being fast, mobile, secure and free

financial report **2011**

telenet

Summary

Consolidated annual report of the board of directