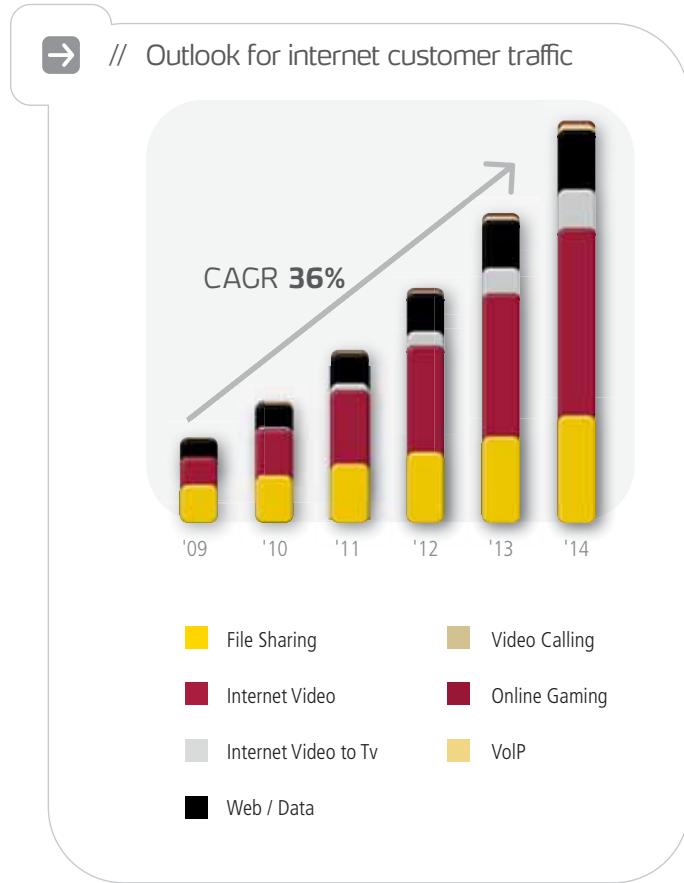
### Turnover

Operating income generated by the 1.2 million broadband internet subscribers rose by 6% from € 402.0 million in 2009 to € 426.7 million in 2010. In the fourth quarter of 2010 income from residential broadband internet was € 105.7 million, which is 2% higher than the same quarter in the previous year. In the fourth quarter of 2010 Telenet generated lower operating income from charges connected to premature contract terminations.

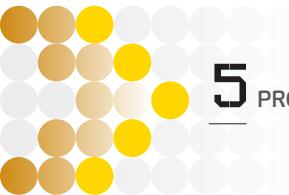




Source: European Commission Broadband survey July 2010, company data



Source: Cisco Virtual Network Index, team analysis



## Prospects for 2011

In January 2011 Telenet totally rejuvenated its product range, and introduced two new products in response to the growing need for powerful super-fast connections, so that every member of the family can go online using various devices at the same time.

With 47% of broadband customers having a connection with a download speed of at least 30 Mbps, Telenet has one of Europe's strongest customer bases.

Although internet penetration in Belgium already exceeds 70%, there is still plenty of potential for growth. The growing number of products needing an online connection and the continued growth of the broadband market will lead to market penetration of at least 90% in the medium term.

Thanks to its Fibernet products, which offer download speeds of between 40 Mbps and 100 Mbps, Telenet is uniquely positioned on the market looking to the future. Customers are increasingly demanding reliable, super-fast broadband connections that allow them to maintain online connections through various devices at the same time. The inescapable advance of online video applications will only increase demand for super-fast internet connections in the future.

### Advanced solutions for businesses

Telenet introduced Corporate Fibernet for business customers in 2011. This revolutionary product is the perfect response to the ever-increasing internet demands of businesses. Corporate Fibernet prioritizes the coax network, with very high guaranteed bandwidths, strict SLAs and specialized business support.

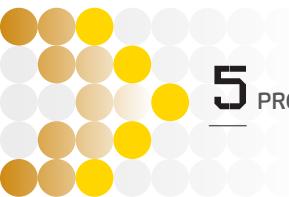
Telenet's IP-VPN offering will be boosted with higher speed profiles and even higher services quality, also via coax. As a result, Telenet is in a position to develop extremely reliable networks by combining different carriers like coax and DSL in a cost-effective way.

For both services Telenet draws on the Eurodocsis 3.0 coax network, with separate network components and frequencies specifically for businesses. This ensures that business customers always have priority and their internet and data traffic is fully separated from that of residential customers.



## 5.2 Telephony





Telenet has been a fixed telephony provider since the end of the Belgacom monopoly in 1998. Telenet has been able to attract an ever-increasing number of fixed telephony customers in recent years despite the shrinking popularity of fixed telephony in favor of mobile telephony. In this virtually saturated market the enlargement of the customer portfolio is mainly explained by the trend in which fixed telephony customers switch to Telenet from traditional competitors.

Telenet typically offers fixed telephony as part of its product bundles. Mobile telephony is a separate range that Telenet only brought to market at the end of 2009 on the basis of a carefully considered, well-balanced strategy.

There is a specific telephony offering for corporate customers comprising traditional solutions as well as options involving advanced IP telephony exchanges (such as SIP trunking via the fiber network).

## Developments in 2010

### Fixed telephony

At December 31, 2010 Telenet had 814,600 fixed telephony subscribers on its network, a 10% rise compared with the end of 2009. It means that the penetration of the total number of connectable households rose from 26.5% at December 31, 2009 to 28.9% at December 31, 2010. The growth in the subscriber base was mainly due to the attractive fixed tariff plans and the continuing success of our product bundles.



Despite the mature nature of the fixed telephone market and the continued growth of the number of households with mobile telephony only, Telenet managed to attract 73,700 new fixed telephony subscribers in 2010.

### Mobile telephony

There was solid growth on the mobile telephony market after entry at the end of October 2009 on the back of the unique tariff plans with subsidized phones. In 2010 the number of mobile telephony subscribers with a postpaid subscription rose by 68,800. At December 31, 2010 Telenet has 198,500 active mobile telephony customers in total, a rise of 54% compared with the previous year.

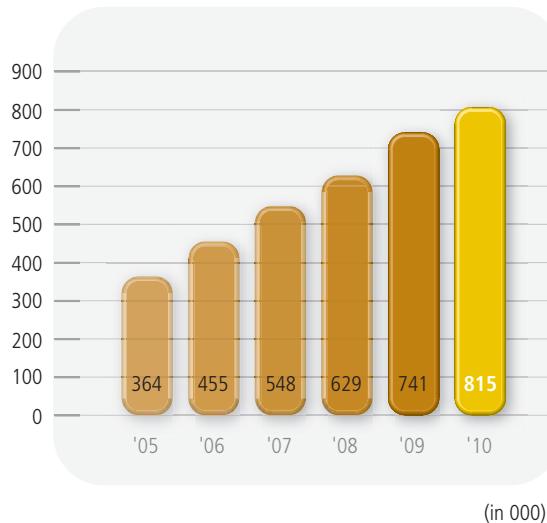
The company believes that this is a strong performance, bearing in mind the focus on the more profitable market segments and the fact that Telenet only markets its telephony services to existing customers within its markets.

The stronger positioning of Belcompany after the acquisition in 2009 and the new focus on the more profitable market segments both drove this growing success.

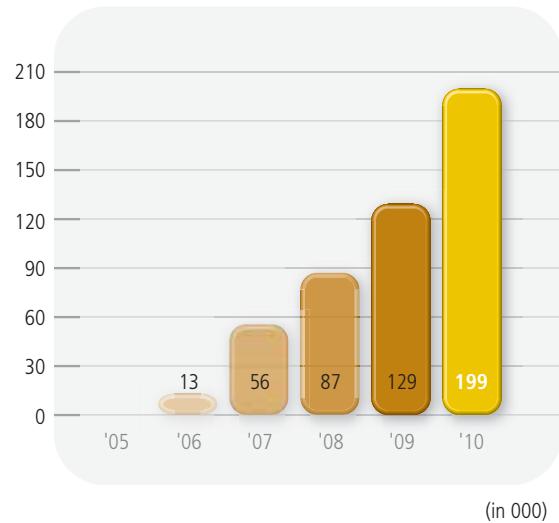




### → // Fixed telephony customers



### → // Mobile telephony customers



In 2010 Telenet added Walk & Talk 30 and 45 to its postpaid tariff plans and increased the data volume of its Walk & Surf subscriber packages. These new plans have enabled Telenet to win market share in the profitable market segments. New mobile phone customers accordingly generate a higher average revenue per user than existing mobile telephony subscribers on older tariff plans. This trend has resulted in a significant year-on-year rise in the average revenue per user for mobile telephony.

In mid October 2010 Telenet became a full mobile virtual network operator and began migrating its more profitable subscribers to this platform.

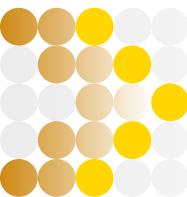
### Turnover

Operating income from residential telephony, which included the income generated by both fixed and mobile telephony, rose in 2010 by € 31.6 million or 14% compared with 2009 to € 255.9 million.

This robust growth was primarily driven by the increasing contribution of mobile telephony as a consequence of the higher number of subscribers with a postpaid subscription and, more importantly, the considerable rise in the average revenue per mobile telephony customer due to more expensive tariff plans among new subscribers. In 2010 operating income from mobile telephony more than doubled compared with 2009, contributing to an increasing degree in the overall growth in operating income.

Operating income from fixed telephony also rose steadily. The higher number of new subscribers was only partially set off by the further fall in the average income per customer from fixed telephony. That rise is attributable to the growing number of customers on a fixed tariff and the increasing share of the product bundles.





### // Mobile telephony and WiFi: the new convergence

Offering mobile telecommunication is an important growth area for Telenet. In 2010 Telenet invested strongly in the expansion of the mobile services package and the technological infrastructure it demands.

The possibilities of mobile telecommunication relate not only to traditional mobile telephony but also increasingly to mobile internet, via both the mobile network and WiFi.

The first step in offering mobile internet was taken with the acquisition of Sinflo in Flanders in 2003. That gave Telenet the possibility of offering wireless online access based on its own technology on a geographical network of public hotspots. The WiFi network currently comprises 1,200 hotspots across Flanders with more being added all the time.

In the longer term, serious thought is going into platform convergence, in which the integration of mobile and fixed telecommunication will play an important role, both at home and on the go. In practice, it would mean that users have access to all services whatever the device, the platform or the location.



The launch of Yelo, which gives users the opportunity to watch TV on other devices than TVs, is a prime example of this. The growing importance of WiFi, which has been put centre stage by the arrival of such devices as the iPad, can also be mentioned in this regard.

The technological platform for mobile services is in development and promises innovations in the foreseeable future.



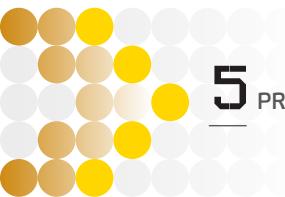
### Prospects for 2011

From mid 2011 Telenet offers businesses the opportunity of connecting telephone exchanges to its coax network. That enables customers to migrate their ISDN-2 services seamlessly while retaining their numbers. A solution will also be marketed for the new generation of telephone exchanges (VoIP-SIP) using the same access technology. Telenet will also continue to work on attractive, competitive tariff plans for the corporate segment.



## 5.3 Television





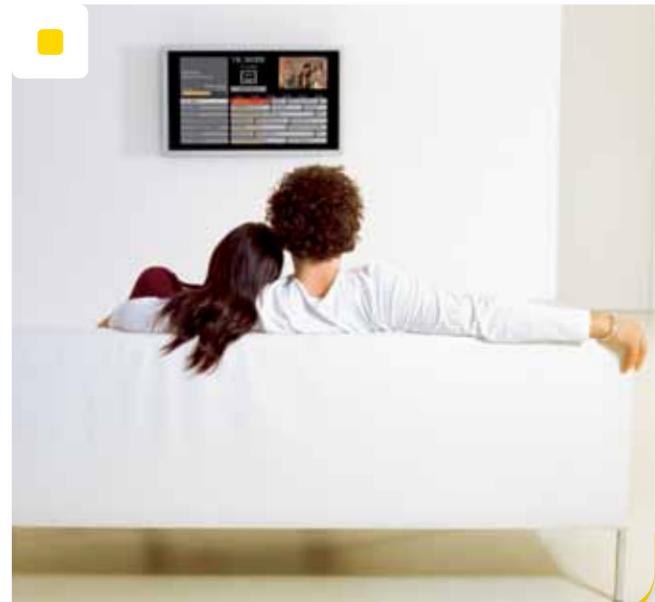
Since the acquisition of the cable network of the mixed inter-municipal companies in 2002 Telenet operates various forms of TV distribution through its cable network. With the acquisition of Interkabel, since the end of 2008 Telenet reaches all of Flanders and part of Brussels through the traditional cable network. However, since 2005 Telenet has shown it leads the field in terms of technology in television distribution with the launch of interactive digital television. With iDTV TV viewers receive an even wider array of technical and content options over and above the basic offering.

A rental model for the hardware needed to watch digital broadcasts (Digiboxes and Dicorders) was introduced soon after launch, to make the switch to iDTV as easy as possible for consumers.

The rental was subsequently integrated in the product bundles, which make the switch even easier. iDTV has clear added value for consumers, who gain access to a large number of TV channels in digital and even high definition picture quality, with the option of ordering additional programs on a pay-to-view basis through the remote. The technical possibilities of the Dicorder and such applications as Video-on-Demand and a PRIME subscription are tailored to contemporary lifestyles, providing the flexibility TV viewers expect.

Since the launch of iDTV Telenet has worked closely with local broadcasters and media production companies to stimulate the production of iDTV applications, enriching the offering and laying the foundations for the further expansion of this business.

This has helped to drive iDTV penetration up to 52% on the Telenet network within around five years.



## Developments in 2010

### Digital & premium TV

#### Subscriber base

The number of digital cable TV subscribers rose by 24%, from a little over one million at 31 December 2009 to 1,241,900 at the end of 2010.

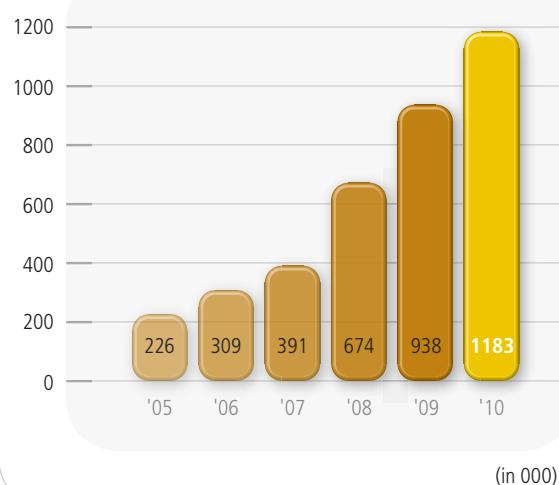
In 2010 the number of Telenet Digital TV subscribers rose by 244,900. Only 2009 saw faster growth, although that was driven by the pent-up demand after the Interkabel acquisition. 21% of the remaining analog TV subscribers switched to digital TV in 2010, which translates as 11% of the total number of cable TV subscribers. This exceeded even the long-term forecasts.

The rate of digitization rose from 43% at 31 December 2009 to 55% at the end of 2010. Looking to the future, Telenet expects the continued migration of subscribers from analog TV to the interactive digital platform to remain one of the main value drivers, bearing in mind that the average revenue per user among digital cable TV subscribers is double that of basic cable TV subscribers.

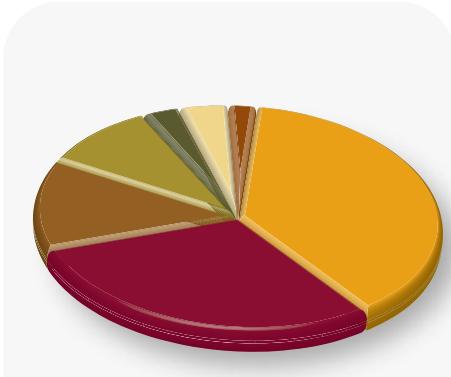




### → // iDTV customers



### → // Market share of digital TV in Belgium



(in %)

- Telenet 38%
- Belgacom 30%
- Astra 13%
- VOO 10%
- Coditel 3%
- TV Vlaanderen / Télésat 4%
- DTT 2%

Source: Belgacom, Telenet, team analysis

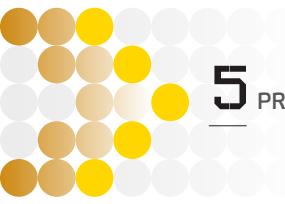
Belgium has a very dynamic digital TV market. A large number of players have developed into full-fledged competitors in recent years. Telenet currently has 38% market share in digital TV.

#### Turnover

Income from premium cable TV includes the income generated from digital cable TV over and above income from basic cable TV as described above. Income from premium cable TV will be driven upwards by the income from on-demand movies and the strong growth in rentals of advanced set-top boxes with hard disk and personal video recorder, which raises the recurring monthly rentals from set-top boxes. Operating income from premium cable TV also includes subscription fees for themed and premium channels (including pay channel PRIME) and the interactive services on the Telenet platform. Together they ensure that the average income per customer is higher than it is for regular cable TV subscribers. In 2010 Telenet registered 47 million on-demand transactions, an average of 3.7 per digital viewer per month.

In 2010 operating income from premium cable TV was € 150.7 million, which was € 35.3 million or 31% higher than it was in 2009. In the fourth quarter of 2010 operating income from premium cable TV rose to € 40.7 million, 24% higher than the € 32.9 generated in the same quarter of the previous year, despite the lower operating income from the charges connected to premature contract terminations.





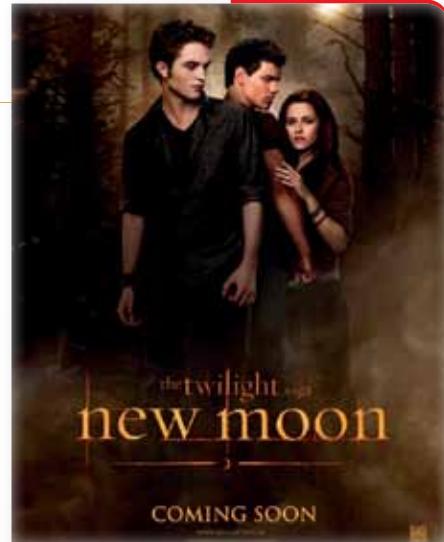
### // Video-on-Demand

2010 was a year of major expansions and innovations for Video-on-Demand (VoD).

Telenet is able to screen movies from the biggest studios after signing an agreement with 20th Century Fox. In addition to independent local distributors, most studios now offer their movies day & date, which means at the same time as the DVD release. This is one of the reasons Telenet twice broke the record for the number of orders in Film&Series, which clocked up 4.1 million movie transactions in total.

That was not only down to the movie library; the introduction of the new user interface was also important, because both navigation and overall appearance were improved. On-demand movies are now available for 48 hours after ordering, rather than the previous 24 hours.

The library does not only include Hollywood blockbusters. Telenet introduced a selection of high-quality TV shows, including Corleone, Pillars of the Earth and The Killing 2, offering the first episode for free. Local short films were also featured prominently in the media library, giving fledgling directors a chance to present their films to Telenet customers.



The VoD channel library was a big hit too, with such smashes as Benidorm Bastards, Dubbelieve, David, Vermist and classic show FC De Kampioenen, which generated 5.1 million paid transactions in total.

Telenet introduced even more innovations confirming its trail-blazing status, such as VoD in 3D (first in Europe!) and porting the VoD offering to the new Yelo platform.

The total number of transactions was 47.1 million, a rise of 46% compared with 2009. 11.4 million transactions were paid, 13.9 million were free and 22 million transactions were ordered through a subscription, such as Net Gemist, PRIME à la carte or Passion à la carte.

### Prospects for 2011

Telenet expects the continued breakthrough of digital & premium TV in 2011.

The traditional TV experience is increasingly being marginalized as consumers assert their right to watch what they want when they want. To maintain contacts with modern-day subscribers Telenet is targeting the many technological possibilities of the digital platform.

PRIME and video-on-demand are strong assets for Telenet in terms of content. The offer of premium content to specific target groups fits in with this strategy perfectly. With a view to constantly enriching the content, Telenet is always open to partnerships with production companies for both TV shows and other applications such as games.





## // PRIME

PRIME continues to be a strong brand in the Flemish TV market. The number of digital PRIME customers rose to 225,101. A number of major contracts were renewed. These included the Oscars' ceremony for five years, Warner Bros for 15 months and Universal for one year. A new three-year contract was signed with Paramount. As a result, PRIME can guarantee a non-stop offering of the best movies and shows in the coming years.

PRIME was a partner of the Brussels film festival in 2010 again, as well as a valued media partner of a number of Flemish productions, such as Smoorverliefd and Rundskop.

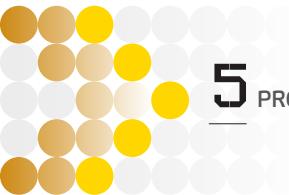
PRIME Sport remains the specialist in live top sport. More than 550 live football matches from all the top European leagues and the Champions League are supplemented with two top US sports, NBA basketball and NFL football. This offering was recently supplemented with PRIME GOLF, a 24/7 channel featuring live broadcasts from the top tournaments on the US and European tour, alongside the four majors and the WGC tournaments. PRIME SPORT and PRIME GOLF are also available live on iPad, iPhone and computer via Yelo.

**PRIME  
GOLF**



Telenet achieved additional growth of 69% in PRIME à la Carte, with total transactions rising to 15.8 million. PRIME à la Carte is now used by 67% of PRIME customers. The greatest innovation is the availability of the entire PRIME à la Carte offering online. PRIME customers can now watch their favorite movies on their computer.





### Basic cable TV

#### Subscriber base

At the end of December 2010 Telenet had 2,274,400 analog and digital TV subscribers. This comes down to a net organic loss of 68,000 basic cable TV subscribers in 2010, which does not include migrations to the digital TV platform but does include customers who switched to competitor platforms, such as other digital TV and satellite providers, as well as customers who have cancelled their TV subscription or have moved to a location outside the geographical market.

The basic cable TV subscription offers a well balanced selection of around 25 analog TV channels and around 20 analog radio stations for an average monthly price of € 14.4 (including 21% VAT), one of the lowest prices in Europe.

#### Turnover

Income from basic digital TV, comprising analog and digital TV subscription fees (Telenet Digital TV and INDI), still form a large part of the operating income and are a constant source of cash. Income from basic cable TV rose from € 322.3 million in 2009 to € 325.1 million in 2010. The expected fall in the number of basic cable TV subscribers was compensated for by a 6% price rise in February 2009, which had a deferred positive impact on operating income until February 2010. In addition, non-recurring operating income connected with invoice adjustments has a positive impact on operating income in the third quarter of 2010.

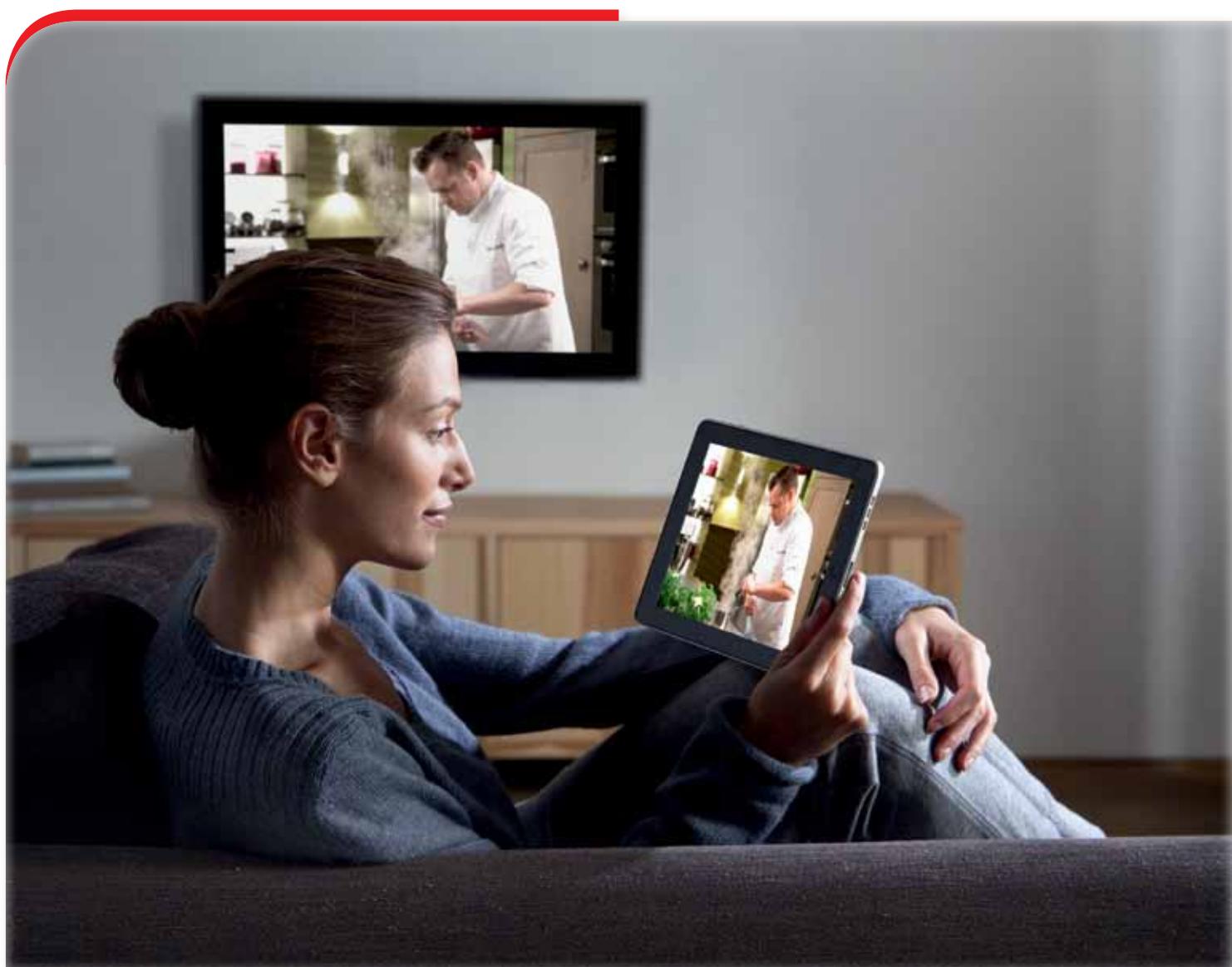
### TV for businesses

A solution no longer requiring set-top boxes will be developed for large-scale TV customers in the course of 2011. Convenience is especially important in hospitals and old people's homes. It will be possible to access digital TV through the familiar remote control device in the future. This should enable care institutions and others to circulate information in a more efficient, environmental way and allows this target group to enjoy the extensive digital offering.





yelo





## // YELO

In December 2010 Telenet launched Yelo, a new multimedia platform enabling digital TV customers to view their favorite shows and movies in and around the home on a variety of devices in addition to their TV, including iPad, iPhone and laptop. Other smartphones apps will follow in the near future. Yelo also offers a range of convenient services, such as an electronic program guide, remote programming of your Digicorder and Video on Demand. With Yelo Telenet once again refreshes the TV viewing experience in Flanders.

Yelo is also a response to the new expectations of modern media consumers, who increasingly want greater freedom, independence and mobility. It is the first step in the development of an innovative platform that wishes to embrace the fast-evolving TV landscape in partnership with the stations.

With the launch of interactive digital TV in 2005 Telenet revolutionized the medium, enabling customers to watch what they wanted when they wanted. Yelo takes that to another level.

Yelo makes the bridge between Telenet's digital TV offering and new wireless multimedia devices customers can also access TV from. Telenet's super-fast internet products and high-grade network ensure that Yelo users experience superior image and sound quality on their iPad, iPhone and computer.

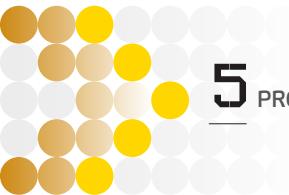
### Yelo: even better through co-creation

Yelo is just the start. Telenet customers and users will determine the future of Yelo. Services can be aligned to customers and where necessary improved through co-creation or crowd sourcing. Telenet has developed a co-creation plan for the new platform. Telenet welcomes the input of the stations too to develop new services and functions in partnership.



## 5.4 Hosting & Security





Telenet has been able to develop a strong position on the market due to a complete range of hosting and cloud-computing services for businesses and government. Telenet is in a position to offer customers a complete end-to-end outsourcing solution for server infrastructure and IT applications at its datacenters, enabling it to guarantee application and datacenter availability.

## 2010

Dynamic Cloud was launched at the beginning of 2010, enabling customers to build a virtual datacenter. Storage and server capacity can be activated and deactivated at any time, which enables businesses to respond to evolving needs with great flexibility. Customers only pay for activated capacity. Over 100 customers now use the Dynamic Cloud. In 2011 the hosting program will be enlarged with the addition of services better matched to the needs of mid-sized and large businesses and governments.

Telenet was able to take a position in the security market in 2010 through the acquisition of security expert C-CURE.

## 2011

In 2011 Telenet will offer a targeted response to the latest digital risks with its Next Generation Security Portfolio. It contains a full set of security solutions with heightened visibility in applications, users and information flows.

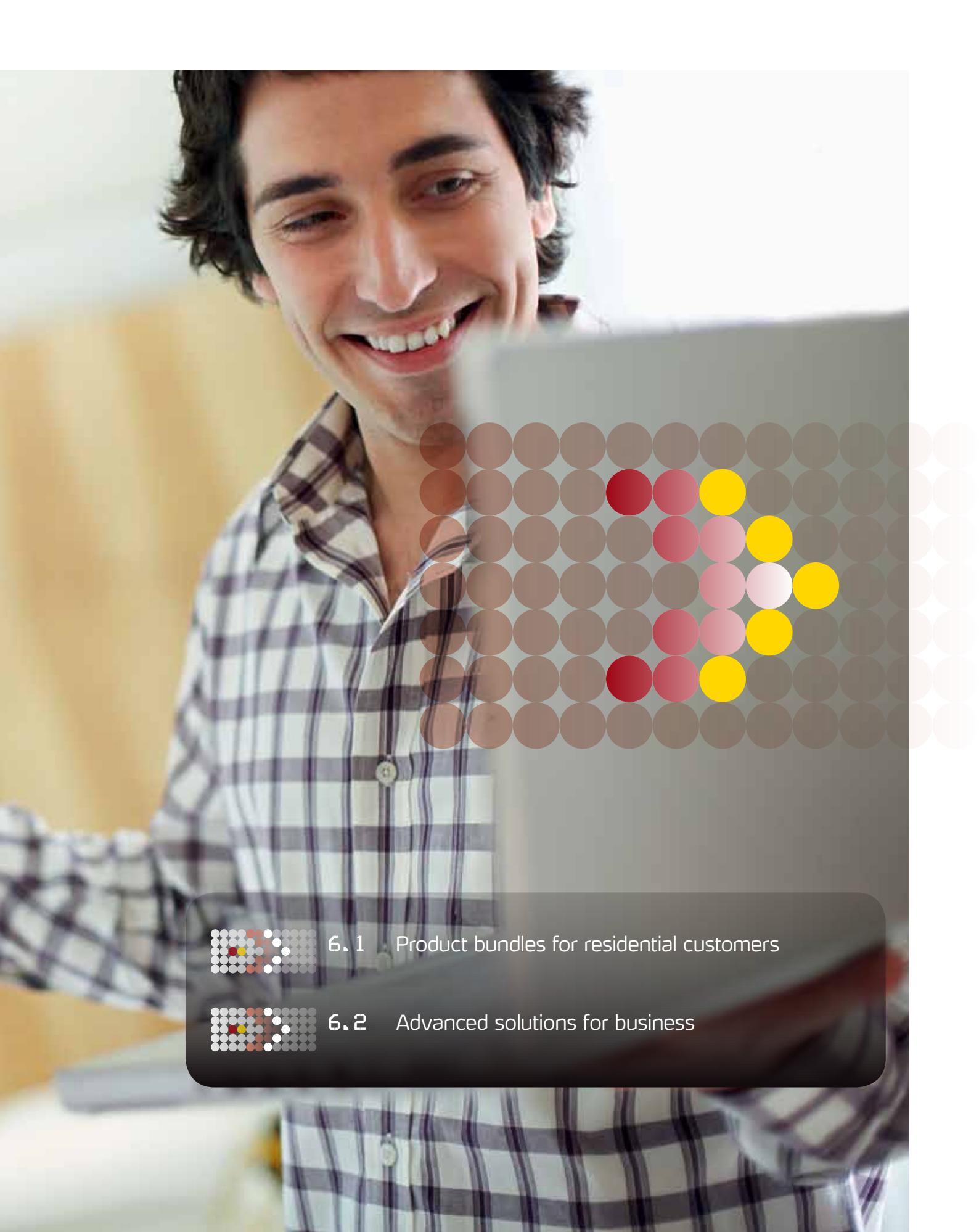
Telenet is also drawing on C-CURE's expertise to develop a Managed Security Service Portfolio, ranging from a standard internet security solution for small and mid-sized businesses to elaborate customized products for larger businesses and organizations.





6

## **Customer-oriented offering**



### 6.1 Product bundles for residential customers

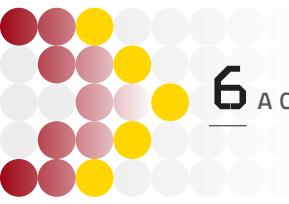


### 6.2 Advanced solutions for business



## 6.1 Product bundles for residential customers

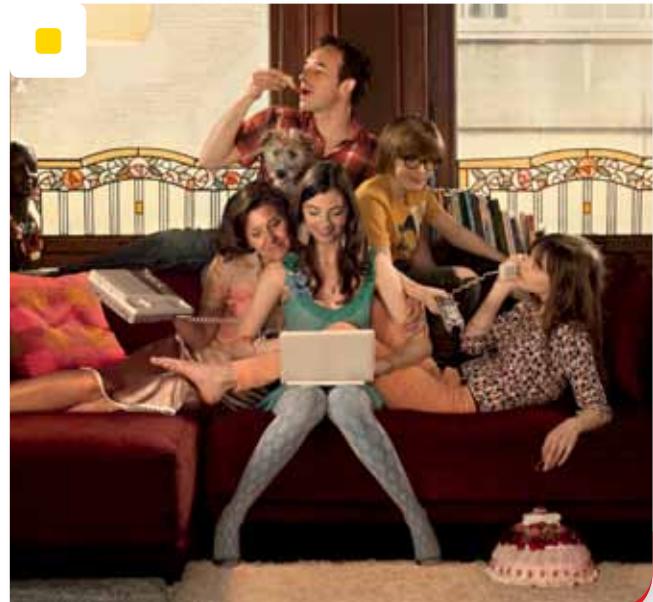




The Telenet range is constantly evolving as new technologies are developed and the content is enlarged. Customers who started with an internet subscription only now have a much wider choice of telecommunication services and related products.

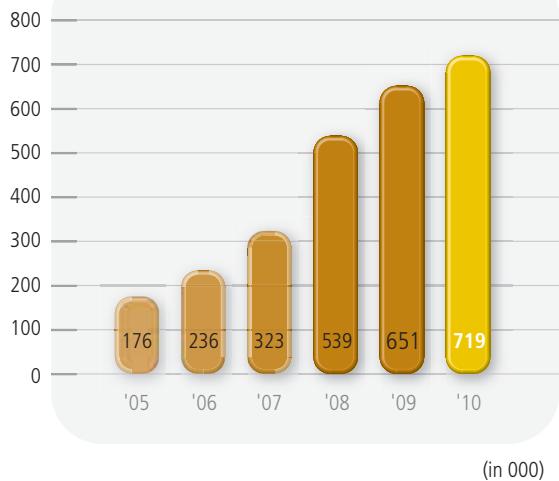
Since 2008 Telenet has focused on attractively priced product bundles for the residential market. These multi-service packs combine superior, reliable broadband internet, telephony and digital TV services. As a result, the number of services per customer is rising all the time, which also broadens the unique customer experience.

The Shakes concept, launched in 2008 and very successful in 2009, was maintained in 2010. Clearly, these product bundles are continually improved in response to the technological developments and the enlarged content that characterizes Telenet. Fibernet, announced at the beginning of 2010, which give internet users access to faster speeds and higher volumes, is now included in a large number of product bundles.

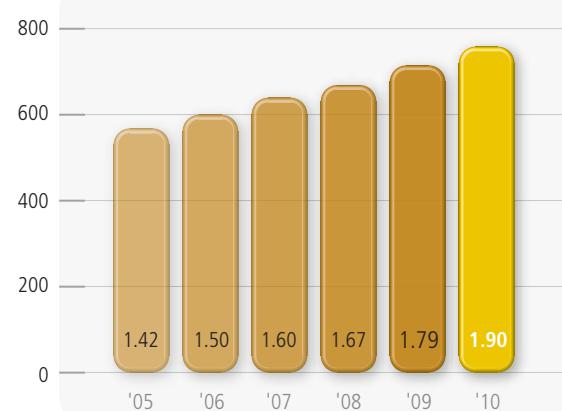




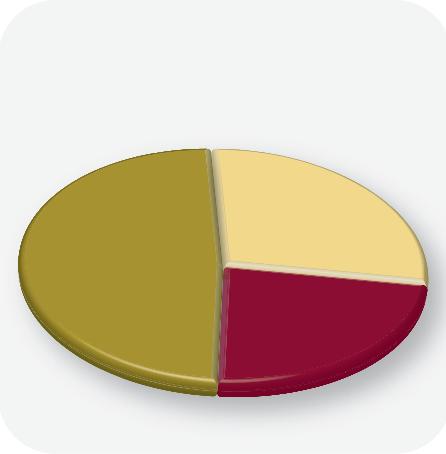
→ // Growth in Triple Play customers



→ // Number of services per customer

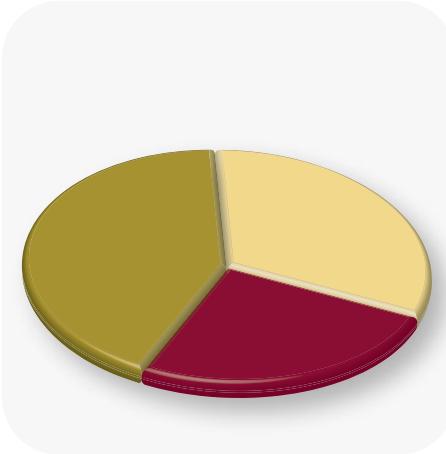


→ // 2009

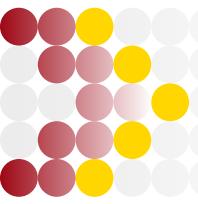


- Single Play 48%
- Dual Play 24%
- Triple Play 28%

→ // 2010



- Single Play 42%
- Dual Play 26%
- Triple Play 32%



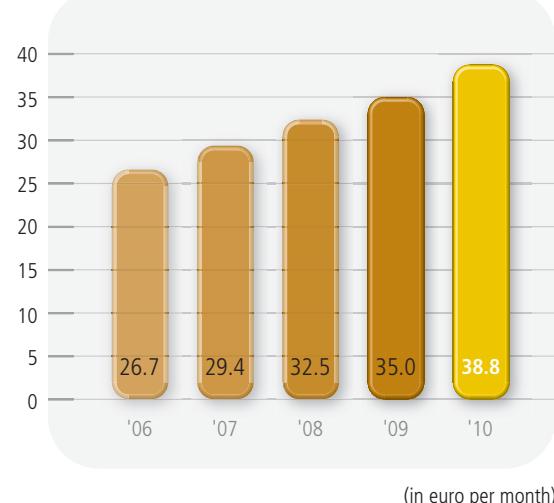
### Robust growth in 2010

The substantial growth experienced by Telenet in 2010 was largely due to the effective implementation of the strategy of marketing products and services in bundles. In 2010 the number of subscribers to the key residential products (Telenet Digital TV, broadband internet and fixed telephony) rose by 429,300. In the fourth quarter of 2010 sales gained momentum and the number of subscribers to the key residential products rose by 123,800. That was the highest level of the year, despite the strong competition. By December 31, 2010 the number of services had risen to 4,315,600, a rise of 3% compared with the 4,199,200 services on 31 December 2009 (both figures are not including mobile telephony).

The success of bundling can also be derived from the number of services per customer. At December 31, 2010 each customer was subscribed to an average of 1.90 services, a sturdy 6% rise compared with the situation at 31 December 2009 when the average number of services per customer was 1.79. The percentage of customers with a subscription to a bundle continued to rise: from 51% at 31 December 2009 to 58% at December 31, 2010. The number of customers subscribed to three products rose by 10% from 651,000 at 31 December 2009 to 719,200 at December 31, 2010, which represents 32% of the customer base.



#### // Average Revenue per User (ARPU)



(in euro per month)

### Average revenue per user

The average revenue per user rose further for a number of reasons: customers were persuaded to subscribe to additional services, there was net growth in the number of customers subscribing to a bundle and the percentage of subscribers to digital TV – which generates above-average revenue per user – continued to rise. For Telenet average revenue per user is one of the key indicators in a strategy aimed at getting residential customers to spend more on media and communication services.

In 2010 the average revenue per user rose by 11% to € 38.8, compared with € 35.0 in 2009, the largest increase ever on an annual basis. The pressure on the average revenue per user for individual products (due to the increasing number of bundle discounts, other price discounts and the pressure of competition) was more than compensated for by the higher average revenue per user due to the increasing number of customers subscribing to a bundle and the increasing number of digital TV subscribers.





It should be noted that, as stated above, the recurring revenue generated from the increasing number of postpaid mobile telephony customers is not included in the calculation of the average revenue per user.

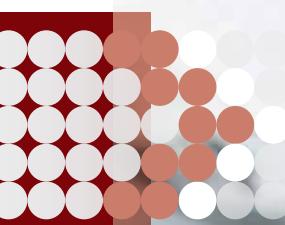
## Prospects for 2011

Telenet still sees very good opportunities, bearing in mind that 42% of customers are subscribed to just one product. The challenge is winning these customers over with attractive bundles. At the same time, Telenet will endeavor to get the vast majority of its one million analog TV subscribers to migrate to its interactive digital platform, where the average revenue per user is higher. The marketing of product bundles, known as Shakes, will continue to be central in this strategy.

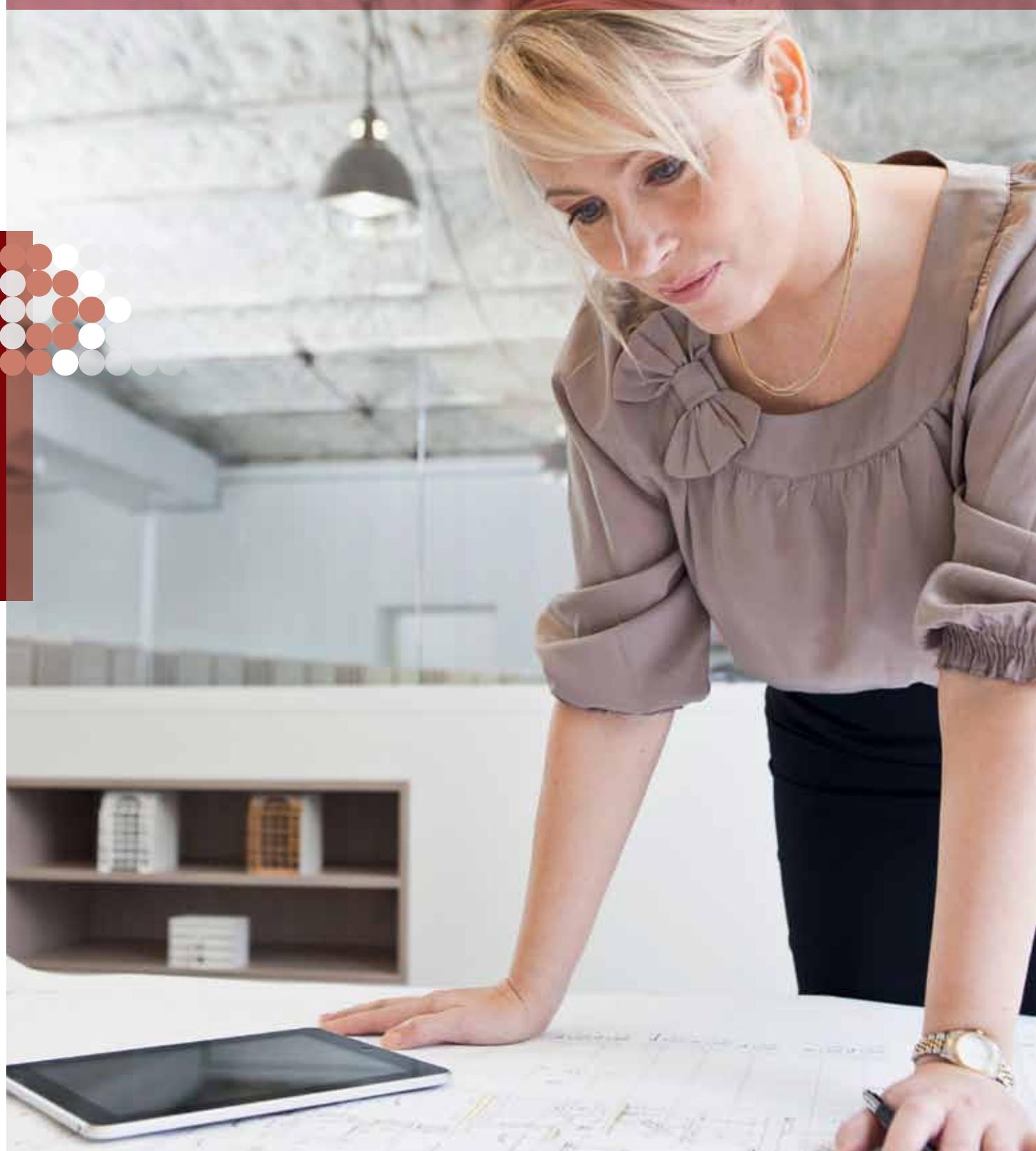
In addition to the switch from analog TV to digital TV, the migration to Fibernet and the continued penetration of this new-generation super-fast internet will be critical areas in 2011. The integration of Fibernet in its bundles will help Telenet convince its customers of the superiority of its products. It will also open the door to a new type of digital experience. With Fibernet customers are given the unique opportunity to use a whole gamut of Telenet network applications intensively within the home, without loss of speed or quality. Telenet also wishes to leverage this to further strengthen the emotional bond with its customers.

Against the backdrop of technological superiority and constant content broadening, customer satisfaction remains critical. Increasing market penetration means a larger customer base, which puts loyalty centre stage more and more. Telenet will not have the solid foundations on which to build its future development and growth without loyal customers. With this in mind, in 2010 Telenet took the decision to no longer measure the quality of its service on the residential market on the basis of a traditional customer satisfaction index, which only provides a snapshot of the situation. Instead, the more wide-ranging Customer Loyalty Score has been introduced, covering several aspects that pave the way for sustainable customer satisfaction (see also the 'Quality' section).





## 6.2 Advanced solutions for business





As Telenet's B-to-B division, Telenet Solutions markets professional telecom services to corporate customers in Belgium and Luxembourg. To do so, it makes optimal use of existing Telenet network and services. If need be, assistance is provided by partners with which strict quality guarantees have been agreed.

The basic services comprise internet, data, telephony and TV solutions. IT solutions, such as web hosting and security, draw on the expertise of specialist firms like Hostbasket, which was acquired in 2008, and C-CURE, which was bought by Telenet in 2010. The offering is continually optimized, based on evolving customer needs. Added value services will become increasingly important in the future.

In terms of connectivity, Telenet Solutions always offers its various services on the best network. That may be coax cable, DSL or fiber.

Over time, Telenet has created a distinct profile for itself as an attractive alternative provider on the Carrier and Wholesale market. Many national and international operators use the Telenet network to access their customers. Telenet provides the local connections ('local tails') between the operator's network and its customers, which are mostly multinationals with one or more sites in Belgium.

Telenet Solutions offers full customized virtual private networks (IP-VPNs) for foreign operators looking for a total solution to reach their customers in Belgium. Telenet's services are especially used by operators with a limited presence in Belgium.

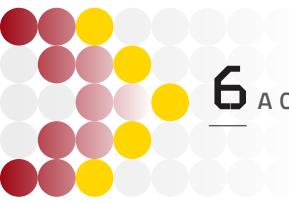
Mobile operators have also discovered the advantages of Telenet's intricate glass fiber network. The increasing use of mobile internet is also driving the need for transmission capacity on mobile networks, known as backhauling.

In this case, that means the transmission of voice and data traffic between the base stations and the points of presence (POPs) in the mobile operators network. Telenet has designed a competitive, futureproof solution able to respond to the rising demand for bandwidth fast and efficiently.

## Personalized approach

The approach to the business segment differs from the one used for the residential market. Whereas residential customers are mainly approached through targeted marketing campaigns, supported by service packages and promotions, the business market demands a more personalized approach. A professional team of account managers, organized along sector lines, assesses the needs of individual companies and proposes bespoke service offerings. Service managers and project managers maintain personal contacts with businesses, identifying opportunities for further improvements. The high service levels Telenet imposes on itself are key to its success as a challenger on a market that continues to be dominated by the historic operator.





Customer surveys show that Telenet Solutions distinguishes itself on the market with a highly customer-oriented approach, combined with the high-tech quality of its solutions

### 2010

Business-related turnover in 2010 was € 85.0 million, a 10% rise compared with 2009. A number of major contracts were won, which resulted in good organic growth. The acquisition of C-CURE was also completed. That means Telenet Solutions will be able to provide strong security solutions in the future. The services of Hostbasket, a subsidiary, will also be integrated in the service offering in 2011.

Based on this unique services positioning, Telenet Solutions expects to realize its market potential to an even greater extent in the future, which will also contribute positively to the turnover growth of the group on the whole.



### Customer satisfaction

As in the previous year, in 2010 maximum efforts were invested in safeguarding the high satisfaction score among business customers and further improving a number of operational processes. The attention for service and quality resulted in 100% satisfaction among major customers and 91% customer satisfaction across the entire Telenet Solutions customer base.

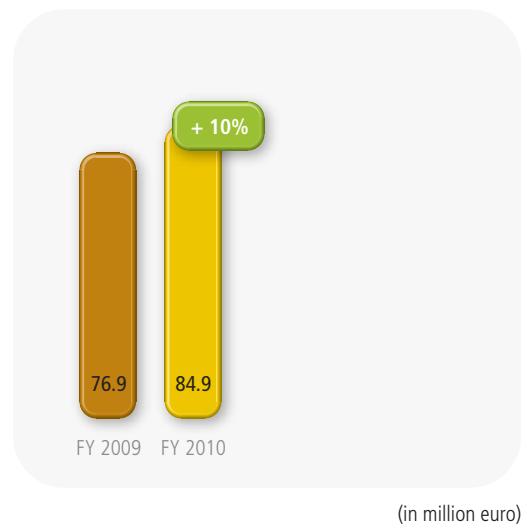
The top 50 customers were all satisfied or extremely satisfied with the service provided by Telenet Solutions.

The increased attention for operational processes did not go unnoticed and was very positively welcomed by customers.

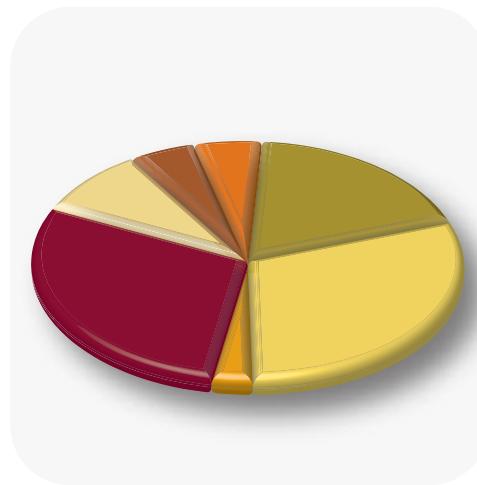




→ // Sales evolution



→ // Sales evolution mix 2010



■ Voice 18%

■ TV 9%

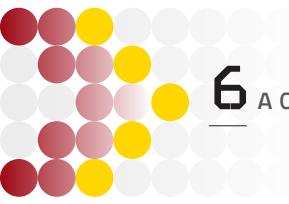
■ Data 30%

■ Hosting 5%

■ Other 3%

■ Security 5%

■ Internet 29%



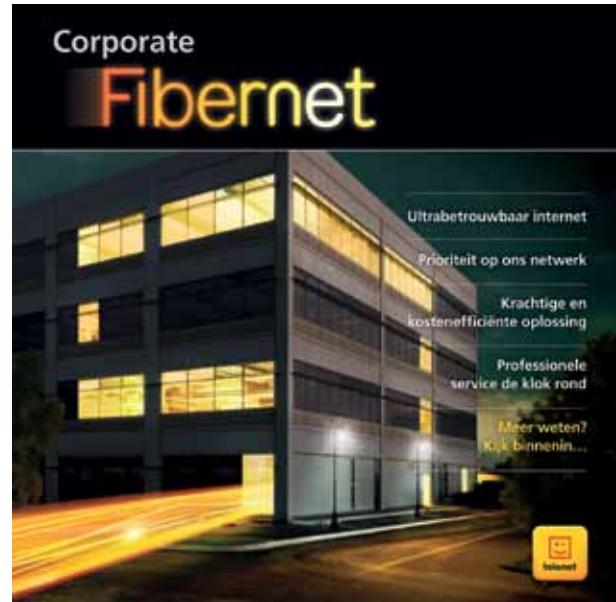
The surveys also show that customers believe Telenet Solutions offers high-quality products and services, and that network stability is extremely satisfactory.

## Prospects for 2011

Telenet Solutions portfolio mainly comprises services for which good market growth is projected in 2011 and beyond. Telenet Solutions wishes to build on the investments of recent years by approaching the market with a portfolio of connectivity, security and hosting solutions.

More and more connectivity solutions (telecom products) are based on the use of the coax cable. In the Fibernet range, for instance, EuroDOCSIS 3.0-based connections were introduced, with quality of service guarantees to enable implementation of critical business applications at guaranteed speeds. New value added services were also rolled out, such as security and hosting, in addition to internet and data products. Customers often feel these product portfolios are strongly linked, so the formula enables Telenet to respond optimally to the business market.

Telenet Solutions continues to focus on customer needs and expectations, leveraging service as an extra differentiation. Telenet Solutions is convinced it makes the difference with its personal, customer-oriented approach.



With regards to the range, Telenet Solutions will continue to focus on its star products. Internet and data are key components there and will be linked to a defensive strategy with regard to telephony. Hosting and Security will be used to be able to offer customers complete solutions and the range for large-scale TV users will be enlarged in 2011. In doing so, Telenet wishes to arm itself to claim a large percentage of the growth on the ICT services market.





7

# Digital Wave 2015



Experience life  
in the Digital World





Fast-evolving technology and the ensuing new communication possibilities will drive society's development in the future.

At the beginning of 2010 Telenet launched its prestigious Digital Wave 2015 program. For Telenet the future is all about high network capacity, mobility and convergence of fixed and mobile telecommunication.

To facilitate the unavoidable sweeping digitization of our world Telenet has first and foremost decided to speed up investments in network expansion and to complete the planned modifications over five years rather than ten as originally proposed. The modernization relates to various technological aspects:

- The expansion of the glass fiber network will be speeded up;
- The number of nodes will be increased in the Pulsar program. As a result, just 500 households will be connected to each node, rather than the current 1,400, which will significantly increase the available bandwidth per connected household;
- The number of routers will be constantly increased and updated where needed;
- There will be selective investment in Fiber To The Home, for new-build, for instance.

To put Digital Wave 2015 into practice, in 2009 the Telenet board approved a program providing for an additional € 30 million in investments in the broadband network every year. A lot of efforts in the course of 2010 were focused on achieving these goals. The modernization work will continue unabated in 2011 and beyond.

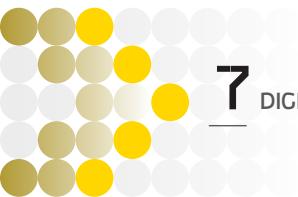
The investments will produce a state-of-the-art network, constantly offering Telenet customers new experiences and opportunities, especially when the expansion of digital capacity goes hand in hand with the development of convenient, user-friendly devices.

It is also important that Telenet does not focus exclusively on enhancing its network to enable larger and larger quantities of data to be transmitted at faster and faster speeds; it also has to provide user possibilities itself.

Digital Wave is also driven by content, which can be categorized as follows:

- **entertainment**  
gaming at higher and higher speeds, from computers but also from smartphones, tablets and more.
- **home management**  
digital remote control of household appliances.
- **e-health**  
paramedical and medical care and observation through digital communication channels.
- **virtual office**  
the office of the future, with high-grade visual interactivity, videoconferencing and easy access to data.





- **mobility**

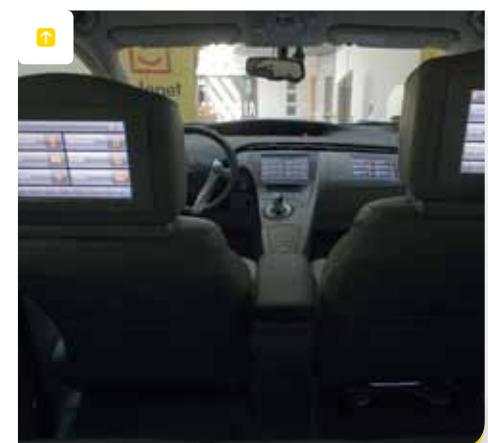
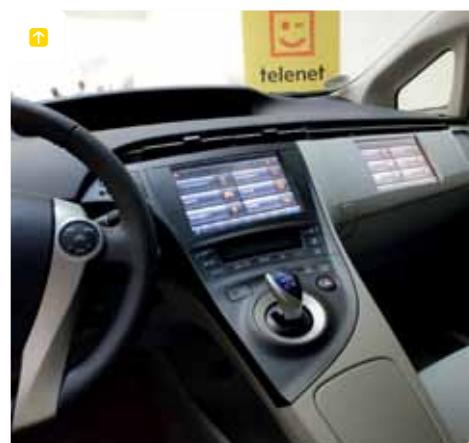
one of the Digital Wave's key concepts. Implementation of LTE (Long Term Evolution) and availability and convergence of new and existing means of communication are expected to increase the mobility of telecommunication spectacularly. WiFi will also continue to play an important role based on the increasing demand for mobile data transmission through numerous mobile devices.

- **smart TV**

Telenet conducted the first successful tests with LTE in the second half of 2010. The aim is to start pilots in the course of 2011 to offer concrete Digital Wave services.



To stimulate the further digitization of Flanders via Digital Wave 2015 Telenet is especially counting on a constructive partnership with a great many parties active in the network economy. Such players as academia, TV channels and other media companies, technology businesses, customers and government must find a way to work together constructively on co-creation.





8

## THE TELENET SHARE







## ID of the Telenet share

Market	Euronext Brussel
Ticker	TNET
ISIN code	BE0003826436
Bloomberg code	TNET BB
Thomson code	TNET-BT

## Investor Relations

Telenet remains committed to high-quality and transparent financial reporting. In accordance with the EU Regulation 1606/2002 of July 19, 2002, Telenet's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS as adopted by the EU"), while the Company also complies with requirements of the US Sarbanes-Oxley Act. The Company reports a detailed set of financial results on a quarterly, semi-annual and annual basis.

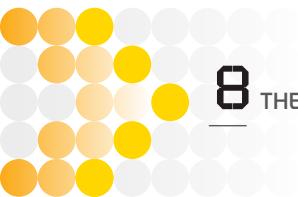
In 2010, Telenet continued its regular, open and intensive dialog with existing and potential shareholders, institutional and retail investors, other capital providers and their intermediaries and buy-side and sell-side financial analysts.

At the end of December 2010, Telenet's share was actively covered by 22 sell-side analysts throughout Europe, spread between the United Kingdom (59%), the Benelux region (36%) and the rest of Europe (5%). Telenet's Investor Relations department acts as a professional intermediary between the financial community and the Company, catering for a coherent, transparent and in-depth understanding of the Company's business and ensuring regular access to the Company's senior management.

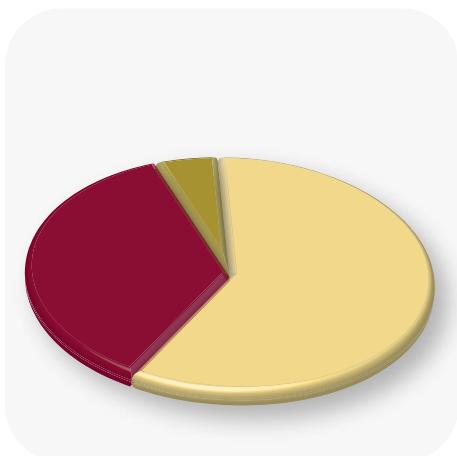
As part of Telenet's communication strategy towards the financial community, presentations for, and meetings with, investors and financial analysts are held on a regular basis, including those in connection with the announcement of Telenet's financial results. Following the release of its financial results, the Company hosts a conference call and webcast for investors and financial analysts, during which senior management addresses their main questions and issues. This presentation is broadcast real-time through Telenet's investor relations website in order to ensure transparency and simultaneous accessibility of information for all investor groups concerned.

Alongside the quarterly, semi-annual and annual financial presentations, Telenet's Investor Relations department fulfill investors' demand for senior management access through regular roadshows, onsite visits and major investor conferences within the telecommunications and cable sector. The roadshows Telenet organizes and the conferences it attends seek to cover the most important financial centers in both Europe and the United States and consist of both individual meetings and smaller group meetings. In 2010, Telenet hosted 10 roadshows and participated to 15 conferences with a growing emphasis on sector and/or thematic conferences through which Telenet is able to interact directly with dedicated investors and industry specialists. Together with a growing proportion of onsite visits,





// Sell-side coverage by region



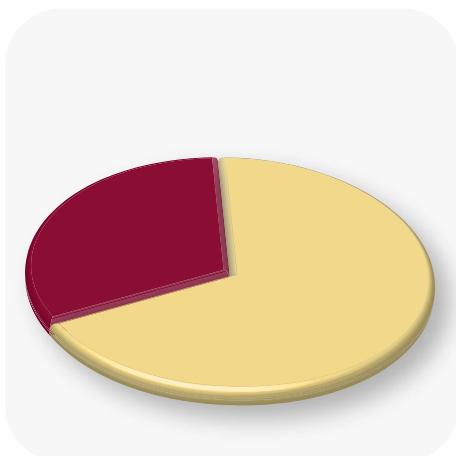
■ Rest of Europe 5%

■ Benelux 36%

■ UK 59%



// Distribution of sell-side rating



■ Negative 5%

■ Neutral 30%

■ Positive 65%

Telenet conducted 300 investor meetings in 2010, which reflects the increased interest of the financial community for its business and Telenet's accommodating stance with regards to senior management access. Of these 300 investor meetings, 30% was dedicated to the 25 largest shareholders of

the Company whilst 45% of investor meetings were spent reserved for potential shareholders. Finally, Telenet's Investor Relations department dealt with approximately 65 investor conference calls in 2010, often either in preparation or as a follow-up to meetings with senior management.





## // In 2010, Telenet hosted:

**10** roadshows throughout the main financial districts in both Europe and the US

**15** conferences, of which a growing proportion of dedicated sector conferences

**300** investor meetings, of which a growing proportion of onsite visits

**30%** of investor meetings dedicated to Top25 shareholders

**45%** of investor meetings reserved for potential shareholders

## Shareholder structure

The shareholder structure of the Company per December 31, 2010 was as follows:

SHAREHOLDERS	OUTSTANDING SHARES	%	PROFIT CERTIFICATES	WARRANTS	TOTAL (FULLY DILUTED)	% (FULLY DILUTED)
Liberty Global Consortium <sup>(1)</sup>	56,405,400	50.17%			56,405,400	47.61%
BNP Paribas Investment Partners SA <sup>(2)</sup>	5,595,908	4.98%			5,595,908	4.72%
Norges Bank	3,382,022	3.01%			3,382,022	2.85%
Employees	22,776	0.02%	334,675	5,705,357	6,062,808	5.12%
Public <sup>(3)</sup>	47,021,934	41.82%			47,021,934	39.69%
<b>Total</b>	<b>112,428,040</b>	<b>100.00%</b>	<b>334,675</b>	<b>5,705,375</b>	<b>118,468,072</b>	<b>100,00%</b>

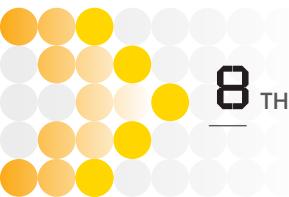
(1) Including 94,827 Liquidation Dispreference Shares.

(2) Former Fortis Investment Management SA.

(3) Including 16 'Liquidation Non-Preferential Shares' held by Interkabel Vlaanderen CVBA and 30 Golden Shares held by the inter-communal financing associations.

Additional information on our shareholder structure can be found in Note 7.3.3 Shareholders, included in this Annual Report, or can be retrieved from our investor relations website <http://investors.telenet.be>.





Telenet's Investor Relations strategy has been widely recognized for its accessibility, responsiveness, transparency and timeliness, for which the Company takes pride. In the annual survey for The Best Financial Information by ABAF/BVFA (Belgian Association of Financial Analysts) Telenet ranked 5th out of a total of 55 screened Belgian companies in 2010. In 2009, Telenet only ranked 29th underpinning the strong progress which the Company has made with regards to the effective execution of its Investor Relations program. In another survey amongst buy-side and sell-side financial analysts and investors, Institutional Investor magazine awarded Telenet the 2nd spot for Best Investor Relations in Belgium for the year 2010.

## Shareholder disbursement

Following the refinancing operations in 2010 and the continued strong progress in Free Cash Flow generation, Telenet has set the basis to be able to deliver attractive shareholder disbursements in a recurring and sustainable way while preserving liquidity for investments in business growth and value-accretive acquisitions. Accordingly, the Company targets a long-term Net Total Debt to EBITDA ratio of at least 3.5x which provides for an optimal balance between growth and shareholder returns on the one hand and attractive access to capital markets on the other hand. The Company aims to achieve this leverage target through a further optimization of its financing framework, potential acquisitions, strong Free Cash Flow generation and cash returns to shareholders. The implementation of this leverage model will allow for attractive and sustainable shareholder returns with an above-sector yield, on top of continued strong long-term business

growth. To that end, in absence of acquisitions and/or a significant change in our business model, Telenet's shareholder remuneration strategy will allow for a continuing high level of cash returns to shareholders on a long-term basis. For 2011, the Board of Directors authorized to proceed with a shareholder disbursement of € 4.5 per share, representing a total distributable amount of € 505.9 million. The final decision on the shareholder disbursement and payout date will be voted upon at the Annual General Meeting of Shareholders (AGM) on April 27, 2011. The disbursement will most likely be executed as a capital reduction, which is not subject to applicable withholding taxes, and would be paid around mid-2011.

## Share price evolution

While 2009 was still dominated by the global economic downturn and the financial crisis, 2010 was marked by a broad economic recovery on the one hand and the sovereign debt crisis hitting several European countries on the other hand. The latter put amongst other things a considerable pressure on European banking stocks, which still represent a fairly large proportion of the overall European market including the Belgian Bel20 index.



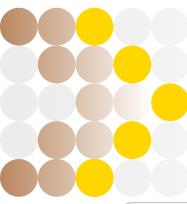


// Telenet's share price performance for the year 2010  
versus Bel20 and DJ Stoxx Telecom Index



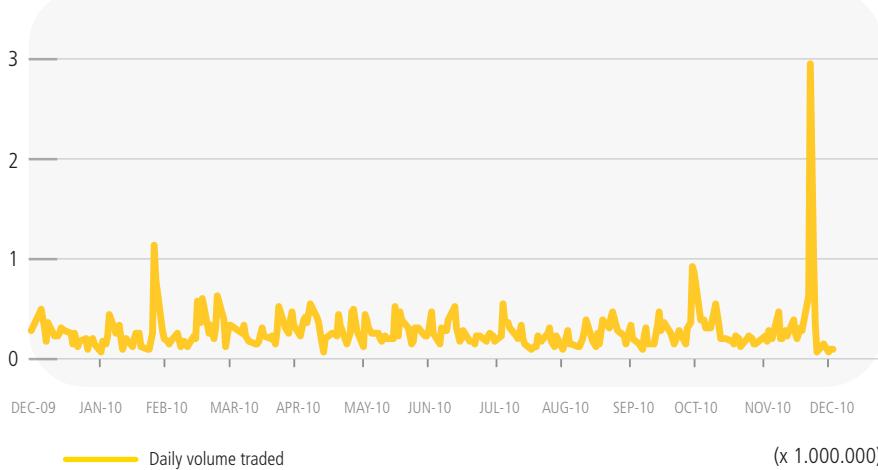
Throughout the year, Telenet's share managed to consistently outperform the broader market and also strongly outperformed the European telecommunications index. The latter is directly related to the increased investor interest and appetite for cable stocks, underpinned by solid operational and financial results from the cable group in general, the successful IPO of Kabel Deutschland in March 2010 and upbeat analyst reports. Analysts and investors value cable for its strong growth profile driven by multiple-play growth, sustained speed leadership in broadband through EuroDocsis 3.0 and continued digitalization of its cable television subscriber base. Consequently, Telenet's share ended the year at € 29.48, a 63% increase compared to the prior year period.





## 9 CORPORATE GOVERNANCE

→ // Telenet's share price performance for the year 2010, including the main accomplishments and highlights of the year



- 1 Commercial launch of Fibernet and agreement with Norkring België NV on the use of DTT spectrum
- 2 Announcement of FY 2009 result and € 2.23 per share shareholder disbursement
- 3 Announcement of Digital Wave 2015 investment program
- 4 Acquisition of C-CURE NV, complementing Telenet's portfolio in the B2B market
- 5 Voluntary exchange offer for certain Term Loans, extending Telenet's debt maturity profile
- 6 Announcement of H1 2010 results
- 7 Announcement of 9M 2010 results and additional € 500 million debt issuance
- 8 Announcement of additional € 100 million debt issuance
- 9 Draft proposal to regulate certain services over cable





## Information about the Telenet share

	2005	2006	2007	2008 <sup>(3)</sup>	2009	2010
<b>// Per share data</b>						in €, except for shares outstanding
<b>Share price for the period</b>						
Year-end	10.60 <sup>(1)</sup>	14.39	17.52	10.82	18.08	29.48
Average	11.44 <sup>(1)</sup>	11.97	16.25	12.79	13.84	22.59
High	14.08 <sup>(1)</sup>	14.75	18.07	17.56	18.08	31.74
Low	10.60 <sup>(1)</sup>	10.19	14.42	8.70	10.51	17.88
Weighted average number of shares outstanding (basic)	89,503,387	100,625,547	104,615,436	109,981,494	111,354,953	112,093,758
Weighted average number of shares outstanding (diluted)	89,503,387	104,453,726	108,588,515	109,981,494	111,956,540	113,542,782
Average daily volume of shares traded	582,034	233,222	238,543	267,404	262,794	281,360
Basic earnings (loss) per share	(0.86)	0.05	0.20	(0.14)	2.09	0.80
Diluted earnings (loss) per share	(0.86)	0.05	0.19	(0.14)	2.08	0.79
Operating cash flow per share	2.38	3.09	1.98	3.20	3.96	4.49
Free Cash Flow per share	0.33	1.03	0.13	1.10	1.50	2.30
Shareholder disbursement per share	0.00	0.00	6.00	0.00	0.50	2.23
<b>Multiples</b>						
Market capitalization at year-end (€m)	949	1,448	1,833	1,190	2,013	3,305
Enterprise value at year-end (€m)	2,228	2,803	3,802	3,487	4,234	5,592
EV/Adjusted EBITDA	6.6	7.6	8.6	6.9	7.0	8.4
EV/Sales	3,0	3,4	4,1	3,4	3,5	4,3
Free Cash Flow yield	3,1%	7,1%	0,7%	10,2%	8,3%	7,8%

(1) Since Telenet's stock market listing on Euronext Brussels stock exchange as of Oct. 10, 2005.

## Financial Calendar

27 April 2011	Annual meeting of shareholders
3 May 2011	Q1 2011 Earnings release (5.45pm CET)
4 August 2011	H1 2011 Earnings release (5.45pm CET)
27 October 2011	Q3 2011 Earnings release (5.45pm CET)

Note that these dates may be subject to change.

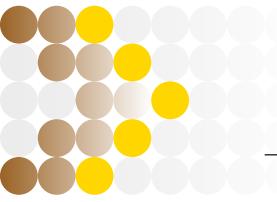


ANNUAL REPORT

CONSOLIDATED ANNUAL ACCOUNTS

2010





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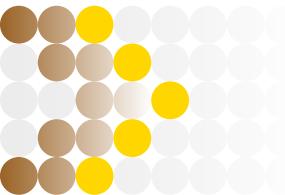
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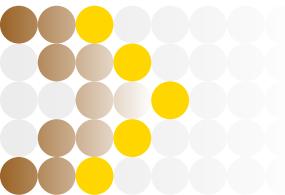
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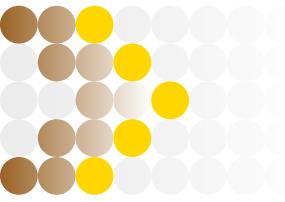


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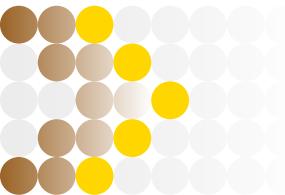


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# Consolidated annual report of the board of directors for 2010 to the shareholders of Telenet Group Holding NV

The board of directors of Telenet Group Holding NV has the pleasure to submit to you its consolidated annual report of the year ending December 31, 2010, in accordance with Articles 96 and 119 of the Belgian Company Code.

In this report, the board of directors also reports on relevant corporate governance matters as well as certain remuneration matters. In accordance with article 3 of the Law of April 6, 2010 and with the Royal Decree of June 6, 2010, the board of directors has decided to adopt the 2009 Belgian Corporate Governance Code as the reference code for corporate governance matters.



## 1.1 Overview

Telenet is the largest cable television operator in Belgium. Telenet's hybrid fiber-coaxial (HFC) cable network spans the Flanders region, covers 61% of Belgium by homes passed and includes the metropolitan centers of Antwerp and Ghent and approximately one-third of Brussels. Telenet's shares are listed on the Euronext Brussels Stock Exchange under the ticker symbol TNET and it is part of the BEL20 stock market index.

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

As of December 31, 2010, Telenet had 2,274,400 unique residential subscribers, which represented 81% of the 2,818,800 homes passed by its network. As of December 31, 2010, all of Telenet's 2,274,400 unique residential subscribers subscribed to its basic cable television services, 1,226,600 subscribed to its broadband internet services and 814,600 subscribed to its fixed telephony services. In addition, 55% of its basic cable television subscribers had upgraded from analog to digital television. For the year ended December 31, 2010, Telenet's total revenue was € 1,299.0 million, an 8% increase over the year ended December 31, 2009, and its Adjusted EBITDA<sup>(1)</sup> was € 668.7 million, a 10% increase over the year ended December 31, 2009.

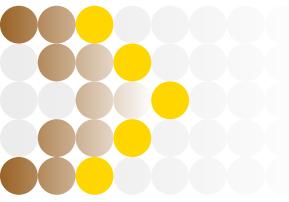
Telenet's business was founded on the provision of high speed broadband internet and fixed telephony services, but following its acquisition of the cable television businesses of the mixed

intermunicipalities (the *MICs*) in 2002, the provision of standard cable television services became its largest business activity. Because consumers are increasingly looking to receive all of their media and communications services from one provider at attractive prices in the form of bundles, Telenet has been increasingly focused on offering its subscribers broadband internet and telephony subscriptions and services together with its basic cable television services in the form of attractively priced multiple-play bundles (*Shakes*). Telenet has derived, and believes it can continue to derive, substantial benefits from the trend towards bundled subscriptions, through which it is able to sell more products to individual subscribers, resulting in significantly higher average monthly subscription revenue per average revenue generating unit<sup>(2)</sup> (ARPU) and, in its experience, the reduction of customer churn. For the year ended December 31, 2010, Telenet's ARPU per unique subscriber was € 38.8 per month, a € 3.8 per month increase over Telenet's ARPU per unique subscriber for the year ended December 31, 2009.

---

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

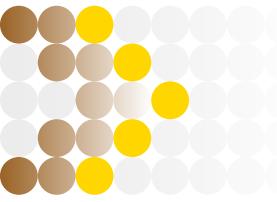
(2) Average monthly revenue (ARPU) per revenue generating unit (RGU) and ARPU per customer relationship are calculated as follows: average total monthly recurring revenue (including revenue earned from carriage fees and set-top box rentals and excluding interconnection revenue, installation fees, mobile telephony revenue and set-top box sales) for the indicated period, divided by the average of the opening and closing RGU base or customer relationships, as applicable, for the period.



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

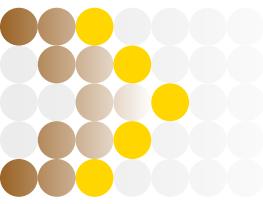
Prior to October 2008, Telenet offered all services to the approximately 1,933,000 homes passed by its network but was only able to offer broadband internet and telephony services to the approximately 829,500 homes passed by the network owned by Interkabel and the pure intermunicipalities (the *PICs*)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





		FOR THE YEARS ENDED DECEMBER 31,	
		2010	2009
<b>// Telenet Group Holding NV – Consolidated operating statistics</b>			
<b>Homes passed – Combined Network</b>		2,818,800	2,793,800
<b>Television</b>			
Analog Cable TV			
<b>Total Analog Cable TV</b>		1,032,500	1,341,600
Digital Cable TV			
Digital Cable TV (Telenet Digital TV)		1,182,800	937,900
Digital Cable TV (INDI)		59,100	63,000
<b>Total Digital Cable TV</b>		1,241,900	1,000,900
<b>Total Cable TV</b>		2,274,400	2,342,400
<b>Internet</b>			
Residential Broadband Internet		1,189,000	1,082,200
Business Broadband Internet		37,600	33,700
<b>Total Broadband Internet</b>		1,226,600	1,115,900
<b>Telephony</b>			
Residential Telephony		802,200	728,900
Business Telephony		12,400	12,000
<b>Total Telephony</b>		814,600	740,900
Mobile telephony (active customers)		198,500	128,700
<b>Total Services (excl. Mobile)</b>		4,315,600	4,199,200
<b>Churn</b>			
Basic cable television		8.8%	9.1%
Broadband internet		7.6%	7.4%
Telephony		7.2%	6.8%
<b>Customer relationship information – Combined Network</b>			
Triple-play customers		719,200	651,000
Total customer relationships		2,274,400	2,342,400
Services per customer relationship		1.90	1.79
ARPU per customer relationship (in € / month)		38.8	35.0





## 1.2 Basic cable television

Basic cable television is the principal medium for the provision of television services in Flanders and Telenet is the largest provider of cable television services in Belgium. Almost all Flemish television households are passed by the bi-directional HFC network. The high penetration of Telenet's basic cable television business has resulted in a steady source of revenue and cash flow. Currently, traditional terrestrial broadcasting and direct-to-home satellite broadcasting are less popular in Flanders or elsewhere in Belgium. Telenet mainly competes with the Belgian incumbent's IPTV platform.

All of Telenet's basic cable television subscribers have access to at least 25 basic analog television channels and an average of 20 analog radio channels, without any additional equipment and with the possibility to connect up to four television sets in the home. Telenet generally provides its basic cable television services under individual contracts with its subscribers, the majority of whom pay monthly. Subscribers to Telenet's basic cable television service pay a single monthly subscription fee for basic tier content, irrespective of the broadcasting format or number of channels received in the basic tier, although subscribers using a digital set-top box benefit from a lower VAT rate. The monthly subscription fee includes a copyright fee for the content received from public broadcasters that is broadcast over Telenet's network. These fees contribute to the cost Telenet bears in respect of copyright fees paid to copyright collection agencies for certain content provided by the public broadcasters.

As of December 31, 2010, Telenet provided its basic cable television services to all of its approximately 2,274,400 unique residential subscribers, or 81% of homes passed by its network. This represents a net organic loss of 68,000 basic cable television subscribers for the year ended December 31, 2010. This organic loss excludes migrations to Telenet's digital television platform and represents customers churning to competitor's platforms, such as other digital television providers and satellite operators, or customers terminating their television service or having moved out of Telenet's service footprint. Given the historically high level of cable penetration in Telenet's footprint, the limited expansion of the number of homes passed and the availability of competing digital television platforms, Telenet anticipates that the number of basic cable television subscribers will continue to decline moderately.

## 1.3 Digital & premium television

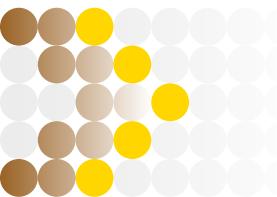
Historically, Telenet only offered basic analog television services to homes passed by its network. Telenet's interactive digital television service was launched in September 2005 and includes both basic and premium offerings. In general, digital technology compresses video signals into a smaller amount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

Telenet's basic cable television subscribers who have installed a set-top box and activated a smart card have access to the same 25 or more television channels simulcast in digital, providing a total of approximately 80 digital channels and approximately 36 digital radio channels, for no additional fee. Telenet offers its basic cable television services in digital for no additional fee in order to encourage its subscribers to migrate to digital cable television so they can access Telenet's digital pay television services, including video-on-demand (VOD) and other interactive television services.

In order to access Telenet's premium interactive digital television (*iDTV*) offerings, subscribers need to install a set-top box, which acts as an interface between the subscriber and the Telenet Network, and operates on the Multimedia Home Platform (MHP) standard, an open standard platform that provides Telenet with the flexibility to integrate applications from a variety of sources. There currently is no dominant standard used for digital set-top box operating platforms, but the MHP standard has been adopted by CableLabs Inc. under the OCAP or Tru2way standard. Telenet offers digital set-top boxes in a sale or a rental model. Telenet offers a choice of *HD Digibox* and *HD Digidorder* set-top boxes with alternative specifications and functionality, such as the ability to record and playback digital content viewed on its service.

Telenet's premium service includes a combination of premium sports and film channels, a range of extended thematic channels, a selection of films and broadcast content available on an on-demand basis and a variety of interactive features. Telenet's full premium interactive digital television offering is





available to all subscribers passed by its network. Telenet's premium content is acquired through various studio contracts, including Universal Studios, MGM, Twentieth Century Fox, Paramount, Sony, Disney and Warner Brothers. These contracts generally require Telenet to make payments on the basis of a minimum number of subscribers, with adjustments made on a sliding scale once minimum subscriber levels have been attained. In addition, a few of these contracts require Telenet to share a portion of the additional revenue derived from price increases for its premium television packages with the content provider.

In cooperation with the local broadcasters, Telenet has built a large broadcasting on-demand library, including the majority of their historical and current content and previews of local series. In addition, Telenet's digital platform supports additional functionalities such as e-mail, short message services, online photo albums and access to government services and programs. Other features include several interactive search engines such as telephony directories, train information, job searches and public and air transportation information.

In December 2010, Telenet launched Yelo, a revolutionary new multimedia platform enabling digital cable television subscribers to watch their favorite television programs and videos wherever they are. Yelo enables customers to watch their favorite programs beyond the familiar TV screen, on their iPad, iPhone and laptop. In addition, Yelo offers a range of convenient services, such as an EPG, remote programming of one's set-top box and access to video-on-demand. As of February 24, 2011, the Yelo application was downloaded more than 90,000 times and Telenet registered over 1 million unique viewing sessions.

As of December 31, 2010, Telenet served 1,241,900 digital cable television subscribers. This corresponded to a 24% increase compared to the year ended December 31, 2009 when Telenet reached just over one million digital cable television subscribers. The vast majority of its digital subscribers (1,182,800) subscribed to the interactive Telenet Digital TV platform which was launched in 2005, with the remaining subscribers (59,100) on the non-interactive linear INDI platform which the Company acquired as part of the Interkabel Acquisition.

For the year ended December 31, 2010, Telenet attracted a net new 244,900 subscribers to its Telenet Digital TV platform which is its best result ever when excluding 2009's performance which was boosted by pent-up demand resulting from the Interkabel Acquisition. For the year ended December 31, 2010, 21% of Telenet's remaining analog cable television subscriber base switched to digital, equivalent to 11% of its total cable television subscriber base, which was ahead of the Company's long-term projections.

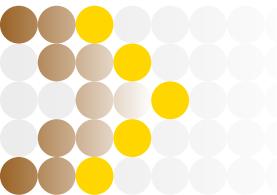
As of December 31, 2010, 55% of Telenet's basic cable television subscribers had upgraded to digital cable television as compared to 43% as of December 31, 2009. Going forward, the Company believes that the continued migration of analog cable television subscribers to its interactive digital platform will remain one of the key value drivers as a digital subscriber tends to generate an ARPU, which is approximately twice the level of the basic cable television ARPU.

## 1.4 Broadband internet

Telenet is the leading provider of residential broadband internet services in Flanders. As of December 31, 2010, Telenet provided its broadband internet services to 1,226,600 subscribers, an increase of 10% compared to December 31, 2009. Telenet succeeded in attracting 110,700 net new broadband internet subscribers for the year ended December 31, 2010, which the Company believes is a robust performance in light of the increased broadband penetration in its footprint and the intensely competitive environment. As of December 31, 2010, Telenet's broadband service reached a penetration of 43.5%, relative to the number of homes passed by the Combined Network compared to 39.9% as of December 31, 2009. For the year ended December 31, 2010, the Company's annualized broadband internet churn rate remained stable compared to the year ended December 31, 2009 at 7.2%.

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





Telenet's goal is to constantly upgrade the specifications and features of its broadband products in order to underline its speed leadership and the reliability of cable versus competitive offers. Today's internet browsing experience increasingly requires larger bandwidth capacity as multimedia applications, social networking and video-rich entertainment sites become an important part of our digital lifestyle. Thanks to the continued investments in both new technologies and its network, Telenet is well positioned to meet the rapidly growing consumer needs and to deliver a wholly new internet experience to its entire customer base. In January 2011, Telenet added two additional products to its Fibernet product lineup as a response to today's growing need for powerful, superfast internet, enabling the whole family to connect seamlessly through multiple devices simultaneously.

Telenet believes that the combination of speed leadership, brand recognition, customer service, innovative and premium product features and attractive pricing schemes has helped enable it to attract 1,226,600 broadband internet subscribers as of December 31, 2010. The broadband internet access market in Belgium is well established, with penetration rates higher than in most other major European markets. According to the European Commission, as of December 31, 2009, broadband internet access penetration in Belgium stood at 68% of total households. In the Flanders region, the broadband internet access penetration was approximately 75%. Telenet's ability to continue to grow this market, however, will depend in part on increases in the number of households with a personal computer in Flanders and parts of Brussels.

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

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

The number of fixed telephony subscribers on Telenet's network reached 814,600 as of December 31, 2010, a 10% increase compared to the year ended December 31, 2009. This corresponds to a penetration rate of 28.9% as of December 31, 2010 relative to the number of homes passed compared to 26.5% as of December 31, 2009. The continued growth in Telenet's fixed telephony subscriber base was driven by the availability of attractive flat-fee rate plans and the continued success of its multiple-play bundles. Telenet's annualized fixed telephony churn remained well under control at 6.8% for the year ended December 31, 2010 compared to 6.6% for the year ended December 31, 2009.

1.5

## Telephony

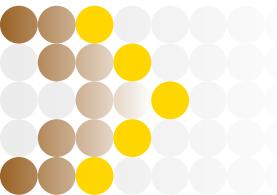
### Fixed telephony

Telenet offers its residential subscribers local, national and international long distance fixed telephony services and a variety of value-added features. In Flanders, Telenet believes that it is currently the largest competitor to Belgacom NV/SA, the Belgian incumbent, due in part to Telenet's emphasis on customer service and innovative tariff plans. Substantially all of Telenet's telephony subscribers use voice-over-internet protocol (*VoIP*) technology which utilizes the open standards EuroDocsis protocol, and through which Telenet is able to provide both internet and telephony services.

### Mobile telephony

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





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

Telenet provides a segmented range of mobile postpaid rate plans. Telenet initially started with a free subscription based product with subscribers hence only paying for their usage. At the end of October 2009, the Company redesigned its product offers and tariff structures including subsidized smartphones for postpaid subscribers taking a two-year contract. At the same time, Telenet carefully initiated its first mobile focused marketing campaigns tailored towards its existing customer base. Through these offers, Telenet aims to cross-sell mobile telephony services to its existing customer base, while it seeks a higher ARPU resulting from higher use of both mobile voice and data. As of December 31, 2010, Telenet served 198,500 active mobile customers compared to 128,700 as of December 31, 2009.

#### Interconnection

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network. For a subscriber located on one telephony network to complete a telephone call to an end user served by another telephony network, the subscriber's network service provider must interconnect to the network serving the end user. Typically, the network serving the end user charges the subscriber's service provider a fee to terminate the communication, which is based on a call set-up charge and on the length of the telephone call. Interconnection costs and revenues have a significant impact on Telenet's financial results. As a result, Telenet has focused heavily on managing this cost.

Telenet's interconnection practices are subject to comprehensive regulation by the Belgian Institute for Postal Services and Telecommunications (BIPT). Following the adoption of the EU Regulatory Framework in Belgian law, the BIPT decided in August 2006 to implement a three year gliding path to near reciprocity starting on January 1, 2007. From January 1, 2009, Telenet can only charge to Belgacom the Belgacom termination charge to Telenet's plus 15%. In 2010, the interconnection regime for fixed telephony remained unchanged. As for mobile telephony, the BIPT imposed a sharp declining glide path following its latest market analysis dated June 2010. As a result, mobile termination rates will be capped at € 1.08 cent/per minute starting January 2013, a 77.7% decline compared to the current average rate of € 4.85 cent/per minute. In the same decision, the BIPT indicated that

Full-MVNOs will in principle have to apply the termination rates of their host operator (i.e. Mobistar rates for Telenet).

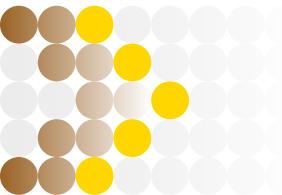
Network operators, including Telenet, charge interconnection termination fees to terminate telephone calls on their network that originated from a user on another network. Typically, the cost of interconnection fees that Telenet pays is taken into account in the price it charges its subscribers. For the year ended December 31, 2010, Telenet incurred interconnection fees of € 64.7 million and received interconnection revenue of € 14.5 million. Telenet reports its interconnection revenue under 'Residential telephony', while the incurred interconnection fees are accounted for under 'Network operating and service costs'.

## 1.6 Business services

Telenet's business customers include small and medium-sized enterprises (SMEs) with between five and one hundred employees; larger corporations; public, healthcare and educational institutions; and carrier customers that include international voice, data and internet service providers. For the year ended December 31, 2010, Telenet's business services operations generated € 84.9 million in revenue, an increase of 10% compared to the year ended December 31, 2009. Telenet markets its business services under the Telenet Solutions brand name. Telenet's corporate customers generally connect to the Telenet Network directly through a fiber optic connection and its SME customers connect to the Combined Network through a fiber, digital subscriber line (DSL) or coaxial connection, depending on the scope of their needs and their location relative to Telenet's network.

Telenet Solutions offers a range of voice, data and internet products and services that are tailored to the size and needs of each customer. Telenet provides services to business customers throughout Belgium and parts of Luxembourg. With the inclusion of DSL services Telenet has flexibility to target customers throughout Belgium because it is not dependent on such customer's proximity to the Telenet Network. Telenet's business customers evaluate its offerings based on price, technology, security, reliability and customer service. Internet products include i-Fiber, WiFi services and internet over copper leased lines, DSL lines or coaxial connections. Voice products include a range of fiber, coaxial and DSL products matched to the capacity needs of customers, as well as other services. Data products consist primarily of various forms of leased lines, which are typically sold to corporate customers and to carriers.





Telenet also offers virtual private network (VPN) customized services for customers of which in particular Telenet's IP-enabled product is a strong growing product in its portfolio.

Sales and marketing teams for Telenet's business customers are organized on a regional, business sector and customer size basis. The prices that Telenet offers its corporate, public, healthcare, educational and carrier customers are usually negotiated within fixed parameters, whereas more standardized prices typically apply to Telenet's SME customers. For certain large corporates, Telenet enters into individual agreements under which it must meet minimum service levels. Telenet has recently closed an agreement with TechData, one of Belgium's biggest distributors of information and communications technology, in order to extend and improve its distribution platform.

The availability and gradual commercial roll-out of EuroDocsis 3.0 represents an important development for Telenet's positioning in the business-to-business market. Given the higher download speeds, better product specifications and improved quality of service over competing technologies, Telenet is in a strong position to increase its market share in the business-to-business market both for select, smaller corporate segments and larger corporate accounts. Telenet continues to progress with the next integration phase of the acquired hosting services company, Hostbasket. Together with C-CURE NV, which Telenet acquired on May 31, 2010, Telenet's business segment will be able to offer a single-user experience for not only connectivity solutions but also for a whole range of additional value-added services.

## 1.7 Network

In 1996, Telenet acquired the exclusive right to provide point-to-point services, including broadband internet and telephony services, and the right to use a portion of the capacity of the broadband communications network owned by the PICs, the Partner Network. Currently, under the PICs Agreement through Telenet NV and Telenet Vlaanderen NV, Telenet has full rights to use substantially all of the Partner Network under a long-term lease (*erfpacht/emphythéose*) for an initial period of 38 years (of which 36 years are remaining), for which Telenet is required to pay recurring fees in addition to the fees paid under certain pre-existing agreements with the PICs.

Telenet refers to the Combined Network when describing the combination of its own network and the Partner Network. Telenet uses the Combined Network to provide cable television in analog, digital and HD formats, broadband internet and fixed telephony services to both residential and business customers who reside in its service area. Telenet's combined broadband HFC network consists of a fiber backbone with local loop connections constructed of coaxial cable with a minimum capacity of 600 MHz.

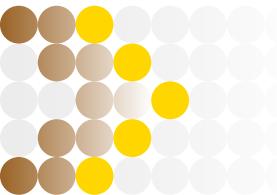
Regardless of whether a customer is served by the Telenet Network or the Partner Network, the means by which the services available in the relevant franchise area reach the customer are the same. Telenet's Combined Network assets include approximately 12,000 kilometers of fiber backbone, of which Telenet owns 7,300 kilometers, utilizes 2,580 kilometers pursuant to long-term leases and has access to 2,100 kilometers through its agreements with the PICs. The fiber backbone connects to approximately 68,000 kilometers of coaxial local loops, of which 50,000 kilometers is in the Telenet Network and the balance in the Partner Network. Telenet owns the primary and secondary fiber backbone on the Combined Network and the fiber and coaxial cable on the Telenet Network. The PICs own the additional fiber and the coaxial cable included in the HFC access loops on the Partner Network.

In addition to its HFC network, Telenet offers services to business customers across Belgium and in parts of Luxembourg through a combination of electronic equipment which it owns and fiber which is predominantly leased. Telenet has also installed equipment necessary to provide voice, data and internet services using DSL technology. DSL technology enables Telenet to serve business customers that are not currently close to its network in a more cost effective manner through Belgacom's telephone network.

Telenet's fiber backbone is currently running All-IP and carries all of its communications traffic. Telenet also uses fully converged multi protocol label switching (*MPLS*) to route its IP traffic, which enables it to more efficiently tag data to better manage traffic on the Combined Network. This means, for example, that voice packets can be given priority over data packets to avoid interruption to voice communications.

Customers connect to the Combined Network through a coaxial connection from one of Telenet's nodes. Amplifiers are used on the coaxial lines to strengthen both downstream and return path signals on the local loop. On average, approximately 1,400 homes are served by each of the approximately 2,398 nodes in the Combined Network. Network quality usually deteriorates as customer penetration rates on any particular node increase. When required, the scalability of Telenet's network enables it to address this problem, within limits,





through node splits in which Telenet installs additional equipment at the node so that the same 3 Gbps capacity serves approximately 500 homes per node. Telenet uses node splits, among other measures, to manage potential congestion in certain parts of the Partner Network.

Telenet's network operating center in Mechelen, Belgium monitors performance levels on the Combined Network on a continuous basis. Telenet has a separate disaster recovery site for back office systems, and its network has been designed to include redundant features to minimize the risk of network outages and disasters with the fiber optic rings designed to reroute traffic in the opposite direction around the ring in the event that a section of the ring is cut. Telenet has insured its buildings, head end stations, nodes and related network equipment against fire, floods, earthquakes and other natural disasters, but is not insured against war, terrorism (except to a limited extent under its general property insurance) and cyber risks. Telenet carries insurance on its fiber optic network up to a capped amount, but does not carry property damage insurance for its coaxial network.

At the end of 2009, Telenet completed the upgrade of its network bandwidth capacity from 450 MHz to 600 MHz. Late 2009, Telenet also completed the implementation of the necessary software and hardware to enable its adoption of the EuroDocsis 3.0 channel bonding standard. Through the EuroDocsis 3.0 technology, Telenet is able to offer downstream speeds of up to 100 Mbps. At the beginning of 2010, Telenet announced its next phase of network investments, referred to as Telenet's *Digital Wave 2015* investment program, to further upgrade its network and services as Telenet believes that a fiber-rich and flexible network will provide capacity for future growth which its competitors will have difficulty matching. One of the cornerstones of Telenet's upgrade strategy is its *Pulsar* node splitting project which will allow Telenet to build a next-generation network capable of capturing the changing consumer needs, new internet applications and future services and technology. The *Pulsar* project includes a further reduction of the number of homes connected to an optical node from on average 1,400 to an average of 500 homes per node with the design ready to move to an average of 250 homes per node, thereby significantly increasing the network capacity. Telenet plans to execute this program over five years for a total expenditure of approximately € 30 million per annum. This amount could vary, however, depending on market conditions, supply arrangements and numerous other factors.

## 1.8 Strategy

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

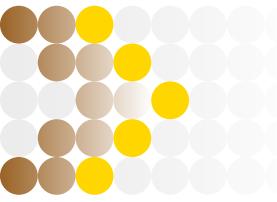
### **Drive continued revenue and profit growth by leveraging Telenet's superior products and multiple-play bundles.**

Telenet has achieved significant growth in its digital television, broadband internet and telephony services and it plans to further increase its subscriber base for these services as well as its multiple-play bundles through product positioning, attractive pricing and strong focus on customer care. Telenet has launched several successful product and marketing initiatives to further increase the uptake of bundles and migrate subscribers to its *Shakes* bundles. As of December 31, 2010, 58% of Telenet's unique residential customers subscribed to its double or triple-play packages, of which 32% or 719,200 represented triple-play subscribers (representing an increase of 10% compared to December 31, 2009). Telenet will continue to upsell its bundles to its customer base to improve ARPU per unique customer, reduce customer acquisition costs, lower churn rates and lower maintenance expenses.

### **Further convert Telenet's analog basic cable television subscriber base to digital television.**

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





favorite programs and videos wherever they are beyond the traditional television screen on, for example, an iPad, iPhone or laptop.

#### **Enhance customer satisfaction and loyalty.**

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

#### **Explore additional growth opportunities.**

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

#### **Focus on cash flow growth.**

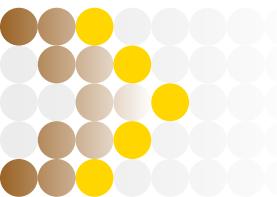
Telenet believes that it has a solid Adjusted EBITDA margin and cash flow generation profile. Telenet is committed to exploiting growth opportunities available to it in a manner that Telenet expects to generate high incremental return on its investments. Telenet believes that the large scale of its existing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



## 2.1

## Consolidated statement of comprehensive income

in thousands of euro, except per share data		
	FOR THE YEARS ENDED DECEMBER 31,	
	2010	2009
Revenue	1,298,993	1,197,421
Cost of services provided	(735,781)	(688,891)
<b>Gross profit</b>	<b>563,212</b>	<b>508,530</b>
Selling, general and administrative expenses	(218,681)	(210,022)
<b>Operating profit</b>	<b>344,531</b>	<b>298,508</b>
Finance income	1,513	1,163
Net interest income and foreign exchange gain	1,513	1,163
Finance expense	(199,158)	(154,825)
Net interest expense and foreign exchange loss	(152,257)	(133,961)
Net loss on derivative financial instruments	(38,998)	(20,864)
Loss on extinguishment of debt	(7,903)	-
<b>Net finance expenses</b>	<b>(197,645)</b>	<b>(153,662)</b>
Share of the loss of equity accounted investees	(412)	(484)
Profit before income tax	146,474	144,362
Income tax benefit (expense)	(57,172)	88,728
<b>Profit for the period</b>	<b>89,302</b>	<b>233,090</b>
<b>Other comprehensive income for the period, net of income tax</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>89,302</b>	<b>233,090</b>
<b>Earnings per share</b>		
Basic earnings per share in €	0.80	2.09
Diluted earnings per share in €	0.79	2.08



For the year ended December 31, 2010, Telenet generated revenue of € 1,299.0 million, an 8% increase compared to € 1,197.4 million for the year ended December 31, 2009. Excluding the impact from the acquisitions of BelCompany, which Telenet consolidates since June 30, 2009, and C-CURE, which Telenet consolidates since May 31, 2010, Telenet achieved 7% revenue growth for the year ended December 31, 2010. The bulk of Telenet's organic top line growth was driven by the underlying growth in the number of fixed and mobile services and the ongoing migration from analog to digital television, all through which the Company was able to obtain a higher ARPU per customer relationship. Telenet's business services division also delivered healthy top line growth on the back of its reinforced product portfolio and recent major contract wins.

Telenet's operating profit for the year ended December 31, 2010 was € 344.5 million, a 15% increase compared to € 298.5 million for the year ended December 31, 2009. Telenet recorded a net profit of € 89.3 million for the year ended December 31, 2010, including a net loss on interest rate derivatives of € 39.0 million and a € 7.9 million loss on extinguishment of debt. Excluding both items, Telenet would have recorded a net profit of € 136.2 million for the year ended December 31, 2010.

## 2.2 Revenue by service

in thousands of euro

	FOR THE YEARS ENDED DECEMBER 31,	
	2010	2009
Cable television:		
Basic Subscribers <sup>(1)</sup>	325,100	322,271
Premium Subscribers <sup>(1)</sup>	150,684	115,398
Residential:		
Internet	426,657	402,010
Telephony <sup>(2)</sup>	255,862	224,278
Distributors/Other	55,734	56,516
Business	84,956	76,948
<b>Total Revenue</b>	<b>1,298,993</b>	<b>1,197,421</b>

(1) Basic and premium cable television substantially comprises residential customers, but also includes a small proportion of business customers.  
(2) Residential telephony revenue also includes interconnection fees generated by business customers.

Telenet's revenue for the year ended December 31, 2010 remained well balanced with cable television, including basic cable television, digital and premium cable television, broadband internet and telephony all representing significant proportions of its total revenue.

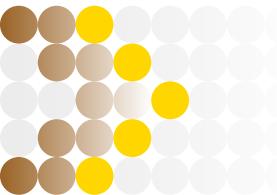
### 2.2.1 Cable television

For the year ended December 31, 2010, Telenet's aggregate cable television revenue, which comprises both basic cable television and premium cable television revenue, was € 475.8 million, a 9% increase compared to the year ended December 31, 2009. The revenue increase was primarily driven by higher premium cable television revenue as a result of a growing proportion of digital television subscribers.

Basic cable television revenue, which comprises the basic cable television subscription fee paid by both analog and digital (Telenet Digital TV and INDI) cable television subscribers, remains an important contributor to Telenet's revenue and represents a steady source of cash flow. For the year ended December 31, 2010, Telenet's basic cable television revenue amounted to € 325.1 million compared to € 322.3 million for the year ended December 31, 2009. The anticipated contraction in the number of basic cable television subscribers was offset by a 6% price increase introduced in February 2009, which had a deferred benefit on Telenet's revenue until February 2010.

Premium cable television revenue includes the revenue generated by Telenet's digital cable television subscribers on top of the basic cable television revenue as described above. In addition to VOD revenue, premium cable television revenue is driven by the strong uptake in rentals of the high-end HD and PVR-enabled set-top boxes, which provide a boost to Telenet's recurring monthly set-top box rental fees. The other contributors to premium cable television revenue include subscription fees to Telenet's thematic and premium channel packages, the latter marketed under the brand name *PRIME*, and interactive services which all drive an ARPU uplift from basic cable television. For the year ended December 31, 2010, Telenet registered 47 million VOD transactions, or on average 3.7 transactions per iDTV user per month. For the year ended December 31, 2010, Telenet's premium cable television revenue represented € 150.7 million, a 31% increase compared to the year ended December 31, 2009.





## 2.2.2 Distributors/Other

Distributors/Other revenue includes revenue related to (i) the sale of set-top boxes, (ii) revenue from cable television activation and installation fees, (iii) other services such as online advertising on portal and community websites and (iv) the contribution from third-party sales at BelCompany, which Telenet acquired on June 30, 2009.

Distributors/Other revenue for the year ended December 31, 2010 fell 1% to € 55.7 million as compared to € 56.5 million for year ended December 31, 2009. The positive impact from the full year consolidation of BelCompany in 2010, as opposed to only two quarters in 2009, was offset by lower installation revenue as Telenet attracted on a gross basis relatively fewer subscribers for the year ended December 31, 2010 compared to the year ended December 31, 2009 when the Company still enjoyed the early benefits from the Interkabel Acquisition.

## 2.2.3 Residential broadband internet

Revenue generated by Telenet's 1.2 million broadband internet subscribers grew 6% year-on-year from € 402.0 million for the year ended December 31, 2009 to € 426.7 million for the year ended December 31, 2010 despite lower revenue from contract termination billings for the three months ended December 31, 2010.

Telenet attributes this solid performance to the sustained growth in its broadband subscriber base, partially offset by a growing proportion of bundle discounts as a result of a higher concentration of sales in bundles and more lower-tier customers in the overall mix resulting from a growing broadband penetration. In 2010, Telenet upgraded both the download speeds and data volume limits for its existing products without a price increase. At the same time, the Company launched in February 2010 the first series of its next-generation broadband internet products based on the EuroDocsis 3.0 technology, which has been deployed over its entire footprint. Thanks to Fibernet, enabling download speeds ranging from 40 Mbps to up to 100 Mbps, Telenet believes it is uniquely positioned for the future as consumers increasingly seek reliable superfast broadband access allowing them to connect to the internet simultaneously through multiple devices.

## 2.2.4 Residential telephony

Residential telephony revenue, which includes the revenue generated by Telenet's fixed and mobile telephony subscribers, increased € 31.6 million or 14% to € 255.9 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009

The robust growth in Telenet's residential telephony revenue predominantly stemmed from a growing contribution from its mobile business induced by a higher number of postpaid subscribers and more importantly a significant increase in mobile ARPU as a result of an increasing proportion of higher rate plans in Telenet's new sales. For the year ended December 31, 2010, mobile revenue more than doubled as compared to the year ended December 31, 2009 and increasingly contributed to its top line.

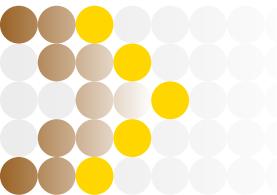
Telenet's fixed telephony revenue also showed steady growth as a higher number of RGUs was only partially offset by a further decline in the individual fixed telephony ARPU given the higher proportion of customers on flat-fee rate plans and a sustained high concentration of bundle sales.

## 2.2.5 Business services – Telenet Solutions

Telenet Solutions contributed € 84.9 million to overall revenue for the year ended December 31, 2010 compared to € 76.9 million for the year ended December 31, 2009 (+10% year-on-year) driven by good traction for Telenet's professional data and fiber solutions, together with the acquisition of C-CURE, a Mechelen-based security specialist which the Company began to fully consolidate as of May 31, 2010 and which contributed well to the overall top line.

Telenet continues to believe that the availability of EuroDocsis 3.0-based professional products across its entire network and the further implementation of its segmented market approach will herald new select growth opportunities in the business segment, both for smaller and medium-sized companies as well as larger corporations. Moreover, the Company has extended its products and services offering beyond the typical connectivity layer by adding hosting and managed security services through which the Company is able to make a more coherent and integrated approach towards the business market. Telenet is currently in the process of merging the two recently acquired





B2B companies – Hostbasket and C-CURE – into Telenet, which is expected to create additional synergies and result in an improved go-to-market.

## 2.3 Total expenses

For the year ended December 31, 2010, total operating expenses reached € 954.5 million, a 6% increase compared to € 898.9 million for the year ended December 31, 2009. The increase in operating expenses was partially inorganic and related to the Company's acquisitions of BelCompany and C-CURE. On an organic basis, operating expenses showed a more modest growth of 4% compared to the year ended December 31, 2009. Total operating expenses for the year ended December 31, 2009 included a € 6.6 million nonrecurring provision related to a settlement of post-employment benefits for certain of Telenet's employees who were former Electrabel-employees. Excluding this nonrecurring provision, total operating expenses for the year ended December 31, 2010 increased 7% compared to the year ended December 31, 2009, or 5% on an organic basis. Despite the continued growth in the number of services and the effective implementation of Telenet's Full-MVNO, operating expense growth trailed the Company's revenue growth, reflecting the benefits of the various process improvements that Telenet has put in place, its improved customer service and its disciplined overall cost control.

As a percentage of revenue, total operating expenses (including depreciation and amortization) for the year ended December 31, 2010 improved by nearly two percentage points compared to the year ended December 31, 2009 to 73%, despite the acquisitions of BelCompany and C-CURE and the introduction of subsidized mobile handsets. The relative improvement in the level of operating expenditure was both driven by an improvement in cost of services provided as well as in selling, general and administrative expenses. Excluding the € 6.6 million nonrecurring provision for post-employment benefits in the fourth quarter of 2009, total operating expenses as a percentage of revenue would have improved by one percentage point on a comparable basis.

	FOR THE YEARS ENDED DECEMBER 31,	
	2010	2009
Cost of services provided	(735,781)	(688,891)
Selling, general and administrative expenses	(218,681)	(210,022)
<b>Total expenses</b>	<b>(954,462)</b>	<b>(898,913)</b>

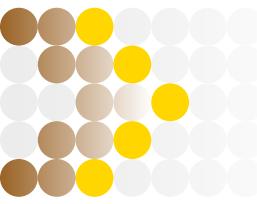
### 2.3.1 Cost of services provided

Cost of services provided for the year ended December 31, 2010 represented € 735.8 million, a 7% increase compared to the year ended December 31, 2009. The year-on-year increase in cost of services provided was primarily growth-related and directly correlated with the continued growth in the number of services. Furthermore, Telenet incurred higher content costs as a result of a further digitalization of its cable television subscriber base, higher interconnect costs and higher maintenance costs as a result of a larger installed base and the implementation of its Full-MVNO for which the Company has developed its own mobile switch, rating and billing platform. Finally, the growth in cost of services provided also reflected the purchase costs of sold mobile handsets, which Telenet started offering as from October 2009.

### 2.3.2 Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses totaled € 218.7 million for the year ended December 31, 2010 compared to € 210.0 million for the year ended December 31, 2009 (+4% year-on-year). SG&A expenses for the year ended December 31, 2009 included the € 6.6 million nonrecurring provision for post-employment benefits as discussed above. Excluding this nonrecurring provision, SG&A expenses rose 7% year-on-year. The growth in SG&A expenses reflected the underlying growth in staffing levels as result of acquisitions, business growth and a further insourcing of call centers, as well as the impact of subsidized handsets which Telenet began offering as from October 2009.





## 2.4 Expenses by nature

	in thousands of euro	
	FOR THE YEARS ENDED DECEMBER 31,	
	2010	2009
Employee benefits:		
Wages, salaries, commissions and social security costs	117,296	105,314
Other employee benefit costs	16,512	17,736
	<b>133,808</b>	<b>123,050</b>
Depreciation and impairment	246,471	239,015
Amortisation	60,487	55,475
Amortisation of broadcasting rights	6,830	8,329
Losses (gains) on disposal of property and equipment and other intangible assets	46	(16)
Network operating and service costs	378,220	343,237
Advertising, sales and marketing	69,307	69,225
Share-based payments granted to directors and employees	9,787	5,067
Non-recurring post-employment benefits	-	6,571
Operating charges related to acquisitions or divestitures	267	1,293
Other costs	48,971	47,667
Restructuring charges	268	-
<b>Total costs and expenses</b>	<b>954,462</b>	<b>898,913</b>

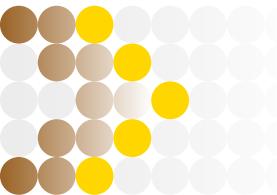
Employee benefits increased 9% from € 123.1 million for the year ended December 31, 2009 to € 133.8 million for the year ended December 31, 2010, which reflected the underlying growth in staffing levels as a result of the acquisitions of BelCompany and C-CURE and the Company's deliberate strategy to increase the proportion of insourced call centres. Telenet continues to believe that a greater proportion of insourced call centers as opposed to outsourced call centers will enable the Company to further increase its customer service levels and to reach higher closing rates and efficiencies in terms of sales. The resulting higher employee benefits will be offset by lower network operating and service costs. As of December 31, 2010, Telenet employed approximately 2,000 full-time equivalents compared to 1,887 as of December 31, 2009.

Depreciation and amortization amounted to € 313.8 million for the year ended December 31, 2010, a 4% increase compared to the year ended December 31, 2009. This increase reflects the impact of capital expenditures that was only partially offset by

the impact of certain assets becoming fully depreciated. In the course of the fourth quarter of, 2010, Telenet accrued € 30.7 million related to the Digital Terrestrial Television license (DTT), which is being amortized on a straight-line basis over a 14-year period as from October 1, 2010.

Network operating and service costs remained Telenet's most significant expense line, covering 40% of total operating expenses. Network operating and service costs totaled € 378.2 million for the year ended December 31, 2010 compared to € 343.2 million for the year ended December 31, 2009 (+10% year-on-year). The increase in network operating and service costs was primarily growth-related and directly correlated with the continued growth in the number of services, higher content costs as a result of a further digitalization of Telenet's cable television subscriber base, higher interconnect costs and higher maintenance costs as a result of a larger installed base and the implementation of Telenet's Full-MVNO for which the Company has developed its own mobile switch, rating and billing





platform. Finally, the growth in network operating and service costs also reflected the purchase costs of our sold mobile handsets, which Telenet started offering as from October 2009.

Advertising, sales and marketing expenses were flat year-on-year at € 69.3 million for the year ended December 31, 2010, despite the impact of Telenet's new mobile-focused marketing campaigns, the BelCompany acquisition and the launch of the mobile TV platform, Yelo. The Company was able to maintain its advertising, sales and marketing expense levels thanks to a decline in sales commissions and an increased efficiency from new sales being realized through our website and customer care call centers.

Other costs, including operating charges related to acquisitions or divestitures, for the year ended December 31, 2010, were broadly stable at € 49.6 million compared to the year ended December 31, 2009. This particular cost line predominantly reflects business-supporting corporate advisory and legal fees.

## 2.5 Adjusted EBITDA

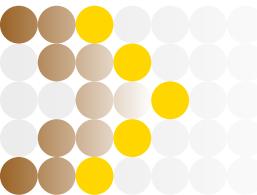
For the year ended December 31, 2010, Telenet generated Adjusted EBITDA<sup>(1)</sup> of € 668.7 million, a strong increase of 10% compared to the year ended December 31, 2009, when Adjusted EBITDA reached € 607.7 million.. Telenet realized an Adjusted EBITDA margin of 51.5% for the year ended December 31, 2010 compared to 50.7% for the year ended December 31, 2009. Despite selective investments in new growth domains, the dilutive margin impact from the acquired business of BelCompany and C-CURE and elevated inroads into mobile, Telenet was able to expand its Adjusted EBITDA margin. The strong growth in Adjusted EBITDA was primarily the result of a continued focus on process and product platform improvements, the continued uptake of multiple-play and overall disciplined cost control, which more than compensated for the increased mobile activities.

	in thousands of euro	
	FOR THE YEARS ENDED DECEMBER 31,	
	2010	2009
<b>Adjusted EBITDA</b>	<b>668,641</b>	<b>607,687</b>
Adjusted EBITDA margin	51.5%	50.7%
Share-based payments granted to directors and employees	(9,787)	(5,067)
Operating charges related to acquisitions or divestitures	(267)	(1,293)
Restructuring charges	(268)	-
<b>EBITDA</b>	<b>658,319</b>	<b>601,327</b>
Depreciation, amortization and impairment	(313,788)	(302,819)
<b>Operating profit</b>	<b>344,531</b>	<b>298,508</b>
Net finance expenses	(197,645)	(153,662)
Share of the loss of equity accounted investees	(412)	(484)
Income tax benefit (expense)	(57,172)	88,728
<b>Total comprehensive income for the period, attributable to Owners of the Company</b>	<b>89,302</b>	<b>233,090</b>

(1) EBITDA is defined as profit before net finance expense, income taxes, depreciation, amortization and impairment. Adjusted EBITDA is defined as EBITDA before stock-based compensation and restructuring charges, and before operating charges or credits related to successful or unsuccessful acquisitions or divestitures. Operating charges or credits related to acquisitions or divestitures include (i) gains and losses on the disposition of long-lived assets and (ii) due diligence, legal, advisory and other third-party costs directly related to the Company's efforts to acquire or divest controlling interests in businesses. Adjusted EBITDA is an additional measure used by management

to demonstrate the Company's underlying performance and should not replace the measures in accordance with IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable IFRS measure. Adjusted EBITDA is a non-GAAP measure as contemplated by the U.S. Securities and Exchange Commission's Regulation G. For related definitions and reconciliations, see the Investor Relations section of the Liberty Global, Inc. website (<http://www.lgi.com>). Liberty Global, Inc. is the Company's controlling shareholder.





## 2.6 Operating profit (EBIT)

The combination of solid double-digit Adjusted EBITDA growth, slightly offset by higher depreciation and amortization charges and share based compensation expense, led to an operating profit of € 344.5 million for the year ended December 31, 2010 (+15% year-on-year).

offset by (iii) lower EURIBOR interest rates which set the basis for the majority of interest expenses carried on the Senior Credit Facility.

## 2.7 Net finance expenses

Net finance expenses were € 197.6 million for the year ended December 31, 2010 compared to € 153.6 million for the year ended December 31, 2009. This increase primarily reflects a higher negative impact from changes in the fair value of interest rate hedges and the upfront premiums related to the optimization of derivative instruments. The interest expenses on the Term Loans under the Senior Credit Facility slightly increased as a result of higher indebtedness and an increase in the overall interest margin following the maturity extension processes in August 2009 and in September 2010.

### 2.7.1 Interest income and foreign exchange gain

Interest income and foreign exchange gain for the year ended December 31, 2010 totaled € 1.5 million, slightly up compared to € 1.2 million for the year ended December 31, 2009.

### 2.7.2 Interest expenses and foreign exchange loss

Net interest expense and foreign exchange loss for the year ended December 31, 2010 totaled € 152.2 million, up from € 133.9 million for the year ended December 31, 2009. The 14% increase is the net effect from (i) an 8% increase in the Company's average higher indebtedness and (ii) an increase in the overall interest margin following the maturity extension processes in August 2009 and in September 2010, partially

### 2.7.3 Net gains and losses on derivative financial instruments

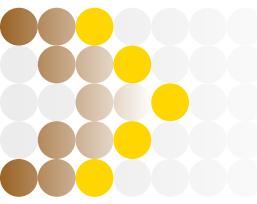
Telenet has entered into various derivative instruments to significantly reduce its exposure to interest rate increases through the maturity date of the Senior Credit Facility. During 2010, Telenet further optimized its portfolio of interest rate hedges to lower the average interest rates and extend the maturities as described above. As of December 31, 2010, Telenet had a combination of cap, collar and swap instruments that provide for a maximum average interest rate of 4.0% (excluding the respective margins per Term Loan). The Company's derivatives are spread over different financial institutions and geographies to minimize counterparty risks.

In line with IFRS accounting standards, interest rate derivatives are valued on a mark-to-market basis, i.e. at fair value, and changes in fair value are reflected in the statement of comprehensive income. These changes in fair value can be volatile and do not have any direct impact on Telenet's cash flows until such time as the derivatives are fully or partially settled. For the year ended December 31, 2010, the change in fair value of interest rate derivatives yielded a loss of € 39.0 million versus a loss of € 20.9 million for the year ended December 31, 2009.

### 2.7.4 Loss on extinguishment of debt

As a result of the early redemption of certain outstanding Term Loans under the Senior Credit Facility for an aggregate € 208.8 million, € 7.9 million of third-party costs and related deferred financing costs were expensed for the year ended December 31, 2010.





## 2.8 Income taxes

For the year ended December 31, 2010, Telenet recorded an income tax expense of € 57.2 million compared to an income tax benefit of € 88.7 million for the year ended December 31, 2009, which reflected a nonrecurring tax credit of € 124.6 million recorded in the fourth quarter of 2009 following the recognition of a deferred tax asset related to the net operating losses of the Company's subsidiary Telenet BidCo NV. The underlying trend reflects the increasing profitability of the primary operating entity of the Telenet group.

## 2.9 Net income from continuing operations

Telenet recorded a net profit of € 89.3 million for the year ended December 31, 2010, including a loss on interest rate derivatives of € 39.0 million and a € 7.9 million loss on extinguishment of debt. Excluding both items, Telenet would have recorded a net profit of € 136.2 million for the year ended December 31, 2010.

For the year ended December 31, 2009, Telenet reported a net profit of € 233.1 million, including a € 20.9 million loss on interest rate derivatives and a € 124.6 million nonrecurring tax credit. Excluding both items, Telenet would have recorded a net profit of € 129.4 million for the year ended December 31, 2009.

## 2.10 Cash flow

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

	in thousands of euro	
	FOR THE YEARS ENDED DECEMBER 31,	
	2010	2009
Cash flows provided by operating activities	503,777	440,750
Cash flows used in investing activities	(248,043)	(279,554)
Cash flows provided by (used in) financing activities	238,138	(81,128)
<b>Net increase in cash and cash equivalents</b>	<b>493,872</b>	<b>80,068</b>
Cash and cash equivalents:		
at January 1	145,709	65,641
<b>at December 31</b>	<b>639,581</b>	<b>145,709</b>





## 2.10.1 Net cash provided by operating activities

Net cash provided by operating activities increased by 14% to € 503.8 million for the year ended December 31, 2010 compared to € 440.8 million for the year ended December 31, 2009. In the first quarter of 2010, € 9.2 million of upfront premiums were paid for the optimization of interest rate hedges. The increase was driven by strong underlying cash generation from Telenet's operations and an improvement in the change in working capital.

lower working capital requirements and lower cash capital expenditures, slightly offset by higher cash interest rate expenses following a higher average level of indebtedness and a higher interest margin following the debt maturity extensions in August 2009 and in September 2010. As a percentage of revenue, Free Cash Flow for the year ended December 31, 2010 represented 20%, reflecting an improvement of 6 percentage points over the year ended December 31, 2009.

## 2.10.2 Net cash used in investing activities

Telenet used € 248.0 million of net cash in investing activities for the year ended December 31, 2010, including € 2.3 million cash paid for acquisitions, including the May 31, 2010 acquisition of C-CURE. For the year ended December 31, 2009, net cash used in investing activities was 13% higher, as the first months of 2009 were exceptionally boosted by the pent-up demand for rental set-top boxes following the Interkabel Acquisition, which are recorded in capital expenditures. Please refer to Section 2.11 – Capital expenditures for detailed information about the underlying accrued capital expenditures.

## 2.10.3 Free Cash Flow

For the year ended December 31, 2010, Free Cash Flow<sup>(1)</sup> reached € 257.8 million as compared to € 166.9 million for the year ended December 31, 2009. The 54% year-on-year increase in Free Cash Flow was driven by solid Adjusted EBITDA growth,

(1) Free Cash Flow is defined as net cash provided by the operating activities of the Company's continuing operations less capital expenditures of the Company's continuing operations, each as reported in the Company's consolidated statement of cash flows. Free Cash Flow is an additional measure used by management to demonstrate the Company's ability to service debt and fund new investment opportunities and should not replace the measures in accordance with IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable IFRS measure. Free Cash Flow is a non-GAAP measure as contemplated by the U.S. Securities and Exchange Commission's Regulation G. For related definitions and reconciliations, see the Investor Relations section of the Liberty Global, Inc. website (<http://www.lgi.com>). Liberty Global, Inc. is the Company's controlling shareholder.

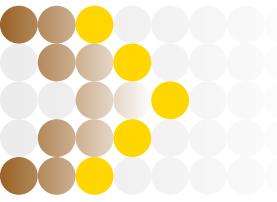
## 2.10.4 Net cash provided (used in) financing activities

Net cash provided by financing activities amounted to € 238.1 million for the year ended December 31, 2010, compared to net cash used in financing activities of € 81.1 million for the year ended December 31, 2009. The cash activity in 2010 reflects the disbursement to shareholders of € 249.8 million in August 2010 (equivalent to € 2.23 per share), partially offset by the drawdown of the Term Loan Facilities B2A and E2 under the Senior Credit Facility for an aggregate of € 135.0 million in June 2010. In addition, the Company launched two new debt issuances under the Senior Credit Facility in October and November 2010 for an aggregate of € 600.0 million. Of these net proceeds, € 201.7 million was used to prepay a portion of the outstanding Term Loans. Furthermore, € 7.0 million of cash and cash equivalents was used to prepay another portion of the outstanding Term Loans which still resided at the level of Telenet NV. Telenet's net cash provided by financing activities for the year ended December 31, 2010 also reflected various lease repayments and the € 22.0 million scheduled repayment of the Telenet Partner Network capital lease associated with the Interkabel Acquisition.

## 2.10.5 Leverage ratio and availability of funds

As of December 31, 2010, Telenet held total debt of € 2,878 million, of which € 1,916 million is owed under the Senior Credit Facility, € 600 million is related to the Senior Secured Notes issued in 2010 and the remainder primarily represents the capital lease associated with the Interkabel Acquisition. During 2010, Telenet has continued to improve its debt repayment profile at attractive rates therefore reducing future refinancing risk. The average maturity under the Senior Credit Facility improved to 6.8 years at the end of 2010 from 5.4 years





following a voluntary exchange offer in September 2010 and the issuance of two additional Term Loans with longer maturities. On November 3, 2010, the Company issued a € 500.0 million Term Loan maturing in November 2020 and on November 26, 2010, the Company issued another Term Loan of € 100.0 million with maturity in November 2016, each following the offering of Senior Secured Notes by independent financing companies that the Company consolidates.

The net proceeds from these offerings were partially used to prepay a portion of the outstanding Term Loans under the Senior Credit Facility for an aggregate € 201.7 million. In addition, € 7.0 million of outstanding cash and cash equivalents was used to redeem the remaining Term Loans under Telenet NV. As a consequence, Telenet does not face any repayments before December 2014. The first significant repayment of € 1,471 million is scheduled for 2017. In February 2011, Telenet issued another additional Term Loan of € 300 million that will be entirely used to repay existing facilities due in 2014 and 2015. Please refer to Note 5.29 – Subsequent events.

Under the Senior Credit Facility, Telenet still has access to the additional committed Revolving Facility of € 175.0 million, subject to compliance with the covenants mentioned below, with availability up to and including June 30, 2014.

As of December 31, 2010, Telenet held € 639.6 million of cash and cash equivalents, compared to € 145.7 million as of December 31, 2009. Telenet manages and optimizes its cash balance on a daily basis and according to balanced counterparty risks.

As of December 31, 2010, the outstanding balance of the Senior Credit Facility and the outstanding cash balance resulted in a Net Total Debt to EBITDA ratio<sup>(1)</sup> of 2.8x, down from 3.1x at December 31, 2009. Taking into account the shareholder disbursement in August 2010, this clearly demonstrates the rapid deleveraging capacity of the Company. The current leverage ratio is significantly below the covenant of 6.0x and the availability test of 5.0x. Including capital leases and other debt, Telenet's net total debt leverage ratio would be equivalent to 3.3x EBITDA.

## 2.11 Capital expenditures

Accrued capital expenditures<sup>(2)</sup> were € 316.3 million for the year ended December 31, 2010, including € 30.7 million for the acquisition of the license for DTT, which will enable Telenet to broadcast wireless television channels over the DTT spectrum. This product will be commercialized at a later stage and DTT will be mainly positioned to subscribers who are unable to receive their television signal through Telenet's current distribution platform. The license is valid for 14 years and will be repaid in equal installments during its lifetime.

Accrued capital expenditures excluding the license fee for DTT were € 285.6 million for the year ended December 31 2010, representing 22% of revenue and a 10% decrease over the year ended December 31, 2009. This decline was predominantly attributable to lower set-top box expenditures, which came down to € 63.1 million for the year ended December 31, 2010, as compared to € 103.9 million for the year ended December 31, 2009, which was particularly affected by strong pent-up demand for Telenet Digital TV following the Interkabel Acquisition. Accrued capital expenditures for network growth and upgrades increased to € 95.4 million for the year ended December 31, 2010 from € 79.4 million for the year ended December 31, 2009 as a result of the start of Telenet's 5-year Pulsar node splitting project and various upgrades in light of the increased commercialization of the EuroDocsis 3.0 products in early 2011.

Set-top box expenditures and customer installations represented 22% and 18% respectively of total accrued capital expenditures (excluding the DTT license fee) for the year ended December 31, 2010. In addition, network growth and upgrade related capital expenditures were 33% for the year ended December 31, 2010, which implies that 73% of Telenet's accrued capital expenditures (excluding the DTT license fee) for the year ended December 31, 2010 were scalable and subscriber growth related. The remainder included refurbishments and replacements of network equipment, sports content acquisition costs and recurring investments in the Company's IT-platform and systems.

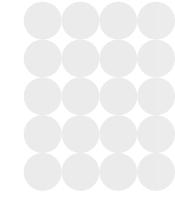
(1) Calculated as per Senior Credit Facility definition, using net total debt, excluding subordinated shareholder loans, capitalized elements of indebtedness under the clientele and annuity fees and any other finance leases, divided by last two quarters' annualized EBITDA.

(2) Accrued capital expenditures are defined as additions to property, equipment and intangible assets, including capital lease additions, as reported in the Company's consolidated balance sheet on an accrued basis.





# 3 RISK FACTORS

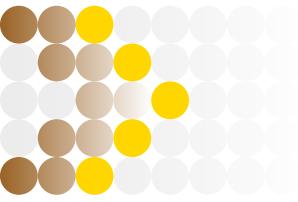


## 3.1 General information

The Company conducts its business in a rapidly changing environment that gives rise to numerous risks and uncertainties that it cannot control. Risks and uncertainties that the Company's faces include, but are not limited to:

- Telenet's substantial leverage and debt service obligations;
- Telenet's ability to generate sufficient cash to service its debt, to control and finance its capital expenditures and operations;
- Telenet's ability to raise additional financing;
- Risks associated with Telenet's structure, and Telenet's indebtedness;
- Telenet's relationship with its shareholders;
- Economic and business conditions and industry trends in which Telenet and the entities in which it has interests, operate;
- The competitive environment and downward price pressure (notably, through offerings of bundles) in the broadband communications and television sector in Belgium in which Telenet, and the entities in which it has interests, operate;
- Telenet's penetration of the mobile telephony market;
- Competitor responses to products and services of Telenet, and the products and services of the entities in which it has interests;
- Fluctuations in currency exchange rates and interest rates;
- Consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- Changes in consumer television viewing preferences and habits;
- Consumer acceptance of existing service offerings, including Telenet's analog and digital video, fixed and mobile voice and broadband internet services;
- Consumer acceptance of new technology, programming alternatives and broadband services that Telenet may offer;
- Telenet's ability to manage rapid technological changes;
- Telenet's ability to maintain and increase the number of subscriptions to its digital television, voice and broadband internet services and the average revenue per household;
- Telenet's ability to increase or maintain rates to its subscribers or to pass through increased costs to its subscribers;
- The impact of Telenet's future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- The outcome of any pending or threatened litigation;





- Changes in, or failure or inability to comply with, government regulations in Belgium and adverse outcomes from regulatory proceedings;
- The application of competition law generally and government intervention that opens Telenet's broadband distribution and television networks to competitors, which may have the effect of reducing Telenet's control over the management of, or the quality of, its network and Telenet's ability to reach the expected returns on investment;
- Changes in laws or treaties relating to taxation in Belgium, or the interpretation thereof;
- Uncertainties inherent in the development and integration of new business lines and business strategies;
- Capital spending for the acquisition and/or development of telecommunications networks and services and equipment, and obtaining regulatory approvals therefor;
- Telenet's ability to successfully integrate and recognize anticipated efficiencies from the businesses it may acquire;
- The ability of suppliers and vendors to timely deliver qualitative products, equipment, software and services;
- Technical failures, equipment defects, physical or electronic break-ins to the services, computer viruses and similar description problems;
- The availability of attractive programming for Telenet's analog and digital video services at reasonable costs;
- The loss of key employees and the availability of qualified personnel and a deterioration of the relationship with employee representatives;

- Changes in the nature of key strategic relationships with partners and joint ventures;
- Events that are outside of Telenet's control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics and other similar events.

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

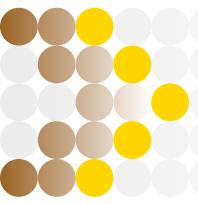
Additional risks and uncertainties not currently known to the Company or that the Company now deems immaterial may also harm it.

### **3.2 Legal proceedings**

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



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



# 5

## INFORMATION ON RESEARCH AND DEVELOPMENT

Telenet aims to offer its customers new products and services in order to grow its business, develop the Telenet brand and increase customer satisfaction. Telenet generally seeks to adopt new technologies only after appropriate standards have been successfully implemented on a commercial scale. This approach increases the likelihood that the cost of necessary equipment will decline over time and reduces performance, reliability, compatibility and supply risks. To this end, Telenet is focusing on new technologies that make increasingly use of a coaxial connection rather than a DSL connection, which it leases from the incumbent operator, to potentially lower the fixed cost basis for its business solutions products. Under certain circumstances, Telenet may consider adopting certain additional technologies that have a limited deployment history, to the extent that Telenet is able to do so with an appropriate consideration of the potential risks involved.

Telenet is investigating the feasibility of providing three-dimensional HD television (3DTV) broadcast services as part of its digital television offering. 3DTV provides an enhanced viewer experience, particularly for movies and sports games. Telenet has already started trial 3DTV-broadcasts of selected tennis matches on its existing set-top boxes. Telenet expects that the commercial offering will evolve over time but will be largely dependent on the end user adoption of 3DTV-televisions as well as the availability of a suitable selection of content in 3DTV format.

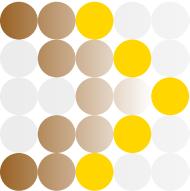
In May 2010, Telenet signed an agreement with Norkring België NV regarding the use of DTT spectrum over the latter's broadcasting network. This will enable Telenet to broadcast wireless television channels over the DTT spectrum. This product will be commercialized at a later stage and DTT will be mainly positioned to subscribers who are unable to receive their television signal through Telenet's current distribution platform.

Other opportunities Telenet is evaluating include high-speed mobile data over 4G frequencies but will be dependent on, among other factors, securing appropriate frequency spectrum. If Telenet chooses not to exploit these opportunities, eventual licensees of these technologies may compete against it in the future.

In the future, Telenet may also consider introducing a dual technology mobile handset which operates both on a traditional mobile communications network and via a wireless base station that is connected to its broadband internet service. This service is intended to offer customers a seamless switch between both types of network in order to benefit from cheaper tariffs when using the handset in locations with wireless broadband access. The implementation of this technology is dependent on the evolution of mobile handset suppliers' manufacturing capabilities, among other factors.

For Telenet's business services customers, Telenet seeks to continue to develop products and services that leverage both its coaxial and fiber networks, with specific applications contemplated for its different classes of customer, such as SME, corporate and carrier customers. Telenet plans to implement product development both in the near term as well as the longer term, with technology migration plans and service and value-added enhancements. However, these plans may evolve as Telenet monitors the adoption of technologies, products and services and respective costs and market pricing.





# 6

# USE OF FINANCIAL INSTRUMENTS

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

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

The Company has entered into various derivative instruments to manage interest rate and foreign currency exchange rates exposure. The Company does not apply hedge accounting to its derivative instruments. Accordingly, changes in the fair values of all other derivative instruments are recognized immediately in the Company's statement of comprehensive income.

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

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



Corporate governance can be defined as a set of processes, customs, policies, laws, and institutions affecting the way a company is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. The principal stakeholders are the shareholders, the board of directors, executives, employees, customers, creditors, suppliers, and the community at large.

In this chapter the board of directors discusses factual information regarding the current corporate governance policy at Telenet and relevant events which took place in 2010.

## 7.1 Reference code

The Corporate Governance Charter of the Company has last been updated on July 29, 2010, following the publication of the Belgian Corporate Governance Code 2009 and the Law of April 6, 2010 on the reinforcement of good corporate governance in listed companies, and can be consulted on the website of the Company (<http://www.telenet.be>). Conform to article 3 of the Law of April 6, 2010 and the Royal Decree of June 6, 2010, the Company has decided to adopt the Belgian Corporate Governance Code 2009 as reference code. Except for a minor deviation in relation to provisions 7.17 and 7.18, and subject to the approval of certain proposals by the annual general shareholders' meeting of April 27, 2011, the Company will be fully compliant with the provisions of the Belgian Corporate Governance Code 2009. The deviations are indicated and explained in the relevant sections of this Statement.

## 7.2

## Regulatory developments and their impact on Telenet

In 2010, Telenet witnessed again some important legal and regulatory developments.

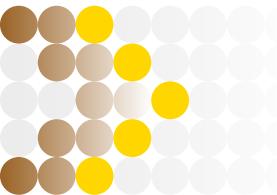
The most relevant regulatory developments for the Company in 2010 were (a) new regulation relating to corporate governance and a new legislation proposal regarding shareholder rights, (b) the launch of consultations by the sector regulators regarding the broadband and broadcasting markets in Belgium, (c) the European Court of Justice decision on the Belgian universal service cost assessment, and (d) the mobile termination rates tariff glide path introduced by the BIPT.

### (a) Corporate Governance and shareholders rights

On April 6, 2010, the Belgian Parliament adopted a new law on the reinforcement of corporate governance in listed companies. This law enforces listed companies to install a remuneration committee and to incorporate a corporate governance statement in their annual report, including a remuneration report. The law also provides in certain regulations on severance pay of executive managers, as well as new rules on the attribution of variable pay to (certain) executive managers and directors. Some provisions of this law apply as of the Company's accounting year ending December 31, 2011, while other provisions are already applicable for the Company's accounting year ended December 31, 2010. The Royal Decree of June 6, 2010 imposed the Corporate Governance Code 2009 as the only reference code relating to corporate governance to be used by listed companies.

On November 25, 2010 the Parliament approved a proposal of law concerning the exercise of certain rights of shareholders in listed companies. This law will enter into force as of January 1, 2012. In anticipation of this legislation, the board of directors has proposed to the extraordinary shareholders' meeting of





April 27, 2011 certain amendments to the articles of association in relation to the convocation formalities of the shareholders' meetings and the exercise of shareholders' rights.

#### **(b) Consultations by the sector regulators**

In December 2010, the BIPT, the Vlaamse Regulator voor de Media (VRM, being the Flemish regulator for Media), the Conseil Supérieur de l'Audiovisuel (CSA, being the Walloon regulator on audio-visual matters) and the Medienrat (being the regulator in the German speaking part of Belgium) published their respective draft decisions reflecting the results of their joint analysis of the retail television market in Belgium. For Telenet, only the draft decisions of the BIPT, the VRM and the CSA are relevant. In addition, the BIPT published an analysis of the wholesale broadband market in Belgium.

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

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

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

If these draft decisions would be adopted and implemented in their current form, they would imply that access must be granted against a wholesale tariff, capped at the tariff computed on the basis of the *retail minus* method (being the retail price for the offered service, excluding VAT and copyrights, and further deducting the retail costs it avoids by offering the wholesale service, such as costs for billing, franchise, consumer service, marketing, and sales). No further guidance on the computation of the wholesale tariff is provided in the draft decisions. The regional regulator would have to approve the wholesale tariff so determined by Telenet before Telenet could apply it in its *reference offer* (i.e. the offer that it has to apply in a non-discriminatory manner to each service

provider). The reference offer would also be subject to public consultation and publication before it could take effect.

The competent regulators held a public consultation on the proposed measures. The draft decisions are subject to a number of subsequent steps before becoming final, including coordination of the decisions between the federal and regional regulators, non-binding advice by the Belgian Competition Council and subsequent binding input from the European Commission.

Telenet believes that there are serious grounds to challenge the findings of the regulators' retail television market analysis and the resulting regulatory remedies. It cannot be ruled out, however, that this process could eventually lead to one or more regulatory obligations being imposed upon Telenet. The draft decisions aim to, and may, strengthen Telenet's competitors by granting them access to Telenet's network. It is unclear, however, what effect these draft decisions, if adopted and implemented in their current form, would have on competition.

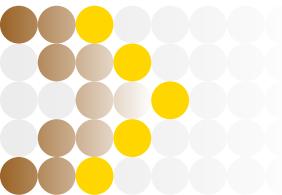
#### **(c) Universal service cost assessment**

On October 6, 2010, the European Court of Justice issued two decisions with respect to the Belgian universal service legislation. The Court found that the Belgian legislation fails to provide a proper methodology for calculating the net costs of providing social tariffs. In particular, the Belgian legislation does not take into account the intangible benefits which may be derived from providing social tariffs, nor does it provide for the requirement to first specifically assess the net costs borne by the operators providing those universal services before finding that there is an unfair burden. The Belgian Constitutional Court, relying on the decision of the European Court of Justice, annulled the provisions of the law of April 25, 2007 regarding the methodology for calculating those net costs. The Belgian universal services legislation will have to be amended in this respect, taking into account that the assessment of *unfair burden* should be performed on a case-by-case basis. Amended national legislation is expected in the course of 2011.

#### **(d) Mobile termination rates**

In the context of the implementation by Telenet of its Full-MVNO Agreement with Mobistar, and due to Telenet's ensuing increased control over the termination rates it charges for call termination on its virtual mobile network, the market for *call termination on individual mobile networks* could potentially be identified by the BIPT as a relevant market where Telenet has significant market power. Following the latest market analysis dated June 2010, the BIPT imposed a sharp declining glide path, resulting in mobile termination rates capped at € 1.08 cent/minute starting January 2013, a 77.7% decline compared to





the current average rate of € 4.85 cent/per minute. In the same decision, the BIPT indicated that Full-MVNOs will in principle have to apply the termination rates of their host operator (i.e. Mobistar rates for Telenet).

## 7.3 Capital and shareholders

### 7.3.1 Capital and securities

The share capital of the Company amounted to € 797,349,673.48 as at December 31, 2010 and was represented by 112,428,040 shares without nominal value. All shares are ordinary shares, listed on Euronext Brussels, with the exception of 30 Golden Shares and 94,843 Liquidation Dispreference Shares to which certain specific rights or obligations are attached, as described in the articles of association and the Corporate Governance Charter.

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

In 2004, the Company issued profit certificates of Class A and B and options on these profit certificates. The profit certificates were issued subject to the exercise of the options. The options were granted to staff members of Telenet within the framework of a stock option plan (the ESOP 2004). Under certain conditions the profit certificates can be converted into shares. On December 31, 2010, there were 297,966 options of Class A, 12,179 options of Class B, no profit certificates of Class A and 24,530 profit certificates of Class B outstanding under the ESOP 2004. More details on the outstanding options and profit certificates under the ESOP 2004 can be found in Note 5.11 to the consolidated financial statements of the Company.

On December 27, 2007, the extraordinary shareholders' meeting of the Company approved an employee stock option plan (the ESOP 2007) whereby 3,300,000 new warrants were issued in view of the granting of these warrants to selected participants under the ESOP 2007. Each warrant gives the right to subscribe to one new share under the conditions set out in the terms and conditions of the ESOP 2007. The board of directors or the HRO Committee could grant the warrants to

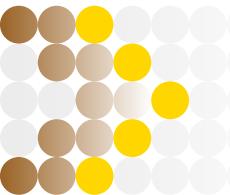
selected beneficiaries over a maximum period of 3 years as from the issue date. The warrants vest on a quarterly basis over a period of four years. In 2008 and in 2009, the HRO Committee and the board of directors have organized six grants under the ESOP 2007, for an aggregate number of respectively 1,134,100 warrants in 2008 and 1,484,000 warrants in 2009. In 2010, the HRO Committee and the board of directors have organized a last grant under the ESOP 2007, for an aggregate number of 189,900 warrants. More details on the outstanding warrants under the ESOP 2007 can be found in Note 5.11 to the consolidated financial statements of the Company.

On May 29, 2008, a new employee stock option plan (the ESOP 2008) was approved, whereby 317,000 new warrants were issued in view of the granting of these warrants to the CEO of the Company. Each warrant gives the right to subscribe to one share under the conditions set out in the terms and conditions of the ESOP 2008. The CEO accepted these 317,000 warrants on May 29, 2008 and the extraordinary shareholders' meeting cancelled 317,000 warrants from the ESOP 2007. More details on the outstanding warrants under the ESOP 2008 can be found in Note 5.11 to the consolidated financial statements of the Company.

On May 28, 2009, a new employee stock option plan (the ESOP 2009) was approved, whereby 180,000 new warrants were issued in view of the granting of these warrants to the CEO of the Company. Each warrant gives the right to subscribe to one share under the conditions set out in the terms and conditions of the ESOP 2009. The extraordinary shareholders' meeting cancelled 180,000 warrants from the ESOP 2007. The CEO accepted these 180,000 warrants on June 26, 2009. More details on the outstanding warrants under the ESOP 2009 can be found in Note 5.11 to the consolidated financial statements of the Company.

On April 28, 2010, the extraordinary shareholders' meeting approved a new employee stock option plan (the ESOP 2010) whereby 2,800,000 new warrants were issued in view of the granting of these warrants to selected participants under the ESOP 2010, excluding the CEO of the Company. Each warrant gives the right to subscribe to one new share under the conditions set out in the terms and conditions of the ESOP 2010. The board of directors or the HRO Committee (as of 2011 called the Remuneration Committee) can grant the warrants to selected beneficiaries, over a maximum period of 3 years as from the issue date. The warrants vest on a quarterly basis over a period of four years. In 2010, the HRO Committee and the board of directors have organized two grants under the ESOP 2010, for an aggregate number of 1,057,200 warrants. More details on the outstanding warrants under the ESOP 2010 can be found in Note 5.11 to the consolidated financial statements of the Company.





On April 28, 2010, the extraordinary shareholders' meeting also approved a specific stock option plan (the SSOP 2010-2014), whereby 850,000 new options were issued in view of the granting of these options to the CEO of the Company.

Each option gives the right to acquire one existing share of the Company under the conditions set out in the terms and conditions of the SSOP 2010-2014. These options vest in four tranches (one each year) subject to the achievement of certain performance criteria. In 2010, the board of directors has granted all options under the SSOP 2010-2014 to the CEO of the Company. Any options that vest pursuant to the SSOP 2010-2014 become exercisable during defined exercise periods following January 1, 2014. All of the options under the SSOP 2010-2014 have an expiration date of September 4, 2017. More details on the outstanding options under the SSOP 2010-2014 can be found in Note 5.11 to the consolidated financial statements of the Company.

### 7.3.2 Evolution of the share capital of Telenet Group Holding NV

The following capital movements took place in 2010:

- On January 5, 2010, the share capital was increased by € 510,773.28 through the exercise of 54,804 ESOP 2007 warrants, creating an equal number of new ordinary shares, bringing the share capital of the Company to € 1,042,322,604.61 and the total number of shares to 111,816,470. An amount of € 259,770.96 was recorded as issue premium.
- On February 23, 2010, 1,570,244 Liquidation Dispreference Shares, held by Interkabel Vlaanderen CVBA, were converted into 1,509,850 ordinary shares. As a result thereof, the total number of shares was decreased by 60,394 to 111,756,076 as of February 23, 2010.
- On March 24, 2010, the share capital was increased by € 357,144.48 through the conversion of 57,978 profit certificates of class B into an equal number of ordinary shares, bringing the share capital of the Company to € 1,042,679,749.09 and the total number of shares to 111,814,054.
- On April 13, 2010, the share capital was increased by € 1,475,492.85 through the exercise of 158,145 ESOP 2007 warrants, creating an equal number of new ordinary shares, bringing the share capital of the

Company to € 1,044,155,241.94 and the total number of shares to 111,972,199. An amount of € 742,246.29 was recorded as issue premium.

- On April 22, 2010, the share capital was increased by € 662,662.00 through the conversion of 107,575 profit certificates of class B into an equal number of ordinary shares, bringing the share capital of the Company to € 1,044,817,903.94 and the total number of shares to 112,079,774.
- On April 28, 2010, the share capital was decreased with € 249,937,896.02, without destruction of shares.
- On October 14, 2010, the share capital was increased by € 1,552,233.74 through the exercise of 218,868 ESOP 2007 warrants, creating an equal number of new ordinary shares, bringing the share capital of the Company to € 796,432,241.66 and the total number of shares to 112,298,642. An amount of € 1,227,142.88 was recorded as issue premium.
- On December 22, 2010, the share capital was increased by € 917,431.82 through the exercise of 129,398 ESOP 2007 warrants, creating an equal number of new ordinary shares, bringing the share capital of the Company to € 797,349,673.48 and the total number of shares to 112,428,040. An amount of € 779,526.57 was recorded as issue premium.

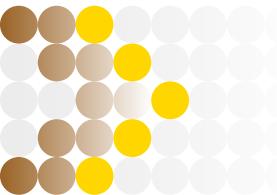
### 7.3.3 Shareholders

#### Important movements in shareholdings

In the course of 2010, the Company received the following transparency declarations:

- On January 15, 2010 the Company received a transparency declaration from Fortis Investment Management SA, according to which, on January 7, 2010, Fortis Investment Management SA held 4.91% of the outstanding voting securities.
- On January 15, 2010 the Company also received a second transparency declaration from Fortis Investment Management SA, according to which, on January 13, 2010, Fortis Investment Management SA held 5.01% of the outstanding voting securities.





- On February 17, 2010 the Company received a new transparency declaration from Fortis Investment Management SA, according to which, on February 5, 2010, Fortis Investment Management SA held 4.99% of the outstanding voting securities.
- On April 14, 2010 the Company received a transparency declaration from the Liberty Global Consortium<sup>(1)</sup>, according to which, on April 8, 2010, Binan Investments B.V. held 56,405,400 shares, representing 50.45% of the outstanding voting securities on that date.
- On June 21, 2010 the Company received a transparency declaration from BNP Paribas Investment Partners SA (former Fortis Investment Management SA), according to which, on June 1, 2010, BNP Paribas Investment Partners SA held 5,677,182 shares, representing 5.07% of the outstanding voting securities.

(1) As of August 11, 2009, the Liberty Global Consortium only consists of Binan Investments B.V..

- On November 24, 2010 the Company received a transparency declaration from BNP Paribas Investment Partners SA, according to which, on August 24, 2010, BNP Paribas Investment Partners SA held 5,595,908 shares, representing 4.99% of the outstanding voting securities.
- On November 30, 2010 the Company received a transparency declaration from Norges Bank (the Central Bank of Norway), according to which, on November 23, 2010, Norges Bank held 3,382,022 shares, representing 3.01% of the outstanding voting securities.

On September 18, 2007, the Company received a notification from LGI Ventures B.V. and from other companies acting in concert with LGI Ventures B.V. in accordance with article 74, §7 of the Law of April 1, 2007, on public take-overs, according to which LGI Ventures B.V. declared it holds a stake in Telenet Group Holding NV that exceeds 30% of the total share capital. On August 28, 2008, on August 27, 2009 and on August 27, 2010, the Company received an update of this notification.

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

The shareholder structure of the Company as at December 31, 2010, was as follows:

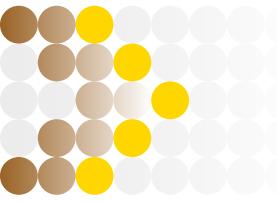
SHAREHOLDERS	OUTSTANDING SHARES	PERCENTAGE	(OPTIONS ON) PCs	WARRANTS	TOTAL (FULLY DILUTED)	PERCENTAGE (FULLY DILUTED)
Liberty Global Consortium <sup>(1)</sup>	56,405,400	50.17%			56,405,400	47.61%
BNP Paribas Investment Partners SA <sup>(2)</sup>	5,595,908	4.98%			5,595,908	4.72%
Norges Bank	3,382,022	3.01%			3,382,022	2.85%
Employees	22,776	0.02%	334,675	5,705,357	6,062,808	5.12%
Public <sup>(3)</sup>	47,021,934	41.82%			47,021,934	39.69%
<b>Total</b>	<b>112,428,040</b>	<b>100.00%</b>	<b>334,675</b>	<b>5,705,357</b>	<b>118,468,072</b>	<b>100.00%</b>

(1) Including 94.827 Liquidation Dispreference Shares.

(2) Former Fortis Investment Management SA.

(3) Including 16 Liquidation Dispreference Shares held by Interkabel Vlaanderen CVBA and 30 Golden Shares held by the financing intermunicipalities.





## **Relationship with and between shareholders**

The Company is not aware of any agreements between its shareholders.

The historical syndicate agreement which existed between the former main shareholders of Telenet Group Holding NV is currently only in place between the Company itself and Binan Investments B.V., its majority shareholder. This agreement will be formally terminated in the course of 2011.

### **7.3.4 General meeting of shareholders**

According to the Company's articles of association, the annual meeting of shareholders takes place on the last Wednesday of the month of April at 3 p.m. In 2011, this will be on April 27.

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

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

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

- A comprehensive overview of the capital structure of the Company can be found in Note 5.11 to the consolidated financial statements of the Company.
- Restrictions on the transfer of shares extend only to the 30 Golden Shares.
- Any major shareholdings of third parties that exceed the thresholds laid down by law and by the articles of association of the Company are listed in Section 3.3 of this Statement.

- On December 31, 2010, the Company had 94,843 Liquidation Dispreference Shares and 30 Golden Shares outstanding. The Liquidation Dispreference Shares can be converted into ordinary shares on a 1.04 to 1.00 ratio.

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

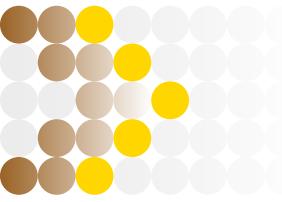
- Warrant, share option and share purchase plans are described in Note 5.11 to the consolidated financial statements of the Company. The warrant plans of 2007, 2008, 2009 and 2010 provide that all outstanding warrants (if granted to selected beneficiaries) would immediately vest upon a change of control over the Company. The specific stock option plan 2010-2014 provides that all options under the plan will immediately vest upon a change of control or a delisting of the Company. All these provisions have been approved by the extraordinary general shareholders' meeting in accordance with article 556 of the Belgian Company Code.

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

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

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

- Certain provisions of the Company's financing agreements would become effective or would be terminated in case of a change of control over the Company (e.g. following a public takeover bid). The relevant provisions have been approved by the extraordinary shareholders' meeting in accordance with article 556 of the Belgian Company Code.



- The Full-MVNO agreement concluded between Telenet NV and Mobistar NV also contains change of control wording. The relevant provisions have been approved by the extraordinary shareholders' meeting in accordance with article 556 of the Belgian Company Code.
- Otherwise, the Company is not party to any major agreement that would either become effective, be amended and/or be automatically terminated due to any change of control over the Company as a result of a public takeover bid. The Company notes however that certain of its operational agreements contain change of control provisions, giving the contracting party the right, under certain circumstances, to terminate the agreement without damages.
- Other than the provisions relating to warrants and stock options as set out above, the Company has not concluded an agreement with its members of the board of directors or employees, which would allow the disbursement of special severance pay in the case of termination of employment as a result of a public takeover bid.

7.4

## Internal control and risk management systems

7.4.1

### General

The Telenet group is exposed to various risks within the context of its normal business activities, which could have a material adverse impact on Telenet's business, prospects, results of operations and financial condition. Therefore controlling these risks is very important for the management of the Company. To support its growth and help the management and the Audit Committee deal with the challenges the Company faces, the Company has set up a risk management and internal control system for the Telenet group. The purpose of the internal control and risk management framework is to enable the Company to meet its objectives. The most important components of this system are described in this section.

### 7.4.2 Components of the internal control and risk management systems

The board of directors has set out the mission and values of the Company (see also section 1 Information on the Company of the consolidated financial statements of the Company). At the level of the board of directors and the Audit Committee, the general risk profile of the Company and the risk appetite of the Company are discussed.

The Company's internal audit function is outsourced to an external audit firm, which acts as the *internal auditor* of the Company and its subsidiaries for a period of three years. The internal auditor does not only report issues but also provides the Company with information on the level of effectiveness of controls, formulates recommendations, and triggers the start of action plans for items that require improvement.

The internal control department focuses on internal control over financial reporting, revenue assurance and fraud. Specific teams were set up to oversee, coordinate and facilitate risk management activities within other risk areas (e.g. Health & Safety, Business Continuity and Information Security).

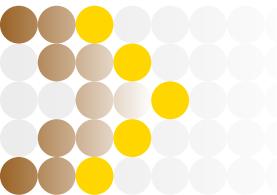
The Liberty Global Consortium (*LGI*), of which Telenet is an affiliate, is subject to the requirements of the US Sarbanes-Oxley Act of 2002 (*SOX*). The Company has been part of *LGI*'s assessment of internal control over financial reporting (*ICoFR*) since 2008, and has not reported any material weaknesses. While the *SOX* legislation mainly covers risks relevant to financial reporting, the scope for internal audit is broader and also covers other objectives in the *COSO* framework (Committee of Sponsoring Organizations of the Treadway Commission), such as compliance with rules and regulations, efficiency and effectiveness of operations.

#### Control environment

During the last couple of years, many initiatives to improve the internal control environment were implemented, such as a Dealing Code, a Code of Conduct for the Executive and Senior management, a Corporate Governance Charter (available on the website [www.telenet.be](http://www.telenet.be)), delegation policies, and a selection and performance evaluation system for employees.

Under influence of the *SOX* legislation, some additional elements were added, such as the whistleblower procedure, established in December 2008. This mechanism allows employees of the Company to raise concerns about possible improprieties in accounting, internal control or audit matters in confidence via a telephone line or a reporting website.





The employees can remain anonymous if they want to. All complaints received through the telephone line or reporting website are handled by the Company's Compliance Officer and the chairman of the Audit Committee.

The accounting principles used by the Company, and each change thereof, are presented to the Audit Committee and approved by the board of directors.

### Risk Assessment

As part of LGI's compliance with the SOX legislation, LGI reviews their scoping for ICoFR purposes, at various stages throughout the year to determine whether additional risks or controls at the Company need to be evaluated and assessed. In addition, for every change in products, services, processes and systems, the impact on management's broader control framework is formally assessed by the Company and appropriate action is taken.

The Company has asked the internal auditor to review the risk management maturity for all risk areas. The final assessment will be validated with management and the Audit Committee. Depending on the outcome of the assessment exercise and the desired maturity, other risk areas may be incorporated into the formal control framework, and existing processes and tools may be aligned.

### Control activities

In order to comply with the SOX legislation, LGI established a framework for evaluating and assessing ICoFR, incorporating entity level, transaction and process level components of the COSO-model as well as relevant information technology components. The Company has aligned its internal control over financial reporting with this model.

Controls over financial reporting are formally documented in a Governance, Risk and Compliance tool. The Company has implemented a tool called TRACE (*Track and Assure Control Execution*) that provides management with information on all financial reporting controls and related tasks, driving timely control execution by using workflow mechanisms.

For other risk areas, each department has worked out specific control procedures covering the risks in their area.

### Information and communication

The Company has implemented a data warehouse and reporting platform, collecting all types of relevant transactional data. Based on this information, the Telenet Group's business intelligence competence centre provides the Executive Team with periodic and ad hoc operational and management reporting.

The Company maintains a central repository with all internal control issues and related actions plans to ensure proper resolution. On a monthly basis, all issues are reported to the issue owners for a status update.

On a quarterly basis, the internal control department reports to the Executive Team and the Audit Committee on the completeness and timeliness of the resolution of the outstanding issues.

### Monitoring

A formal monitoring process is in place for internal control over financial reporting: a quarterly management self assessment on design and control effectiveness, a quarterly self-assessment validation by the internal control department and annually a direct testing cycle by LGI Internal Audit and Group Compliance.

For some specific risk areas (e.g. revenue assurance) second line monitoring is put in place.

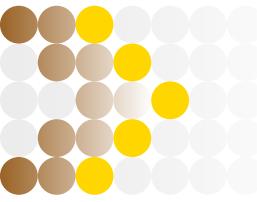
In addition, a risk based audit plan focusing on all risk areas is proposed every year by the internal auditor and, after approval by the Audit Committee, executed. This internal audit plan is established on the basis of a survey with all members of the Executive Team as well as on items raised by the Audit Committee, the board of directors or the internal auditor itself.

### 74.3 Most important risks

For a description of the main risks the Company is exposed to, please see section 3 Risk factors to the consolidated financial statements of the Company.

For an overview of the most important financial risks to which the Company is exposed and the way the Company is dealing with these risks, please check Note 5.3 of the consolidated financial statements.





## 7.5 Board of directors

### 7.5.1 Composition

#### a) General

On December 31, 2010, the board of directors of the Company was composed of 16 members. With the exception of the Managing Director (CEO), all directors are non-executive directors.

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

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

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

As of December 31, 2010, Mr. Gene W. Musselman has resigned as director of the Company and its direct subsidiaries. In its meeting of February 23, 2011, the board of directors of the Company has temporarily filled the vacancy by appointing (through co-optation) Mr. Balan Nair.

The mandates of Mr. Diederik Karsten, Mr. Bernard G. Dvorak, Mr. Manuel Kohnstamm, Mr. Niall Curran, Mrs. Ruth Pirie, Mr. Jim Ryan and De Wilde J. Management BVBA expire at the annual shareholders' meeting of 2011. All other director mandates expire at the annual shareholders' meeting of 2012, except the mandate of Mr. Friso van Oranje-Nassau which expires at the annual shareholders' meeting of 2014.

Mr. Diederik Karsten, Mr. Manuel Kohnstamm, Mr. Niall Curran, Mrs. Ruth Pirie, and Mr. Jim Ryan will be nominated for re-election as directors of the Company. Mr. Balan Nair will be nominated for appointment as director of the Company. De Wilde J. Management BVBA will be nominated for re-election as independent director of the Company. Mr. Frank Donck and Mr. Alex Brabers will also be nominated for election as independent directors of the Company.

The board of directors of Telenet Vlaanderen NV consists of 17 members, namely the 16 members of the board of directors of Telenet NV and one additional director, appointed upon nomination of Interkabel Vlaanderen CVBA. Currently, Interkabel Vlaanderen CVBA has appointed Mrs. Leen Verbist.

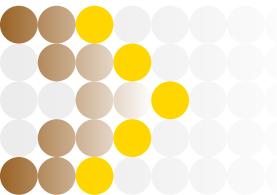
The directors are appointed for a period of maximum four years. In principle the mandate of the directors terminates at the date of the annual general shareholders' meeting at which their mandate expires. The directors can be re-appointed.

The general shareholders' meeting can dismiss directors at any time.

If a mandate of a director becomes vacant, the board of directors can fill the vacancy, subject to compliance with the rules of nomination. At the next following general shareholders' meeting, the shareholders shall resolve on the definitive appointment, in principle for the remaining term of the mandate of the director who is being replaced.

Save for exceptional, motivated cases, the mandate of directors shall terminate at the first annual shareholders' meeting after they have reached the age of 70.



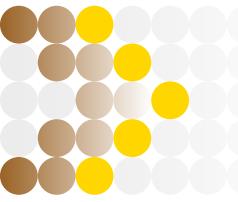


On December 31, 2010, the boards of directors of the Company and of Telenet NV were composed as follows:

NAME	FUNCTION	NOMINATED BY	DIRECTOR TELENET GROUP HOLDING NV	DIRECTOR TELENET NV
Frank Donck	Managing Director 3D NV	(Nominated for election as independent director)	CM	CM
Alex Brabers	Executive Vice President Technology, GIMV	(Nominated for election as independent director)	•	•
Michel Delloye (Cytifinance NV)	Director of companies	Independent director	•	
Julien De Wilde (De Wilde J. Management BVBA)	Director of companies	Independent director	•	
Friso van Oranje-Nassau	Director of companies	Independent director	•	
André Sarens	Grid Participations Manager Electabel		•	•
Duco Sickinghe	Chief Executive Officer & Managing Director Telenet		•	•
Charles H. Bracken	Co-Chief Financial Officer (Principal Financial Officer) of Liberty Global, Inc.	Liberty Global Consortium	•	•
Shane O'Neill	President Chellomedia BV, Chief Strategy Officer Liberty Global, Inc.	Liberty Global Consortium	•	•
Diederik Karsten	Managing Director UPC Nederland	Liberty Global Consortium	•	•
Bernard G. Dvorak	Senior Vice President and Co-Chief Financial Officer (Principal Accounting Officer) of Liberty Global, Inc.	Liberty Global Consortium	•	•
Manuel Kohnstamm	Managing Director Public Policy & Communications UPC Corporate	Liberty Global Consortium	•	•
Niall Curran	Chief Operating Officer Chellomedia BV	Liberty Global Consortium	•	•
Ruth Pirie	CFO UPC Corporate	Liberty Global Consortium	•	•
Gene W. Musselman	President & Chief Operating Officer UPC Corporate	Liberty Global Consortium	•	•
Jim Ryan	MD Strategy & Corporate Development UPC Corporate	Liberty Global Consortium	•	•
Guido De Keersmaecker (Abaxon BVBA)	Director of companies	Independent director		•
Jozef Roos (JROOS BVBA)	Chairman of the Catholic University of Leuven	Independent director		•
Michel Allé	Chief Financial Officer SNCB Holding	Independent director		•

CM: Chairman





From left to right: Jim Ryan // Niall Curran // Charles H. Bracken // Alex Brabers // Frank Donck // Duco Sickinghe // Ruth Pirie // Julien De Wilde (De Wilde J. Management BVBA) // Guido De Keersmaecker (Abaxon BVBA) // Shane O'Neill // Jozef Roos (JROOS BVBA) // Michel Delloye (Cytifinance NV) // Michel Allé // André Sarens // **Not shown on photo:** Friso van Oranje-Nassau // Diederik Karsten // Bernard G. Dvorak // Manuel Kohnstamm // Gene W. Musselman

## b) Gender diversity

The board of directors currently contains 1 female member (Mrs. Ruth Pirie). It is the company's intention to create in the near future a more balanced representation of both genders in its board of directors. Subject to stricter legislation in this respect, Telenet wants to have a composition of the board of directors whereby at least thirty percent of its board members is of the opposite gender as the other members by 2017 at the latest.

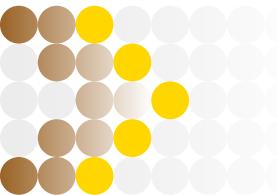
## c) Biographies of directors

The following paragraphs set out the biographical information of the members of the board of directors of the Company, including information on other director mandates held by these members.

### *Frank Donck, Chairman of the board of directors (°1965)*

Frank Donck has served as a director and as Chairman of the board of directors of the Company since August 2002 and December 2004 respectively. Mr. Donck is a director of several other companies, the majority of which are privately held. His principal directorship is at 3D NV, where he has served as a Managing Director since 1992. He also serves as chairman of the board of directors of Atenor Group NV and as a member of the boards of directors of KBC Group NV and Zenitel NV, among other companies. Mr. Donck attended the University of Ghent where he obtained a Master's degree in Law and the Vlerick School for Management, University of Ghent where he obtained a Master's degree in Finance. Frank Donck is also a member of Belgium's Corporate Governance Commission.





***Duco Sickinghe, Chief Executive Officer and Managing director (°1958)***

For the biography of Mr. Sickinghe, we refer to section 6 b) of this Statement.

***Alex Brabers, director (°1965)***

Alex Brabers has served as a director of the Company since 2002. Mr. Brabers is Executive Vice President Technology at GIMV, a Belgian based investment company partly owned by the Flemish government. Mr. Brabers joined GIMV as Investment Manager in 1990. At GIMV, Mr. Brabers has been responsible for international venture capital investments in the field of information and communications technology. He holds positions in the boards of directors at several companies in which GIMV has invested.

***Charles Bracken, director (°1966)***

Charles Bracken has served as a director of the Company since July 2005. Mr. Bracken is Senior Vice President and Co-Chief Financial Officer of LGI, positions he has held since April 2005 and June 2005, respectively, with responsibility for Group Treasury, Tax and Financial Planning. In addition, Mr. Bracken serves as a member of the board of management of Liberty Global Europe Holding BV and as an officer and/or director of various European and U.S. based subsidiaries of LGI. Mr. Bracken is a graduate of Cambridge University.

***Niall Curran, director (°1964)***

As Chief Operating Officer (COO) of Chellomedia BV, the European content division of LGI, Niall Curran oversees all operations and business units. This includes responsibility for performance and development of basic pay TV channels, premium and on demand TV content distributed to cable, DTH, IPTV and mobile platforms as well as web content and interactive TV services. Mr. Curran joined a predecessor of Liberty Global Europe Holding BV in 2000 focusing on operational restructuring during the turnaround of UPC. He took on leadership of the media operations in 2002 and was responsible for the group's European broadband internet product management and was appointed COO in 2003. Niall Curran received a BSc in Physics from Manchester University.

***Bernard Dvorak, director (°1960)***

Bernard G. Dvorak is a Senior Vice President and Co-Chief Financial Officer of LGI, positions he has held since April 2005 and June 2005, respectively. Prior to LGI becoming a U.S. publicly traded company upon the combination of LGI International, Inc. and UnitedGlobalCom, Inc. Mr. Dvorak served

as a Senior Vice President and Controller of LGI International, Inc., then a U.S. publicly traded company, from March, 2004. Mr. Dvorak is an executive officer of Liberty Global and sits on the company's Executive Management Committee. Mr. Dvorak holds a Bachelor of Science degree from Ferris State College.

***Diederik Karsten, director (°1956)***

Diederik Karsten became Managing Director European Broadband Operations of UPC Broadband division, the largest division of LGI, on January 1, 2011. Previously Mr. Karsten served as Chief Executive Officer of UPC Nederland BV, a subsidiary of LGI, and part of the UPC Broadband division. Mr. Karsten holds a degree in business economics from Erasmus Universiteit Rotterdam, with specializations in Marketing and Accountancy.

***Manuel Kohnstamm, director (°1962)***

Mr. Kohnstamm has been with Liberty Global Europe Holding BV and its predecessors since 2000 and has held positions in corporate affairs, public policy and communications. Currently, he is responsible for government affairs, external relations and communications for LGI in Europe, based in Amsterdam and Brussels. He is member of the board of directors of VECAL, the Dutch Association of Cable Operators, European Cable Communications Association and International Communications Round Table. He also serves as Chairman of Cable Europe.

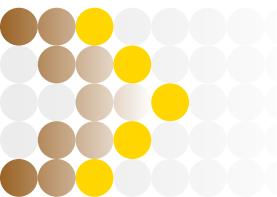
***Shane O'Neill, director (°1961)***

Shane O'Neill has served as a director of the Company since December 2004. Mr. O'Neill currently serves as a Senior Vice President and the Chief Strategy Officer of Liberty Global and is responsible for strategic planning, mergers and acquisitions and corporate development activities. Mr. O'Neill also serves as President of Chellomedia BV, LGI's content and services division and he is responsible for LGI Ventures, the group's investment arm. Mr. O'Neill is an executive officer of Liberty Global and sits on the company's Executive Management Committee. Mr. O'Neill is an officer of various European subsidiaries of LGI. He is a member of the Advisory Committee of the National Treasury Management Agency in Ireland and is a visiting lecturer to INSEAD's MBA program. He received an undergraduate law degree from Trinity College Dublin and is a Fellow of the Institute of Chartered Accountants in Ireland.

***Ruth Pirie, director (°1969)***

Ruth Pirie has been the Chief Financial Officer for Liberty Global Europe Holding BV, a subsidiary of LGI, since June 2005. Between March 2004 and June 2005, Mrs. Pirie was the Co-Principal Accounting Officer of UnitedGlobalCom Inc.,





then a U.S. publicly traded company. Previously, Mrs. Pirie held various financial and accounting positions, including Principal Accounting Officer, with Liberty Global Europe Holding BV and its predecessors since February 2000. From July 1995 to February 2000, Mrs. Pirie served as the Managing Director of Investor Relations at UGCE from February 2000. Prior to joining the Liberty Global group, between July 1995 and February 2000, Mrs. Pirie worked in financial reporting and treasury positions in the UK Cable Industry (Cable & Wireless Communications plc and its predecessors and Intercomm Holdings LLC). Mrs. Pirie began her career as an Auditor, spending 5 years in a Chartered Accountants practice achieving the position of Senior Audit Manager. During this time she completed her accountancy training and qualified as a Fellow of the Chartered Association of Certified Accountants in 1993.

*Jim Ryan, director (°1965)*

Jim Ryan has been with Liberty Global Europe Holding BV and its predecessors since 2000. He is Managing Director, Strategy and Corporate Development and is responsible for corporate development and strategy focusing on M&A, strategic planning and group strategy for the Europe operations of LGI. Since June 2005, Mr. Ryan has global responsibility for strategy and strategic planning across the regions of LGI's Europe Operations.

*André Sarens, director (°1952)*

André Sarens has served as a director of the Company since December 2003. Mr. Sarens is currently Grid Participations Manager at Electrabel, having previously held numerous senior finance and administration positions related to Electrabel's utility service distribution activities in Belgium. In these capacities, he has represented Electrabel and the mixed intermunicipalities in their business dealings with Telenet NV from 1999. Mr. Sarens serves on the boards of directors of several of the mixed intermunicipalities in Belgium, of Eandis and Electrabel Green Projects Flanders.

*Balan Nair, director (°1966)*

Balan Nair is a Senior Vice President and the Chief Technology Officer of Liberty Global, Inc., positions he has held since July 2007. Prior to joining Liberty Global, Mr. Nair served as Chief technology officer and Executive Vice President for AOL LLC, a global web services company, from 2006. Prior to his role at AOL LLC, Mr. Nair spent more than five years at Qwest Communications International Inc., most recently as Chief Information Officer and Chief Technology Officer. Mr. Nair is a director of Austar United Communications Limited, an Australian public company and a subsidiary of LGI, and Adtran Inc., an US public company. He holds a patent in systems

development and is a Licensed Professional Engineer in Colorado. Mr. Nair holds a Masters of Business Administration and a Bachelor of Science in electrical engineering, both from Iowa State University.

*Julien De Wilde, independent director (representing De Wilde J. Management BVBA) (°1944)*

Julien De Wilde has served as an independent director of the Company since May 2004. In 2007, he resigned and was replaced by De Wilde J. Management BVBA, for which he serves as permanent representative. His experience includes 13 years at Alcatel where he served as President and Chief Executive Officer of Alcatel Bell, and as a member of its Management Committee. Mr. De Wilde has also served as Executive Vice President of Alcatel Europe, Middle East, Africa and India and as a member of the worldwide Alcatel Executive Committee. Prior to joining Alcatel, Mr. De Wilde held several senior posts at Texaco Belgium and on the European management board of Texaco Europe. Mr. De Wilde was also Managing Director of the Bekaert Group. Currently he serves as chairman of the boards of directors at Nyrstar NV and Agfa Gevaert Group. He holds also a directorship at KBC Bank NV.

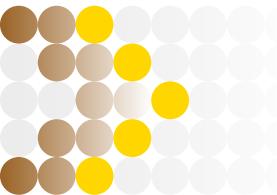
*Michel Delloye, independent director (representing Financière des Cytises (Cytifinance) NV) (°1956)*

Michel Delloye is the permanent representative of Cytifinance NV, a management and consulting company that has served as an independent director of the Company since May 2003. From 1998 to 1999, Mr. Delloye was Chief Executive Officer of Central European Media Enterprises, and from 1992 to 1996 he served as Chief Executive Officer of RTL Group, the European television and radio broadcaster. From 1984 to 1992, Mr. Delloye held numerous positions in both Belgium and the United States at Group Brussels Lambert, serving as General Manager prior to his departure. Mr. Delloye was chairman of the board of directors at EVS Broadcast Equipment NV until May 18, 2010 and since July 1, 2010 he serves as chairman of the board of directors at Compagnie du Bois Sauvage SA and since November 30 at Talon Holdco NV (Truvo Groep). He also serves on the boards of directors of, among other companies, Brederode NV, Matexi Group NV and Mediaxim NV. Mr. Delloye obtained a law degree from the Université Catholique de Louvain.

*Friso van Oranje Nassau, independent director (°1968)*

Friso van Oranje Nassau has served as an independent director of the Company since September 2004. From 1998 to 2003, Mr. van Oranje was an investment banker at Goldman Sachs in London, where he served as an Associate and Executive Director, and from 1995 to 1997, he worked as a consultant





at McKinsey & Company in their Amsterdam office. His clients have principally included companies in the communications, media and technology sectors, including several cable companies which he advised on financing, mergers and acquisitions and related activities. Mr. van Oranje is currently CFO designate of the Urenco group, an energy technology and services company operating in the nuclear fuel supply chain. He also serves as a director of Wizzair Limited, a leading Eastern European low-cost airline.

Below are the biographies of the independent directors of Telenet NV.

#### *Michel Allé, independent director (°1950)*

Michel Allé has served as an independent director of Telenet NV, since May 2005. He is currently the Chief Financial Officer of NMBS/SNCB Holding, the state owned Belgian railways company. Previously, he was the Chief Financial Officer of BIAC NV/SA (Brussels Airport), a former state owned company that was privatized in 2004. From 1987 to 2000, Mr. Allé was at the Cobepa Group, where he served as a member of the Management Committee from 1995 to 2000. He is currently a member of, among other boards of directors, Euroscreen NV, Syntigo NV (a subsidiary of NMBS/SNCB Holding), Eurofima NV, MobilExpense NV and D'Ieteren NV. Mr. Allé is also a Professor of Finance at the Solvay Business School (ULB), where he served as President from 1997 to 2001, and a Professor of Economics at the Ecole Polytechnique of the ULB.

#### *Guido De Keersmaecker, independent director (representing Abaxon BVBA) (°1942)*

Guido De Keersmaecker is the permanent representative of Abaxon BVBA, a private limited Belgian company that serves as an independent director of Telenet NV. From 1993 until his retirement in 2003, Mr. De Keersmaecker served as a member of the management board and as a Managing Partner of consumer products manufacturer Henkel KGaA. Henkel focuses on offering home care products, toiletries, cosmetics and adhesives, and operates on a worldwide basis. Mr. De Keersmaecker served as Chairman of the board of directors of Henkel Belgium NV from 2003 until 2008.

#### *Jozef Roos, independent director (representing JRoos BVBA) (°1943)*

Jozef Roos is the permanent representative of JRoos BVBA, a private limited Belgian company that has served as an independent director of Telenet NV, since May 2005. Until his retirement in 2003, he served as Executive Vice President of the steel company Arcelor and prior to that was Chief Executive Officer of ALZ NV from 1996. Currently, he is Chairman of K.U. Leuven (a leading Belgian university), where he was a full professor for 18 years, and until 2004 served on the boards of directors of several industrial and service companies including Distrigas NV, Fluxys NV, Haven Genk NV, Sidmar NV and ALZ NV (and several related steel companies). Currently, he is a director of Stichting De Tijd VZW and SD Worx NV. Previously, he also served as Chairman of VITO (Flemish Institute for Technology Research) and of the Flemish Science Policy Council.

## 75.2 Functioning of the board of directors

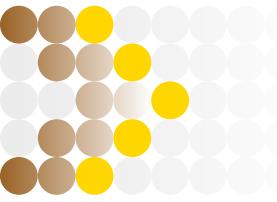
The board of directors determines the values and strategy of the Company, supervises and monitors the organization and execution thereof, decides on the risk profile and key policies of the Company, decides on the executive management structure and determines the powers and duties entrusted to the executive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

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

The meetings of the board of directors and committees of Telenet Group Holding NV and its subsidiaries take place together to the extent there are no conflicts of interest between them. In 2010, there were six scheduled board of directors meetings (one by conference call) and two non-scheduled board of directors meetings (both by conference call).

In principle, the decisions are taken by a simple majority of votes. The board of directors strives to take the resolutions by consensus.





### 7.5.3 Evaluation of the board of directors

Every 2 years, the board of directors assesses its functioning and its relation with the Company's executive management. The evaluation exercise is performed by means of a questionnaire, to be filled out by all board members. The completed questionnaires are collected by the Company's corporate secretary, and the results thereof are presented to the Nomination Committee and the board of directors. Appropriate action is taken on those items that require improvement. The last formal evaluation was done at the beginning of 2009 and the next formal evaluation is scheduled for mid 2011.

### 7.5.4 Board Committees

In accordance with the articles of association of the Company and relevant legal requirements, the board of directors has established the following board committees: an Audit Committee, a Remuneration Committee (former *HRO Committee*), a Nomination Committee and a Strategic Committee. In March 2011, the composition of the Nomination Committee was changed in order to align it with the composition of the Remuneration Committee. The Remuneration Committee and the Nomination Committee have been merged into one committee, called *Remuneration and Nomination Committee*.

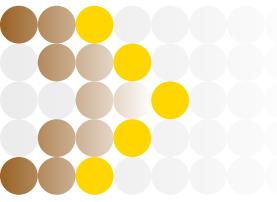
On December 31, 2010, the different board committees were composed as follows:

NAME	AUDIT COMMITTEE	REMUNERATION COMMITTEE	STRATEGIC COMMITTEE	NOMINATION COMMITTEE
Frank Donck		CM		
Alex Brabers	CM		•	•
André Sarens	•			
Charles H. Bracken	•			
Bernard G. Dvorak	•			
Shane O'Neill		•	•	•
Michel Delloye (Cytifinance NV)	•	•	•	•
Julien De Wilde (De Wilde J. Management BVBA)		•	CM	CM
Friso van Oranje-Nassau			•	•
Michel Allé	ATN			
Guido De Keersmaecker (Abaxon BVBA)		ATN		
Jozef Roos (JROOS BVBA)		ATN		

CM: Chairman

ATN: Attendee





As of April 27, 2011 the different committees of the board of directors will be composed as follows, subject to the approval of certain proposals by the annual general shareholders' meeting:

NAME	AUDIT COMMITTEE	REMUNERATION COMMITTEE	STRATEGIC COMMITTEE	NOMINATION COMMITTEE
Frank Donck	CM		CM	
Alex Brabers	CM		•	
André Sarens	•			
Charles H. Bracken	•		•	
Bernard G. Dvorak				
Jim Ryan			•	
Shane O'Neill		•	CM	•
Michel Delloye (Cytifinance NV)	•		•	
Julien De Wilde (De Wilde J. Management BVBA)		•	•	•
Friso van Oranje-Nassau	•			
Michel Allé	ATN			
Guido De Keersmaecker (Abaxon BVBA)		ATN		ATN
Jozef Roos (JROOS BVBA)		ATN		ATN

CM: Chairman

ATN: Attendee

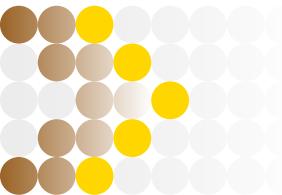
In March 2011, the Remuneration Committee and the Nomination Committee have merged into one Committee, the "Remuneration and Nomination Committee".

## The Audit Committee

The principal tasks of the Audit Committee include regularly convening to assist and advise the board of directors with respect to the monitoring of the financial reporting by the Company and its subsidiaries, the monitoring of the effectiveness of the systems for internal control and risk management of the Company, monitoring of the internal audit and its effectiveness, monitoring of the legal control of the annual accounts and the consolidated accounts including follow-up on questions and recommendations of the statutory auditor and assessment and monitoring of the independent character of the statutory auditor, taking into account the delivering of additional services to the Company. The Audit Committee also meets at least once a year with the external auditor without the presence of the executive management.

On March 29, 2011, the board of directors of the Company decided to replace Mr. Dvorak as member of the Audit Committee by Mr. Friso van Oranje. Subject to the proposed election of Mr. Alex Brabers as independent director of the Company at the 2011 general shareholders' meeting, the Audit Committee will be composed of five members including three independent directors of Telenet Group Holding NV. The Company therefore complies with provision 5.2/4 of the Belgian Corporate Governance Code 2009 as from 2011. All members are non-executive directors of whom one is the chairman. One director is nominated by the Liberty Global Consortium. The meetings are attended by Mr. Michel Allé, independent director of Telenet NV, provided there is no conflict of interest. Michel Delloye (representing Cytifinance NV) serves as independent director on the Audit Committee and has a broad experience in accounting, auditing and financial matters. Before joining the





board of directors of the Company, he was CFO and General Manager of Groupe Bruxelles Lambert (GBL) in Brussels, CEO of GBL's US affiliate in New York, Compagnie Luxembourgeoise de Télédiffusion (CLT-UFA, now RTL Group) in Luxembourg and CEO of Central European Media Enterprises. He also runs his own investment company and sits on the board of directors of various companies, including Brederode NV, Compagnie du Bois Sauvage NV (where he is chairman of the board of directors) and Matexi Groep NV. In addition, all other members contribute broad experience and skills regarding financial items, which have a positive impact on the committee's operation. This composition conforms to article 526bis §1 of the Belgian Company Code regarding the composition of Audit Committees within listed companies, as introduced in December 2008.

In 2010, the Committee convened five times to review and discuss the quarterly, semi-annual and annual financial statements each before submission to the board of directors and, subsequently, publication. At each of these meetings, the external and internal auditors were invited in order to discuss matters relating to internal control, risk management and any issues arisen from the audit process.

The Committee further addressed specific financial items occurring during the year or brought up by the statutory auditor (e.g. the various bond issuances and novation transactions under the Senior Credit Facility), discussed and advised the board of directors about procedures for and monitoring of financial reporting to its majority shareholder Liberty Global and about the implementation of procedures aimed at complying with requirements of the US Sarbanes-Oxley Act. Finally, the Audit committee, together with the internal audit function (which is partially outsourced, see under *Internal Audit*), monitored the functioning and efficiency of the internal audit processes and management's responsiveness to the audit committee's findings and recommendations and to the recommendations made by the external auditor.

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

The chairman of the Audit Committee reports on the matters discussed in the Audit Committee to the board of directors after each meeting and presents the recommendations of the Audit Committee to the board of directors for decision-making.

In 2011, the Audit Committee discussed the (re)appointment of a statutory auditor. The Audit Committee has advised the board of directors to propose to the shareholders to reappoint KPMG Bedrijfsrevisoren CVBA as statutory auditor of the Company (and other companies of the Telenet Group) for a period of three years. This proposal will be presented to the annual general shareholders' meeting of April 27, 2011.

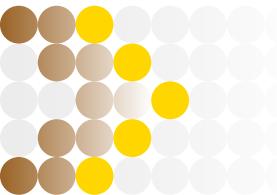
#### **The Remuneration Committee (future Remuneration and Nomination Committee)**

The principal tasks of the Remuneration Committee include formulating proposals to the board of directors with respect to the remuneration policy of non-executive directors and executive management (and the resulting proposals to be presented by the board of directors to the shareholders), the individual remuneration and severance pay of directors and executive management, including variable remuneration and long term performance bonuses, whether or not related to shares (and the resulting proposals to be presented by the board of directors to the shareholders where applicable), the hiring and retention policy, assisting the CEO with the appointment and succession planning of executive management, the preparation of the remuneration report to be included in the corporate governance statement by the board of directors and the presentation of this remuneration report to the annual general shareholders' meeting.

The Committee is composed exclusively of non-executive directors and has three members. Subject to the proposed election of Mr. Frank Donck as independent director of the Company at the 2011 general shareholders' meeting, two of the members are independent directors of the Company. The chairman of the board of directors also serves as chairman of the Committee. The meetings are attended by two independent directors of Telenet NV.

In 2010, the Remuneration Committee met four times, in the presence of the CEO (except for matters where the CEO was conflicted). Among other matters, the Committee addressed headcount evolution, a new employee warrant plan and new grants of warrants to employees, the development of a new variable remuneration policy for executive management, the evaluation of the Executive Team and the CEO and recommendations on their remuneration (including bonuses) and recommendations on the remuneration of the directors.





The chairman of the Remuneration Committee reports on the matters discussed in the Remuneration Committee to the board of directors after each meeting and presents the recommendations of the Remuneration Committee to the board of directors for decision-making.

As from 2011, the Remuneration Committee will be merged with the Nomination Committee. The new name of the merged committee will be *Remuneration and Nomination Committee*.

#### **The Nomination Committee (future *Remuneration and Nomination Committee*)**

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

The Nomination Committee consists entirely of non-executive directors (five). In 2010, the Committee consisted of three independent directors of the Company (including the chairman). As of 2011, the composition of the Committee will be changed in order to align it with the composition of the Remuneration Committee. The Remuneration Committee and the Nomination Committee will then be merged into one committee, called *Remuneration and Nomination Committee*. After the merge, the Remuneration and Nomination Committee will consist of three members, and subject to the proposed election of Mr. Frank Donck as independent director of the Company at the 2011 general shareholders' meeting, two of the members will be independent directors of the Company. The chairman of the board of directors will then also serve as chairman of the Committee.

In 2010, the Nomination Committee met two times in the presence of the CEO (except for matters where the CEO was conflicted). Among other matters, the Committee addressed the evaluation of the functioning of the board of directors and its relation with the Executive Team, the (re)appointment of independent directors and evaluation of the candidate(s) and the proposed remuneration, a renewed concept and composition of the Telenet advisory board and the composition of the different board committees.

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

#### **The Strategic Committee**

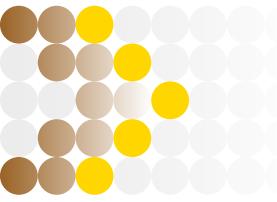
The Strategic Committee convenes regularly with the CEO to discuss the general strategy of the Telenet group.

The Committee was chaired in 2010 by an independent director (De Wilde J. Management BVBA, represented by Mr. Julien De Wilde), and was further composed of two other independent directors and one other non-executive director. On March 29, 2011 the board of directors of the Company has changed the composition of the Strategic Committee: the Strategic Committee will be composed of six non-executive directors, being three directors nominated by the Liberty Global Consortium and, subject to the proposed election of Mr. Alex Brabers as independent director of the Company at the 2011 general shareholders' meeting, three independent directors of the Company. The Strategic Committee will be chaired by Mr. Shane O'Neill.

The Strategic Committee convened twice in 2010, in order to discuss potential joint venture and acquisition projects.

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





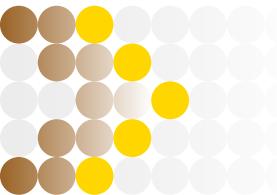
## 7.5.5 Attendance

Please find below the attendance overview of the board and committee meetings.  
Only the scheduled meetings of the board of directors are presented in this overview,  
which serve as basis for the calculation of the attendance fees.

NAME	BOARD OF DIRECTORS (6)	AUDIT COMMITTEE (5)	REMUNERATION COMMITTEE (4)	STRATEGIC COMMITTEE (2)	NOMINATION COMMITTEE (2)
Frank Donck	6 (CM)		4 (CM)		
Alex Brabers	5	5 (CM)		2	2
Michel Delloye (Cytifinance NV)	6	4		2	2
Julien De Wilde (De Wilde J. Management BVBA)	6			2 (CM)	2 (CM)
Friso van Oranje-Nassau	6			2	2
André Sarens	6	5			
Duco Sickinghe	6				
Charles H. Bracken	5	2			
Shane O'Neill	5		2	2	2
Diederik Karsten	2				
Bernard G. Dvorak	0	2			
Manuel Kohnstamm	2				
Niall Curran	6				
Ruth Pirie	2				
Gene W. Musselman	0				
Jim Ryan	5				
Guido De Keersmaecker (Abaxon BVBA)	4		2		
Jozef Roos (JROOS BVBA)	6		3		
Michel Allé	6	5			

CM: Chairman





## 7.5.6 Application of legal rules regarding conflicts of interest

In the meeting of the board of directors of March 24, 2010, article 523 of the Belgian Company Code was applied.

At this meeting, the board of directors discussed, amongst other items, an early conversion of the Class A and Class B profit certificates into ordinary shares in anticipation of a proposed capital reduction. The minutes of that meeting mention the following in this respect:

*"Before the board starts deliberating on this matter, Duco Sickinghe (CEO) informs the board that he has a potential conflict of interest regarding the proposed decision in the sense of article 523 of the Belgian Company Code because he is a holder of Class A Profit Certificates. Duco Sickinghe will therefore not participate in the deliberation and decision on this matter and leaves the meeting for this specific agenda item. He will report this (potential) conflict of interest to the auditor of the Company."*

*"In view of the capital decrease to be voted upon at the extraordinary shareholders' meeting of 28 April 2010, the board decides, in accordance with the terms of the relevant option plans, to exceptionally allow an early conversion of the Class A and Class B profit certificates into ordinary shares. The board believes that it is in the interest of the company to allow such early conversion given the fact that otherwise the holders of profit certificates will neither benefit from the adjustment of the number and strike price of the options nor from the actual payment of the capital decrease (because profit certificates do not represent the capital of the company). If approved by the shareholders, this decision will allow the respective holders of profit certificates to benefit from the EUR 2.23 per share capital reduction."*

In the same meeting, the board of directors also discussed the determination of the variable remuneration for the CEO for 2009, a possible change in his fixed remuneration for 2010 and the potential issuance of a new stock option plan for the CEO (SSOP 2010-2014). The minutes of that meeting mention the following in this respect:

*"Prior to deliberating and resolving on the items of the determination of the bonus and merit of the CEO and the issuance of a new stock option plan for the CEO (SSOP 2010-2014), Duco Sickinghe (CEO and Managing Director) informs the board that he has a (potential) financial conflict of interest regarding this decision in the meaning of article 523 of the Belgian code of companies since it concerns the determination of his variable remuneration for 2009, a possible*

*change in his future fixed compensation and his future stock-based variable compensation.*

*The CEO declares that he will inform the company's auditor of this conflict of interest. He then leaves the meeting for this specific agenda item.*

*The Chairman of the HRO Committee reports to the board on the discussions held within the HRO Committee immediately preceding this board meeting on the determination of the CEO's bonus and merit and the endorsement of the SSOP 2010-2014.*

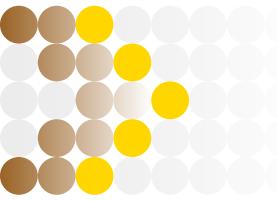
*After discussion, and upon proposal of the HRO Committee, the board unanimously approves (i) a bonus for the CEO for 2009 equal to 105% of the CEO's yearly fixed compensation in 2009 (being a total bonus of EUR 782,775) and proposes not to increase his fixed compensation for 2010 and (ii) the terms and conditions of the SSOP 2010-2014 (among others, a total number of 850,000 stock options, a term of 7 years, a general vesting in 4 installments over a period of 4 years and an exercise price which gradually increases per installment and which is based on the average closing share price during the 30-day period preceding the grant date of the options) and all related documentation.*

*The board believes that these decisions are in the interest of the Company mainly because they align the (short and long term) financial interest of the CEO with those of the shareholders of the company. The board further refers to the special features of the SSOP 2010-2014 as included in the agenda for the extraordinary shareholders' meeting."*

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

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





## 7.6 Daily management

### a) General

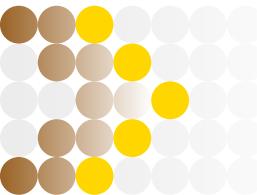
The Managing Director and CEO of Telenet is Mr. Duco Sickinghe. The Managing Director is responsible for the daily management of the Company.

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

Following a reorganization of the Company in September 2010, the Executive Team was composed as from October 10, 2010, as follows:

NAME	YEAR OF BIRTH	POSITION
Duco Sickinghe	1958	Chief Executive Officer and Managing Director
Jan Vorstermans	1960	Chief Operating Officer
Patrick Vincent	1963	Chief Commercial Officer
Renaat Berckmoes	1966	Chief Financial Officer
Luc Machtelinckx	1962	Executive Vice President and General Counsel
Claudia Poels	1967	Senior Vice President Human Resources
Inge Smidts	1977	Senior Vice President Residential Marketing
Herbert Vanhove	1969	Senior Vice President Product Management
Martine Tempels	1961	Senior Vice President Telenet Solutions
Ronny Verhelst	1963	Executive Vice President Public Affairs & Media and Chief Executive Officer Telenet Mobile





As of April 1, 2011, Ronny Verhelst will leave the Company. He will be replaced by Mrs. Ann Caluwaerts, who will be appointed as Senior Vice President Media & Public Affairs as of April 1, 2011.

The Managing Director is authorized to legally bind the Company acting individually within the boundaries of daily management and for specific special powers that were granted to him by the board of directors. In addition, the board of directors has granted specific powers to certain individuals within the Telenet group. The latest delegation of powers has been published in the Annexes of the Belgian Official Journal on November 26, 2010.

#### **b) Biographies of the members of the Executive Team**

The following paragraphs set out the biographical information of the members of the Executive Team of the Company:

##### *Duco Sickinghe, Chief Executive Officer*

Duco Sickinghe has worked for more than 25 years in the technology and media industry. He holds a Dutch Master's degree in Law from Utrecht University and a Master's degree in Business Administration from Columbia University. His focus has been on finance, marketing, strategy and general management. Mr. Sickinghe started his career in finance with Hewlett Packard in its European headquarters in Switzerland. He then moved to Germany to become head of marketing of the LaserJet product line for Europe. He concluded his tenure at HP Europe by building out its indirect sales channels. He served at NeXT Computer, first as Vice President Marketing Europe and then as General Manager for France. After leaving NeXT, Mr. Sickinghe became co-founder and Chief Executive Officer of Software Direct, which later became a joint venture with Hachette in Paris. Mr. Sickinghe joined Wolters Kluwer in 1996, and as General Manager of Kluwer Publishing in the Netherlands oversaw its transition to electronic media and re-engineered the Company's traditional business. He joined Cable Partners Europe in early 2001 and was appointed as Chief Executive Officer of Telenet in the summer of 2001. Mr. Sickinghe has lived in Belgium, the United States, France, Germany, Switzerland and the Netherlands. Mr. Sickinghe is also a member of the board of directors of Zenitel NV (Belgium) and of Central European Media Enterprises Ltd. (US).

##### *Jan Vorstermans, Chief Operating Officer*

Jan Vorstermans joined the Telenet group as Senior Vice President – Technology, Engineering and Network Operations in February 2003. As of October 2010, Mr. Vorstermans was appointed Chief Operating Officer and deputy CEO. 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.

##### *Renaat Berckmoes, Chief Financial Officer*

Renaat Berckmoes joined Telenet as Treasurer in November 2001 and until the end of 2006 he was Group Treasurer and Director Investor Relations. In these roles, his principal responsibilities involved all of Telenet's financing transactions and acquisitions. Among the key acquisitions, that Mr. Berckmoes oversaw, were the acquisition of the cable assets of the mixed intermunicipalities, Canal+ Flanders, Codenet, UPC Belgium, the acquisition of the analogue and digital television customer base of certain pure intermunicipalities (Interkabel) and long-term leasing rights on their cable network, and last year the acquisition of 65 Belcompany shops. The most significant financings he was involved in, were the Company's public bond issues in 2003, the initial public offering in 2005 and various refinancing of the Company's Senior Credit Facility, including the public bond issues in 2010 and 2011. Prior to joining Telenet, Mr. Berckmoes worked at Solutia (Chemicals) from 1998 to 2001, where he worked as Credit Manager EMEA and European Treasurer, and from 1993 to 1998 at KBC Bank.

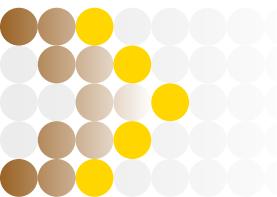
##### *Patrick Vincent, Chief Commercial Officer*

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

##### *Luc Machtelinckx, Executive Vice President and General Counsel*

Luc Machtelinckx joined Telenet as Director Legal Affairs in February 1999. In this function, he was closely involved in the initial commercial steps, as well as the further development of Telenet's telephony and internet offerings. After the acquisition of the cable assets of the mixed intermunicipalities, Mr. Machtelinckx specialized in cable television legal affairs and more specifically, he played an important role in the iDTV project. In January 2007, Mr. Machtelinckx was appointed Vice President and General Counsel and as of January 2008 Senior Vice President and General Counsel. Since April 2009, Mr. Machtelinckx was appointed Executive Vice President





and General Counsel. Prior to joining Telenet, Mr. Machtelinckx worked for 11 years at Esso Benelux in various legal and HR functions as well as for three 3 years at BASF Antwerp as Legal Manager and as Communication Manager.

*Claudia Poels, Senior Vice President – Human Resources*

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

*Inge Smidts, Senior Vice President – Residential Marketing*

Inge Smidts joined the Telenet Group in November 2009 and was responsible for Go-to-Market reporting to the Executive Vice President – Residential Marketing until she joined the executive team in October 2010. Prior to joining the Telenet Group, Mrs. Smidts had over ten years of experience at Procter & Gamble, where she started as Assistant Brand Manager and was regularly promoted up to Business Leader for the Benelux Paper business. Mrs. Smidts holds a Master of Economics degree from UFSIA in Antwerp and an MBA in Marketing from the IAE in Aix-en-Provence.

*Herbert Vanhove, Senior Vice President – Product Management*

Herbert Vanhove joined the Telenet Group in March 2010 and was responsible for product management for the residential segment reporting to the Executive Vice President Residential Marketing until he joined the executive team in October 2010. Prior to joining the Telenet Group, Mr. Vanhove held several management positions at Qualcomm including Vice President and General Manager of Qualcomm's European Internet Services and 3G ASIC product line based in San Diego, USA. Prior to joining Qualcomm, Mr. Vanhove was product manager for S12 switching systems at Alcatel Bell (now Alcatel-Lucent) in Belgium. Mr. Vanhove holds a Master of Science in Electrical Engineering from the University of Leuven and an MBA from San Diego State University.

*Martine Tempels, Senior Vice President – Telenet Solutions*

Martine Tempels joined the Telenet Group in January 2009. She is responsible for the Telenet Group's business-to-business division and joined the executive team in October 2010. Mrs. Tempels started her career as Account Manager at NCR.

In 1996, Mrs. Tempels moved to EDS to become Account Manager and subsequently assumed additional responsibilities as Business Unit Manager for the financial and commercial sector. In 2007, Mrs. Tempels was appointed Application Service Executive for the Northern and Central Region EMEA. Mrs. Tempels holds a Master in Business and Economics from Vrije Universiteit Brussel.

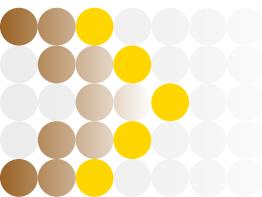
*Ronny Verhelst, Executive Vice President – Public Affairs & Media and Chief Executive Officer Telenet Mobile*

Ronny Verhelst joined the Telenet group in June 2001 as Vice President-Customer Operations and since January 2007 has served as Senior Vice President Purchasing and Public Affairs. As of January 2008, Mr. Verhelst assumed additional responsibilities for Human Resources and Internal and External Communication. Since July 2009, Mr. Verhelst is appointed as Chief Executive Officer of the mobile project of Telenet. 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. As of April 1, 2011 Mr. Verhelst will leave the Company.

*Ann Caluwaerts*

Ann Caluwaerts will join the Executive Team of the Telenet Group as of April 1, 2011, as Senior Vice President Media & Public Affairs. She has more than 20 years of international experience in the technology and telecom sector. The last 17 years, Mrs. Caluwaerts held several positions within British Telecom (BT), one of the world's biggest suppliers of Communications solutions and services. Her latest position at BT is Vice President Service Strategy & Programs, responsible for the transformation of BT Global Services.





## 7.7 Remuneration report

### 7.7.1 Remuneration of directors

The general meeting of shareholders of the Company approved the remuneration principles of the non-executive directors of the Company in its meetings of May 31, 2007 and April 28, 2010. Each non-executive director's remuneration consists of an annual fixed fee, increased with an attendance fee per attended meeting of the board of directors. All directors, except the Chief Executive Officer and the directors appointed upon nomination of the Liberty Global Consortium, receive an annual fixed fee of € 30,000 each. The chairman of the board of directors receives an annual fixed fee of € 60,000. For each attended scheduled meeting of the board of directors, these directors receive an amount of € 2,500. The directors appointed upon nomination of the Liberty Global Consortium, receive an annual fixed fee of € 12,000 each. For each attended scheduled meeting of the board of directors, they receive an amount of € 2,000. The annual fixed fees are only due if the director attends at least half of the scheduled board meetings. No additional remuneration is awarded for (attending) Committee meetings. The independent directors of Telenet NV are paid in the same way as the independent directors of Telenet Group Holding NV. In principle no additional remuneration is paid to the directors by other companies of the Telenet Group.

The CEO, who is the only executive director, is not remunerated for the exercise of his mandate as member of the board of directors of any of the Telenet companies.

For the year 2010, the aggregate remuneration of the members of the board of directors amounted to € 399,500 for the Company and to € 130,000 for Telenet NV (see table below for individual remuneration).

Each of the directors residing in Flanders and Brussels further receive a price reduction on the Telenet products they order. These benefits in kind represent in average an amount between € 500 and € 2,000 per year. The Company believes it is important that directors are familiar with, and have a good knowledge of, the products and services of Telenet.

None of the directors (except the CEO of the Company) receive: (i) variable remuneration within the meaning of the Law of April 6, 2010 and (ii) any profit-related incentives, option rights, shares or other similar fees.

Pursuant to Belgian legislation and regulations, all board members (or persons related to them or entities fully controlled by them) must report details of their (transactions in) stock options and shares of the Company to the Belgian Banking, Finance and Insurance Commission.

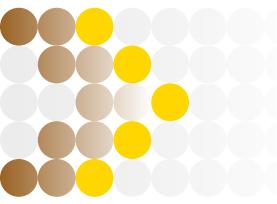
The individual remuneration for each member of the board of directors is set out in the table below.

NAME	REMUNERATION 2010
Frank Donck (CM)	€ 75,000
Alex Brabers	€ 42,500
Michel Delloye (Cytifinance NV)	€ 45,000
Julien De Wilde (De Wilde J. Management BVBA)	€ 45,000
Friso van Oranje-Nassau	€ 45,000
André Sarens	€ 45,000
Duco Sickinghe	€ 0,00
Charles H. Bracken	€ 22,000
Shane O'Neill	€ 22,000
Diederik Karsten	€ 4,000
Bernard G. Dvorak	€ 0,00
Manuel Kohnstamm	€ 4,000
Niall Curran	€ 24,000
Ruth Pirie	€ 4,000
Gene W. Musselman	€ 0,00
Jim Ryan	€ 22,000
Guido De Keersmaecker (Abaxon BVBA)	€ 40,000
Jozef Roos (JROOS BVBA)	€ 45,000
Michel Allé	€ 45,000

CM: Chairman

The Company expects the remuneration principles of the directors of the Company for the next two financial years to be in line with the current remuneration policy.





## 7.7.2 Remuneration of Executive (management) Team

### 1. General remuneration principles

The determination and evolution of Telenet's remuneration practices are closely linked with the growth, results and success of the Company as a whole. The Company's remuneration policy is built around internal fairness and external market competitiveness. These principles are materialized through HR tools like function classification, career paths, and external benchmarking. The strategy of the Company aligns competitive pay with the interests of shareholders and other stakeholders, aiming for an optimal balance between offering competitive salaries and avoiding excessive remuneration, whilst maintaining focus on performance and results. This implies that our policies are reviewed constantly and adapted where needed.

Telenet strives for an optimal mix between the different components of the remuneration package, comprising elements of fixed pay and elements of variable pay. As examples, our policy on fringe benefits offers good social support in terms of extra-legal pension, life and disability coverage and medical insurance; all our employees can benefit from reductions or additional benefits on Telenet products; and shareholdership of the Company is encouraged via employee stock purchase plans and other long term incentive plans. Telenet experiences that this balanced remuneration policy helps to attract and retain top talent.

Performance management and the achievement of results is another anchoring element in our total rewards strategy: the vast majority of our employees are evaluated on and rewarded according to (i) the achievement of individual and/or corporate objectives and (2) their functioning in line with the Telenet Competence and Leadership Model. Throughout the Company's remuneration policy, customer loyalty (measured by means of a Customer Loyalty Score – see further below) plays a pivotal role.

Telenet also sets up various initiatives to create and maintain a good work-life balance for all its employees.

### 2. Remuneration principles for executive management

#### a) General

The Remuneration Committee prepares a proposal for the remuneration principles and remuneration level of the CEO and submits it for approval to the board of directors.

The CEO and the SVP Human Resources prepare a proposal for determining the remuneration principles and remuneration level of the members of the Executive Team (other than the CEO) for submission to the Remuneration Committee. The Remuneration Committee discusses (and possibly amends) this proposal and submits it for approval to the board of directors.

The remuneration policies of the CEO and the members of the Executive Team are based on principles of internal fairness and external market competitiveness. The Company endeavours to ensure that the remuneration of the Executive Team consists of an optimal mix between various remuneration elements.

Each member of the Executive Team is remunerated in function of (i) his/her personal functioning and (ii) pre-agreed (company-wide and individual) targets. The functioning of each member of the Executive Team is assessed on the basis of the Telenet Competence and Leadership Model. One of the main targets for the members of the Executive Team is customer loyalty (e.g. for 2010, 40% of the bonus of management depended on customer loyalty). Telenet assesses and measures customer satisfaction and customer loyalty through a Customer Loyalty Score (CLS), which is measured according to a pre-agreed formula whereby the input data is gathered on a monthly basis by an independent professional surveying firm.

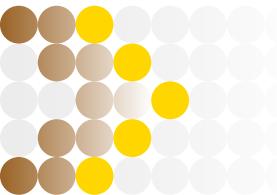
Within the limits of the existing stock option and warrant plans approved by the general shareholders' meeting, the board of directors, upon recommendation of the Remuneration Committee, can grant warrants and/or stock options to the members of the Executive Team.

There are no provisions in the agreements with the CEO and members of the Executive Team concerning the *claw back* of variable remuneration granted on the basis of incorrect financial data.

As of 2011, the remuneration principles of the CEO and the members of the Executive Team of the Company will be reviewed in order to comply with the binding provisions of the Law of April 6, 2010 and the relevant principles of the Belgian Corporate Governance Code. In this respect, the board of directors will put certain proposals for approval to the general shareholders' meeting of April 27, 2011.

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





### *b) Remuneration principles for the CEO*

The CEO's annual remuneration package consists of a fixed part, a variable part, premiums paid for group insurance and benefits in kind.

The variable remuneration of the CEO is based on his general performance over the year as well as the achievement of certain pre-defined targets such as the Company's overall budget (in terms of turnover, EBITDA margin, and capital expenditures). Every year, the Remuneration Committee formulates a concrete bonus and merit proposal for approval by the board of directors.

The CEO is eligible for share-based remuneration. For details on the share-based remuneration of the CEO (including the share-based remuneration received in 2010), please see section 3.b) below.

### *c) Remuneration principles for the members of the Executive Team (excluding the CEO)*

The remuneration of the members of the Executive Team consists of a fixed salary (including holiday pay and thirteenth month), a variable part, premiums paid for group insurance and benefits in kind.

The agreements with the members of the Executive Team do not contain specific references to the criteria to be taken into account when determining variable remuneration, which deviates from provision 7.17 of the Belgian Corporate Governance Code 2009. The Company sets out the principles of variable remuneration in a general policy because it believes that there should be sufficient flexibility in the determination of the variable remuneration principles in function of prevailing market circumstances.

The variable remuneration depends on performance criteria relating to the relevant financial year. With respect to the bonus for each member of the Executive Team for performance year 2010, 40% was linked to corporate targets such as the CLS (see higher) and 60% was linked to their performance as leader of their department and as an individual. This was measured at the beginning and at the end of the year.

As of 2011, the variable remuneration of the CEO and the members of the Executive Team of the Company will be reviewed in order to comply with the binding provisions of the Law of April 6, 2010 and the relevant principles of the Belgian Corporate Governance Code. In this respect, the board of directors will put certain proposals for approval to the general shareholders' meeting of April 27, 2011.

The main proposal is to grant a total variable package to the members of the Executive Team composed of a cash bonus and 'Performance Shares'. These performance shares will only be definitively acquired by the beneficiaries after a period of three years, subject to the achievement of certain performance criteria. The target value of this grant is based on the value of the cash bonus. The pay out of the cash bonus will be linked to meeting certain predetermined performance criteria. When these criteria are met, 50% of the acquired cash bonus will be payable in the year following the performance year; the two remaining parts of 25% will be deferred for retention purposes to the following two years. All performance criteria will be determined by the CEO and the Remuneration Committee and validated by the board of directors.

The members of the Executive Team are eligible for share-based remuneration. For details on the share-based remuneration of the members of the Executive Team (including the share-based remuneration received in 2010), please see section 4.b) below.

## **3. Remuneration CEO**

### *a) Cash-based remuneration*

In 2010, the Managing Director (CEO), Mr. Duco Sickinghe, was granted the following remuneration: (i) a fixed remuneration of € 745,500, (ii) a variable remuneration of € 650,000, (iii) paid premiums for group insurance for a total amount of € 46,370 and (iv) benefits in kind valued at € 66,629. As mentioned in section 7.7.1, the CEO is not remunerated for the exercise of his mandate as director of the Company.

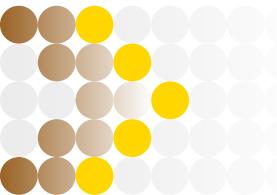
The relative importance of these components is: fixed remuneration 49.4%, variable remuneration 43.1%, paid premiums for group insurance 3.1% and benefits in kind 4.4%.

The CEO's pension plan is a defined contribution scheme, financed by contributions from Telenet amounting to € 46,370 in 2010.

The benefits in kind consist of insurances for medical costs, life and disability, and a company car. The CEO further receives a price reduction with respect to Telenet products and services he orders.

He receives no benefit in cash linked to a performance period of longer than one year.





### b) Share-based remuneration

The CEO did not receive shares of the Company during the last financial year.

On September 4, 2010, the CEO received 850,000 options under the Special Stock Option Plan 2010-2014 (SSOP 2010-2014). These options are of a contractual nature and therefore do not relate to warrants.

The term of the options is seven years, so all of the options granted, or to be granted under the SSOP 2010-2014 have an expiration date of September 4, 2017. The options vest in four installments, on respectively March 1, 2011, March 1, 2012, March 1, 2013 and March 1, 2014.

The exercise price of the options is equal to: (i) the fair market value of the shares underlying the options at the time of grant for the first installment of 250,000 options, (ii) the aforementioned fair market value increased by one euro for the second installment of 200,000 options, (iii) the aforementioned fair market value increased by two euro for the third installment of 200,000 options and (iv) the aforementioned fair market value increased by three euro for the fourth installment of 200,000 options.

In October 2010, the first 250,000 stock options under this plan were granted with an exercise price of € 23.00 per option.

The vesting is performance based. The annual performance based vesting conditions are determined annually by the Remuneration Committee, in consultation with the CEO.

The performance based conditions relate to the EBITDA of the Telenet group on a consolidated basis, the customer satisfaction of the Telenet group and the product and services innovation within the Telenet group. Upon a change of control over the Company and upon a de-listing of the Company, all options vest immediately and automatically. The options cannot be exercised before the end of the third calendar year following the year of grant.

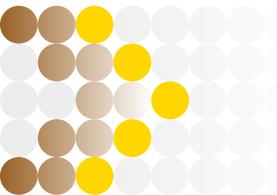
The shares that can be acquired upon the exercise of the options are furthermore subject to the following retention features (applicable to each separate exercised tranche): (i) in the 90 days following the exercise of the options, the respective shares can only be sold up to an amount required to recover the tax and exercise price related to the exercised options, (ii) in the subsequent period of 270 days, a maximum of 50% of the remaining shares may be sold before the termination of the professional relationship with the Telenet group, and (iii) the balance of the shares may only be sold following the end of the 18th month following the month in which the respective exercise period ended.

Per December 31, 2010, the CEO owned the following options and warrants:

NAME PLAN	NUMBER OF OPTIONS OR WARRANTS OUTSTANDING	CURRENT EXERCISE PRICE	VESTING	EXPIRATION DATE
ESOP 2004 Class A-options	297,966	€ 4.46	All vested	June 15, 2012
ESOP 2007 quinquies warrants	170,863	€ 17.64	Vesting quarterly	December 4, 2014
ESOP 2008 warrants	360,444	€ 13.95	Vesting quarterly	May 28, 2013
ESOP 2009 warrants	204,669	€ 12.51	Vesting quarterly	May 27, 2014
SSOP 2010-2014 options				
first installment	250,000	€ 23.00	March 1, 2011 <sup>(1)</sup>	September 4, 2017
second installment	200,000	€ 24.00	March 1, 2012 <sup>(1)</sup>	September 4, 2017
third installment	200,000	€ 25.00	March 1, 2013 <sup>(1)</sup>	September 4, 2017
fourth installment	200,000	€ 26.00	March 1, 2014 <sup>(1)</sup>	September 4, 2017

(1) Vesting based on achievement performance criteria in previous financial year.





The Class A-options give the right to acquire 297,966 Class A profit certificates, which under certain conditions can be converted into an equal number of shares.

All warrants under the ESOP 2007, ESOP 2008 and ESOP 2009 can be exercised for an equal number of shares.

All options granted to the CEO under the SSOP 2010-2014, give the CEO the right to acquire existing shares of the Company, on a one to one basis.

During 2010, the CEO did not exercise any options or warrants nor were any of his options or warrants forfeited.

#### *c) Termination arrangements*

The management agreement with the CEO (last amendment dated June 15, 2007) contains a termination arrangement providing for an indemnification of twice the total annual remuneration in case of termination by the Company (other than for cause). In case the CEO wants to terminate his agreement with the Company, a notice period should be agreed between the CEO and the Company which should be at least six months.

In view of the new Belgian corporate governance legislation, the CEO has taken the initiative to propose to reduce his own termination arrangement in order to bring it in line with the new rules prescribed by the new Law of April 6, 2010, which provides that termination arrangements should not exceed one year total annual remuneration (except if decided otherwise by the Remuneration Committee or the shareholders' meeting).

### **4. Remuneration Executive Team**

#### *a) Cash-based remuneration*

In 2010, the aggregate remuneration paid to the other members of the Executive Team (not including the CEO), amounted to € 2,827,595. All members of the Executive Team (excluding the CEO) have an employment agreement with Telenet NV.

This amount is composed of the following elements (for all members jointly, excluding the CEO): (i) a fixed salary of € 1,824,642, (ii) a variable salary of € 652,434, (iii) paid premiums for group insurance for an amount of € 120,918 and (iv) benefits in kind valued at € 229,601. All amounts are gross without employer's social security contributions.

The members of the Executive Team benefit from a defined benefit pension scheme. The plan is financed by both employer and employee contributions. The total service cost (without contributions of the employees) amounts to € 216,000.

The benefits in kind consist of insurances for medical costs, life and disability, a company car, representation allowance and luncheon vouchers.

The members of the Executive Team further receive a price reduction with respect to Telenet products or services they order.

They receive no benefit in cash linked to a performance period of longer than one year.

#### *b) Share-based compensation*

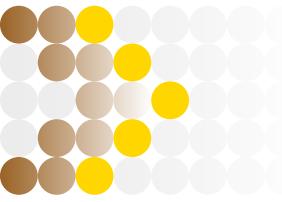
The members of the Executive Team did not receive shares of the Company during the last financial year.

On December 31, 2010 the current members of the Executive Team (excluding the CEO) held in aggregate 1,094,727 warrants under the ESOP 2007 and 350,000 warrants under the ESOP 2010. Each warrant can be exercised for one share. The vesting of these warrants occurs progressively (per quarter) over a period of four years. After vesting, the warrants can be exercised immediately.

On September 28, 2010, 175,000 warrants under the ESOP 2007 and 350,000 warrants under the ESOP 2010 were granted to members of the Executive Team, which after vesting can be exercised for an equal number of shares. These warrants vest over 4 years and can be exercised until September 27, 2015. The exercise price per warrant is € 24.02. An overview of the numbers of warrants granted to (and accepted by) the members of the Executive Team can be found below:

NAME	NUMBER OF WARRANTS GRANTED AND ACCEPTED
Jan Vorstermans	80,000
Renaat Berckmoes	85,000
Patrick Vincent	90,000
Luc Machtelinckx	55,000
Claudia Poels	55,000
Martine Tempels	40,000
Inge Smids	50,000
Herbert Vanhove	0
Ronny Verhelst	70,000

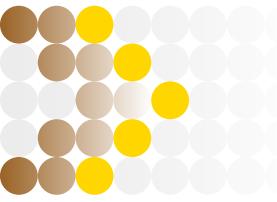




An overview of the warrants exercised by the current members of the Executive Team during 2010 can be found in the table below:

NAME	NUMBER OF WARRANTS EXERCISED	EXERCISE PRICE	PLAN
<b>Before payment of capital reduction on August 2, 2010</b>			
Luc Machtelinckx	4,512	€ 14.06	ESOP 2007 bis
	5,479	€ 13.92	ESOP 2007 quater
Ronny Verhelst	15,000	€ 14.06	ESOP 2007 bis
Patrick Vincent	5,000	€ 14.06	ESOP 2007 bis
	15,000	€ 13.92	ESOP 2007 quater
<b>After payment of capital reduction on August 2, 2010</b>			
Renaat Berckmoes	10,000	€ 12.75	ESOP 2007 bis
Luc Machtelinckx	14,923	€ 12.75	ESOP 2007 bis
	18,120	€ 12.63	ESOP 2007 quater
Claudia Poels	21,317	€ 12.63	ESOP 2007 quater
Ronny Verhelst	15,000	€ 12.63	ESOP 2007 quater
Patrick Vincent	9,000	€ 12.75	ESOP 2007 bis
	17,000	€ 12.63	ESOP 2007 quater





### *c) Termination arrangements*

Some employment agreements of members of the Executive Team, all concluded before July 2009, contain termination arrangements providing for a notice period which can exceed twelve months in case of termination by Telenet NV (other than for cause).

Jan Vorstermans has a contractual termination clause, providing for a notice period in case of termination by the Company (except for cause) to be calculated on the basis of the 'formula Claeys', with a minimum of 7 months.

Luc Machtelinckx has a contractual termination clause, providing for a notice period in case of termination by the Company (except for cause) to be calculated on the basis of the 'formula Claeys'.

Herbert Vanhove has a contractual termination clause, providing for a notice period in case of termination by the Company (except for cause or material underperformance) of minimum 8 months.

Ronny Verhelst has a contractual termination clause, providing for a notice period in case of termination by the Company (except for cause) to be calculated on the basis of the 'formula Claeys', with a minimum seniority of 4 years.

The employment agreements with Martine Tempels, Inge Smidts and Herbert Vanhove, all concluded when they were not yet members of the Executive Team (and before May 4, 2010, i.e. the date of entry into force of the Law of April 6, 2010), do contain specific provisions relating to early termination, although they do not contain a clause specifying that severance pay in the event of early termination should not exceed 12 months' remuneration, which for the latter point deviates from provision 7.18. of the Belgian Corporate Governance Code 2009. The Company did not conclude a new agreement with them at the occasion of their appointment as members of the Executive Team.

In September 2010, Saskia Schatterman, who was a member of the Executive Team, left Telenet. In the termination agreement, an indemnity not exceeding one years' basic and variable remuneration was granted and 63,960 unvested warrants under ESOP 2007 quater were declared forfeited.

## 7.8 Audit of the company

### **External audit by statutory auditors**

For details on the audit and non-audit fees paid to the auditor in 2010, we refer to Note 5.30 to the consolidated financial statements of the Company.

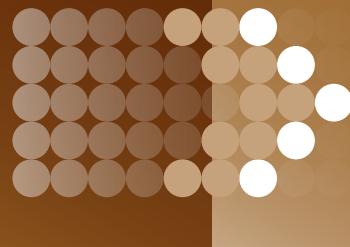
### **Internal audit**

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

Mechelen, March 29, 2011

On behalf of the board of directors



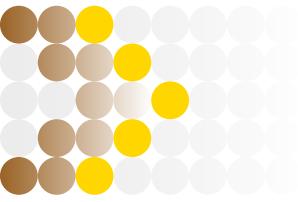


# Telenet Group Holding NV consolidated financial statements



in thousands of euro

	FOR THE YEARS ENDED		
	NOTE	DEC 31, 2010	DEC 31, 2009
<b>// Assets</b>			
<b>Non-current assets:</b>			
Property and equipment	5.4	1,310,202	1,314,968
Goodwill	5.5	1,241,798	1,240,376
Other intangible assets	5.6	313,559	308,645
Deferred tax assets	5.14	19,905	116,363
Derivative financial instruments	5.13	4,718	9,113
Investments in equity accounted investees	5.21	213	259
Other assets	5.8	4,935	5,600
<b>Total non-current assets</b>		<b>2,895,330</b>	<b>2,995,324</b>
<b>Current assets:</b>			
Inventories	5.9	12,612	11,305
Trade receivables	5.7	79,826	73,281
Derivative financial instruments	5.13	315	301
Other current assets	5.8	65,016	47,325
Cash and cash equivalents	5.10	639,581	145,709
<b>Total current assets</b>		<b>797,350</b>	<b>277,921</b>
<b>TOTAL ASSETS</b>		<b>3,692,680</b>	<b>3,273,245</b>

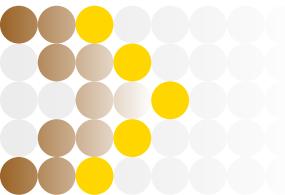


in thousands of euro

	FOR THE YEARS ENDED		
	NOTE	DEC 31, 2010	DEC 31, 2009
<b>// Equity and Liabilities</b>			
<b>Equity:</b>			
Share capital	5.11	797,350	1,041,812
Share premium and other reserves	5.11	979,967	902,596
Retained loss	5.11	(1,559,845)	(1,584,352)
<b>Total equity</b>		<b>217,472</b>	<b>360,056</b>
<b>Non-current liabilities:</b>			
Loans and borrowings	5.12	2,837,377	2,291,538
Derivative financial instruments	5.13	35,914	18,586
Deferred revenue	5.18	6,428	8,565
Deferred tax liabilities	5.14	5,544	45,685
Other liabilities	5.15	38,145	39,940
<b>Total non-current liabilities</b>		<b>2,923,408</b>	<b>2,404,314</b>
<b>Current liabilities:</b>			
Loans and borrowings	5.12	40,319	32,434
Trade payables		109,341	82,186
Accrued expenses and other current liabilities	5.17	283,071	272,465
Deferred revenue	5.18	94,034	105,143
Derivative financial instruments	5.13	24,729	16,582
Current tax liability	5.14	306	65
<b>Total current liabilities</b>		<b>551,800</b>	<b>508,875</b>
<b>Total liabilities</b>		<b>3,475,208</b>	<b>2,913,189</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,692,680</b>	<b>3,273,245</b>

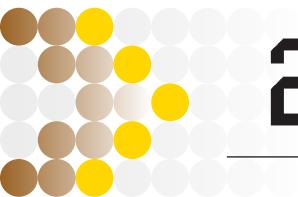
The notes are an integral part of these consolidated financial statements.





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## 2

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro, except per share data)

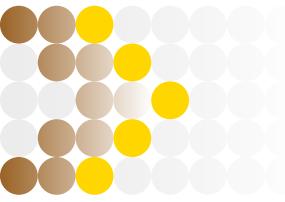
	NOTE	FOR THE YEARS ENDED	
		DEC 31, 2010	DEC 31, 2009
Revenue	5.18	1,298,993	1,197,421
Cost of services provided	5.19	(735,781)	(688,891)
<b>Gross profit</b>		<b>563,212</b>	<b>508,530</b>
Selling, general and administrative expenses	5.19	(218,681)	(210,022)
<b>Operating profit</b>		<b>344,531</b>	<b>298,508</b>
Finance income		1,513	1,163
Net interest income and foreign exchange gain		1,513	1,163
Finance expense		(199,158)	(154,825)
Net interest expense and foreign exchange loss		(152,257)	(133,961)
Net loss on derivative financial instruments		(38,998)	(20,864)
Loss on extinguishment of debt		(7,903)	-
<b>Net finance expenses</b>	<b>5.20</b>	<b>(197,645)</b>	<b>(153,662)</b>
Share of the loss of equity accounted investees	5.21	(412)	(484)
Profit before income tax		146,474	144,362
Income tax benefit (expense)	5.22	(57,172)	88,728
<b>Profit for the period</b>		<b>89,302</b>	<b>233,090</b>
<b>Other comprehensive income for the period, net of income tax</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>89,302</b>	<b>233,090</b>
<b>Earnings per share</b>			
Basic earnings per share in €	5.23	0.80	2.09
Diluted earnings per share in €	5.23	0.79	2.08

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



Attributable to equity holders of the Company	NOTE	NUMBER OF SHARES	SHARE CAPITAL
<b>January 1, 2009</b>		<b>110,299,104</b>	<b>1,089,599</b>
Total comprehensive income for the period		-	-
Profit for the period		-	-
Other comprehensive income		-	-
<b>Transactions with owners, recorded directly in equity</b>		<b>1,462,562</b>	<b>(47,787)</b>
Recognition of share-based compensation	5.11	-	-
Proceeds received upon exercise of Class A and Class B Options	5.11	-	-
Proceeds received upon exercise of 2007 warrants	5.11	49,311	460
Issuance of share capital via exchange of Class A and Class B Profit Certificates	5.11	1,413,251	7,610
Repayment of capital	5.11	-	(55,857)
<b>December 31, 2009</b>		<b>111,761,666</b>	<b>1,041,812</b>
Attributable to equity holders of the Company	NOTE	NUMBER OF SHARES	SHARE CAPITAL
<b>January 1, 2010</b>		<b>111,761,666</b>	<b>1,041,812</b>
Total comprehensive income for the period		-	-
Profit for the period		-	-
Other comprehensive income		-	-
<b>Transactions with owners, recorded directly in equity</b>		<b>666,374</b>	<b>(244,462)</b>
Recognition of share-based compensation	5.11	-	-
Proceeds received upon exercise of Class B Options	5.11	-	-
Proceeds received upon exercise of 2007 bis Warrants	5.11	320,449	2,637
Proceeds received upon exercise of 2007 ter Warrants	5.11	10,546	83
Proceeds received upon exercise of 2007 quater Warrants	5.11	217,827	1,648
Proceeds received upon exercise of 2007 sexies Warrants	5.11	12,393	88
Issuance of share capital via exchange of Class B Profit Certificates	5.11	165,553	1,020
Conversion of Liquidation Dispreference shares into Ordinary Shares	5.11	(60,394)	-
Repayment of capital	5.11	-	(249,938)
<b>December 31, 2010</b>		<b>112,428,040</b>	<b>797,350</b>

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



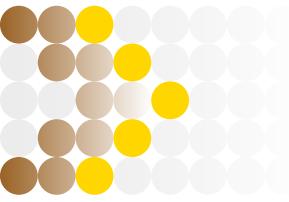
in thousands of euro, except share data

	SHARE PREMIUM	EQUITY-BASED COMPENSATION RESERVE	LEGAL RESERVE	OTHER RESERVES	RETAINED LOSS	TOTAL	TOTAL EQUITY
	62,572	10,080	3	825,350	(1,817,442)	170,162	170,162
	-	-	-	-	233,090	233,090	233,090
	-	-	-	-	233,090	233,090	233,090
	-	-	-	-	-	-	-
	231	4,360	-	-	-	(43,196)	(43,196)
	-	5,067	-	-	-	5,067	5,067
	-	6,903	-	-	-	6,903	6,903
	231	-	-	-	-	691	691
	-	(7,610)	-	-	-	-	-
	-	-	-	-	-	(55,857)	(55,857)
	62,803	14,440	3	825,350	(1,584,352)	360,056	360,056
	SHARE PREMIUM	EQUITY-BASED COMPENSATION RESERVE	LEGAL RESERVE	OTHER RESERVES	RETAINED LOSS	TOTAL	TOTAL EQUITY
	62,803	14,440	3	825,350	(1,584,352)	360,056	360,056
	-	-	64,795	-	24,507	89,302	89,302
	-	-	64,795	-	24,507	89,302	89,302
	-	-	-	-	-	-	-
	3,009	9,567	-	-	-	(231,886)	(231,886)
	-	9,787	-	-	-	9,787	9,787
	-	800	-	-	-	800	800
	1,663	-	-	-	-	4,300	4,300
	58	-	-	-	-	141	141
	1,162	-	-	-	-	2,810	2,810
	126	-	-	-	-	214	214
	-	(1,020)	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	(249,938)	(249,938)
	65,812	24,007	64,798	825,350	(1,559,845)	217,472	217,472



in thousands of euro

For the years ended December 31,	NOTE	2010	2009
<b>// Cash flows provided by operating activities</b>			
Profit for the period		89,302	233,090
Adjustments for:			
Depreciation, amortisation and impairment	5.19	313,788	302,819
Losses (gains) on disposal of property and equipment and other intangible assets	5.19	46	(16)
Income tax expense (benefit)	5.22	57,172	(88,728)
Decrease in allowance for bad debt	5.7	(3,801)	(2,577)
Net interest income and foreign exchange gain	5.20	(1,513)	(1,163)
Net interest expense and foreign exchange loss	5.20	152,257	133,961
Net loss on derivative financial instruments	5.20	38,998	20,864
Loss on extinguishment of debt	5.20	7,903	-
Loss in equity-accounted investees	5.21	412	484
Share based payments	5.19	9,787	5,067
Change in:			
Trade receivables		(454)	(1,299)
Other assets		(17,173)	(13,784)
Deferred revenue		(13,596)	(24,478)
Trade payables		24,242	32,313
Other liabilities		(4,848)	(7,654)
Accrued expenses and other current liabilities		(11,710)	(33,700)
<b>Cash provided by operations</b>		<b>640,812</b>	<b>555,199</b>
Interest paid		(129,006)	(133,417)
Interest received		844	19,500
Income taxes received (paid)		358	(259)
Cash paid for derivatives	5.13	(12,940)	(2,583)
Cash received for derivatives	5.13	3,709	2,310
<b>Net cash provided by operating activities</b>		<b>503,777</b>	<b>440,750</b>
<b>// Cash flows used in investing activities</b>			
Purchases of property and equipment		(194,549)	(233,697)
Purchases of intangibles		(51,494)	(40,190)
Acquisitions of subsidiaries and affiliates, net of cash acquired	5.24	(2,315)	(6,410)
Proceeds from sale of property and equipment and other intangibles		315	743
<b>Net cash used in investing activities</b>		<b>(248,043)</b>	<b>(279,554)</b>



in thousands of euro

For the years ended December 31,	NOTE	2010	2009
<b>// Cash flows provided by (used in) financing activities</b>			
Repayments of loans and borrowings	5.12	(208,811)	(85,000)
Proceeds from loans and borrowings	5.12	735,000	90,000
Payments of finance lease liabilities		(26,467)	(25,539)
Payments for debt issuance costs		(20,014)	(12,365)
Proceeds from exercise of options and warrants	5.11	8,264	7,594
Payments related to capital reductions	5.11	(249,834)	(55,818)
<b>Net cash provided by (used in) financing activities</b>		<b>238,138</b>	<b>(81,128)</b>
<b>Net increase in cash and cash equivalents</b>		<b>493,872</b>	<b>80,068</b>
Cash and cash equivalents:			
at January 1		145,709	65,641
at December 31		639,581	145,709

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



## 5.1 Reporting entity and basis of preparation

### 5.1.1 Reporting entity

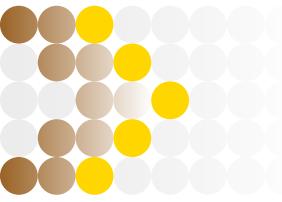
The accompanying consolidated financial statements present the operations of Telenet Group Holding NV and its subsidiaries (hereafter collectively referred to as the *Company* or *Telenet*). Through its broadband network, the Company offers cable television, including premium television services, broadband internet and telephony services to residential subscribers in Flanders and certain communes in Brussels as well as broadband internet, data and voice services in the business market throughout Belgium. The Company also offers mobile telephony services through an MVNO partnership with Mobistar. Telenet launched its Full-MVNO in the fourth quarter of 2010, for which it has undertaken the construction of certain proprietary mobile infrastructure, including a mobile switch, mobile rating and billing platform. The Company also entered into an agreement with Norkring België NV regarding the use of DTT spectrum over the latter's broadcasting network. This will enable the Company in the future to broadcast wireless television channels over the DTT spectrum. Telenet Group Holding NV and its principal operating subsidiaries are limited liability companies organized under Belgian law. Subsidiaries and special purpose entities have been incorporated in Luxembourg in the course of 2010 in order to structure the Company's financing operations.

### 5.1.2 Basis of preparation

In accordance with the EU Regulation 1606/2002 of July 19, 2002, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (*IFRSs as adopted by the EU*). The financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value. The methods used to measure fair values are discussed further in Note 5.2.8. The principal accounting policies are set out in section 5.2 below.

### 5.1.3 Functional and presentation currency

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



#### 5.1.4 Use of estimates and judgments

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

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

#### 5.1.5 Approval by board of directors

These consolidated financial statements were authorized for issue by the board of directors on March 29, 2011.

## 5.2 Significant accounting policies

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

No changes to the significant accounting policies have been made, except as explained in note 5.2.20, which addresses changes in accounting policies.

#### 5.2.1 Basis of consolidation

### Subsidiaries

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

### Special Purpose Entities (SPEs)

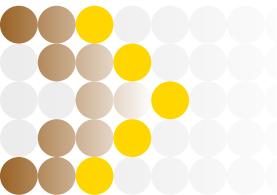
The Company has established special purpose entities (SPEs) for financing purposes. The Company does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Company and the SPE's risks and rewards, the Company concludes that it controls the SPE. SPEs controlled by the Company were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Company receiving the majority of the benefits related to the SPEs' operations and net assets and being exposed to the majority of risks incident to the SPEs' activities.

### Associates and jointly controlled entities

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

Jointly controlled entities are those entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.





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

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

#### **Jointly controlled operations**

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

#### **5.2.2 Segment reporting**

Telenet determines and presents operating segments based on the information that is provided to and regularly reviewed by the CEO, who is the Group's chief operating decision maker (*CODM*), the Executive Team and the board of directors.

Operating segments are the individual operations that the *CODM* reviews for purposes of assessing performance and making resource allocation decisions.

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

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

Telenet manages its operations as one geographical area, and has no individual customers that represent a significant portion of the Company's total revenues. Telenet has thus determined that its operations constitute one single operating segment.

#### **5.2.3 Property and equipment**

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

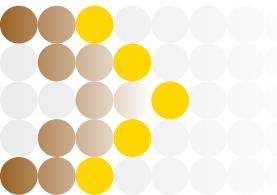
Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

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

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

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

The costs associated with the construction of cable transmission and distribution facilities and also analogue and digital cable, internet, fixed and mobile telephony and iDTV service installation costs are capitalized and depreciated over 2 to 20 years.



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

The Company applies the guidance of IAS 23 (Revised) *Borrowing Costs* and includes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

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

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

#### 5.2.4 Intangible assets

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

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

Amortization methods, useful lives and residual values are reviewed at each reporting date and are adjusted if appropriate.

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

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

Broadcasting rights are capitalized as an intangible asset when the value of the contract is measurable upon signing. For such broadcasting rights with respect to movies the amortizations during the first three months of the license period are based on the actual number of runs to reflect the pattern of consumption of the economic benefits embodied in the content rights. As for the remaining months of the license period the pattern of consumption of the future economic benefits can no longer be determined reliably, the straight-line method is used until the end of the license period. Broadcasting rights with respect to sports contracts are amortized on a straight-line basis over the sports season.

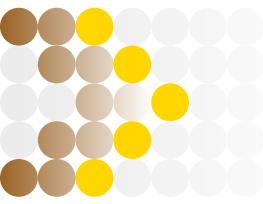
Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands, is recognized in the statement of comprehensive income as incurred.

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of trade names acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the trade name being owned.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.





## 5.2.5 Impairment of financial and non-financial assets

### Financial assets

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

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

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

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

### Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the

*cash-generating unit*). The Company has determined that its long-lived intangible and tangible fixed assets constitute a single cash-generating unit for the purpose of impairment testing.

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

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

## 5.2.6 Goodwill

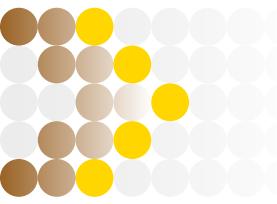
For acquisitions after January 1, 2010, the accounting policies have been amended, as disclosed in Note 5.2.18.

For acquisitions prior to January 1, 2010, goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

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





### 5.2.7 Foreign currency transactions

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

### 5.2.8 Financial instruments

#### Non-derivative financial instruments

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

##### Cash and cash equivalents

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

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

##### Trade receivables

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

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The carrying amounts of trade receivables approximate fair value because of the short maturity of those instruments.

##### Loans and borrowings

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

The Company initially recognizes debt securities issued on the date that they are originated. Such liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method.

##### Trade payables

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

#### Derivative financial instruments

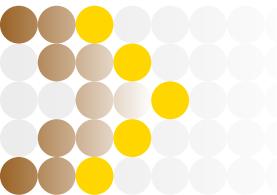
The Company's activities are exposed to changes in foreign currency exchange rates and interest rates.

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

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

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





Derivatives are measured at fair value.

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

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

#### Share capital

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

#### 5.2.9 Revenue recognition

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

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

Together with subscription fees, basic cable television subscribers are charged a copyright fee for the content received from public broadcasters that is broadcasted over the Company's network. These fees contribute to the cost the Company bears in respect of copyright fees paid to copyright collecting agencies for certain content provided by the public broadcasters and other copyright holders. The Company reports copyright fees collected from cable subscribers on a gross basis as a component of revenue due to the fact that the Company is acting as a principal in the arrangement between the public

broadcaster and other copyright holders which does not represent a pass-through arrangement. Indeed, the Company bears substantial risk in setting the level of copyright fees charged to subscribers as well as in collecting such fees.

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

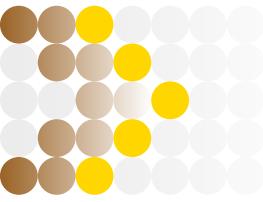
Customers are charged a termination fee when they cancel their subscription before the end of the contractual term. Revenue from such termination fees is recognized at the time of the contract cancellation, if and only if collectability of the fee is reasonably assured. If collectability of the termination fee is not reasonably assured at the time of billing, revenue is deferred until cash is received.

Customers may be charged a downgrade fee when they decrease their service level. Generally, the downgrade is not considered to have stand-alone value to the customer and downgrade fees are therefore deemed to be part of the overall consideration for the ongoing service. Revenue from downgrade fees is recognized on a straight-line basis over the longer period of (i) the related subscription contract or (ii) the expected remaining length of the customer relationship.

#### 5.2.10 Operating expenses

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





## 5.2.11 Provisions

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

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

## 5.2.12 Leases

At inception of an arrangement, including arrangements that convey to the Company the right to use equipment, fibers or capacity for an agreed period of time in return for a series of payments, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

Subsequently the lease liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Company's incremental borrowing rate.

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

interest element of the finance cost charged to the statement of comprehensive income over the lease period. All other leases are classified as operating lease payments and recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case they are depreciated over their useful lives.

## 5.2.13 Income taxes

Income tax expense comprises current and deferred tax.

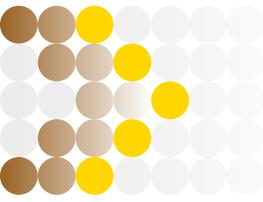
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

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

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

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





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

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

#### 5.2.14 Employee benefits

##### Pension obligations

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

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The corridor approach is applied to actuarial gains and losses. Such gains and losses are the result of changes in actuarial assumptions on retirement and similar commitments. Accordingly, all gains and losses exceeding 10% of the greater of the present value of the defined benefit obligation and the fair value of any plan assets are recognized over the expected average remaining working life of the employees participating in the plan. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized actuarial losses and past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

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

##### Other employee benefit obligations

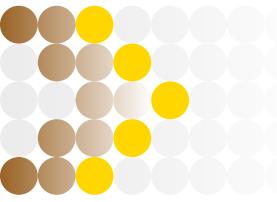
The Company provides long term service awards, health care premiums, early retirement plans and death benefits, among others, to its employees and/or retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age or the completion of a minimum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

##### Share-based payments

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

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





## Short-term benefits

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

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

## 5.2.15 Inventories

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

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

## 5.2.16 Earnings per share

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

## 5.2.17 Finance income and expenses

Finance income mainly comprises interest income on funds invested. Interest income is recognized as it accrues in the statement of comprehensive income, using the effective interest method.

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

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

## 5.2.18 Acquisition accounting

From 1 January 2010 the Company has applied IFRS 3 *Business Combinations* (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share.

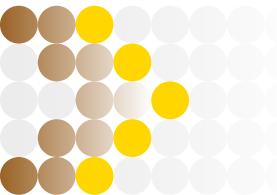
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable.

For acquisitions on or after 1 January 2010, the Company measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in the statement of comprehensive income.





The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognized in the statement of comprehensive income. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the statement of comprehensive income.

For acquisitions prior to 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Company's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognized immediately in the statement of comprehensive income. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurred in connection with business combinations were capitalized as part of the cost of the acquisition.

#### 5.2.19 Customer acquisition costs

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

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

Cash incentives given to customers are not viewed as subscriber acquisition costs, but are recognized as a deduction from revenue. Prior to the recognition in the statement of comprehensive income, the Company recognizes an asset related to such incentives only to the extent that the aforementioned key recognition criteria are met.

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

#### 5.2.20 New standards, interpretations, amendments and improvements

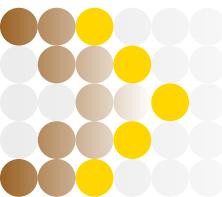
##### Standards, amendments and interpretations effective or early adopted in 2010

The following standards, amendments, interpretations and improvements are mandatory for the first time for the financial year beginning January 1, 2010:

Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* (effective for annual periods beginning on or after January 1, 2010).

The amendments clarify the scope of IFRS2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

The Company adopted the amendment as of January 1, 2010, with no material effect on its financial result or financial position.



IFRS 3 (Revised 2008) *Business Combinations* (effective from January 1, 2010) is applied prospectively to business combinations for which the acquisition date is on or after the date of adoption.

It introduces several significant changes including the following changes that are likely to be relevant to the Company's operations:

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

The Company adopted the amendment as of January 1, 2010, with no material effect on its financial result or financial position.

IAS 27 (Revised 2008) *Consolidated and Separate Financial Statements* (effective from January 1, 2010) requires accounting for changes in ownership interests by the Company in a subsidiary, while maintaining control, to be recognized as an equity transaction. If the Company loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the statement of comprehensive income.

The Company adopted the amendment as of January 1, 2010, with no material effect on its financial result or financial position.

Amendment to IAS 39 *Eligible Hedged Items* (effective for annual periods beginning on or after July 1, 2009). The amendments provide clarification on two aspects of hedge accounting:

- identifying inflation as a hedged risk or portion; and
- hedging with options.

The Company adopted the amendment as of January 1, 2010, with no material effect on its financial result or financial position.

IFRIC 17 *Distributions of Non-cash assets to Owners* (effective for annual periods beginning on or after July 1, 2009).

The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

The Company adopted the amendment as of January 1, 2010, with no material effect on its financial result or financial position.

IFRIC 18 *Transfers of Assets from Customers* (effective for annual periods beginning on or after July 1, 2009). The interpretation addresses the accounting by recipients for transfers of property, plant and equipment from *customers* and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognize the asset at its fair value on the date of the transfer, with the credit being recognized as revenue in accordance with IAS 18 Revenue.

The Company adopted the amendment as of January 1, 2010, with no material effect on its financial result or financial position.

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

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

IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after January 1, 2013). The amendments deal with classification and measurement of financial assets and financial liabilities.

The adoption is not expected to have a material impact on the Company's financial result or financial position.

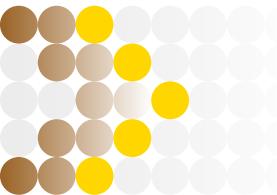
Amendment to IFRS 7 – *Derecognition Disclosure Requirements* (effective for annual periods beginning on or after July 1, 2011). Amendments in disclosure requirements for transactions involving transfers of financial assets.

The adoption is not expected to have a material impact on the Company's financial result or financial position.

Amendment to IAS24 *Related Party Disclosure* (effective for annual periods beginning on or after January 1, 2011). This pronouncement amends the definition of a related party and modifies certain related party disclosure requirements for government related entities.

The adoption is not expected to have a material impact on the Company's financial result or financial position.





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

The adoption is not expected to have a material impact on the Company's financial result or financial position.

Amendments to IFRIC 14: *IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction* remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. The amendments become mandatory for the Company's 2011 consolidated financial statements.

The adoption is not expected to have a material impact on the Company's financial result or financial position.

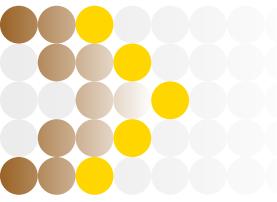
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after July 1, 2010).

The adoption is not expected to have a material impact on the Company's financial result or financial position.

*Improvements to IFRSs 2010* is a collection of minor improvements to existing standards. This collection becomes mandatory for the Company's 2011 consolidated financial statements.

The adoption is not expected to have a material impact on the Company's financial result or financial position.





## 5.3 Risk management

### 5.3.1 Credit risk

#### Qualitative disclosures

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

The largest share of the gross assets subject to credit risk from operating activities are trade receivables from residential and small business customers located throughout Belgium. Accordingly, the Company has no significant concentration of credit risk. The risk of material loss from non-performance

from these customers is not considered likely. The Company establishes reserves for doubtful accounts receivable to cover the potential loss from non-payment by these customers.

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

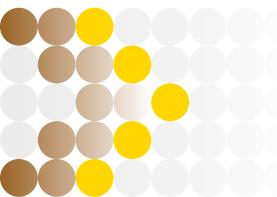
#### Quantitative disclosures

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

	in thousands of euro	
	DEC 31, 2010	DEC 31, 2009
Cash and cash equivalents (including commercial paper/certificates of deposit)	639,581	145,709
Trade receivables	86,956	84,211
Derivative financial instruments	5,033	9,414
Outstanding guarantees to third parties for own liabilities (cash paid)	1,921	1,741
<b>Total</b>	<b>733,491</b>	<b>241,075</b>

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





### 5.3.2 Liquidity risk

#### Qualitative disclosures

The principal risks to the Company's sources of liquidity are operational risks, including risks associated with decreased pricing, reduced subscriber growth, increased marketing costs and other consequences of increasing competition and potentially adverse outcomes with respect to the Company's litigations as described in Note 5.26.1. Telenet's ability to service its debt and to fund its ongoing operations will depend on its ability to generate cash. Although the Company anticipates generating positive cash flow after deducting interest and taxes, the Company cannot assure that this will be the case. The Company may not generate sufficient cash flow to fund its capital expenditures, ongoing operations and debt obligations.

Telenet Group Holding NV 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 2010 Amended Senior Credit Facility contain a number of significant covenants that restrict the Company's ability, and the ability of its subsidiaries to, among other things, pay dividends or make other distributions, make capital expenditure, incur additional debt and grant guarantees. The agreements and instruments governing its debt contain restrictions and limitations that could adversely affect the Company's ability to operate its business.

Telenet believes that its cash flow from operations and its existing cash resources, together with available borrowings under the 2010 Amended Senior Credit Facility, will be sufficient to fund its currently anticipated working capital needs, capital expenditures and debt service requirements.

In 2010, the Company launched a voluntary exchange process for certain term loans under its € 2,300 million Senior Credit Facility. Existing lenders in Facilities A, B1, B2A, C, D and E1 had the opportunity to exchange their existing participations and commitments with participations and commitments in a new Facility G under the Senior Credit Facility with an extended maturity on July, 2017 at improved economics. The exchange process resulted in the extension of the average maturity of its term debt. At the same time, Telenet consolidated its financing arrangements in Telenet International Finance S.à r.l., incorporated in Luxembourg, in order to ensure a more efficient management of the financing structure of the Group. As a result, pursuant to various additional facility accession agreements, existing Facilities with Telenet NV as borrower have been novated to the new Facilities F, G, H, I, J, K, L1 and L2 with

Telenet International Finance S.à r.l. as borrower but with identical conditions.

Subsequently, the Company issued additional Facilities M and N. The proceeds were borrowed from Telenet Finance Luxembourg S.C.A. and Telenet Finance Luxembourg II S.A., respectively and were used to redeem Facilities H, I and L2.

The Company has access to undrawn facilities under the 2010 Amended Senior Credit Facility. As of December 31, 2010, € 175.0 million under the revolving credit facility (€ 175.0 million as of December 31, 2009) was available to the Company subject to it being in compliance with certain financial covenants and other conditions.

The 2010 Amended Senior Credit Facility is discussed in greater detail in Note 5.12.3 of the consolidated financial statements of the Company.

In order to hedge its exposure to floating rate debt, the Company concluded interest rate cap, collar and swap contracts for a total nominal amount at December 31, 2010, of € 3.3 billion.

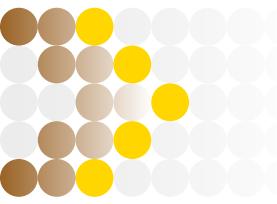
The Company has implemented a policy on financial risk management. With respect to liquidity and funding risks, the key objectives can be summarized as:

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

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

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





## Quantitative disclosures

The Company's aggregate contractual obligations as at December 31, 2010 and 2009 were as follows:

Situation as per December 31, 2010		PAYMENTS DUE BY PERIOD					
		TOTAL	LESS THAN 1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS
<b>// Contractual obligations</b>							
Long term debt <sup>(1)</sup>	3,713,874	123,100	123,336	123,100	281,100	397,156	2,666,082
Finance lease obligations <sup>(1)</sup>	472,862	50,482	48,825	46,065	44,739	40,890	241,861
Operating lease obligations	50,572	21,363	10,160	7,670	4,445	3,128	3,806
Other contractual obligations <sup>(2)</sup>	1,239,816	96,512	89,241	63,099	40,877	37,469	912,618
Interest Rate Derivatives	189,288	29,190	37,454	32,035	32,035	29,127	29,447
Foreign Exchange Derivatives <sup>(3)</sup>	12,000	10,000	2,000	-	-	-	-
Accrued expenses and other current liabilities <sup>(4)</sup>	217,941	217,941	-	-	-	-	-
Trade payables	109,341	109,341	-	-	-	-	-
<b>Total contractual obligations</b>	<b>6,005,694</b>	<b>657,929</b>	<b>311,016</b>	<b>271,969</b>	<b>403,196</b>	<b>507,770</b>	<b>3,853,814</b>

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

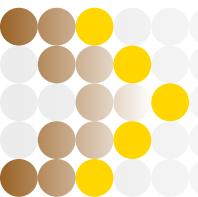
(1) Interest included.

(2) Represents fixed minimum commitments under certain programming and purchase agreements and amounts associated with certain operating costs resulting from the Interkabel acquisition, commitments under the operating agreement with Norkring (Note 5.12.6) as well as commitments related to certain programming and purchase agreements.

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

(4) Excluding compensation and employee benefits, VAT and withholding taxes and the current portion of the Interkabel of market component.





### 5.3.3 Market risk

The Company is exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily as between the US dollar and euro, and the Company uses financial instruments to manage its exposure to interest rate and foreign exchange rate fluctuations. Each of these risks is discussed below.

#### Qualitative disclosures on foreign exchange risk

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

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

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

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

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

As referred to above, the outstanding forward foreign exchange derivatives as of December 31, 2010 and 2009, are disclosed in more detail in Note 5.13 to the consolidated financial statements of the Company.

#### Qualitative disclosures on interest rate risk

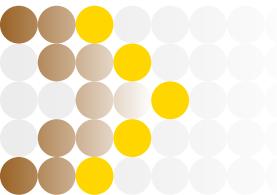
The Company is mainly exposed to interest rate risk arising from borrowings at floating interest rates, interest bearing investments and finance leases. The risk is managed by maintaining an appropriate mix of interest rate swap contracts, interest rate cap contracts and interest rate collar contracts.

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

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

As of December 31, 2010, the Company held total debt of € 2,878 million, of which € 1,916 million was owed under its 2010 Amended Senior Credit Facility, € 600 million was related to the Notes issued in 2010 and the remainder primarily represented the capital lease associated with the Interkabel Acquisition. During 2010, Telenet continued to improve its debt repayment profile at attractive rates therefore reducing future refinancing risk. The Company's average maturity under the 2010 Amended Senior Credit Facility improved to 6.8 years at the end of 2010 from 5.4 years following a voluntary exchange offer in September 2010 and the issuance of two additional Term Loans in 2010 with longer maturities. On November 3,





2010, the Company issued a € 500 million Facility M maturing in November 2020, and on November 26, 2010, the Company issued another Facility N of € 100 million with maturity in November 2016, each following the offering of Senior Secured Notes by independent financing companies that the Company consolidates. The net proceeds from these offerings were partially used to prepay a portion of the outstanding Term Loans under the 2010 Amended Senior Credit Facility for an aggregate € 201.7 million.

On December 31, 2010, fixed interest rates applied to 32.36% of the total financial debt (2009: 11.15%).

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

As referred to above, the outstanding interest rate derivatives as of December 31, 2010 and 2009, are disclosed in more detail in Note 5.13 to the consolidated financial statements of the Company.

## Quantitative disclosures

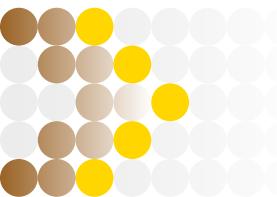
### Interest rate sensitivity testing

For financial instruments held, the Company has used a sensitivity analysis technique that measures the change in the fair value and cash flows of the Company's financial instruments for hypothetical changes in the relevant base rate applicable at year-end, holding all other factors constant. The sensitivity of profit or loss and equity due to changes in the relevant risk variables as at December 31, 2010 and 2009, are set out in the table below. The estimated change in fair values for changes in market interest rates are based on an instantaneous increase or decrease of 25 basis points at the reporting date, with all other variables remaining constant.

The sensitivity analysis is for illustrative purposes only – in practice, market rates rarely change in isolation and are likely to be interdependent. The positive (negative) pre-tax impacts on our results of changes in the relevant risk variables for the years 2010 and 2009 can be summarized as follows:

	in thousands of euro			
	2010		2009	
	+0,25%	-0,25%	+0,25%	-0,25%
<b>// Interest</b>				
Senior Credit Facility	(5,081)	5,081	(4,907)	4,907
Finance leases	(35)	35	(40)	40
Interest rate derivatives	1,460	(1,810)	1,882	(1,882)
	<b>(3,656)</b>	<b>3,306</b>	<b>(3,065)</b>	<b>3,065</b>
<b>// Changes in fair value</b>				
Swaps	10,816	(10,816)	10,882	(10,882)
Caps	771	(527)	2,807	(2,396)
Collars	8,830	(9,693)	232	(264)
	<b>20,417</b>	<b>(21,036)</b>	<b>13,920</b>	<b>(13,542)</b>
<b>Total</b>	<b>16,761</b>	<b>(17,730)</b>	<b>10,855</b>	<b>(10,478)</b>





If interest rates had been 25 basis points higher and all other variables were held constant, this would have had a positive effect on the results of the Company for 2010 of € 16.8 million (2009: € 10.9 million). This is mainly attributable to the change in fair value of the interest rate swap contracts. The analysis is prepared assuming that the amounts of interest rate derivatives at year end 2010 were outstanding for the whole year.

If interest rates had been 25 basis points lower and all other variables were held constant, the Company's results would have been impacted in 2010 in a negative way for an amount of € 17.7 million (2009: € 10.5 million).

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

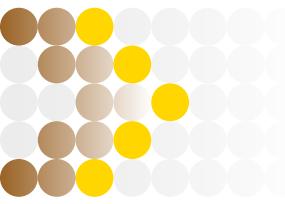
+0.25% (in thousands of euro)

Situation as per December 31, 2010	INTEREST PAYMENTS DUE BY PERIOD					
	LESS THAN 1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	AFTER 5 YEARS
Amended SCF Term Loan G	71,610	71,807	71,610	71,610	71,610	105,469
Amended SCF Term Loan J	3,056	3,065	3,056	3,056	2,286	-
Amended SCF Term Loan K	6,493	6,510	6,493	6,493	-	-
Amended SCF Term Loan L1	9,623	9,649	9,623	9,623	2,373	-
Finance Lease	181	147	108	64	31	31
Interest Derivatives	24,241	31,895	27,093	27,093	24,472	23,425
<b>Total</b>	<b>115,204</b>	<b>123,073</b>	<b>117,983</b>	<b>117,939</b>	<b>100,772</b>	<b>128,925</b>

-0.25% (in thousands of euro)

Situation as per December 31, 2010	INTEREST PAYMENTS DUE BY PERIOD					
	LESS THAN 1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	AFTER 5 YEARS
Amended SCF Term Loan G	64,156	64,331	64,156	64,156	64,156	96,146
Amended SCF Term Loan J	2,654	2,662	2,654	2,654	1,985	-
Amended SCF Term Loan K	5,692	5,707	5,692	5,692	-	-
Amended SCF Term Loan L1	8,566	8,590	8,566	8,566	2,112	-
Finance Lease	122	99	72	43	21	21
Interest Derivatives	34,138	43,013	36,978	36,978	33,782	35,470
<b>Total</b>	<b>115,328</b>	<b>124,402</b>	<b>118,118</b>	<b>118,089</b>	<b>102,056</b>	<b>131,637</b>





+0.25% (in thousands of euro)

Situation as per December 31, 2009	INTEREST PAYMENTS DUE BY PERIOD					
	LESS THAN 1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	AFTER 5 YEARS
Amended SCF Term Loan A	2,328	2,328	1,748	-	-	-
Amended SCF Term Loan B1	2,255	2,255	2,261	1,125	185	-
Amended SCF Term Loan C	2,932	2,932	2,940	2,932	2,932	2,193
Amended SCF Term Loan D	17,091	17,091	17,137	17,091	17,091	-
Amended SCF Term Loan E1	14,065	14,065	14,103	14,065	14,065	3,468
Amended SCF Term Loan F	44,410	44,410	44,531	44,410	44,410	122,157
Finance Lease	1,405	1,289	1,172	1,049	924	3,717
Interest Derivatives	17,143	23,967	29,411	20,981	20,981	27,514
<b>Total</b>	<b>101,628</b>	<b>108,336</b>	<b>113,304</b>	<b>101,652</b>	<b>100,588</b>	<b>159,049</b>

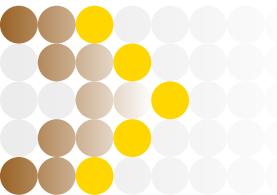
-0.25% (in thousands of euro)

Situation as per December 31, 2009	INTEREST PAYMENTS DUE BY PERIOD					
	LESS THAN 1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	AFTER 5 YEARS
Amended SCF Term Loan A	1,937	1,937	1,454	-	-	-
Amended SCF Term Loan B1	1,905	1,905	1,911	950	157	-
Amended SCF Term Loan C	2,510	2,510	2,517	2,510	2,510	1,877
Amended SCF Term Loan D	14,795	14,795	14,836	14,795	14,795	-
Amended SCF Term Loan E1	12,399	12,399	12,433	12,399	12,399	3,057
Amended SCF Term Loan F	39,445	39,445	39,554	39,445	39,445	108,502
Finance Lease	1,335	1,229	1,124	1,014	903	3,697
Interest Derivatives	19,804	28,034	34,684	25,037	25,037	32,834
<b>Total</b>	<b>94,131</b>	<b>102,255</b>	<b>108,511</b>	<b>96,151</b>	<b>95,246</b>	<b>149,967</b>

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. We do not currently have any obligation to prepay fixed rate debt prior to maturity and, accordingly, interest rate risk

and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt.





#### Foreign currency sensitivity testing

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

The following table details the Company's sensitivity to a 10% increase and decrease of the relevant foreign exchange rate. 10% is the sensitivity rate used when reporting foreign currency

risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes the effect on our US dollar denominated costs and expenses (primarily the costs of network hardware equipment, software and premium cable television rights) and forward foreign exchange contracts.

December 31, 2010		FOREIGN CURRENCY	AMOUNT IN FOREIGN CURRENCY	10% INCREASE		10% DECREASE	
Trade payables	USD			(1,215)	On P&L	994	On P&L
	GBP		17	(2)	On P&L	2	On P&L

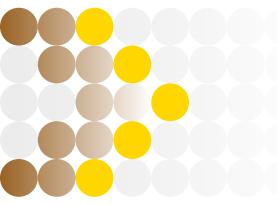
December 31, 2009		FOREIGN CURRENCY	AMOUNT IN FOREIGN CURRENCY	10% INCREASE		10% DECREASE	
Trade payables	USD			(269)	On P&L	220	On P&L
	GBP		18	(2)	On P&L	2	On P&L

#### 5.3.4 Capital Risk

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

The Company monitors capital on the basis of the leverage ratio. The drawn amount of the New Senior Credit Facility (see Note 5.12 to the consolidated financial statements of the Company) represents a net leverage ratio of 2.8x EBITDA and is calculated as per terms of the Senior Credit Facility, using the previous two quarters' EBITDA. Within the Senior Credit Facility, the Company has access to an additional committed loan capacity of € 175.0 million, subject to compliance with applicable covenants, composing the Revolving Facility which are available to be drawn up to and including June 30, 2014. In June 2010, Telenet drew € 135.0 million from the available Facilities B2A and E2.



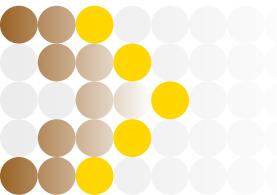


### 5.3.5 Fair value versus carrying amounts

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

	NOTE	DEC 31, 2010		DEC 31, 2009		
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT (AS RE-PRESENTED)	FAIR VALUE	
<b>// Assets</b>						
<b>Assets carried at fair value</b>						
Derivative financial assets	5.13	5,033	5,033	9,414	9,414	
Cash and cash equivalents (e.g. Money market funds)	5.10	541,940	541,940	105,506	105,506	
<b>Total assets carried at fair value</b>		<b>546,973</b>	<b>546,973</b>	<b>114,920</b>	<b>114,920</b>	
<b>Assets carried at amortized cost</b>						
Trade receivables	5.7	79,826	79,826	73,281	73,281	
Other assets	5.8	54,956	54,956	36,779	36,779	
Cash and cash equivalents	5.10	97,641	97,641	40,203	40,203	
<b>Total assets carried at amortized cost</b>		<b>232,423</b>	<b>232,423</b>	<b>150,263</b>	<b>150,263</b>	
<b>// Liabilities</b>						
<b>Liabilities carried at fair value</b>						
Derivative financial liabilities	5.13	60,643	60,643	35,168	35,168	
<b>Liabilities carried at amortized cost</b>						
Loans, borrowings and finance lease liabilities	5.12					
Amended Senior Credit Facility		1,866,841	1,918,911	1,990,449	1,952,122	
Senior Secured Notes		605,562	613,312	-	-	
Deferred Financing Fees		(49,638)	(49,638)	(42,178)	(42,178)	
Finance lease obligations		340,125	330,785	315,642	298,001	
Clientele fee > 20 years		65,137	74,093	60,059	70,248	
Other bank loans		31	31	-	-	
Trade payables		109,341	109,341	82,186	82,186	
Other liabilities	5.15	270,549	270,549	267,971	267,971	
	5.17					
<b>Total liabilities carried at amortized cost</b>		<b>3,207,948</b>	<b>3,267,384</b>	<b>2,674,129</b>	<b>2,628,350</b>	





### 5.3.6 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels mentioned are defined as follows:

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

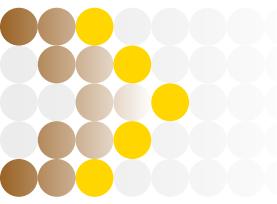
	in thousands of euro					
	DEC 31, 2010			DEC 31, 2009		
	LEVEL 1	LEVEL 2	LEVEL3	LEVEL1	LEVEL 2	LEVEL 3
<b>// Assets</b>						
Derivative financial assets	-	5,033	-	-	9,414	-
Cash and cash equivalents (e.g. Money market funds)	541,940	-	-	105,506	-	-
<b>Total financial assets carried at Fair value</b>	<b>541,940</b>	<b>5,033</b>	-	<b>105,506</b>	<b>9,414</b>	-
<b>// Liabilities</b>						
Derivative financial liabilities	-	60,643	-	-	35,168	-
<b>Total financial liabilities carried at Fair value</b>	<b>-</b>	<b>60,643</b>	-	-	<b>35,168</b>	-

The fair value of the interest rate derivatives is calculated by the Company based on swap curves flat, taking into account the credit risk of both the Company and the respective counterparties to the instruments. The Company also compares the fair values thus calculated to the respective instruments' fair value as provided by the counterparty and as calculated in third-party valuation models.

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

During the financial year ended December 31, 2010 no financial assets or liabilities have been transferred from one level to another level.

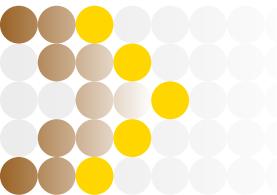




## 5.4 Property and equipment

	NOTE	LAND, BUILDINGS, AND LEASEHOLD IMPROVEMENTS	NETWORK	CONSTRUCTION IN PROGRESS	FURNITURE, EQUIPMENT, AND VEHICLES	in thousands of euro TOTAL
<b>// Cost</b>						
<b>At January 1, 2009</b>		<b>93,223</b>	<b>2,324,156</b>	<b>33,992</b>	<b>47,985</b>	<b>2,499,356</b>
Acquisitions of subsidiaries	5.24	1,512	-	-	121	1,633
Additions		2,332	93,762	170,891	596	267,581
Transfers		3,966	141,206	(151,731)	6,559	-
Disposals		(793)	(2,052)	-	(1,109)	(3,954)
<b>At December 31, 2009</b>		<b>100,240</b>	<b>2,557,072</b>	<b>53,152</b>	<b>54,152</b>	<b>2,764,616</b>
Acquisitions of subsidiaries	5.24	65	-	-	100	165
Additions		322	20,006	216,233	467	237,028
Transfers		2,981	193,988	(189,977)	2,708	9,700
Disposals		(393)	(1,881)	-	(132)	(2,406)
<b>At December 31, 2010</b>		<b>103,215</b>	<b>2,769,185</b>	<b>79,408</b>	<b>57,295</b>	<b>3,009,103</b>
<b>// Accumulated Depreciation</b>						
<b>At January 1, 2009</b>		<b>14,845</b>	<b>1,162,996</b>	<b>-</b>	<b>35,387</b>	<b>1,213,228</b>
Depreciation charge for the year		5,153	227,178	-	5,784	238,115
Eliminated on disposal		(151)	(1,102)	-	(442)	(1,695)
<b>At December 31, 2009</b>		<b>19,847</b>	<b>1,389,072</b>	<b>-</b>	<b>40,729</b>	<b>1,449,648</b>
Depreciation charge for the year		5,255	235,683	-	5,533	246,471
Transfer		-	4,157	-	-	4,157
Eliminated on disposal		(393)	(852)	-	(130)	(1,375)
<b>At December 31, 2010</b>		<b>24,709</b>	<b>1,628,060</b>	<b>-</b>	<b>46,132</b>	<b>1,698,901</b>
<b>// Carrying Amount</b>						
At December 31, 2010		78,506	1,141,125	79,408	11,163	1,310,202
At December 31, 2009		80,393	1,168,000	53,152	13,423	1,314,968
<b>// Carrying Amount of Finance Leases included in Property and Equipment</b>						
<b>At December 31, 2010</b>		<b>37,786</b>	<b>229,958</b>	<b>-</b>	<b>34</b>	<b>267,778</b>
<b>At December 31, 2009</b>		<b>40,480</b>	<b>248,461</b>	<b>-</b>	<b>154</b>	<b>289,095</b>





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

Detailed information with respect to the acquisition of subsidiaries is disclosed in Note 5.24.

The Company capitalized borrowing costs, primarily related to the construction of Telenet's proprietary mobile telephony infrastructure in the amount of € 0.4 million (2009: nil), with a capitalization rate of 3.9% (2009: not applicable).

For information regarding assets pledged as security, refer to Note 5.12.5.

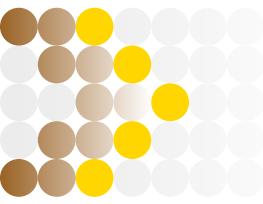
## 5.5 Goodwill

The Company performed its annual review for impairment during the third quarters of 2010 and 2009. Goodwill was allocated to one reporting unit. The recoverable amount of the reporting unit was based on its value in use and was determined by discounting the future cash flows to be generated from the continuing use of the reporting unit. Value in use in 2010 was determined in a similar manner as in 2009. The key assumptions for the value in use calculations used to determine the recoverable amount are those regarding the discount rates and expected changes to selling prices, product offerings, direct costs, EBITDA margins and terminal growth rates. The discount rate used is a pre-tax measure estimated based on past experience and industry average weighted cost of capital. Changes in selling practices and direct costs are based on past practices and expectations of future changes in the market. The calculation uses cash flow projections based on financial budgets approved by management, the Company's Long Range Plan through 2015, and a pre-tax discount rate of 10.6% (In 2009 a post-tax discount rate was used of 9.0%) based on current market assessments of the time value of money and the risks specific to the Company. Cash flows beyond the five-year period have been extrapolated using a steady 2% growth rate based on historical known data (2009: 2%). This growth rate does not exceed the long-term average growth rate for the industry. Management believes that any reasonably possible changes in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

A reconciliation of the changes in goodwill is depicted below:

in thousands of euro		
	NOTE	
<b>January 1, 2010</b>		<b>1,240,376</b>
Acquisition of subsidiaries		
C-CURE NV	5.24	2,598
Retrospective adjustment to allocation of purchase price		
BelCompany	5.24	(900)
Other adjustments to goodwill		
BelCompany	5.24	(276)
<b>December 31, 2010</b>		<b>1,241,798</b>

For detailed information regarding the acquisitions of subsidiaries in 2010, see Note 5.24 to the consolidated financial statements of the Company.



## 5.6 Other intangible assets

in thousands of euro

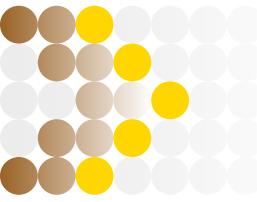
	NOTE	NETWORK USER RIGHTS	TRADE NAME	SOFTWARE	CUSTOMER RELATIONSHIPS	OTHER	TOTAL
<b>// Cost</b>							
<b>At January 1, 2009</b>		<b>9,700</b>	<b>121,000</b>	<b>175,062</b>	<b>227,963</b>	<b>36,340</b>	<b>570,065</b>
Additions		255	-	32,546	65	17,153	50,019
Disposals		(255)	-	(40)	-	(10,891)	(11,186)
<b>At December 31, 2009</b>		<b>9,700</b>	<b>121,000</b>	<b>207,568</b>	<b>228,028</b>	<b>42,602</b>	<b>608,898</b>
Acquisition of subsidiary	5.24	-	514	-	1,050	-	1,564
Additions		31,102	-	44,046	-	4,108	79,256
Transfers		(9,700)	-	-	-	-	(9,700)
Disposals		(255)	-	-	-	(10,141)	(10,396)
<b>At December 31, 2010</b>		<b>30,847</b>	<b>121,514</b>	<b>251,614</b>	<b>229,078</b>	<b>36,569</b>	<b>669,622</b>
<b>// Accumulated Amortization</b>							
<b>At January 1, 2009</b>		<b>2,136</b>	<b>62,517</b>	<b>121,545</b>	<b>50,683</b>	<b>10,646</b>	<b>247,527</b>
Charge of the year		1,323	8,067	26,955	19,161	8,373	63,879
Disposals		(255)	-	(7)	-	(10,891)	(11,153)
<b>At December 31, 2009</b>		<b>3,204</b>	<b>70,584</b>	<b>148,493</b>	<b>69,844</b>	<b>8,128</b>	<b>300,253</b>
Charge of the year		1,806	8,379	29,470	20,741	6,921	67,317
Transfers		(4,157)	-	-	-	-	(4,157)
Disposals		(255)	-	-	-	(7,095)	(7,350)
<b>At December 31, 2010</b>		<b>598</b>	<b>78,963</b>	<b>177,963</b>	<b>90,585</b>	<b>7,954</b>	<b>356,063</b>
<b>// Carrying Amount</b>							
<b>At December 31, 2010</b>		<b>30,249</b>	<b>42,551</b>	<b>73,651</b>	<b>138,493</b>	<b>28,615</b>	<b>313,559</b>
At December 31, 2009		6,496	50,416	59,075	158,184	34,474	308,645

The Company's intangible assets other than goodwill each have a finite life and are comprised primarily of network user rights, trade name, software development and acquisition costs, customer relationships, broadcasting rights, out of market component of future leases and contracts with suppliers.

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.

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





## 5.7 Trade receivables

	in thousands of euro	
	DEC 31, 2010	DEC 31, 2009
Trade receivables	86,956	84,211
Less: provision for impairment of trade receivables	(7,130)	(10,930)
<b>Trade receivables, net</b>	<b>79,826</b>	<b>73,281</b>

At December 31, 2010 and 2009, respectively, the ageing of our current trade receivables can be detailed as follows:

	NOT DUE	PAST DUE					TOTAL
		1-30 DAYS	31-60 DAYS	61-90 DAYS	91-120 DAYS	>120 DAYS	
December 31, 2010	29,382	24,879	9,013	3,629	2,929	17,124	86,956
December 31, 2009	28,287	27,475	6,871	4,287	1,813	15,478	84,211

All invoices related to residential customers are due within 20 days. For other clients, the payment due date is set at 30 or 60 days. In accordance with the Company's accounting policies and based on historical experience, trade receivables that are less than four months past due are not considered impaired. At December 31, 2010 a total amount of € 40.5 million (2009: € 40.4 million) was due but not impaired. With respect to these trade receivables, there are no indications that the debtors will not meet their payment obligations.

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

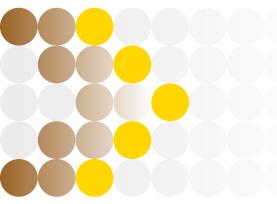
The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Company believes that there is no further credit provision required in excess of the allowance for doubtful debts.

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

	in thousands of euro	
	DEC 31, 2010	DEC 31, 2009
Allowance at the beginning of the year	(10,930)	(13,507)
Additions	(6,190)	(6,062)
Write-offs	9,990	8,639
<b>Allowance at the end of the year</b>	<b>(7,130)</b>	<b>(10,930)</b>

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





## 5.8 Other assets

### 5.8.1 Non-current

	NOTE	DEC 31, 2010	DEC 31, 2009
Outstanding guarantees to third parties for own liabilities (cash paid)		1,921	1,741
Funding of post retirement obligation	5.16	2,913	3,857
Other		101	2
<b>Other non-current assets</b>		<b>4,935</b>	<b>5,600</b>

### 5.8.2 Current

	DEC 31, 2010	DEC 31, 2009
Recoverable withholding taxes	103	529
Recoverable VAT	3	3
Prepaid content	5,684	4,125
Prepayments	6,191	7,630
Unbilled revenue	52,118	34,982
Other	917	56
<b>Other current assets</b>	<b>65,016</b>	<b>47,325</b>

Unbilled revenue is generally revenue for which the Company has already provided a service or product in accordance with the customer agreement but for which the customer has not yet been invoiced.

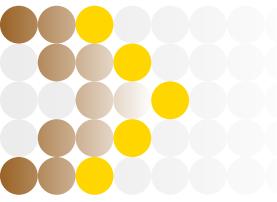
## 5.9 Inventories

As of December 31, 2010 inventories amounted to € 12.6 million (2009: € 11.3 million) and consisted mainly of handsets as well as wireless modems, HD Digiboxes and powerline adaptors. The increase compared to end 2009 of € 1.3 million is mainly due to an increase in the handsets inventory (€ 4.0 million) and a decrease in the wireless modems (€ -1.4 million) and HD Digiboxes (€ -1.2 million) inventory.

In 2010 the write-downs of inventories to net realizable value amounted to € 0.5 million (2009: € 2.1 million).

The decrease versus the prior year is mainly attributable to the sale of SD Digiboxes (€ -1.2 million) since the prior year-end.





## 5.10 Cash and cash equivalents

	in thousands of euro	
	DEC 31, 2010	DEC 31, 2009
Cash at bank and on hand	72,031	16,103
Certificates of deposits	25,610	24,100
Money Market Funds	541,940	105,506
<b>Total cash and cash equivalents</b>	<b>639,581</b>	<b>145,709</b>

On December 31, 2010, the certificates of deposits had a weighted average interest rate of 0.47% (2009: 0.24%) and an average maturity of 13 days (2009: 4.2 days). Cash and cash equivalents are placed with highly rated financial institutions in order to minimize the overall credit risk.

The short-term investments at December 31, 2010 and 2009 were done in compliance with the Company's Risk Management policies.

- 30 Golden Shares (2009: 30 shares) held by the financing municipalities<sup>(1)</sup>, which have the same rights as the ordinary shares and which also give their holders the right to appoint representatives to the Regulatory Board, which oversees the public interest guarantees related to our offering of digital television.

As of December 31, 2010, share capital amounted to € 797.3 million (2009: € 1,042 million).

### Capital reductions

On August 17, 2007, the extraordinary shareholders' meeting of Telenet Group Holding NV approved a capital reduction of € 6.00 per share. This was executed as a repayment of capital to all shareholders of Telenet Group Holding NV at the moment of the closing of trading on Euronext Brussels on November 16, 2007 with the payment of € 655.9 million made in 2007, € 0.7 million in 2008, € 0.1 million in 2009 and € 0.1 million in 2010. No changes to the outstanding number of shares occurred as result of this transaction.

On May 28, 2009, the extraordinary shareholders' meeting of Telenet Group Holding NV approved a capital reduction of € 0.50 per share. This was executed as a repayment of capital to all shareholders of Telenet Group Holding NV at the moment of the closing of trading on Euronext Brussels on August 31, 2009 with the payment of € 55.7 million made in 2009 and € 0.1 million in 2010. No changes to the outstanding number of shares occurred as result of this transaction.

On April 28, 2010, the extraordinary shareholders' meeting of Telenet Group Holding NV approved a capital reduction of € 2.23 per share. This was executed as a repayment of capital to all shareholders of Telenet Group Holding NV at the moment

## 5.11 Shareholders' equity

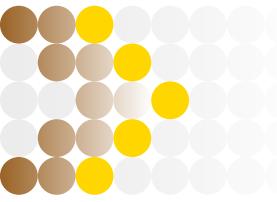
### 5.11.1 Shareholders' equity

On December 31, 2010 Telenet Group Holding NV had the following shares outstanding, all of which are treated as one class in the earnings (loss) per share calculation:

- 112,333,167 ordinary shares (2009: 110,096,549 shares);
- 94,843 Liquidation Dispreference Shares (2009: 1,665,087 shares), held by Interkabel and the Liberty Global Consortium, which have the same rights as the ordinary shares except that they are subject to an € 8.02 liquidation dispreference, such that in any liquidation of Telenet Group Holding NV the Liquidation Dispreference Shares would only participate in the portion of the proceeds of the liquidation that exceeded € 8.02 per Share. Liquidation Dispreference Shares may be converted into ordinary Shares at a rate of 1.04 to 1; and

(1) The financing municipalities, currently holding the Golden Shares, are: IFIGGA, FINEA, FINGEM, IKA, FINILEK, FINIWO and FIGGA.





of the closing of trading on Euronext Brussels on August 2, 2010 with the payment of € 249.7 million made in 2010. No changes to the outstanding number of shares occurred as result of this transaction.

## 5.11.2 Employee share based compensation

### Class A and class B options

In August 2004, the Company granted 1,500,000 Class A Options to certain members of management to subscribe to 1,500,000 Class A Profit Certificates (*Class A Options*). Except for 506,712 Class A Options that vested immediately upon grant, the vesting period of the Class A Options extended to a maximum of 40 months and Class A Options could be exercised through June 2009, prior to the extension in 2009 with an additional three years, as approved by the extraordinary shareholders' meeting of May 28, 2009.

In December 2004, the Company offered 1,251,000 of the 1,350,000 authorized Class B Options to certain members of management to subscribe to 1,251,000 Class B Profit Certificates (*Class B Options*). Of the 1,251,000 Class B Options offered by the Company, 1,083,000 were accepted in February 2005. The remaining 267,000 Class B Options were cancelled. Except for 105,375 Class B Options that vested immediately upon grant, the Class B Options vested over 4 years and could be exercised through December 2009, prior to the extension in 2009 with an additional three years, as approved by the extraordinary shareholders' meeting of May 28, 2009.

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

### **Warrant Plan 2007, Warrant Plan 2008, and Warrant Plan 2009**

The extraordinary shareholders' meeting of December 27, 2007 decided to issue 3,300,000 warrants (*Warrant Plan 2007* or *ESOP 2007*). The above mentioned warrants can be granted to employees of Telenet Group Holding NV and its affiliates and to the CEO.

The board of directors authorized three separate grants of warrants under the Warrant Plan 2007 during 2008 (ESOP 2007, ESOP 2007bis and ESOP 2007ter). In 2009, the board of directors authorized three new separate grants:

- to employees on June 30, 2009 (ESOP 2007quater);
- to the CEO of the Telenet Group on December 4, 2009 (ESOP 2007quinquies); and
- to employees on December 18, 2009 (ESOP 2007sexies).

In 2010, the board of directors authorized one last grant, on September 28 (ESOP 2007septies), granting all remaining warrants under the Warrant Plan 2007 to certain employees.

The extraordinary shareholders' meeting of May 29, 2008 decided to issue 317,000 warrants (*Warrant Plan 2008* or *ESOP 2008*) to the CEO.

The extraordinary shareholders' meeting of May 28, 2009 decided to issue 180,000 warrants (*Warrant Plan 2009* or *ESOP 2009*) to the CEO.

### **Warrant Plan 2010**

The extraordinary shareholders' meeting of April 28, 2010 decided to issue 2,800,000 warrants (*Warrant Plan 2010* or *ESOP 2010*). These warrants can be granted to employees of Telenet Group Holding NV and its affiliates. Each warrant entitles the holder thereof to subscribe to one new share to be issued by the Company.

On September 28, 2010, the board of directors authorized a first grant of warrants under the Warrant Plan 2010 (ESOP 2010primo) to certain beneficiaries.

On December 10, 2010 the Company offered a second tranche of warrants to certain key management personnel (ESOP 2010bis). The acceptance period of this last offer ended on January 24, 2011. Compensation expense related to this grant will be recognized as from the first quarter of 2011.

Under Warrant Plan 2007, Warrant Plan 2008, Warrant Plan 2009 and Warrant Plan 2010, the warrants vest in equal parts per quarter over a period of four years and each warrant gives the holder the right to subscribe to one new share of the Company.





## Specific Stock Option Plan 2010-2014

On March 24, 2010, the board of directors approved a specific stock option plan for the CEO for a total number of 850,000 options on existing shares (the *Specific Stock Option Plan 2010-2014* or *SSOP 2010-2014*). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

The board of directors has granted a power of attorney to Frank Donck (Chairman of the board of directors) and Alex Brabers (Chairman of the Audit Committee) to decide on the effective grant of the options under the SSOP 2010-2014 to Duco Sickinghe (CEO of the Telenet group) in accordance with the terms and conditions of the SSOP 2010-2014, at any time between April 28, 2010 and December 31, 2010. On March 24, 2010, the Remuneration Committee determined the performance criteria to be taken into account for the vesting of the first tranche of options under the SSOP 2010-2014.

On April 28, 2010, the extraordinary general shareholder's meeting of the Company approved certain terms and conditions of the SSOP 2010-2014.

The grant of the special stock option plan to the CEO for 850,000 stock options was authorized September 4, 2010. In October 2010, the first 250,000 stock options were granted with an exercise price of € 23.00 per option to the Chief Executive Officer under this plan. The vesting of these options is contingent upon the achievement of certain performance criteria, including the achievement of a minimum level of EBITDA (as defined by the Specific Stock Option Plan 2010-2014) during 2010. The Remuneration Committee, in consultation with the CEO, determines for each installment

the performance criteria and it is the Remuneration Committee that decides whether they all have been met. As the applicable performance criteria have been achieved for 2010, these 250,000 options vested on March 1, 2011.

On February 23, 2011 the Remuneration Committee, in consultation with the CEO, has determined the performance criteria for a second tranche of 200,000 options under the SSOP 2010-2014, and therefore the grant of these options occurred on that date.

Subject to the determination of appropriate performance criteria by the Remuneration Committee, the Company has also agreed to grant additional stock options to its Chief Executive Officer as follows:

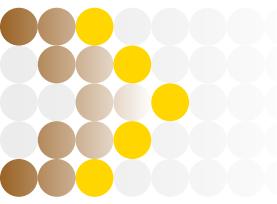
- 200,000 options with an exercise price of € 25.00 per option that, subject to achievement of relevant performance criteria for the year 2012, will vest on March 1, 2013, and
- 200,000 options with an exercise price of € 26.00 per option that, subject to achievement of relevant performance criteria for the year 2013, will vest on March 1, 2014.

Any options that vest pursuant to the Telenet Specific Stock Option plan 2010-2014 become exercisable during defined exercise periods following January 1, 2014. All of the options granted, or to be granted under the Telenet Specific Stock Option Plan 2010-2014 have an expiration date of September 4, 2017.

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

	FAIR VALUE AT GRANT DATE	GRANT DATE	NUMBER OF WARRANTS GRANTED	NUMBER OF WARRANTS ACCEPTED
Warrant Plan 2007 warrants	3.83	January 27, 2008	55,000	27,500
Warrant Plan 2007 bis warrants	2.79 - 4.34	April 19, 2008	1,294,000	1,058,600
Warrant Plan 2007 ter warrants	3.15 - 4.62	September 25, 2008	63,000	43,000
Warrant Plan 2007 quater warrants	4.91 - 5.93	July 30, 2009	1,298,000	1,236,000
Warrant Plan 2007 quinques warrants	5.24 - 6.26	January 3, 2010	155,000	155,000
Warrant Plan 2007 sexies warrants	6.10 - 7.15	January 17, 2010	117,500	93,000
Warrant Plan 2007 septies warrants	10.04 - 11.72	November 12, 2010	189,900	189,900
Warrant Plan 2008 warrants	3.02 - 4.78	May 29, 2008	317,000	317,000
Warrant Plan 2009 warrants	2.86 - 3.97	June 26, 2009	180,000	180,000
Warrant Plan 2010 primo warrants	10.04 - 11.72	November 12, 2010	1,147,600	1,006,700
Warrant Plan 2010 bis warrants	8.04 - 10.43	January 24, 2011	70,500	50,500





	FAIR VALUE AT GRANT DATE	GRANT DATE	NUMBER OF OPTIONS GRANTED	NUMBER OF OPTIONS ACCEPTED
Specific Stock Option Plan 2010-2014	10.18	October 3, 2010	250,000	250,000
"	15.31	February 23, 2011	200,000	200,000
"			200,000	200,000
"			200,000	200,000

The fair values of the warrants and the stock options granted during 2010, 2009, 2008 and 2007 were determined using the Black-Scholes option-pricing model with the following assumptions:

	SHARE PRICE	EXERCISE PRICE	EXPECTED VOLATILITY	EXPECTED OPTION LIFE	EXPECTED DIVIDENDS	RISK-FREE INTEREST RATE
Warrant Plan 2007 warrants	18.04	19.40	25.5%	3.61 years	0.0%	3.50%
Warrant Plan 2007 bis warrants	14.51	14.50	24.2% - 27.7%	3.61 years	0.0%	4.07% - 4.20%
Warrant Plan 2007 ter warrants	14.78	14.69	25.9% - 28.5%	3.61 years	0.0%	4.17% - 4.39%
Warrant Plan 2007 quater warrants	16.35	14.36	32.2% - 36.4%	3.61 years	0.0%	1.83% - 2.61%
Warrant Plan 2007 quinquies warrants	19.93	19.45	32.5% - 38.8%	3.61 years	0.0%	1.64% - 2.46%
Warrant Plan 2007 sexies warrants	20.97	18.98	32.5% - 38.8%	3.61 years	0.0%	1.45% - 2.33%
Warrant Plan 2007 septies warrants	28.70	24.02	38.7% - 44.6%	3.61 years	0.0%	1.70% - 2.32%
Warrant Plan 2008 warrants	15.89	15.86	24.3% - 27.6%	3.61 years	0.0%	4.48% - 4.51%
Warrant Plan 2009 warrants	14.60	14.22	32.3% - 36.6%	3.61 years	0.0%	1.88% - 2.71%
Warrant Plan 2010 primo warrants	28.70	24.02	38.7% - 44.6%	3.61 years	0.0%	1.70% - 2.32%
Warrant Plan 2010 bis warrants	28.76	28.79	38.8% - 43.8%	3.61 years	0.0%	2.74% - 3.42%

	SHARE PRICE	EXERCISE PRICE	EXPECTED VOLATILITY	EXPECTED OPTION LIFE	EXPECTED DIVIDENDS	RISK-FREE INTEREST RATE
Specific Stock Option Plan 2010-2014	24.77	23.00	36.9%	5.7 years	0.0%	2.44%
"	31.39	24.00	36.9%	5.3 years	0.0%	3.62%
"		25.00				
"		26.00				





## Extension of the duration of outstanding options and warrants in 2009

The economic downturn left a number of options and warrants out-of-the money (underwater) in prior years. In order to address certain negative consequences resulting from the (financial and economic) crisis, the Belgian Parliament enacted a new Program Law allowing companies to extend the duration of certain outstanding options for a maximum period of 5 years. The extraordinary shareholders' meeting of May 28, 2009 decided to offer an extension for the outstanding options and warrants held by current employees for a period of 3 years, taking into account the fiscally maximum number of options and warrants allowed. The beneficiaries were required to refuse

or accept the offered extension by June 15, 2009 at the latest. The options and warrants subject to extension relate to Class A & B options, ESOP 2007bis and ESOP 2007ter warrants.

The aforementioned modification increased the fair value of the equity instruments granted. This incremental fair value granted is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of the modification, and is recognized over the remaining vesting period. The portion of the incremental value related to already vested options and warrants was recognized immediately at the date of modification. Total incremental compensation cost was calculated at € 0.7 million, of which € 0.3 million was expensed immediately.

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

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

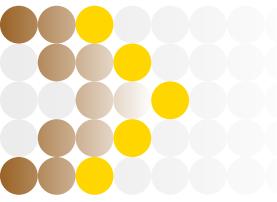
	CLASS A STOCK OPTION PLAN	CLASS B STOCK OPTION PLAN	WARRANT PLAN 2007 BIS	WARRANT PLAN 2007TER
Share price	14.32	14.32	14.32	14.32
Exercise price	5.08	6.35	14.50	14.69
Expected volatility	25.2%-46.4%	25.2%-43.7%	32.6% - 41.3%	32.6% - 39.5%
Expected option life	1.4 years	1.7 years	3.7 years	4.1 years
Expected dividends	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate	0.62%-1.63%	0.79%-1.8%	0.87% - 3.20%	2.26% - 3.37%

## Effect of the 2009 capital reduction on the outstanding options and warrants

Upon the payment of the capital reduction on September 1, 2009, the Company amended all options and warrants to ensure that benefits granted to the option and warrant holders were not reduced. The number of options and warrants was increased and the exercise price was decreased by a factor 0.969475, which is the ratio of the quoted market price of

the Telenet Group Holding NV shares before the payment of the capital reduction less the capital reduction of € 0.50 per share versus the quoted market price before the payment of the capital reduction. As a result of these adjustments, fair values of the options and warrants before and after the transaction remained exactly the same for all option and warrant holders resulting in no additional compensation expense. Above mentioned modifications to the different plans can be summarized as follows:





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

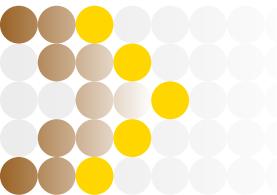
#### **Effect of the 2010 capital reduction on the outstanding options and warrants**

Upon the payment of the capital reduction on August 2, 2010, the Company amended all options and warrants to ensure that benefits granted to the option and warrant holders were not reduced. The number of options and warrants were increased and the exercise price was decreased by a factor 0.907161, which is the ratio of the quoted market price of the

Telenet Group Holding NV shares before the payment of the capital reduction less the capital reduction of € 2.23 per share versus the quoted market price before the payment of the capital reduction. As a result of these adjustments, fair values of the options and warrants before and after the transaction remained exactly the same for all option and warrant holders resulting in no additional compensation expense. Above mentioned modifications to the different warrant plans can be summarized as follows:

	OUTSTANDING NUMBER OF OPTIONS AND WARRANTS		EXERCISE PRICE OF THE OPTIONS AND WARRANTS	
	BEFORE CAPITAL REDUCTION	AFTER CAPITAL REDUCTION	BEFORE CAPITAL REDUCTION	AFTER CAPITAL REDUCTION
Class A Options	270,303	297,966	4.92	4.46
Class B Options	33,300	36,709	6.16	5.59
Warrant Plan 2007 warrants	28,366	31,269	18.81	17.06
Warrant Plan 2007bis warrants	823,650	907,942	14.06	12.75
Warrant Plan 2007ter warrants	37,589	41,435	14.24	12.92
Warrant Plan 2007quater warrants	1,214,617	1,338,928	13.92	12.63
Warrant Plan 2007quinquies warrants	155,000	170,863	19.45	17.64
Warrant Plan 2007sexies warrants	93,000	102,517	18.98	17.22
Warrant Plan 2008 warrants	326,981	360,444	15.38	13.95
Warrant Plan 2009 warrants	185,668	204,669	13.79	12.51



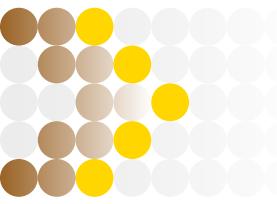


## All plans

A summary of the activity of the Company's stock options and warrants for the years ended December 31, 2010, and 2009 is as follows:

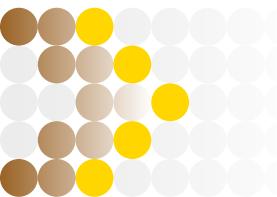
	OUTSTANDING OPTIONS AND WARRANTS	
	NUMBER OF OPTIONS AND WARRANTS	WEIGHTED AVERAGE EXERCISE PRICES (IN EURO)
<b>January 1, 2009</b>	<b>3,097,564</b>	<b>9.76</b>
Warrant Plan 2007 quater warrants granted	1,236,000	14.36
Warrant Plan 2009 warrants granted	180,000	14.22
Additional Class A Options issued upon plan amendment	8,251	4.92
Additional Class B Options issued upon plan amendment	6,070	6.16
Additional Warrant Plan 2007 warrants issued upon plan amendment	866	18.81
Additional Warrant Plan 2007 bis warrants issued upon plan amendment	31,515	14.06
Additional Warrant Plan 2007 ter warrants issued upon plan amendment	1,353	14.24
Additional Warrant Plan 2007 quater warrants issued upon plan amendment	38,918	13.92
Additional Warrant Plan 2008 warrants issued upon plan amendment	9,981	15.38
Additional Warrant Plan 2009 warrants issued upon plan amendment	5,668	13.79
Class A Options exercised	(974,222)	5.08
Class B Options exercised	(309,449)	6.31
Warrant Plan 2007 bis warrants exercised	(38,353)	14.06
Warrant Plan 2007 quater warrants exercised	(10,958)	13.92
Warrant Plan 2007 bis warrants forfeited	(28,568)	14.50
<b>December 31, 2009</b>	<b>3,254,636</b>	<b>13.48</b>





	OUTSTANDING OPTIONS AND WARRANTS	
	NUMBER OF OPTIONS AND WARRANTS	WEIGHTED AVERAGE EXERCISE PRICES (IN EURO)
Warrant Plan 2007 quinques warrants granted	155,000	19.45
Warrant Plan 2007 sexies warrants granted	93,000	18.98
Additional Class A Options issued upon plan amendment	27,663	4.46
Additional Class B Options issued upon plan amendment	3,409	5.59
Additional Warrant Plan 2007 warrants issued upon plan amendment	2,903	17.06
Additional Warrant Plan 2007 bis warrants issued upon plan amendment	84,292	12.75
Additional Warrant Plan 2007 ter warrants issued upon plan amendment	3,846	12.92
Additional Warrant Plan 2007 quater warrants issued upon plan amendment	124,311	12.63
Additional Warrant Plan 2007 quinques warrants issued upon plan amendment	15,863	17.64
Additional Warrant Plan 2007 sexies warrants issued upon plan amendment	9,517	17.22
Additional Warrant Plan 2008 warrants issued upon plan amendment	33,463	13.95
Additional Warrant Plan 2009 warrants issued upon plan amendment	19,001	12.51
Warrant Plan 2007 septies warrants granted	189,900	24.02
Warrant Plan 2010 primo warrants granted	1,006,700	24.02
Class B Options exercised	(132,105)	6.05
Warrant Plan 2007 bis warrants exercised	(320,449)	13.42
Warrant Plan 2007 ter warrants exercised	(10,546)	13.40
Warrant Plan 2007 quater warrants exercised	(217,827)	12.90
Warrant Plan 2007 sexies warrants exercised	(12,393)	17.22
Warrant Plan 2007 bis warrants forfeited	(18,498)	13.29
Warrant Plan 2007 ter warrants forfeited	(2,902)	14.24
Warrant Plan 2007 quater warrants forfeited	(86,583)	12.68
Specific Stock Option Plan 2010-2014 options granted	250,000	23.00
<b>December 31, 2010</b>	<b>4,472,201</b>	<b>16.13</b>



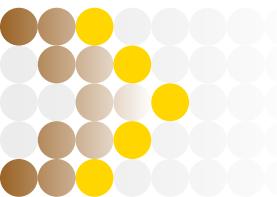


The options and warrants in the table below were exercised versus payments of € 8.3 and € 7.6 million during the years ended December 31, 2010 and 2009, respectively. Upon exercise, the Class A and Class B options were exchanged on a one-for-one basis for Class A and Class B Profit Certificates and were accounted for as increases in Equity based compensation reserves within Equity. These reserves are transferred from

Equity based compensation reserves to Share Capital when the Profit Certificates are exchanged for shares of the Company and resulted in a transfer of € 1.0 million and € 7.6 million between Equity based compensation reserves and Share Capital within Equity in 2010 and 2009, respectively. Warrant Plan 2007 warrants were exchanged on a one-for-one basis for shares representing Share Capital.

	NUMBER OF OPTIONS AND WARRANTS EXERCISED	EXERCISE DATE	SHARE PRICE AT EXERCISE DATE (IN EURO)
<b>// Class of options and warrants</b>			
Class B Options	92,575	05/01/2010	20.15
	15,000	13/04/2010	23.20
	24,384	14/10/2010	26.17
	146	22/12/2010	29.25
Warrant Plan 2007 bis warrants	54,804	05/01/2010	20.15
	108,035	13/04/2010	23.20
	123,899	14/10/2010	26.17
	33,711	22/12/2010	29.25
Warrant Plan 2007 ter warrants	3,862	13/04/2010	23.20
	710	14/10/2010	26.17
	5,974	22/12/2010	29.25
Warrant Plan 2007 quater warrants	46,248	13/04/2010	23.20
	94,259	14/10/2010	26.17
	77,320	22/12/2010	29.25
Warrant Plan 2007 sexies warrants	12,393	22/12/2010	29.25





The following table summarizes information about stock options and warrants outstanding and exercisable as of December 31, 2010:

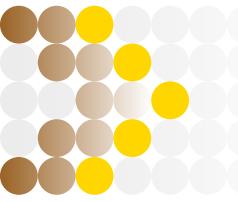
	NUMBER OF OPTIONS AND WARRANTS OUTSTANDING	NUMBER OF OPTIONS AND WARRANTS EXERCISABLE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	CURRENT EXERCISE PRICES (IN EURO)
<b>// Class of options and warrants</b>				
Class A Options	297,966	297,966	17 months	4.46
Class B Options	12,179	12,179	24 months	5.59
Warrant Plan 2007 warrants	31,269	23,443	27 months	17.06
Warrant Plan 2007 bis warrants	739,475	404,963	62 months	12.75
Warrant Plan 2007 ter warrants	34,751	15,828	68 months	12.92
Warrant Plan 2007 quater warrants	1,083,861	291,683	42 months	12.63
Warrant Plan 2007 quinques warrants	170,863	42,714	47 months	17.64
Warrant Plan 2007 sexies warrants	90,124	13,225	48 months	17.22
Warrant Plan 2007 septies warrants	189,900	11,868	57 months	24.02
Warrant Plan 2008 warrants	360,444	247,801	29 months	13.95
Warrant Plan 2009 warrants	204,669	76,749	41 months	12.51
Warrant Plan 2010 primo warrants	1,006,700	62,897	57 months	24.02
Specific Stock Option Plan 2010-2014 options	250,000	-	80 months	23.00

Total compensation expense associated with the Company's option and warrant plans amounted to € 9.8 million in 2010 (2009: € 5.1 million).

### 5.11.3 Employee share purchase plan

On May 31, 2008 the extraordinary shareholders' meeting of Telenet Group Holding NV granted the board of directors the possibility to increase the capital of the Company through the issuance of a new Employee Share Purchase Plan (*ESPP 2011*) for a maximum amount of € 23.5 million. In January 2011, the board of directors offered to all of Telenet's employees the opportunity to purchase new shares of Telenet Group Holding NV under the terms of the *ESPP 2011* at a discount of 16.67% to the average share price over the 30 days preceding March 20, 2011 and was communicated on March 24, 2011. The cancellation period for annulation of the initial subscription ends on March 30, 2011. Final annulments will be known on April 8, 2011 when the payment is due.





## 5.12 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Company's exposure to interest rate and liquidity risk, see Note 5.3.

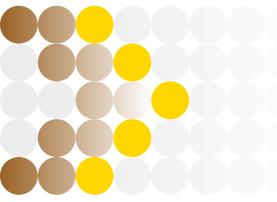
The balances of loans and borrowings specified below include accrued interest as of December 31, 2010 and 2009.

	in thousands of euro	
	DEC 31, 2010	DEC 31, 2009
<b>Amended Senior Credit Facility:</b>		
Term Loan A	-	77,234
Term Loan B1	-	69,017
Term Loan B2A	-	74
Term Loan C	-	83,263
Revolving Credit Facility	230	222
Term Loan D	-	452,766
Term Loan E	-	328,636
Term Loan F	-	979,237
Term Loan G	1,470,529	-
Term Loan J	79,263	-
Term Loan K	158,000	-
Term Loan L1	208,457	-
<b>Senior Secured Notes</b>		
€ 500 million Senior Secured Notes due 2020	505,047	-
€ 100 million Senior Secured Notes due 2016	100,515	-
<b>Finance lease obligations</b>	<b>340,125</b>	<b>315,642</b>
<b>Bank Loan</b>	<b>31</b>	<b>-</b>
<b>Clientele fee &gt; 20 years</b>	<b>65,137</b>	<b>60,059</b>
	<b>2,927,334</b>	<b>2,366,150</b>
Less: deferred financing fees	(49,638)	(42,178)
	<b>2,877,696</b>	<b>2,323,972</b>
Less: current portion	(40,319)	(32,434)
<b>Total non-current loans and borrowings</b>	<b>2,837,377</b>	<b>2,291,538</b>

As of December 31, 2010 and 2009, all loans and borrowings are denominated in euros. Fixed interest rates applied to 32.36% of the total loans and borrowings (2009: 11.15%).

The weighted average interest rates at year end were 6.30% on fixed interest rate loans (2009: 6.88%) and 4.40% on floating interest rate loans (2009: 3.85%).





### 5.12.1 Senior Credit Facility – Before 2009 amendments

On August 1, 2007 (the *Signing Date*), Telenet BidCo NV (the *Borrower*), a former indirect subsidiary of Telenet Group Holding NV, executed a new Senior Credit Facility agreement (the *Senior Credit Facility*). This Senior Credit Facility provided for a total amount of € 2,300.0 million in Term Loans and revolving credit lines. The terms and conditions of the Senior Credit Facility (before 2009 amendments) can be summarized as follows:

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

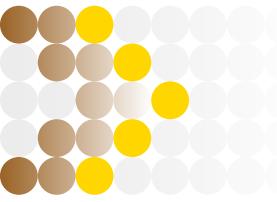
### 5.12.2 2009 Amended Senior Credit Facility

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

On August 25, 2009, pursuant to various additional facility accession agreements, new Facilities D, E1, E2 and F were executed under the 2009 Amended Senior Credit Facility. All of the Facilities were euro-denominated Term Loan Facilities.

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





The terms and conditions of the 2009 Amended Senior Credit Facility and the situation at December 31, 2009 can be summarized as follows:

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

### 5.12.3 2010 Amended Senior Credit Facility

#### Voluntary debt exchange and extension process

On June 25, 2010 the Term Loan E2 and on June 28, 2010 Term Loan B2A were drawn for the full amount of respectively € 90.0 million and € 45.0 million.

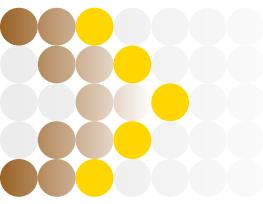
On July 19, 2010, the Company launched a voluntary exchange process for certain Term Loans under its € 2,300 million 2009 Amended Senior Credit Facility. With this exchange process, the Company intended to extend the average maturity of its term debt. Lenders had the opportunity to exchange their existing participations and commitments with participations and commitments in new tranches with extended maturities (July 31, 2017) and improved economics. New Facilities F, G, H, I, J, K, L1 and L2 were executed under the 2010 Amended

Senior Credit Facility. All of these facilities are euro-denominated Term Loan Facilities. On October 12, 2010, the voluntary exchange process was successfully finalized.

The exchange from Term Loan A, B1, B2A, C, D and E1 resulted in an extended maturity date and modified interest rates. The novations to Term Loan H, I, J, K, L1 and L2, did not consist of an extension of the maturity date and only implied a change in borrower, being Telenet International Finance S.à r.l. instead of Telenet NV. The exchange from Term Loan F into Term Loan G also consisted solely of the above mentioned change in borrower since the maturity date and all other economics of the Term Loan G are the same as those of Term Loan F.

The situation of the 2010 Amended Senior Credit Facility immediately after the extension process is summarized in the table below:





in thousands of euro

AFTER NOVATION / EXTENSION	TOTAL FACILITY	DRAWN AMOUNT	UNDRAWN AMOUNT	MATURITY DATE	INTEREST RATE
<b>// 2010 Amended Senior Credit Facility</b>					
Term Loan B1	3,000	3,000	-	January 31, 2013	Floating - Euribor + 2.50%
				July 31, 2013	
				January 31, 2014	
Term Loan F	4,000	4,000	-	July 31, 2017	Floating - Euribor + 3.75%
Term Loan G	1,470,529	1,470,529	-	July 31, 2017	Floating - Euribor + 3.75%
Term Loan H	72,734	72,734	-	August 1, 2012	Floating - Euribor + 2.25%
Term Loan I	39,017	39,017	-	January 31, 2013	Floating - Euribor + 2.50%
				July 31, 2013	
				January 31, 2014	
Term Loan J	79,263	79,263	-	August 1, 2015	Floating - Euribor + 2.75%
Term Loan K	158,000	158,000	-	December 31, 2014	Floating - Euribor + 3.00%
Term Loan L1	208,457	208,457	-	March 31, 2015	Floating - Euribor + 3.50%
Term Loan L2	90,000	90,000	-	March 31, 2015	Floating - Euribor + 3.50%
Revolving Credit Facility	175,000	-	175,000	August 1, 2014	Floating - Euribor + 2.125%
<b>Total notional amount</b>	<b>2,300,000</b>	<b>2,125,000</b>	<b>175,000</b>		

Upon finalization of the novation / extension process at October 12, 2010, the amounts remaining outstanding under Term Loan B1 and F amounted to € 3.0 million, respectively € 4.0 million. On October 29, 2010 the Company decided to redeem the above mentioned tranches before maturity date. The unamortized deferred financing fees related to Term Loan B1 and F amounted to € 0.1 million and were accounted for as a Loss on Extinguishment of Debt.

#### Issuance of € 500.0 million Senior Secured Notes due 2020

Telenet Finance Luxembourg S.C.A. (further referred to as the *Issuer* or *TFL*) was incorporated on September 28, 2010 under the laws of the Grand Duchy of Luxembourg as a special purpose financing company for the primary purpose of facilitating the offering of the Senior Secured Notes.

On October 28, 2010 Telenet Finance Luxembourg S.C.A. entered into a Global Note offering (the *Senior Secured Notes due 2020*). The Issuer is incorporated as a corporate partnership limited by shares and is owned for 99.99% by a charitable trust and 0.01% by Telenet Finance Luxembourg S.à r.l., a company independent from the Telenet Group.

Telenet Finance Luxembourg S.C.A. is a special purpose entity for financing purposes (SPE), incorporated on specific request

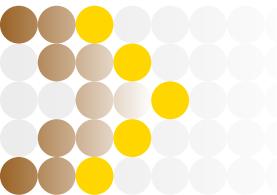
of the Company. Although the Company does not have any direct or indirect shareholdings in this entity, this SPE is considered to be controlled by the Company given the substance of its relationship. Therefore, Telenet Finance Luxembourg S.C.A. is included in the consolidated financial statements of the Company.

The proceeds from the issuance of the Senior Secured Notes due 2020 (being € 500.0 million) were used by the Issuer to fund an additional facility under the Senior Credit Facility, (the *Finco Loan* or *Facility M*), denominated in euro, borrowed by Telenet International Finance S.à r.l. (*TIF*).

The Senior Secured Notes due 2020 were issued on October 28, 2010 and all cash was received on November 3, 2010. The Senior Secured Notes due 2020 have a principal value of € 500.0 million and were issued at par. The interest rate on the Senior Secured Notes due 2020 amounts to 6.375% annually and accrued interest is paid semi-annually on May 15 and November 15 commencing May 15, 2011. The final maturity of these Senior Secured Notes is November 15, 2020.

The net proceeds from this offering were partially used to redeem the outstanding Term Loans H, I and L2 under the Company's 2010 Amended Senior Credit Facility before maturity for an aggregate € 201.7 million. The unamortized





deferred financing fees related to Term Loan H, I and L2 amounted to € 7.8 million and were accounted for as a loss on extinguishment of debt upon early redemption at November 15, 2010.

#### **Issuance of € 100.0 million Senior Secured Notes due 2016**

Telenet Finance Luxembourg II S.A. (further referred to as the *Issuer* or *TFL II*) was incorporated on October 28, 2010 under the laws of the Grand Duchy of Luxembourg as a special purpose financing company for the primary purpose of facilitating the offering of the Senior Secured Notes due 2016.

On November 26, 2010 Telenet Finance Luxembourg II S.A. entered into a Global Note offering (the *Senior Secured Notes due 2016*). The Issuer is incorporated as a corporate partnership limited by shares and is owned for 100.00% by a charitable trust.

Telenet Finance Luxembourg II S.A. is a special purpose entity for financing purposes (SPE), incorporated on specific request of the Company. Although the Company does not have any direct or indirect shareholdings in this entity, this SPE is considered to be controlled by the Company given the substance of its relationship.

Therefore, Telenet Finance Luxembourg II S.A. is included in the consolidated financial statements of the Company.

The proceeds from the issuance of the Senior Secured Notes due 2016 (being € 100.0 million) were used by the Issuer to fund an additional facility under the Senior Credit Facility, (the *Proceeds Loan or Facility N*), denominated in euro, borrowed by Telenet International Finance S.à r.l. (*TIF*).

The Senior Secured Notes due 2016 were issued on and the cash was received on November 26, 2010. These Senior Secured Notes due 2016 have a principal value of € 100.0 million and were issued with a premium, at 101.75%. The interest rate on the Senior Secured Notes due 2016 amounts to 5.30% annually and accrued interest is paid semi-annually on May 15 and November 15 commencing May 15, 2011. The final maturity of these Senior Secured Notes is November 15, 2016.

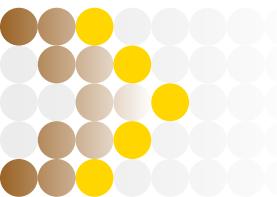
The net proceeds from this offering will be primarily used for general corporate purposes, which may include distributions to the Company's direct and indirect shareholders, and possible mergers and acquisition transactions.

#### **5.12.4 Repayment schedule**

Aggregate future principal payments on the total borrowings under all of the Company's loans and borrowings other than finance leases as of December 31, 2010 are shown in the following table:

Dec 31, 2010	TOTAL FACILITY	DRAWN AMOUNT	UNDRAWN AMOUNT	MATURITY DATE	INTEREST RATE
<b>2010 Amended Senior Credit Facility:</b>					
Term Loan G	1,470,529	1,470,529	-	July 31, 2017	Floating - Euribor + 3.75%
Term Loan J	79,263	79,263	-	August 1, 2015	Floating - Euribor + 2.75%
Revolving Credit Facility	175,000	-	175,000	August 1, 2014	Floating - Euribor + 2.125%
Term Loan K	158,000	158,000	-	December 31, 2014	Floating - Euribor + 3.00%
Term Loan L1	208,457	208,457	-	March 31, 2015	Floating - Euribor + 3.50%
<b>Senior Secured Notes</b>					
€ 500 million Senior Secured Notes due 2020	500,000	500,000	-	November 15, 2020	Fixed - 6.375%
€ 100 million Senior Secured Notes due 2016	100,000	100,000	-	November 15, 2016	Fixed - 5.30%
<b>Total notional amount</b>	<b>2,691,249</b>	<b>2,516,249</b>	<b>175,000</b>		





## 5.12.5 Guarantees and covenants

Telenet NV and Telenet International Finance S.à r.l. guarantee the obligations of each of Telenet NV and Telenet International Finance S.à r.l. under the Credit Agreement of August 1, 2007 (as last restated on October 4, 2010, the *2010 Amended Senior Credit Facility*), to the extent permitted by law.

In addition, security has been granted by all members of the Telenet group (except for Hostbasket NV, T-VGAS NV, C-CURE NV, Telenet Mobile NV, Telenet Solutions Luxembourg S.A. and Telenet Luxembourg Finance Center S.à r.l.) under the 2010 Amended Senior Credit Facility over substantially all their assets of which the consolidated carrying amounts as of December 31, 2010 and 2009 can be detailed as follows:

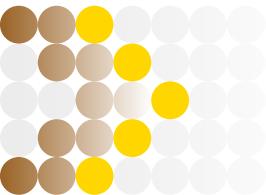
ASSETS	in thousands of euro	
	DEC 31, 2010	DEC 31, 2009
<b>Non-current assets:</b>		
Property and equipment	1,306,982	1,311,838
Goodwill	1,235,895	1,233,066
Other intangible assets	311,927	307,636
Derivative financial instruments	4,718	9,113
Investments in equity accounted investees	212	259
Other assets	1,892	1,708
<b>Total non-current assets</b>	<b>2,861,626</b>	<b>2,863,620</b>
<b>Current assets:</b>		
Inventories	1,025	2,379
Trade receivables	74,059	71,352
Derivative financial instruments	315	301
Other current assets	55,357	36,954
Cash and cash equivalents	639,104	145,789
<b>Total current assets</b>	<b>769,860</b>	<b>256,775</b>
<b>Total assets</b>	<b>3,631,486</b>	<b>3,120,395</b>

The above-mentioned security interests include:

- pledges of all shares of Telenet NV, Telenet Vlaanderen NV and Telenet International Finance S.à r.l.;
- non-joined (non-cumulative) mortgages of (i) € 800 million granted by Telenet NV, (ii) € 625 million granted by the former MixtIcs NV (succeeded by Telenet NV), (iii) € 625 million granted by Telenet Vlaanderen NV, and (iv) € 50 million granted by the former Telenet Solutions NV (succeeded by Telenet NV);
- non-exercised mortgage mandates of (i) € 650 million granted by Telenet NV (formerly called Telenet BidCo NV), (ii) € 450 million granted by Telenet NV, (iii) € 450 million granted by the former MixtIcs NV (succeeded by Telenet NV) and (iv) € 450 million granted by Telenet Vlaanderen NV;
- non-joined (non-cumulative) floating charges (pand op handelszaak) of (i) € 1.25 billion granted by Telenet NV (formerly called Telenet Operaties NV), (ii) € 135 million granted by Telenet NV, (iii) € 250 million granted by Telenet NV (formerly called Telenet BidCo NV), (iv) € 865 million granted by the former MixtIcs NV (succeeded by Telenet NV), (v) € 865 million granted by Telenet Vlaanderen NV, (vi) € 75 million granted by the former PayTVC NV (succeeded by Telenet NV) and (vii) € 75 million granted by the former Telenet Solutions NV (succeeded by Telenet NV); a portion of the floating charges have been granted in a non-joined manner (non-cumulative) with certain mortgages;
- a non-exercised floating charge mandate of € 865 million granted by Telenet NV;
- pledges of all present and future receivables granted by Telenet Group Holding NV, Telenet NV and Telenet Vlaanderen NV;
- pledges of all present and future intercompany receivables granted by Telenet International Finance S.à r.l.; and
- pledges on bank accounts granted by Telenet Group Holding NV, Telenet NV, Telenet Vlaanderen NV and Telenet International Finance S.à r.l.

As of December 31, 2010, the Company was in compliance with all of its financial covenants.





Following two notes issuances by Telenet Finance Luxembourg S.C.A. and Telenet Finance Luxembourg II S.A., companies organized under Luxembourg law that are not controlled by Telenet Group Holding NV but are consolidated by Telenet Group Holding NV, on, respectively, November 3, 2010 and November 26, 2010, Telenet Finance Luxembourg S.C.A. and Telenet Finance Luxembourg II S.A. have become lenders under the 2010 Amended Senior Credit Facility.

In respect of the obligations under the notes issued by Telenet Finance Luxembourg S.C.A., the following security has been granted to the trustee under the notes on behalf of itself and the holder of the notes over:

- all of the issued ordinary shares of Telenet Finance Luxembourg S.C.A.;
- all of the issued shares of Telenet Finance Luxembourg S.à r.l. (Telenet Finance Luxembourg S.C.A.'s general partner);
- all of Telenet Finance Luxembourg S.C.A.'s rights, title and interest under the 2010 Amended Senior Credit Facility, the intercreditor agreement dated October 10, 2007 and the additional facility M accession agreement pursuant to which Telenet Finance Luxembourg S.C.A. has become a lender under the 2010 Amended Senior Credit Facility;
- all of Telenet Finance Luxembourg S.C.A.'s rights, title and interest under the fee letter and the service agreement related to the notes issuance; and
- all sums of money held from time to time in Telenet Finance Luxembourg S.C.A.'s bank accounts.

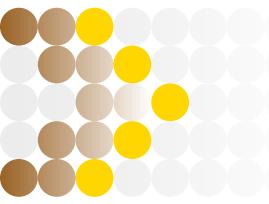
Telenet International Finance S.à r.l.'s payment obligations under the fee letter and the service agreement are guaranteed by Telenet NV to Telenet Finance Luxembourg S.C.A.

In respect of the obligations under the notes issued by Telenet Finance Luxembourg II S.A., the following security has been granted to the trustee under the notes for the benefit of, among others, the noteholders:

- pledge over all of the issued shares of Telenet Finance Luxembourg II S.A.;
- assignment by way of security of all of Telenet Finance Luxembourg II S.A.'s rights, title and interest under the Senior Credit Facility and the additional facility N accession agreement pursuant to which Telenet Finance Luxembourg II S.A. has become a lender under the 2010 Amended Senior Credit Facility;
- assignment by way of security of all of Telenet Finance Luxembourg II S.A.'s rights, title and interest under the fee letter and the service agreement related to the notes issuance; and
- assignment by way of security of all of Telenet Finance Luxembourg II S.A.'s rights, title and interest under the agency agreement in relation to the issuance.

Telenet International Finance S.à r.l.'s payment obligations under the fee letter and the service agreement are guaranteed by Telenet NV to Telenet Finance Luxembourg II S.A.





## 5.12.6 Finance lease obligations

Finance lease liabilities are payable as follows:

in thousands of euro

	FUTURE MINIMUM LEASE PAYMENTS		INTEREST		PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS	
	DEC 31, 2010	DEC 31, 2009	DEC 31, 2010	DEC 31, 2009	DEC 31, 2010	DEC 31, 2009
Within one year	50,482	45,553	21,053	19,378	29,429	26,175
In the second to fifth years, inclusive	180,518	162,174	66,689	62,585	113,829	99,589
Thereafter	241,861	234,999	49,825	50,930	192,036	184,069
<b>Total minimum lease payments</b>	<b>472,861</b>	<b>442,726</b>	<b>137,567</b>	<b>132,893</b>	<b>335,294</b>	<b>309,833</b>

The following table summarizes the obligations per type of finance leases:

in thousands of euro

	FUTURE MINIMUM LEASE PAYMENTS		INTEREST		PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS	
	DEC 31, 2010	DEC 31, 2009	DEC 31, 2010	DEC 31, 2009	DEC 31, 2010	DEC 31, 2009
Buildings	44,495	49,519	8,171	9,429	36,324	40,090
Canon	383,134	392,928	114,795	123,456	268,339	269,472
Norkring (Digital Terrestrial Television)	44,942	-	14,601	-	30,341	-
Other	290	279	-	8	290	271
<b>Total minimum lease payments</b>	<b>472,861</b>	<b>442,726</b>	<b>137,567</b>	<b>132,893</b>	<b>335,294</b>	<b>309,833</b>

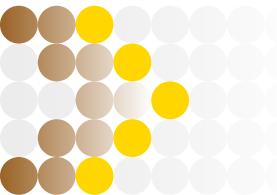
### Canon, Clientele and Annuity agreements

In 1996, the Company acquired the exclusive right to offer point-to-point services including broadband internet and telephony services, as well as the right to partly use the capacity of the broadband network owned and controlled by the PICs. In return for this access to a part of the PICs' network, the company paid the so-called Clientele and Annuity Fees. The present value of the Clientele and Annuity Fee payments over the first 20 years (being the life of the longest lived assets that are part of the HFC Upgrade) was initially accounted for as

network user rights under intangible assets, and was amortized over 10 or 20 years depending on the useful life of the underlying assets that make up the HFC Upgrade.

Upon completion of the Interkabel acquisition in 2008, the company obtained the ownership and control over the entire network, including the obligation beyond 20 years under the original 50 year Clientele fee agreement and now has the right to use the full capacity of the PICs' network. The term of the Canon Lease Agreement is 38 years (of which still 36 years remained at the end of 2010). Under this agreement,





the Company pays recurring Canon Fees which together with the Clientele and Annuity Fees grant full access to the PICs' network. The assets capitalized under the Canon Agreement are depreciated over a period of 15 years.

As the company obtained the ownership and control over the entire network through the Clientele, Annuity and Canon Agreements, the net book value of the user rights was transferred from intangibles to property and equipment.

For the year ended December 31, 2010, the average effective borrowing rate for the three above mentioned fees was 6.65% (2009 : 6.62%).

#### **Norkring**

On May 4, 2010, the Company signed an agreement with Norkring België NV concerning the use of capacity on the latter's broadcasting infrastructure network. This will enable Telenet to offer digital TV and radio services through the Norkring's digital frequency channels in Flanders and Brussels. Generally, the Company's services are available through the cable network. Through this agreement, the Company will be able to offer digital TV and radio services – beyond the traditional home – to secluded homes, caravans, holiday homes and cars.

The Norkring agreement foresees in a right to use Norkring's frequency channels contained in three of their multiplexers (MUX) on an exclusive and non-exclusive basis. This agreement contains a lease with respect to certain capacity for which the Company has obtained the exclusive rights, the so-called *MUX 1 capacity*. Regarding this MUX 1 capacity, an intangible lease asset was recognized under *network user rights* for a net book value of € 30.1 million at December 31, 2010. For the year ended December 31, 2010, the average effective borrowing rate for the Norkring fee was 6.23%. Payments under the Norkring agreement not related to the *MUX 1 capacity* are accounted for as operating expenses as incurred.

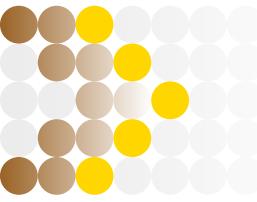
The DTT broadcast capacity was ready for its intended use on October 1, 2010. The Company plans to start offering DTT services at a later stage.

#### **Other leases**

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

For the year ended December 31, 2010, the average effective borrowing rate was 3.53% (2009: 3.48%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.





## 5.13 Derivative financial instruments

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

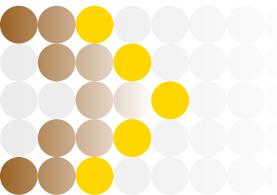
As of December 31, 2010 and 2009, the outstanding forward foreign exchange derivatives were as follows:

	DEC 31, 2010	DEC 31, 2009
<b>Forward Purchase Contracts</b>		
Notional amount in US dollar	12,000	9,000
Weighted average strike price (US dollar per euro)	1.375	1.486
Maturity	From January to March 2012	From January to June 2010

As of December 31, 2010 and 2009, the outstanding interest rate derivatives were as follows:

	DEC 31, 2010	DEC 31, 2009
<b>Basis Swaps</b>		
Notional amount	-	1,900,000
Average pay interest rate	-	EURIBOR 3M
Average receive interest rate	-	EURIBOR 1M+0.2603%
Maturity	-	2010
<b>Interest Rate Swaps</b>		
Notional amount	1,200,000	1,250,000
Average pay interest rate	3.85%	3.88%
Average receive interest rate	0.74%	1.59%
Maturity	From 2011 to 2017	From 2010 to 2017
<b>Caps</b>		
Notional amount	1,057,115	1,708,230
Average cap interest rate	3.80%	4.13%
Maturity	From 2011 to 2017	From 2011 to 2017
<b>Collars</b>		
Notional amount	1,025,000	75,000
Average floor interest rate	1.11%	2.50%
Average cap interest rate	4.06%	4.83%
Maturity	From 2011 to 2017	2011





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

in thousands of euro

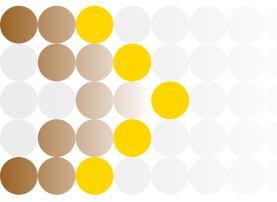
	DEC 31, 2010	DEC 31, 2009
Current asset	315	301
Non-current asset	4,718	9,113
Current liability	(24,729)	(16,582)
Non-current liability	(35,914)	(18,586)
	(55,610)	(25,754)
Interest rate derivatives	(56,029)	(26,033)
Foreign exchange options and forwards	276	231
Embedded derivatives	143	48
	(55,610)	(25,754)

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

in thousands of euro

	DEC 31, 2010	DEC 31, 2009
Interest rate derivatives	(39,228)	(21,417)
Foreign exchange options and forwards	45	464
Embedded derivatives	185	89
	(38,998)	(20,864)





### 5.13.1 Summary

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

	in thousands of euro			
	INCREASE (DECREASE) IN FAIR VALUE	INCREASE (DECREASE) IN OPERATING PROFIT & CAPEX	CASH PAID (RECEIVED)	INCREASE (DECREASE) IN EARNINGS
<b>January 1, 2009</b>	<b>(5,163)</b>	-	<b>90,894</b>	<b>(96,057)</b>
Change in fair value of interest rate derivatives and forward contracts	(23,263)	-	-	(23,263)
Embedded derivatives at fair value through P&L	89	-	-	89
Prepaid hedge premiums CAPS	1,133	-	1,133	-
Prepaid hedge premiums IRS	1,450	-	1,450	-
Cash received upon early termination CAPS	-	-	(2,310)	2,310
<b>December 31, 2009</b>	<b>(25,754)</b>	<b>0</b>	<b>91,167</b>	<b>(116,921)</b>

	in thousands of euro			
	INCREASE (DECREASE) IN FAIR VALUE	INCREASE (DECREASE) IN OPERATING PROFIT & CAPEX	CASH PAID (RECEIVED)	INCREASE (DECREASE) IN EARNINGS
<b>January 1, 2010</b>	<b>(25,754)</b>	<b>0</b>	<b>91,167</b>	<b>(116,921)</b>
Change in fair value of interest rate derivatives and forward contracts	(42,981)	-	-	(42,981)
Embedded derivatives at fair value through P&L	185	-	-	185
Operating profit & CAPEX impact embedded derivatives	-	89	-	89
Prepaid hedge premiums CAPS & COLLARS	12,940	-	12,940	-
Cash received upon early termination CAPS & COLLARS	-	-	(3,709)	3,709
<b>December 31, 2010</b>	<b>(55,610)</b>	<b>89</b>	<b>100,398</b>	<b>(155,919)</b>





## 5.13.2 Fair value

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

in thousands of euro

	DEC 31, 2010		DEC 31, 2009	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Amended Senior Credit Facility	(1,916,479)	(1,918,911)	(1,990,449)	(1,952,122)
Senior Secured Notes	(605,562)	(613,312)	-	-
Finance Lease obligations	(340,125)	(330,785)	(315,642)	(298,001)
Clientele fee > 20 years	(65,137)	(74,093)	(60,059)	(70,248)
Other bank loans	(31)	(31)	-	-
<b>Total loans and borrowings (including short-term maturities)</b>	<b>(2,927,334)</b>	<b>(2,937,132)</b>	<b>(2,366,150)</b>	<b>(2,320,371)</b>
Foreign exchange options and forwards	276	276	231	231
Interest rate swaps	(55,944)	(55,944)	(32,484)	(32,484)
Caps	1,913	1,913	7,954	7,954
Collars	(1,998)	(1,998)	(1,503)	(1,503)
Embedded derivatives	143	143	48	48
<b>Total derivative instruments</b>	<b>(55,610)</b>	<b>(55,610)</b>	<b>(25,754)</b>	<b>(25,754)</b>
<b>Total</b>	<b>(2,982,944)</b>	<b>(2,992,742)</b>	<b>(2,391,904)</b>	<b>(2,346,125)</b>

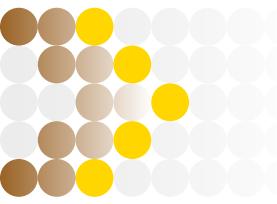
The fair value of interest rate swaps and foreign exchange forwards are calculated by the Company based on swap curves flat, taking into account the credit risk of both the Company and the respective counterparties to the instruments. Confirmations of the fair values received from the contractual counterparties,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

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

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

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





## 5.14 Deferred taxes

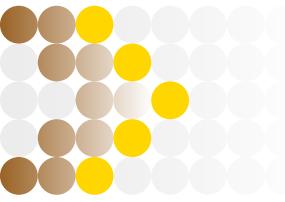
Telenet Group Holding NV and its consolidated subsidiaries each file separate tax returns in accordance with applicable local tax laws. For financial reporting purposes, Telenet Group Holding NV and its subsidiaries calculate their respective tax

assets and liabilities on a separate-return basis. These assets and liabilities are combined in the accompanying consolidated financial statements.

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

	JANUARY 1, 2010	(CHARGED) CREDITED TO THE STATEMENT OF COMPREHENSIVE INCOME	ACQUISITION OF SUBSIDIARY	DECEMBER 31, 2010
<b>Deferred tax assets:</b>				
Financial instruments	17,053	9,598	-	26,651
Property and equipment	11,860	8,846	-	20,706
Intangible assets	4,740	(4,740)	-	-
Provisions	4,169	2,168	-	6,337
Tax loss carry-forwards	111,604	(67,560)	139	44,183
Other	-	188	-	188
<b>Total Deferred tax assets</b>	<b>149,426</b>	<b>(51,500)<sup>(1)</sup></b>	<b>139</b>	<b>98,065<sup>(2)</sup></b>
<b>Deferred tax liabilities:</b>				
Intangible assets	(43,792)	6,428	(226)	(37,590)
Investments	(131)	(135)	-	(266)
Property and equipment	(23,769)	(12,037)	-	(35,806)
Other	(11,056)	378	636	(10,042)
<b>Total Deferred tax liabilities</b>	<b>(78,748)</b>	<b>(5,366)<sup>(1)</sup></b>	<b>410</b>	<b>(83,704)<sup>(2)</sup></b>
	STATEMENT OF COMPREHENSIVE INCOME <sup>(1)</sup>	BALANCE SHEET <sup>(2)</sup>	in thousands of euro	
Deferred tax assets	(51,500)	98,065		
Deferred tax liabilities	(5,366)	(83,704)		
	<b>(56,866)</b>	<b>14,361</b>		
<b>Statement of comprehensive income (see Note 5.22)</b>				
Deferred tax (benefit) / expense	56,866			
Current tax expense	306			
	<b>57,172</b>			
<b>Balance Sheet</b>				
Deferred tax asset		19,905		
Deferred tax liability		(5,544)		
		<b>14,361</b>		





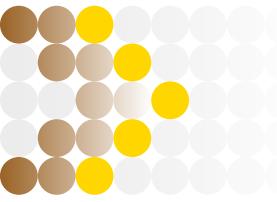
in thousands of euro

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

in thousands of euro

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





As of December 31, 2010, Telenet Group Holding NV and its subsidiaries had available combined cumulative tax loss carry forwards of € 248.9 million (2009: € 477.1 million). Under current Belgian tax laws, these loss carry forwards have an indefinite life and may be used to offset the future taxable income of Telenet Group Holding NV and its subsidiaries. Taxable profit is reduced by a notional interest deduction which can be carried forward for 7 years.

Deferred tax assets are recognised for tax loss carry forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. During 2009, a tax ruling was received that will allow the Company to merge two of its subsidiaries as part of a simplification of the corporate

structure. As a result of this merger, the Company forfeited € 189.4 million of tax loss carryforwards based on Belgian tax law. Additionally, a net deferred tax asset of € 119.6 was recognised in 2009 for the tax loss carry forwards and other temporary differences that were previously not probable of being realized.

Telenet did not recognise deferred tax assets of € 40.4 million (2009: € 50.5 million) in respect of losses amounting to € 118.9 million (2009: € 148.7 million) that can be carried forward against future taxable income because it is not considered more likely than not that these net deferred tax assets will be utilized in the foreseeable future.

5.15

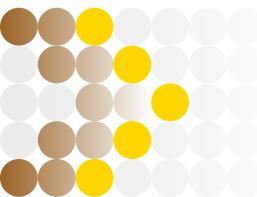
## Other liabilities

	NOTE	DEC 31, 2010	DEC 31, 2009
Employee benefit obligations	5.16	5,642	5,031
Copyright fees		568	1,310
Other personnel related obligations		3,796	5,743
Long service awards	5.16	4,105	4,539
Interkabel out of market opex		16,214	19,214
Asset retirement obligations		2,354	2,334
Other		5,466	1,769
<b>Total Other liabilities</b>		<b>38,145</b>	<b>39,940</b>

The operational expenses charged by Interkabel for the maintenance of its network are higher than the Company's benchmark expenses for similar operations and therefore includes an unfavorable out of market element.

At the occasion of the Interkabel acquisition, this out of market element was valued. The underlying liability at December 31, 2010 amounts to € 16.2 million (2009: € 19.2 million).





## 5.16 Employee benefit plans

The total employee benefit plans can be summarized as follows:

		DEC 31, 2010			DEC 31, 2009		
NOTE	TOTAL EMPLOYEE BENEFIT PLANS	OF WHICH DEFINED BEN- EFIT PENSION PLANS	OF WHICH OTHER POST RETIREMENT PLANS	TOTAL EMPLOYEE BENEFIT PLANS	OF WHICH DEFINED BEN- EFIT PENSION PLANS	OF WHICH OTHER POST RETIREMENT PLANS	
		NOTE 5.16			NOTE 5.16		
Defined benefit pension plans	385	385	-	412	412	-	
Other post-retirement plans	4,406	-	4,406	3,768	-	3,768	
Other employee benefit plans	851	-	-	851	-	-	
<b>Total LT employee benefit obligations</b>	<b>5.15</b>	<b>5,642</b>	<b>385</b>	<b>4,406</b>	<b>5,031</b>	<b>412</b>	<b>3,768</b>
<b>Total LT service awards</b>	<b>5.15</b>	<b>4,105</b>	<b>-</b>	<b>-</b>	<b>4,539</b>	<b>-</b>	<b>-</b>
<b>Total ST service awards</b>		<b>625</b>	<b>-</b>	<b>-</b>	<b>637</b>	<b>-</b>	<b>-</b>
Defined benefit pension plans	(2,913)	(2,913)	-	(2,487)	(2,487)	-	
Defined contribution plans	-	-	-	(1,370)	-	-	
<b>Total LT asset related to funding of employee benefit obligations</b>	<b>5.8.1</b>	<b>(2,913)</b>	<b>(2,913)</b>	<b>-</b>	<b>(3,857)</b>	<b>(2,487)</b>	<b>-</b>
<b>Total employee benefit plans liability/(asset)</b>		<b>7,459</b>	<b>(2,528)</b>	<b>4,406</b>	<b>6,350</b>	<b>(2,075)</b>	<b>3,768</b>

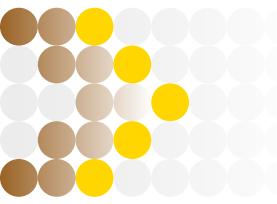
### Defined contribution plans

Total employer contributions to the defined contribution plan for 2010 amounted to € 1.2 million (2009: € 3.5 million).

The majority of Telenet's employees participate in defined contribution plans funded through a pension fund. The accumulated assets in the pension fund amounted to € 29.4 million at December 31, 2010 (2009: € 23.9 million).

By law, those plans provide an average minimum guaranteed rate of return over the employee's career equal to 3.75% on employee contributions and 3.25% on employer contributions paid as from January 1, 2004 onwards. Since the benefit obligations taking into account the minimum guaranteed rate of return were entirely covered by plan assets and there were no recoverable contributions, no amounts were recognized in the balance sheet at December 31, 2010 (2009: € 1.3 million net asset).





### Long service awards

The Company has also recognized a liability of € 4.1 million at December 31, 2010 (2009: € 4.5 million) for long service awards, which consist merely of a provision for jubilee benefits.

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

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

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

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

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

in thousands of euro

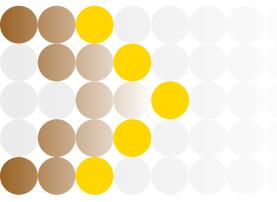
	DEFINED BENEFIT PENSION PLANS		OTHER POST-RETIREMENT PLANS	
	DEC 31, 2010	DEC 31, 2009	DEC 31, 2010	DEC 31, 2009
Present value of funded obligations	10,951	10,835	-	-
Fair value of plan assets	(10,073)	(8,856)	-	-
	<b>878</b>	<b>1,979</b>	-	-
Present value of unfunded obligations	-	-	5,634	3,601
Unrecognized net actuarial gain/(loss)	(3,406)	(4,054)	(1,228)	167
<b>Net (asset) liability</b>	<b>(2,528)</b>	<b>(2,075)</b>	<b>4,406</b>	<b>3,768</b>

The amounts recognized in the statement of comprehensive income are as follows:

in thousands of euro

	DEFINED BENEFIT PENSION PLANS		OTHER POST-RETIREMENT PLANS	
	DEC 31, 2010	DEC 31, 2009	DEC 31, 2010	DEC 31, 2009
Service cost	1,504	1,646	379	711
Interest cost	509	527	257	561
Expected return on plan assets	(401)	(293)	-	-
Losses / (gains) on settlements	-	-	-	2,123
Actuarial losses recognized in the year	158	161	48	3,603
<b>Total</b>	<b>1,770</b>	<b>2,041</b>	<b>684</b>	<b>6,998</b>





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

in thousands of euro

	DEFINED BENEFIT PENSION PLANS		OTHER POST-RETIREMENT PLANS	
	DEC 31, 2010	DEC 31, 2009	DEC 31, 2010	DEC 31, 2009
Opening defined benefit obligation	10,835	7,559	3,601	7,149
Service cost	1,504	1,646	379	711
Interest cost	509	527	257	561
Plan participants contributions	44	47	-	-
Liabilities extinguished on settlements	-	-	-	(7,732)
Actuarial loss (gain)	(1,544)	1,056	1,443	2,997
Benefits paid	(397)	-	(46)	(85)
<b>Closing defined benefit obligation</b>	<b>10,951</b>	<b>10,835</b>	<b>5,634</b>	<b>3,601</b>

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

in thousands of euro

	DEFINED BENEFIT PENSION PLANS		OTHER POST-RETIREMENT PLANS	
	DEC 31, 2010	DEC 31, 2009	DEC 31, 2010	DEC 31, 2009
Opening fair value of plan assets	8,856	5,303	-	-
Expected return on plan assets	401	293	-	-
Company contributions	2,223	3,891	46	9,940
Plan participants contributions	44	47	-	-
Assets distributed on settlements	-	-	-	(9,855)
Actuarial (loss) gain	(1,054)	(678)	-	-
Benefits paid	(397)	-	(46)	(85)
<b>Closing fair value of plan assets</b>	<b>10,073</b>	<b>8,856</b>	<b>-</b>	<b>-</b>

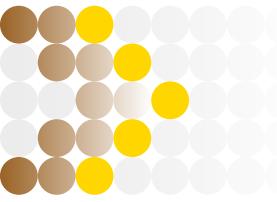
The actual return on plan assets for the plans shown was € (0.6) million (2009: € (0.4) million).

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

in thousands of euro

	1% INCREASE	1% DECREASE
a) aggregate amount of service cost and interest cost	174	(128)
b) defined benefit obligation	1,337	(1,016)





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

in thousands of euro

	2010	2009	2008	2007	2006
Defined benefit obligation	16,585	14,436	14,708	11,150	13,431
Fair value of plan assets	10,073	8,856	5,303	3,228	6,185
<b>(Surplus) / deficit</b>	<b>6,512</b>	<b>5,580</b>	<b>9,405</b>	<b>7,922</b>	<b>7,246</b>
Experience adjustments on plan liabilities	(1,348)	(945)	590	(831)	1,634
Experience adjustments on plan assets	(1,054)	(678)	(265)	(1,547)	(615)

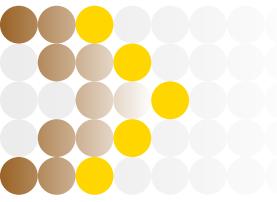
The principal assumptions used for the purpose of the actuarial valuations are as follows:

	DEFINED BENEFIT PENSION PLANS		OTHER POST-RETIREMENT PLANS	
	2010	2009	2010	2009
Discount rate at December 31	4.75%	4.75%	4.75%	4.75%
Rate of compensation increase	3.07%	3.08%	-	-
Expected return on plan assets	4.50%	4.92%	-	-
Underlying inflation rate	2.00%	2.00%	2.00%	2.00%
Increase of medical benefits	-	-	4.00%	3.00%
Mortality tables	MR/FR-3	MR/FR-3	MR/FR-3	MR/FR-3

The expected contributions towards defined benefit plans for 2011 are estimated at € 2.3 million.

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





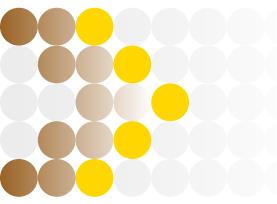
5.17

## Accrued expenses and other current liabilities

in thousands of euro

	DEC 31, 2010	DEC 31, 2009
Customer deposits	23,438	23,203
Compensation and employee benefits	44,139	42,163
VAT and withholding taxes	18,904	13,241
Copyright fees	989	978
Dividend payable to shareholders	375	275
Current portion of 'Interkabel out of market component' liability	2,087	2,845
Accrued programming fees	43,267	49,723
Accrued capital expenditure	18,223	10,719
Accrued other liabilities – invoices to receive regarding:		
Goods received and services performed	39,444	34,399
Professional fees	16,198	16,611
Warehouse items received	12,176	7,475
Interconnect	10,225	7,888
Advertising, marketing and public relations	9,712	8,690
Infrastructure	5,484	6,432
Other	37,555	43,265
Accrued interest on derivatives	7	4,260
Other current liabilities	848	298
<b>Total Accrued expenses and other current liabilities</b>	<b>283,071</b>	<b>272,465</b>





## 5.18 Revenue

The Company's revenue is comprised of the following:

	in thousands of euro	
	FOR THE YEARS ENDED DECEMBER 31,	
	2010	2009
Cable television:		
Basic Subscribers <sup>(1)</sup>	325,100	322,271
Premium Subscribers <sup>(1)</sup>	150,684	115,398
Residential:		
Internet	426,657	402,010
Telephony <sup>(2)</sup>	255,862	224,278
Distributors/Other	55,734	56,516
Business	84,956	76,948
<b>Total Revenue</b>	<b>1,298,993</b>	<b>1,197,421</b>

The Company also has deferred revenue as follows:

	in thousands of euro	
	DEC 31, 2010	DEC 31, 2009
Cable television:		
Basic Subscribers <sup>(1)</sup>	64,764	69,539
Premium Subscribers <sup>(1)</sup>	6,698	2,441
Residential:		
Internet	10,864	10,583
Telephony <sup>(2)</sup>	3,844	3,154
Distributors/Other	12,779	27,222
Business	1,513	769
<b>Total Revenue</b>	<b>100,462</b>	<b>113,708</b>
Current portion	94,034	105,143
Long term portion	6,428	8,565

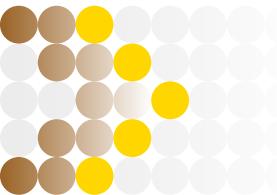
(1) Basic and premium cable television substantially comprises residential customers, but also includes a small portion of business customers.

(2) Residential telephony revenue also includes interconnection fees generated by business customers.

Deferred revenue is generally fees prepaid by the customers and, as discussed in Note 5.2.9 to the consolidated financial statements of the Company, is recognized in the statement

of comprehensive income on a straight-line basis over the related service period.





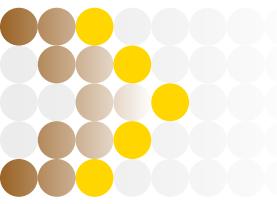
5.19

## Expenses by nature

		in thousands of euro		
	FOR THE YEARS ENDED DECEMBER 31,	NOTE	2010	2009
<b>Employee benefits:</b>				
Wages, salaries, commissions and social security costs			117,296	105,314
Other employee benefit costs			16,512	17,736
			<b>133,808</b>	<b>123,050</b>
Depreciation and impairment	5.4		246,471	239,015
Amortization	5.6		60,487	55,475
Amortization of broadcasting rights	5.6		6,830	8,329
Losses (gains) on disposal of property and equipment and other intangible assets			46	(16)
Network operating and service costs			378,220	343,237
Advertising, sales and marketing			69,307	69,225
Share-based payments granted to directors and employees			9,787	5,067
Non-recurring post-employment benefits	5.16		-	6,571
Operating charges related to acquisitions or divestitures			267	1,293
Other costs			48,971	47,667
Restructuring charges			268	-
<b>TOTAL COSTS AND EXPENSES</b>			<b>954,462</b>	<b>898,913</b>

The number of full time equivalents employed by the Company at the year ended December 31, 2010 was 2,000 (2009: 1,887).



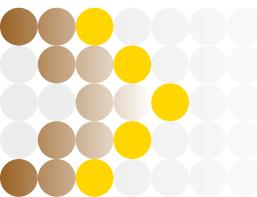


## 5.20 Finance income / expense

in thousands of euro

	FOR THE YEARS ENDED DECEMBER 31,	
	2010	2009
<b>// Recognized in the statement of comprehensive income</b>		
<b>Finance income</b>		
Interest income on bank deposits and commercial paper	1,513	974
Net foreign exchange gain	-	189
	<b>1,513</b>	<b>1,163</b>
<b>Finance expense</b>		
<b>Interest expense, net</b>		
Interest expense on financial liabilities measured at amortized cost	(124,055)	(115,243)
Interest expense on derivatives at fair value through statement of comprehensive income	(20,230)	(33,236)
Interest income on derivatives at fair value through statement of comprehensive income	-	19,069
Amortization of financing cost	(6,364)	(4,551)
	<b>(150,649)</b>	<b>(133,961)</b>
Net loss on derivative financial instruments	(38,998)	(20,864)
Loss on extinguishment of debt	(7,903)	-
Net foreign exchange loss	(1,608)	-
	<b>(199,158)</b>	<b>(154,825)</b>
<b>Net finance expense recognized in the statement of comprehensive income</b>	<b>(197,645)</b>	<b>(153,662)</b>





## 5.21 Equity accounted investees

The Group's share in the net result of its equity accounted investees for the year was € 0.4 million (loss) (2009: € 0.5 million (loss)).

In 2010 and 2009 the Group did not receive dividends from any of its investments in equity accounted investees.

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

	OWNERSHIP	TOTAL NET RESULT	GROUP'S SHARE IN THE TOTAL NET RESULT
<b>// 2010</b>			
Pebble Media NV	33.33%	(594)	(198)
Thalys NV	20.00%	(1,070)	(214)
<b>Total share of the loss of equity accounted investees</b>		<b>(1,664)</b>	<b>(412)</b>
<b>// 2009</b>			
Pebble Media NV	33.33%	(1,023)	(341)
Thalys NV	20.00%	(715)	(143)
<b>Total share of the loss of equity accounted investees</b>		<b>(1,738)</b>	<b>(484)</b>

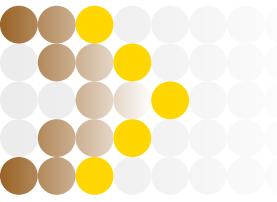
### Pebble Media NV

On January 22, 2009, Telenet NV invested in the equity of a new company, Pebble Media NV, together with Vlaamse Audiovisuele Regie (VAR) NV and Concentra Media NV. The VAR is a subsidiary of the Flemish public broadcaster VRT and manages the advertising strategy of the various public radio and television brands. The Concentra Group publishes various national, regional and specialized newspapers and magazines and owns three regional television stations. Telenet NV holds 33.33% of the voting and dividend rights in this venture. Telenet's share in the capital of Pebble Media NV amounts to € 0.7 million of which € 0.3 million was effectively paid at inception. In October 2009 and June 2010, the remaining € 0.3 million and € 0.1 million were paid. This joint-venture is active in intermediation services for the sale of online advertising space and also offers certain ancillary online advertising services. Pebble Media NV is qualified as an associate and as a result is accounted for using the equity method.

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

	in thousands of euro	
	DEC 31, 2010	DEC 31, 2009
Current assets	3,976	2,633
Non-current assets	71	142
<b>Total assets</b>	<b>4,047</b>	<b>2,775</b>
Current liabilities	3,411	1,996
Non-current liabilities	-	-
Equity	636	779
<b>Total liabilities</b>	<b>4,047</b>	<b>2,775</b>
FOR THE YEARS ENDED DECEMBER 31,		
	2010	2009
Revenue	7,288	4,825
	<b>7,288</b>	<b>4,825</b>





## 5.22 Income tax (benefit) / expense

in thousands of euro

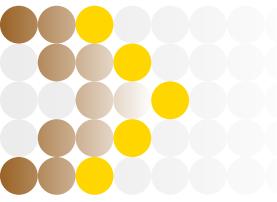
	FOR THE YEARS ENDED DECEMBER 31,	
	2010	2009
Current tax expense	306	(829)
Deferred tax (benefit) expense (Note 5.14)	56,866	(87,899)
<b>Income tax (benefit) / expense</b>	<b>57,172</b>	<b>(88,728)</b>

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

in thousands of euro

	NOTE	FOR THE YEARS ENDED DECEMBER 31,	
		2010	2009
Profit (loss) before tax		146,474	144,362
Income tax expense (benefit) at the Belgian statutory rate of 33.99%		49,787	49,069
Expenses not deductible for tax purposes		32,271	3,393
Benefit of the investment deduction		(3,291)	(19,203)
Notional interest deduction		(5,070)	(8,336)
Recognition of previously unrecognised deferred tax assets	5.14	-	(124,638)
Expiration of tax losses		(3,337)	-
Adjustments recognized in the current year in relation to the filings for prior years		(3,582)	(8,197)
Utilisation of previously unrecognized tax losses		(11,738)	(1,069)
Tax losses and temporary differences for which no deferred tax asset was recognized		2,494	16,085
Other		(362)	4,168
<b>Tax expense (benefit) for the year</b>		<b>57,172</b>	<b>(88,728)</b>





## 5.23 Earnings per share

### 5.23.1 Basic

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

in thousands of euro, except share and per share data

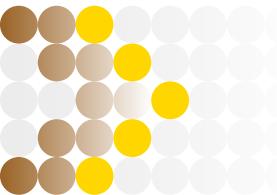
	FOR THE YEARS ENDED DECEMBER 31,	
	2010	2009
Net profit attributable to the equity holders of the Company	89,302	233,090
Weighted average number of ordinary shares	112,047,884	111,160,918
Weighted average number of Class A Profit Certificates	-	126,473
Weighted average number of Class B Profit Certificates	45,874	67,562
<b>Weighted average number of shares used in the calculation of basic earnings per share</b>	<b>112,093,758</b>	<b>111,354,953</b>
<b>Basic earnings per share in €</b>	<b>0.80</b>	<b>2.09</b>

### 5.23.2 Diluted

Diluted earnings per share are calculated by using the treasury stock method by adjusting the weighted average number of shares used in the calculation of basic earnings per share to assume full conversion of all dilutive potential ordinary shares. During the year ended December 31, 2010, the Company had twelve categories of dilutive potential ordinary shares:

- Class A Options
- Class B Options
- Warrant Plan 2007
- Warrant Plan 2007 bis
- Warrant Plan 2007 ter
- Warrant Plan 2007 quater
- Warrant Plan 2007 quinques
- Warrant Plan 2007 sexies
- Warrant Plan 2007 septies
- Warrant Plan 2008
- Warrant Plan 2009
- Warrant Plan 2010 primo





During the year ended December 31, 2009, the Company had eight categories of dilutive potential ordinary shares:

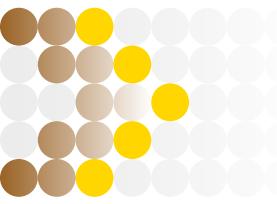
- Class A Options
- Class B Options
- Warrant Plan 2007
- Warrant Plan 2007 bis
- Warrant Plan 2007 ter
- Warrant Plan 2007 quater
- Warrant Plan 2008
- Warrant Plan 2009

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

in thousands of euro, except share and per share data

	FOR THE YEARS ENDED DECEMBER 31,	
	2010	2009
Weighted average number of shares used in the calculation of basic earnings per share	112,093,758	111,354,953
Adjustment for:		
Class A Options	228,778	386,785
Class B Options	26,533	157,794
Warrant Plan 2007 Warrants	8,305	-
Warrant Plan 2007 bis Warrants	390,451	56,418
Warrant Plan 2008 Warrants	137,824	-
Warrant Plan 2007 ter Warrants	17,838	590
Warrant Plan 2007 quater Warrants	510,482	-
Warrant Plan 2009 Warrants	84,165	-
Warrant Plan 2007 quinques Warrants	27,825	-
Warrant Plan 2007 sexies Warrants	16,824	-
<b>Weighted average number of shares used in the calculation of diluted earnings per share</b>	<b>113,542,782</b>	<b>111,956,540</b>
<b>Diluted earnings per share in €</b>	<b>0.79</b>	<b>2.08</b>





## 5.24 Acquisitions of subsidiaries

In 2010, the Company paid an amount of € 2.3 million (2009: € 6.4 million) related to the following acquisitions of subsidiaries and affiliates:

		in thousands of euro	
		CONSIDERATION TRANSFERRED	
		FOR THE YEARS ENDED DECEMBER 31,	
	NOTE	2010	2009
<b>Subsidiaries</b>			
C-CURE NV		1,536	-
Hostbasket NV		629	-
BelCompany		-	5,810
<b>Equity accounted investees</b>			
Pebble Media NV	5.21	150	600
<b>Total purchase consideration</b>		<b>2,315</b>	<b>6,410</b>

### 5.24.1 C-CURE NV

On May 31, 2010, the Company acquired 100% of the shares of C-CURE NV, an internet security specialist. The agreed purchase price amounts to € 2.2 million which has been effectively paid (€ 1.5 million net of cash acquired). The acquisition contract also includes earn out clauses related to revenue and EBITDA targets for which a total amount of € 0.2 million has been included as a component of total purchase consideration based on management's best estimate of the fair value of this contingent consideration.

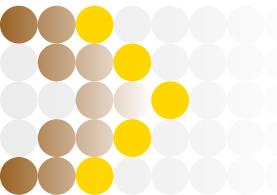
For the seven months period (from June until December 2010), C-CURE NV contributed revenue of € 6.3 million and a net result of € 0.6 million. If the acquisition had occurred on 1 January 2010, management estimates that the Group's consolidated revenue for the year ended December 31, 2010 would have been € 1,301.7 million, and the Group's consolidated profit for that same period would have been € 88.9 million.

Telenet incurred € 0.04 million of direct acquisition costs associated with the transaction and these have been expensed as incurred.

In the fourth quarter of 2010, the Company finalized its allocation of the consideration transferred over the net assets. The effect of the acquisition on the Company's assets and liabilities can thus be summarized as follows:

		PURCHASE PRICE ALLOCATION
		DEC 31, 2010
Current assets, net of cash acquired		1,754
Property and equipment		164
Intangible assets		664
Liabilities assumed		(2,708)
Goodwill		2,598
<b>Total purchase consideration</b>		<b>2,472</b>

An amount of € 0.7 million was allocated to intangible assets being Customer Relationship (€ 0.6 million) and Tradename (€ 0.1 million) with useful lives determined at four, respectively five years.



## 5.24.2 Acquisition of BelCompany

On June 30, 2009, Telenet acquired the BelCompany stores and points of sale in Belgium, a supplier of mobile telecom and related products in Belgium. Its range comprises a range of mobile phones, subscriptions, accessories and pre-paid products of various brands, as well as internet products.

BelCompany stores are situated at prime locations in medium-sized and large cities, thus operating near the customer.

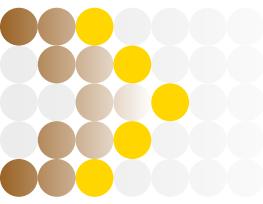
The agreed purchase price amounts to € 6.3 million net of cash acquired. Telenet capitalized € 0.6 million of direct acquisition costs associated with the transaction.

In the second quarter of 2010, the Company finalized its determination of the total consideration and the allocation of the consideration transferred over the net assets. The effect of the acquisition on the Company's assets and liabilities can thus be summarized as follows:

	in thousands of euro	
	UPDATED PURCHASE PRICE ALLOCATION	INITIAL PURCHASE PRICE ALLOCATION
	DEC 31, 2010	DEC 31, 2009
Current assets, net of cash acquired	5,977	5,977
Property and equipment	1,633	1,633
Intangible assets	900	-
Liabilities assumed	(6,566)	(6,566)
Goodwill	4,356	5,524
<b>Total purchase consideration</b>	<b>6,300</b>	<b>6,568</b>

An amount of € 0.9 million was allocated to intangible assets being Customer Relationship (€ 0.5 million) and Tradename (€ 0.4 million) with useful lives determined at one year, respectively two years.





5.25

## Non cash investing and financing transactions

	in thousands of euro	
	FOR THE YEARS ENDED DECEMBER 31,	
	2010	2009
Acquisition of property and equipment in exchange for finance lease obligations	18,564	17,654
Acquisition of network user rights in exchange for finance lease obligations	30,697	-

5.26

## Commitments and contingencies

### 5.26.1 Pending litigations

Telenet is involved in a number of legal proceedings that have arisen in the ordinary course of its business, as Telenet operates in a very competitive environment. Litigation could arise in connection with, amongst other things, intellectual property, advertising, campaigns, product offers, the pursuit of acquisition opportunities. Telenet discusses below certain pending lawsuits in which Telenet is involved. Other than as discussed below, Telenet does not expect the legal proceedings in which Telenet is involved or with which Telenet has been threatened to have a material adverse effect on its business or consolidated financial position. Telenet note, however, that the outcome of legal proceedings can be extremely difficult to predict with certainty, and Telenet offers no assurances in this regard.

#### *Litigation concerning the in-principle agreement concluded between Telenet and the PICs, Interkabel and INDI*

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

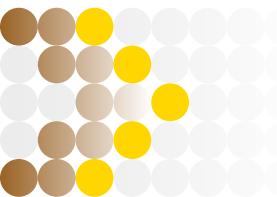
obtain a provisional injunction preventing the PICs from effecting the agreement-in-principle and initiated a civil procedure on the merits claiming the annulment of the agreement-in-principle. In March 2008, the President of the Court of First Instance of Antwerp ruled in favor of Belgacom in the summary proceedings, which ruling was overturned by the Court of Appeal of Antwerp in June 2008.

This appeal judgment has been confirmed by the Belgian Supreme Court (*Hof van Cassatie / Cour de cassation*), on September 24, 2010. On April 6, 2009, the Court of First Instance of Antwerp ruled in favor of the PICs and Telenet in the civil procedure on the merits, dismissing Belgacom's request for the rescission of the agreement-in-principle and the PICs Agreement. On June 12, 2009, Belgacom appealed this judgment with the Court of Appeal of Antwerp. In this appeal, Belgacom is now also seeking compensation for damages should the PICs Agreement not be rescinded. However, the claim for compensation has not yet been quantified. At the introductory hearing, which was held on September 8, 2009, the proceedings on appeal were postponed indefinitely at the request of Belgacom.

In parallel with the above proceedings, Belgacom filed a complaint with the PICs' Government Commissioner seeking suspension of the approval by the PICs' board of directors of the agreement-in-principle and initiated suspension and annulment procedures before the Council of State against these approvals and subsequently against the board resolutions of the PICs approving the PICs Agreement. Belgacom's efforts to suspend approval of these agreements were unsuccessful. Final judgment in the Council of State annulment cases, which may be joined, is expected to take up to two years.

It is possible that Belgacom or any third party or public authority will initiate further legal proceedings in an attempt to block the integration of the PICs' analog and digital television activities or obtain the rescission of the PICs Agreement. No assurance can be given as to the outcome of these or other proceedings.





However, an unfavorable outcome of existing or future proceedings could potentially lead to the rescission of the PICs Agreement and/or to an obligation for Telenet to pay compensation for damages, subject to the relevant provisions of the PICs Agreement. Telenet does not expect the ultimate resolution of this matter to have a material impact on its results of operations or financial condition.

#### *Interconnection litigation*

Telenet has been involved in regulatory and court proceedings with Belgacom in relation with the increased interconnection fees that it began charging telephone operators to terminate calls made to receivers on the Combined Network in August 2002. Traditionally, interconnection fees between fixed-line telephony operators (including Belgacom) had been charged on a reciprocal basis, whereby the interconnection termination rates that Belgacom charged Telenet were the same as the interconnection termination rates Telenet charged Belgacom.

This fee arrangement made it difficult for Telenet to provide telephony services at a profitable level, because it did not have the benefit of the comparable economies of scale to be able to achieve the same unit cost as Belgacom. Telenet requested permission from the BIPT to increase its domestic and international interconnection rates. On August 12, 2002, Belgacom increased the retail tariffs that it charges its telephony subscribers calling Telenet numbers to reflect Telenet's increased termination rates. In a series of rulings in June and August of 2002, the BIPT approved, under protest of Belgacom, Telenet's request to increase the rates it charges other telephone operators to terminate domestic calls on the Combined Network. Telenet raised its interconnection termination rates for inbound domestic calls on August 13, 2002, from € 0.009 to € 0.0475 and Belgacom appealed the BIPT's decision to the Belgian Council of State.

On July 3, 2002, the Belgian Council of State rejected an emergency request from Belgacom to suspend the implementation of the increased interconnection termination rate. Meanwhile the auditor of the Belgian Council of State has advised the Council on the merits of the case to annul the BIPT decision for lack of motivation. A hearing was held on January 29, 2009 and the final judgment by the Belgian Council of State is to be expected in 2011. Belgacom has also filed a related compensation claim of € 75 million before the Court of First Instance of Brussels.

Separately, Belgacom challenged the higher rates before the Commercial Court of Mechelen, alleging that the new rates constituted abusive pricing. The court found no indication that Telenet's interconnection rates breached the unfair trade practices law, competition law or pricing regulations as alleged

by Belgacom. The court decided that the only potential claim of Belgacom was limited to a contractual claim, making the Commercial Court of Mechelen not competent to rule over this claim. As a result, the court dismissed the claim. The Court of Appeal of Antwerp rejected Belgacom's appeal of this decision on March 17, 2005.

In February 2006, Belgacom brought the case before the Belgian Supreme Court which annulled the decision of the Court of Appeal of Antwerp on May 29, 2009 for lack of motivation and referred the case to the Court of Appeal of Gent. Independent legal advice obtained by Telenet has concluded that the probability of a retroactive claim is remote. Moreover, a new article has been included into the 2005 Electronic Communications Law, allowing the BIPT to repair annulled BIPT decisions retroactively.

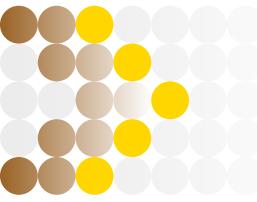
Following the transposition of the EU Regulatory Framework into Belgian law, the BIPT decided to implement a three-year gliding path to near reciprocity starting on January 1, 2007. In October 2006, Belgacom submitted an appeal to the Court of Appeal of Brussels arguing for a faster reduction in Telenet's interconnection rates. Telenet has also launched an appeal with the Court of Appeal of Brussels arguing that the reduction in its interconnection rates should be cost oriented.

#### *Copyright litigation*

The Belgian Radio and Television Distributors Association (*Beroepsvereniging voor Radio en Televisiedistributie / Union professionnelle de radio et de télédistribution*) (the RTD, renamed afterwards to *Cable Belgium*) has been involved in discussions with various copyrights collecting agencies regarding the fees to be paid to the latter for the broadcasting of various television programs since 1994. In November 2002, the RTD, together with certain Belgian cable operators (among which Telenet), began reaching settlements with the copyright collecting agencies and broadcasters. Pursuant to those settlement agreements, to which Telenet acceded, Telenet agreed to make certain upfront payments as well as to make increased payments over time. Consequently, in August 2003, Telenet increased the copyright fee it charges its subscribers.

In 2006, Telenet started a judicial procedure against a number of collection agencies. This procedure is related to a discussion between Telenet and these collection agencies about the payment – by Telenet – of fees for copyrights and neighboring rights in case of (i) simulcast, (ii) direct injection and (iii) all rights included contracts.





As of December 31, 2010, Telenet retained an accrual of € 1.6 million for claims of collection agencies and/or certain broadcasters (which were not directly injected in Telenet's cable network and with whom Telenet has no all rights included contracts until December 31, 2010).

Telenet remains involved in one further case involving copyright claims. In July 2004, the Association for the Collection, Distribution and Protection of the Rights of the Artists, Interpreters and Performers (CVBA *Vereniging voor de inning, repartitie en de verdediging van de vertolkende en uitvoerende kunstenaars*) (*Uradex*) filed a claim against the RTD for € 55 million plus interest concerning neighboring rights owed by the members of the RTD to artists and performers represented by Uradex during the period from August 1994 through the end of July 2004. Telenet does not expect the ultimate resolution of this matter to have a material impact on its results of operations or financial condition.

#### *Broadcaster Litigation*

Telenet is involved in judicial proceedings with SBS Belgium with respect to the fees to be paid to the latter for the broadcasting of the Belgian television channels VT4 and VijfTV since 2004. SBS Belgium claims that Telenet has leveraged its dominant position in the wholesale market for television services to impose discriminatory terms on SBS Belgium during the negotiation of the distribution and carrier agreements entered into by and between the parties, and which expired on September 30, 2008, and to resist entering into a new distribution agreement with SBS Belgium on terms satisfactory to the latter. SBS Belgium claims € 15.3 million for the broadcasting of VT4 and VijfTV until October 1, 2008 and an additional € 11.3 million from October 1, 2008 up to today. SBS Belgium is also seeking an injunction from the court barring Telenet from discontinuing the broadcasting of the television channels VT4 and VijfTV. Given the limited likelihood of success on the merits, Telenet has not retained any provision in connection with SBS Belgium's claim.

#### *Equipment supplier litigation*

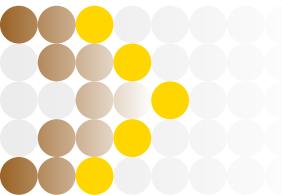
On November 21, 2005, Telenet terminated its agreement with M-Tec NV (*M-Tec*), a network equipment supplier, for the delivery of amplifiers for use in its Expressnet upstream upgrade project, following persistent issues with the quality of the equipment delivered by M-Tec. Separately, Telenet provisioned expenses resulting from its decision to write off certain equipment delivered by M-Tec during 2005. Following Telenet's termination of M-Tec's contract, M-Tec started litigation against Telenet, claiming € 1.6 million for unpaid invoices and € 5.0 million in damages for unlawful termination. Telenet made a counterclaim asserting that it had rightfully

terminated the agreement due to M-Tec's repeated breaches and claiming damages for an amount to be determined by expertise. On December 7, 2005, the Court of First Instance of Mechelen awarded M-Tec € 287,356 plus interest and costs, which Telenet paid into a blocked account. In a second proceeding before the Court of First Instance of Mechelen which M-Tec initiated on January 19, 2006, M-Tec is claiming a further € 396,520 for unpaid invoices, the judgment for which remains pending. A former supplier of M-Tec for the Expressnet contract, Unitron NV (*Unitron*), initiated proceedings against Telenet the judgment for which remains pending. Unitron has significant outstanding invoices owed by M-Tec for the delivery of Expressnet equipment and aims to recover these directly from Telenet. Telenet filed an appeal against the December 7, 2005 judgment of the Court of First Instance. On September 25, 2006, the Court of Appeal of Antwerp revoked, for violation of Telenet's rights of defense, the December 7, 2005 judgment that was against Telenet in Telenet's favor. Following this, sums previously paid by Telenet on the basis of the December 7, 2005 judgment into the blocked account were restituted to Telenet. Two judicial experts – one technical, one financial – have been appointed by the Court of Appeal of Antwerp to investigate the underlying facts of the case. The technical expert started his work. The first phase consisted of an inventory of all delivered products. The second phase will focus on the acceptance testing and criteria in order to determine whether the products were fit for the purpose for which they were destined. The technical expert however stopped work as he found the mandate of the Court was unclear with regard to his objectives. The decision of the Court of Appeal of Antwerp on the extent of the expertise is pending.

Meanwhile M-Tec filed a request for judicial composition (*gerechtelijk akkoord / concordat judiciaire*) on February 17, 2006, granting a temporary moratorium against its creditors, following which Telenet proceeded with a conservatory seizure of funds on the bank accounts of M-Tec. This has been contested successfully by M-Tec in first instance, but was won in appeal by Telenet on January 28, 2010 before the Court of Appeal of Antwerp. In addition, Telenet disputed successfully the validity of the reorganization plan that restructures M-Tec's creditors' claims since said plan, while admitting Telenet's claim for an amount of € 614,000, does not actually provide for any payment in favor of Telenet.

Following the ruling of the Belgian Supreme Court on March 4, 2010 that the Court of Appeal of Antwerp unjustly revoked the decision of the Court of First Instance of 2006 to approve M-Tec's reorganization plan as part of the judicial composition proceeding, the case is to be heard by a different court of appeal. Telenet does not expect the ultimate resolution of this matter to have a material impact on its results of operations or financial condition.



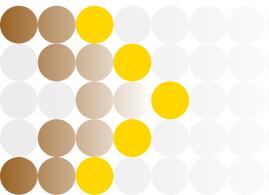


## 5.26.2 Operating leases

The Company leases facilities, vehicles and equipment under cancellable and non-cancellable operating leases. The following schedule details, at December 31, 2010 and 2009, the future minimum lease payments under cancellable and non-cancellable operating leases:

	in thousands of euro	
	DEC 31, 2010	DEC 31, 2009
Within one year	21,363	12,237
In the second to fifth year, inclusive	25,403	25,838
Thereafter	3,806	1,321
<b>Total minimum lease payments</b>	<b>50,572</b>	<b>39,396</b>
<b>Minimum lease payments recognized as an expense in the year</b>	<b>24,445</b>	<b>26,340</b>





5.27

## Related parties

The related parties of the Company mainly comprise its shareholders that have the ability to exercise significant influence or control. This consisted of the Liberty Global Consortium for both 2010 and 2009. It also includes transactions with Pebble media NV.

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

### 5.27.1 Balance sheet

	in thousands of euro	
	DEC 31, 2010	DEC 31, 2009
Trade receivables	776	612
Trade payables and accrued liabilities	73	413

### 5.27.2 Statement of comprehensive income

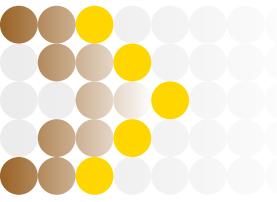
	in thousands of euro	
	FOR THE YEARS ENDED DECEMBER 31	
	2010	2009
Operating		
Revenue	1,135	1,548
Operating expenses	(1,165)	(752)
Other operating income	22	57

### 5.27.3 Key management compensation

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

	in thousands of euro	
	FOR THE YEARS ENDED DECEMBER 31	
	2010	2009
Salaries and other short-term employee benefits	4,952	5,945
Post-employment benefits	178	201
Share-based payments (compensation cost recognized)	5,954	2,416
	11,084	8,562





## 5.28 Subsidiaries

### 5.28.1 Subsidiaries

Details of the Company's subsidiaries as of December 31, 2010 are as follows:

Company	National Number	Address	% Held	Consolidation Method
<b>Telenet Group Holding NV</b>	0477.702.333	Liersesteenweg 4, 2800 Mechelen, Belgium	-	Parent company
<b>Telenet NV</b>	0473.416.418	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
<b>Telenet Vlaanderen NV</b>	0458.840.088	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
<b>Telenet Solutions Luxembourg S.A.</b>	1.999.223.4426	595 Rue de Neudorf, L-2220 Luxembourg, Luxembourg	100%	Fully consolidated
<b>Hostbasket NV</b>	0472.225.692	Antwerpsesteenweg 19, 9080 Lochristi, Belgium	100%	Fully consolidated
<b>T-VGAS NV</b>	0808.321.289	Ballaerstraat 99, 2018 Antwerpen, Belgium	100%	Fully consolidated
<b>Telenet Mobile NV</b>	0813.219.195	Zandoortstraat 5, 2800 Mechelen, Belgium	100%	Fully consolidated
<b>C-CURE NV</b>	0463.997.817	Schaliënhoevedreef 20 H, 2800 Mechelen	100%	Fully consolidated
<b>Telenet International Finance S.à r.l.<sup>(1)</sup></b>		595 Rue de Neudorf, L-2220 Luxembourg, Luxembourg	100%	Fully consolidated
<b>Telenet Luxembourg Finance Center S.à r.l.<sup>(1)</sup></b>		595 Rue de Neudorf, L-2220 Luxembourg, Luxembourg	100%	Fully consolidated

(1) As of August 17, 2010 Telenet International Finance and Telenet Luxembourg Finance Center were incorporated in the Telenet Group as 100% affiliates.





## 5.28.2 Other Consolidated Companies

Company	Trade Register Number	Address	% Held	Consolidation Method
<b>Telenet Finance Luxembourg S.C.A.<sup>(1)</sup></b>	RCS B.155.894	65 Boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg, Luxembourg	0%	Fully consolidated
<b>Telenet Finance Luxembourg II S.A.<sup>(2)</sup></b>	RCS B.156.414	65 Boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg, Luxembourg	0%	Fully consolidated

(1) Telenet Finance Luxembourg S.C.A. (further referred to as the 'Issuer') was incorporated on September 28, 2010 as a special purpose financing company ("SPE") for the primary purpose of facilitating the offering of a High Yield Bond. This entity was incorporated at the request of the Telenet Group under the laws of the Grand Duchy of Luxembourg and is owned 99.99% by a Dutch charitable trust, called Stichting Telenet Finance Luxembourg and 0.01% by Telenet Finance Luxembourg S.à.r.l., a 100% affiliate of this Stichting. The Indenture relating to the High Yield Bond offering prohibits the Issuer from engaging in any activities other than certain limited activities permitted. The SPE set up for the issuance of the High Yield Bond is designed to operate in a predetermined way so that no entity has explicit decision-making authority over the SPE's ongoing activities after its formation (i.e. it operates on 'autopilot'). Virtually all rights, obligations, and aspects of activities that could be controlled are predefined and limited by contractual provisions specified or scheduled at inception. Together with other strong indicators of control over the SPE, it has been determined that Telenet Group Holding should consolidate the SPE created to issue the High Yield Bond.

(2) Telenet Finance Luxembourg II S.A. (further referred to as the 'Issuer') was incorporated on October 28, 2010 as a special purpose financing company for the primary purpose of facilitating the offering of a Private Placement Bond. This entity was incorporated at the request of the Telenet Group under the laws of the Grand Duchy of Luxembourg and is owned 100.00% by a Dutch charitable trust, called Stichting Telenet Finance Luxembourg II. The Trust Deed relating to the Private Placement offering prohibits the Issuer from engaging in any activities other than certain limited activities permitted. The SPE set up for the issuance of the Private Placement Bond is designed to operate in a predetermined way so that no entity has explicit decision-making authority over the SPE's ongoing activities after its formation (i.e. it operates on 'autopilot'). Virtually all rights, obligations, and aspects of activities that could be controlled are predefined and limited by contractual provisions specified or scheduled at inception. Together with other strong indicators of control over the SPE, it has been determined that Telenet Group Holding should consolidate the SPE created to issue the Private Placement Bond.

## 5.29 Subsequent events

### Issuance of € 300.0 million Senior Secured Notes due 2021

Telenet Finance III Luxembourg S.C.A. (further referred to as the *Issuer* or TFL III) was incorporated on January 28, 2011 under the laws of the Grand Duchy of Luxembourg as a special purpose financing company for the primary purpose of facilitating the offering of the Senior Secured Notes. The Issuer is incorporated as a corporate partnership limited by shares and is owned for 100.00% by a charitable trust.

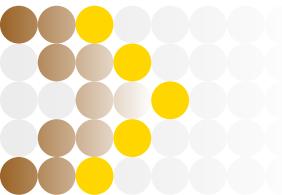
On February 9, 2011 Telenet Finance Luxembourg III S.C.A. entered into a Global Note offering (the *Senior Secured Notes due 2021*) of € 300 million under its existing credit facility (the *2010 Amended Senior Credit Facility*). This transaction is the next step in a further optimization of Telenet's capital structure and improvement of the debt repayment schedules. The Company intended to use the net proceeds from this new

debt issuance to repay in full or in part outstanding amounts under Term Loans J, K and L1 of the 2010 Amended Senior Credit Facility.

The Senior Secured Notes due 2021 were issued on February 9, 2011 and all cash was received on February 15, 2011. The Senior Secured Notes have a principal value of € 300.0 million and were issued at par. The interest rate on the Senior Secured Notes due 2021 amounts to 6.625% annually and accrued interest is paid semi-annually on February 15 and August 15 commencing August 15, 2011. The final maturity of these Senior Secured Notes is February 15, 2021.

On February 28, 2011, Telenet proceeded with the full early redemption of existing Term Loans K and L1 for an aggregate amount of € 366.5 million. To this end, Telenet used € 286.5 million of cash and cash equivalents. The remaining € 80.0 million of participations and commitments was extended into Term Loan G2 with improved maturity and economics, similar to the current Term Loan G. Through these operations, the Company further improved its debt maturity profile.





## **Telenet filed its consultation documents with the regulators**

On February 18, 2011, Telenet filed the consultation documents with the VRM, CSA and BIPT as a response to their draft proposal to introduce certain remedies for analog and digital cable TV and broadband internet services in Belgium. Telenet concluded that the proposed measures are without merit and disproportionate.

## **T-VGAS to focus on online gaming and print – GUNK TV discontinued from 31 March 2011**

On February 18, 2011, the board of directors of T-VGAS decided to suspend the activities of GUNK TV as of March 31, 2011. The online gaming site 9Lives will continue and together with GUNK magazine will become part of the Telenet portfolio from April 1, 2011 onwards. The decision was taken in response to sub-par financial results from GUNK TV since the launch on May 1, 2009.

## **5.30 External audit**

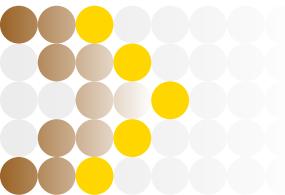
The general shareholders' meeting of May 29, 2008 appointed KPMG Bedrijfsrevisoren CVBA (KPMG), represented by Jos Briers, as statutory auditor of the Company for a period of three years.

Base fees for auditing the annual (consolidated) financial statements of Telenet Group Holding NV and its Belgian subsidiaries are determined by the general meeting of shareholders after review and approval by the company's audit committee and board of directors.

Audit and audit related fees for 2010 in relation to services provided by KPMG Bedrijfsrevisoren amounted to € 711,370 (2009: € 611,170), which was composed of audit services for the annual financial statements of € 521,650 (2009: € 515,650) and audit related services of € 189,720 (2009: € 95,520). Audit related services mainly relate to services incurred in connection with a series of bonds issues, attestation reports required by Belgian Company Law as well as other ad hoc attestation reports.

Audit and other fees for 2010 in relation to services provided by other offices in the KPMG network amounted to € 62,197 (2009: € 0), which was composed of audit services for the annual financial statements of € 20,000 (2009: € 0) and audit related services of € 42,197 (2009: € 0). Audit related services mainly relate to services incurred in connection with a series of bonds issues.





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# Report of the statutory auditor on the consolidated financial statements



# STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF TELENET GROUP HOLDING NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

## Unqualified audit opinion on the consolidated financial statements

We have audited the consolidated financial statements of Telenet Group Holding NV (*the company*) and its subsidiaries (jointly *the group*), prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR'000 3.692.680 and the consolidated statement of comprehensive income shows a profit for the year of EUR'000 89.302.

## Board of directors' Responsibility for the Consolidated Financial Statements

The board of directors of the company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## *Auditor's Responsibility*

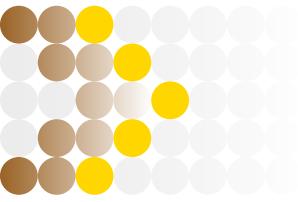
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, legal requirements and auditing standards applicable in Belgium, as issued by the *Institut des Réviseurs d'Entreprises/Instituut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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the board of directors as well as the overall presentation of the consolidated financial statements. Finally, we have obtained from management and responsible officers of the company the explanations and information necessary for our audit.

We believe that the audit evidence we have obtained provides a reasonable basis for our audit opinion.

## *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the group's net worth and consolidated financial position as at 31 December 2010 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International



Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

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

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

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

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

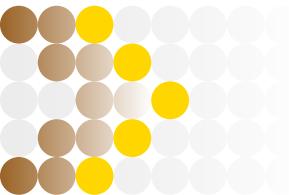
Brussels, March 29, 2011

KPMG Bedrijfsrevisoren – Réviseurs d’Entreprises  
Statutory auditor

represented by

Jos Briers  
Réviseur d’Entreprises / Bedrijfsrevisor





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

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

The auditor issued an unqualified opinion on the 2010 Telenet Group Holding NV statutory annual accounts for Telenet Group Holding NV for the year ended on December 31, 2010. The second part of the audit report also includes the additional paragraph similar to that included in the auditor's report on the consolidated financial statements, as well as a number of specific paragraphs in respect of procedures in the context of article 523 of the Belgian Company Code (conflict of interest reported by members of the board of directors).

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

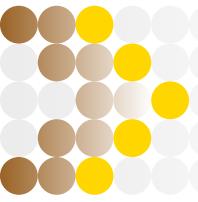


in thousands of euro

	DEC 31, 2010	DEC 31, 2009
<b>// Assets</b>		
<b>Non-current assets:</b>		
Financial assets	2,564,580	1,555,300
<b>Total non-current assets</b>	<b>2,564,580</b>	<b>1,555,300</b>
Current assets:		
Amounts receivable within 1 year	305,846	8,559
Other investments and deposits	7,423	-
Cash at bank and in hand	193	1,905
Deferred charges and accrued income	138	214
<b>Total current assets</b>	<b>313,600</b>	<b>10,678</b>
<b>Total assets</b>	<b>2,878,180</b>	<b>1,565,978</b>

in thousands of euro

	DEC 31, 2010	DEC 31, 2009
<b>// Equity and Liabilities</b>		
<b>Equity:</b>		
Capital	797,350	1,041,812
Share premium	65,814	62,805
Reserves	64,935	360
Profit/(losses) to be carried forward	1,231,110	(116,381)
<b>Total equity</b>	<b>2,159,209</b>	<b>988,596</b>
<b>Liabilities:</b>		
Amounts payable after more than 1 year	478,301	576,629
Amounts payable within 1 year	240,670	753
<b>Total liabilities</b>	<b>718,971</b>	<b>577,382</b>
<b>Total Equity and Liabilities</b>	<b>2,878,180</b>	<b>1,565,978</b>



## 2

## ABRIDGED NON-CONSOLIDATED INCOME STATEMENT

in thousands of euro

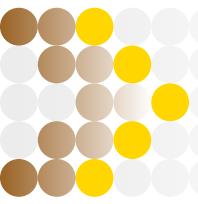
	FOR THE YEARS ENDED	
	DEC 31, 2010	DEC 31, 2009
Operating income	-	-
Operating expenses	(396)	(3,236)
<b>Operating profit/(loss)</b>	<b>(396)</b>	<b>(3,236)</b>
Finance income/(expenses)	(42,602)	(41,864)
Extraordinary income/(expenses)	1,455,285	5,265
<b>Profit/(Loss) to be appropriated</b>	<b>1,412,287</b>	<b>(39,835)</b>





	2010	
	IN THOUSANDS OF EURO	NUMBER OF SHARES
<b>// Issued capital</b>		
<b>January 1, 2010</b>	<b>1,041,812</b>	<b>111,761,666</b>
05/01/10 Capital increase exercise of warrants 2007	511	54,804
23/02/10 Conversion Dispreference shares into Ordinary shares	-	(60,394)
24/03/10 Capital increase conversion of profit certificates B	357	57,978
13/04/10 Capital increase exercise of warrants 2007	1,475	158,145
22/04/10 Capital increase conversion of profit certificates B	663	107,575
28/04/10 Capital decrease	(249,938)	-
14/10/10 Capital increase exercise of warrants 2007	1,552	218,868
22/12/10 Capital increase exercise warrants 2007	917	129,398
<b>December 31, 2010</b>	<b>797,349</b>	<b>112,428,040</b>
<b>// Composition of the capital</b>		
Dispreference shares	673	94,843
Golden shares	-	30
Ordinary shares without nominal value	796,676	112,333,167





# 4 ACCOUNTING POLICIES

## 4.1 General

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

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

## 4.2 Specific accounting policies

### 4.2.1 Formation expenses

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

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

### 4.2.2 Financial assets

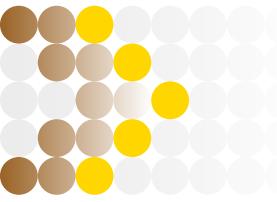
Investments are recorded at their acquisition value. For the holdings and shares held recorded under the heading *Financial fixed assets*, an impairment loss is accounted for in case of permanent capital loss or decline in value, justified by the situation, profitability or outlook of the company in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

### 4.2.3 Amounts receivable within one year

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

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





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

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

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

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

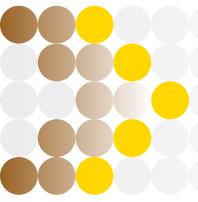
#### 4.2.5 Amounts payable after more than 1 year and within 1 year

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

#### 4.2.6 Income statement

Income and expenses are recognized in the period to which they relate.





# 5

## ABRIDGED ANNUAL REPORT CONCERNING THE STATUTORY ANNUAL ACCOUNTS OF TELENET GROUP HOLDING NV

### 5.1 Comments on the balance sheet

#### 5.1.1 Formation expenses

Depreciation on formation expenses amounted to € 3.0 million in 2009. Capitalized formation expenses were fully amortized at year-end 2009.

#### 5.1.2 Financial assets

The participating interests amount to € 2,564.6 million (2009: € 1,555.3 million) consist of:

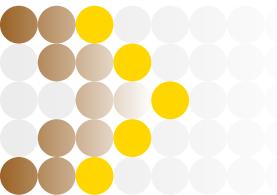
Telenet Communications NV was liquidated on June 30, 2010, resulting in an extraordinary gain of € 1,455.3 million. On the other hand, as a result of the reorganization of the group structure and the merger between Telenet BidCo NV and Telenet NV, Telenet Group Holding NV became shareholder of Telenet NV. This last participation amounts to € 2,564.3 million.

#### 5.1.3 Amounts receivable within one year

Amounts receivable within one year amount to € 305.8 million, compared to € 8.6 million at year end 2009. The increase can be explained by the receivable that Telenet Group Holding NV holds on Telenet NV as a result of a capital reduction acted in December 2010 of Telenet NV amounting to € 305.8 million. The receivable at year end 2009 consisted of an amount due by Telenet BidCo NV as a result of the transfer of Telenet NV shares for an amount of € 8.5 million.

	in euro	
	DEC 31, 2010	DEC 31, 2009
// Participating interests		
Telenet Communications NV	-	1,555,050,143
Telenet NV	2,564,330,184	-
Telenet Vlaanderen NV	249,438	249,438
Telenet Mobile NV	62	62
T-VGAS NV	11	11
Hostbasket NV	1	1
<b>December 31, 2010</b>	<b>2,564,579,696</b>	<b>1,555,299,655</b>





#### 5.1.4 Other investments and deposits

The investments as reported at year end 2010 contain term accounts / deposits realizable within one year for an amount of € 7.4 million. At December 31, 2009 the company had no such other investments and deposits.

#### 5.1.5 Capital

The changes in capital during 2010 can be summarized as follows:

		in euro
05/01/2010	Capital increase conversion of warrants 2007	510,773.28
24/03/2010	Capital increase conversion of profit certificates B	357,144.48
13/04/2010	Capital increase exercise of warrants 2007	1,475,492.85
22/04/2010	Capital increase conversion of profit certificates B	662,662.00
28/04/2010	Capital decrease	(249,937,896.02)
14/10/2010	Capital increase exercise warrants 2007	1,552,233.74
22/12/2010	Capital increase exercise warrants 2007	917,431.82
		<b>(244,462,157.85)</b>

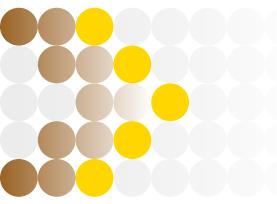
#### 5.1.6 Share premium

Upon the exercise in 2010 of options related to the Warrant Plan 2007 bis, ter, quater and sexies, an amount of € 3.0 million was accounted for as share premium. As a result, share premium amounts to € 65.8 million at the end of 2010.

#### 5.1.7 Reserves

Total reserves at year end 2010 amount to € 64.9 million compared to € 0.4 million prior year. The increase is the result of a legally required attribution to the legal reserve under Belgian Corporate Law which prescribes that a company needs to allocate 5 per cent of its net profit of the year to the legal reserve until this last reaches 10 per cent of share capital.





### 5.1.8 Amounts payable after more than one year

Amounts payable after more than one year can be summarized as follows:

	in euro	
	DEC 31, 2010	DEC 31, 2009
<b>// Amounts payable after more than one year</b>		
Telenet Communications NV	-	576,628,569
Telenet NV	478,300,510	-
<b>December 31, 2010</b>	<b>478,300,510</b>	<b>576,628,569</b>

Telenet Communications NV was liquidated on June 30, 2010. At the occasion of the liquidation of Telenet Communications NV, its debt to the former Telenet BidCo NV (after the merger referred to as Telenet NV) was transferred to Telenet Group Holding NV. This intercompany loan amounted to € 0.5 million.

### 5.1.9 Amounts payable within one year

Amounts payable within one year amount to € 240.7 million compared to € 0.8 million at year end 2009. This sharp increase can be explained by an intercompany loan of € 240.1 million granted by Telenet NV in order to finance Telenet Group Holding NV's capital decrease in 2010. The remaining amounts payable consist mainly of accounts payable/invoices to receive for € 0.2 million (2009: € 0.5 million) and other amounts payable for an amount of € 0.4 million (2009: € 0.3 million), being the remainder of the amounts payable related to the capital decrease executed in August 2010.

Finance expense (€ 42.6 million) consists almost entirely of interest charges to Telenet Communications NV (€ 22.7 million) and interest due to Telenet NV (€ 19.8 million). Last year this interest charge amounted to € 42.1 million relating to interest due to Telenet Communications NV (€ 41.9 million).

Finance expenses also include other expenses (€ 0.1 million) consisting primarily of bank charges and remains relative stable compared to prior year.

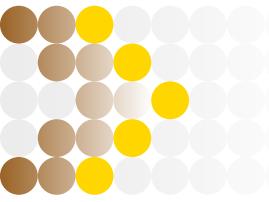
In 2010, Telenet Group Holding NV realized an extra ordinary gain of € 1,455.3 million as a result of the step up on the Telenet BidCo NV shares which were formerly held by Telenet Communications NV and were acquired by Telenet Group Holding NV upon the liquidation of Telenet Communications NV. The extraordinary income of € 5.3 million in 2009 consisted entirely of the gain realized as a result of the transfer to Telenet BidCo NV of the participation Telenet Group Holding NV held in Telenet NV. No extraordinary expenses were incurred.

We propose to the General Shareholders' Meeting to allocate an amount of € 64,795,268.47 to the legal reserve and carry forward the loss brought forward amounting to € 116,381,162.96 and the remaining profit for the period available for appropriation € 1,295,905,369.40. As a result, the profit to be carried forward amounts to € 1,231,110,100.93 as of December 31, 2010.

## 5.2 Comments on the income statement

The income statement shows a gain of € 1,412,286,532.36 for the financial year ended December 31, 2010 (versus a loss of € 39,835,017.74 in 2009). Net operating loss for the year amounts to € 395,678.98 (compared to a loss of € 3,236,345.77 in 2009).





## 5.3 Information on research and development

We refer to the consolidated annual report of the board of directors.

## 5.4 Risk factors

We refer to the consolidated annual report of the board of directors.

## 5.5 Information about subsequent events

We refer to the consolidated annual report of the board of directors.

## 5.6 Going concern

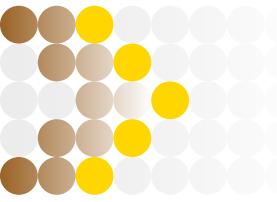
The going concern of the Company is entirely dependent on that of the Telenet Group.

Currently, the Telenet group still has a substantial amount of losses carry forward on the balance sheet, but succeeded to deliver solid Adjusted EBITDA margins and growing operational cash flows. This is entirely aligned with the Company's long range plan, which encompasses a continued development of the Company's profit generating activities in order to absorb the losses carry forward over time. Because of the continued strong growth in the number of subscribers on telephony, internet and digital television and a further focus on cost control and process improvements, the Company was again able to strongly increase its operating result and underlying margins.

As of December 31, 2010, the Company held total debt of € 2,878 million, of which € 1,916 million was owed under its 2010 Amended Senior Credit Facility, € 600 million was related to the Notes issued in 2010 and the remainder primarily represented the capital lease associated with the Interkabel Acquisition. During 2010, Telenet continued to improve its debt repayment profile at attractive rates therefore reducing future refinancing risk. Despite the disbursement paid to shareholders in August 2010, the Company's leverage ratio – as defined by Net Total Debt to EBITDA as defined under the Senior Credit Facility – fell year-on year to 2.8x at the end of 2010 compared to 3.1x at the end of 2009. This underpins the Company's rapid autonomous deleverage capacity.

Taking into account the growing positive Adjusted EBITDA results of the current year, the board of directors believes that the Telenet group will be able to fund the further development of its operations and to meet its obligations and believes that the current valuation rules, as enclosed in the annual account, and in which the continuity of the Company is assumed, are correct and justified under the current circumstances.





5.7 **Application of legal rules regarding conflicts of interest**

We refer to the consolidated financial statements of the board of directors.

5.8 **Branch offices of the Company**

Telenet Group Holding NV has no Branch Offices.

5.9 **Extraordinary activities and special assignments carried out by the auditor**

We refer to the notes of the consolidated financial statements of the Company.

5.10 **Telenet hedging policy and the use of financial instruments**

We refer to the consolidated annual report of the board of directors.

5.11 **Grant of discharge to the directors and statutory auditor**

In accordance with the law and articles of association, the shareholders will be requested at the annual shareholders' meeting of April 27, 2011 to grant discharge to the directors and the statutory auditors of their responsibilities assumed in the financial year 2010.

5.12 **Information required pursuant to article 34 of the Belgian Royal Decree of November 14, 2007 and the Law of April 6, 2010**

We refer to the consolidated annual report of the board of directors.

This report shall be deposited in accordance with the relevant legal provisions and is available at the registered office of the Company.

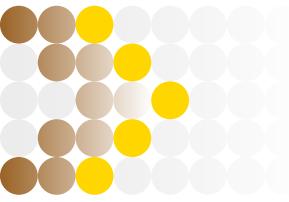
Mechelen, March 29, 2011

On behalf of the board of directors

DU  
Duco Sickinghe  
Chief Executive Officer

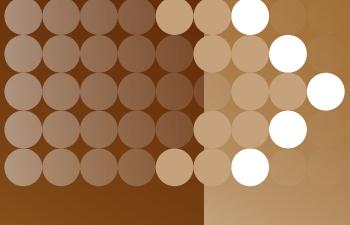
FD  
Frank Donck  
Chairman





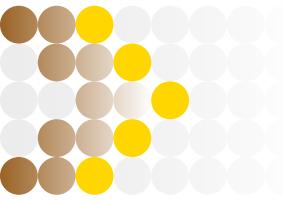
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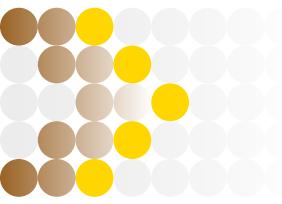
## Glossary





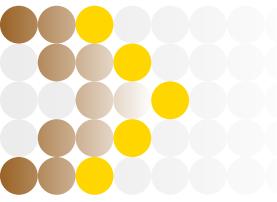
TERM	DEFINITION
<b>3DTV</b>	Three-dimensional high definition television.
<b>3G</b>	The third generation of mobile communications standards, referred to in the industry as IMT-2000, capable of data speeds exceeding the 14.4 Kbps of GSM technology.
<b>4G</b>	The fourth generation of mobile communications standards, which when fully implemented is expected to allow for higher data speeds than achievable with 3G and additional network features and capabilities.
<b>ADSL</b>	Asymmetrical DSL; an internet access technology that allows voice and high-speed data to be sent simultaneously over local copper telephone line.
<b>ARPU</b>	Average Revenue Per User; the average monthly revenue per Revenue Generating Unit (RGU), a measure Telenet uses to track growth in its revenue per service. A home, residential multiple dwelling unit or commercial unit may contain one or more RGUs, and the ARPU is the sum of such revenues divided by the number of RGUs.
<b>ATN</b>	Attendee.
<b>B2B</b>	Business-to-business.
<b>Bandwidth</b>	The width of a communications channel; in other words, the difference between the highest and lowest frequencies available for network signals. Bandwidth also refers to the capacity to move information.
<b>BIPT</b>	Belgian Institute for Postal Services and Telecommunications, being the federal telecommunications regulator.
<b>Broadband</b>	Any circuit that can transfer data significantly faster than a dial-up phone line.
<b>Bundle</b>	A combination of television, internet and telephony products and services marketed by service providers.
<b>CEO</b>	Chief Executive Officer.
<b>Churn</b>	The total number of RGUs disconnected during the period divided by the average number of RGUs for the period; statistics do not include customers who move within the areas of the Combined Network offering the same service and who elect to receive the same services from Telenet that they previously received at their prior location; statistics do include SMEs that receive Telenet's services through a coaxial connection.
<b>CLS</b>	Customer Loyalty Score.
<b>CM</b>	Chairman.
<b>CODM</b>	Chief operating decision maker, refers to the Company's CEO.
<b>Combined Network</b>	The combination of Telenet's own network and the Partner Network.
<b>Company</b>	Telenet Group Holding NV.
<b>COSO</b>	Committee of Sponsoring Organizations of the Treadway Commission.
<b>CPE</b>	Customer premise equipment, which typically comprises a modem or set-top box and associated cabling and other fittings such as an NIU in order to deliver service to a subscriber.
<b>CSA</b>	Conseil Supérieur de l'Audiovisuel, being the Walloon regulator on audio-visual matters.
<b>Customer relationships</b>	The number of customers who receive at least one level of service that Telenet Group Holding counts as revenue generating unit without regard to which, or to how many services they subscribe.
<b>DSL</b>	Digital Subscriber Line; DSL is a technology that provides high-speed internet access over traditional telephone lines.





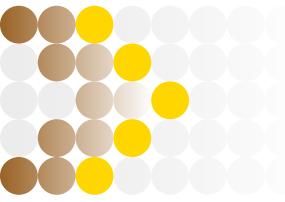
TERM	DEFINITION
<b>DTT</b>	Digital terrestrial television.
<b>EPG</b>	Electronic program guide.
<b>ESOP</b>	Employee Stock Option Plan. The Company issued warrant plans in 2007 and 2010 (ESOP 2007 and ESOP 2010 respectively).
<b>ESPP 2011</b>	Employee share purchase plan. The Company issued an employee share purchase plan in 2011.
<b>EuroDocsis 3.0</b>	Data over cable service interface specification, a technology that enables the addition of high-speed data transfer over an existing cable television system.
<b>Footprint</b>	The service areas in which Telenet is operating, consisting of the Flanders region, including the metropolitan centers of Antwerp and Ghent, and one-third of Brussels.
<b>Full-MVNO</b>	Full mobile virtual network operator, being an operator that provides mobile services via its own SIM cards, under its own Mobile Network Code and having its own interconnection agreements, but without its own licensed frequency allocation of radio spectrum.
<b>HD</b>	High definition.
<b>HFC</b>	Hybrid fiber-coaxial; refers to a broadband network which combines optical fibre and coaxial cable.
<b>Homes passed</b>	Telenet's estimate of the number of potential residential, SoHo and SME subscribers to whom it can offer its services.
<b>ICoFR</b>	Internal Control over Financial Reporting.
<b>iDTV</b>	Interactive digital television.
<b>INDI</b>	Non-interactive digital television platform acquired pursuant to the PICs Agreement.
<b>Internet</b>	A collection of interconnected networks spanning the entire world, including university, corporate, government and research networks. These networks all use the IP communications protocol.
<b>IP</b>	Internet Protocol.
<b>IPTV</b>	IP-protocol digital television.
<b>ISP</b>	Internet Service Provider.
<b>IT</b>	Information technology, a general term referring to the use of various software and hardware components when used in a business.
<b>LGI</b>	Liberty Global, Inc.
<b>Liberty Global Consortium</b>	The majority shareholder of the Company. Currently all shares of the Company are held by Binan Investments B.V.
<b>LTE</b>	Long term evolution technology being a standard in mobile network technology, commonly referred to as 4G.
<b>Mbps</b>	Megabits per second; each megabit is one million bits.
<b>MHP</b>	Multimedia Home Platform.
<b>MHz</b>	Megahertz; a unit of frequency equal to one million Hertz.
<b>MICs</b>	Refers to the mixed intermunicipalities in Belgium. Mixed intermunicipalities, as opposed to pure intermunicipalities, have the private company Electrabel as a partner.
<b>MPLS</b>	Multi-protocol label switching.
<b>Multiple-play</b>	The bundling of different telecommunications services, e.g. digital cable television, broadband internet and fixed telephony services, by one provider.





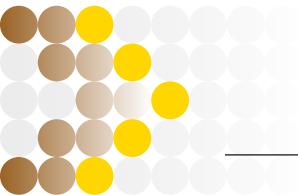
TERM	DEFINITION
<b>MVNO</b>	Mobile virtual network operator. Refers to a company that provides mobile phone services but does not have its own licensed frequency allocation of radio spectrum, nor necessarily all of the infrastructure required to provide mobile telephony services.
<b>Network</b>	An interconnected collection of components which would, in a telecommunications network, consist of switches connected to each other and to customer equipment by real or virtual links. Transmission links may be based on fiber optic or metallic cable or point to point radio connections.
<b>NIU</b>	Network interface unit, a small device at a subscriber's premise which enables interactivity between Telenet's network and the end-user, and to prevent interference from entering the network.
<b>Partner Network</b>	Refers to the network owned by Interkabel and the pure intermunicipalities which encompasses about one third of Flanders. Following the PICs Agreement, Telenet has acquired full rights to use substantially all of the Partner Network under a long-term lease.
<b>PICs</b>	Pure intermunicipalities in Belgium.
<b>PICs Agreement</b>	Refers to an agreement dated June 28, 2008 entered into between Telenet, Interkabel, INDI ESV and four PICs in Flanders.
<b>PRIME</b>	Subbrand used by the Company for its digital pay television services, including a mixture of movies and sports channels.
<b>Pulsar</b>	Refers to the Company's node splitting project, which seeks to reduce the number of homes connected to an optical node from an average of 1,400 today to an average of 500 by end-2015. Through Pulsar, the Company will build a next-generation network capable of capturing the future consumer needs and substantially increasing the network capacity.
<b>PVR</b>	Personal video recorder, a consumer electronics device or application software that records video in a digital format to for instance a set-top box or other means of digital storage.
<b>Retail minus method</b>	Method for cost calculating, being the retail price for the offered service, excluding VAT and copyrights, and further deducting the retail costs it avoids by offering the wholesale service, such as costs for billing, franchise, consumer service, marketing, and sales.
<b>Quad-play</b>	Triple-play with the addition of mobile telephony service.
<b>RGU</b>	Revenue Generating Unit; separately an analog cable television subscriber, digital cable television subscriber, internet subscriber or fixed telephony subscriber. A home, residential multiple dwelling unit or commercial unit may contain one or more RGUs. For example, if a residential customer in Telenet's digital cable service, telephony service (regardless of their number of telephony access lines) and broadband internet service, the customer would constitute three RGUs. Total RGUs is the sum of analog cable, digital cable, internet and fixed telephony subscribers. RGUs generally are counted on a unique premise basis such that a given premise does not count as more than one RGU for any given service. On the other hand, if an individual receives Telenet's service in two premises (e.g., a primary home and a vacation home), that individual will count as two RGUs. Non paying subscribers are counted as subscribers during their free promotional service period. Some of these subscribers choose to disconnect after their free service period. Services offered without charge on a permanent basis (e.g. VIP subscribers, free service to employees) are not counted as RGUs.
<b>SG&amp;A</b>	Selling, general and administrative expenses.
<b>Shakes</b>	The various multiple-play bundles, which Telenet offers to its residential customers. These multiple play bundles combine two, three or multiple services into one single subscription.
<b>SME</b>	Small and medium-sized enterprise.
<b>SOX</b>	Refers to the US Sarbanes-Oxley Act of 2002.





TERM	DEFINITION
<b>SPE</b>	Special purpose entity. In 2010, the Company established special purpose entities for financing purposes. The Company does not have any direct or indirect shareholdings in these entities.
<b>SoHo</b>	A small office at home.
<b>SSOP 2010-2014</b>	Special Stock Option Plan. The Company issued an option plan for the CEO of the Company in 2010.
<b>TFL</b>	Refers to Telenet Finance Luxembourg S.C.A., the issuer of the € 500.0 million Senior Secured Notes due 2020.
<b>TFL II</b>	Refers to Telenet Finance Luxembourg II S.A., the issuer of the € 100.0 million Senior Secured Notes due 2016.
<b>TFL III</b>	Refers to Telenet Finance III Luxembourg S.C.A., the issuer of the € 300.0 million Senior Secured Notes due 2021.
<b>TIF</b>	Refers to Telenet International Finance S.à r.l., the Company's financing center in Luxembourg.
<b>Traffic data</b>	Data processed for the purpose of the conveyance of a communication on an electronic communications network or for billing.
<b>Triple-play</b>	Where a customer has subscribed to a combination of three products, digital cable television, broadband internet and fixed telephony services, from Telenet.
<b>VDSL</b>	Very high speed DSL. A high speed variant of ADSL.
<b>VOD</b>	Video-on-demand; a service which provides subscribers with enhanced playback functionality and gives subscribers access to a broad array of on demand programming, including movies, live events, local drama, music videos, children programming and adult programming.
<b>VoIP</b>	Voice over internet Protocol; a telephone service via internet, or via TCP/IP protocol, which can be accessed using a computer, a sound card, adequate software and a modem.
<b>VPN</b>	Virtual private network, a business service enabling users to obtain remote access to network functionality.
<b>VRM</b>	Vlaamse Regulator voor de Media, being the Flemish regulator for Media.
<b>WiFi</b>	WiFi stands for Wireless Fidelity. It is a technology for wireless connections with local networks. WiFi establishes fast radio frequencies between terminals and servers who in their turn are connected with a high-speed network.





## NOTES

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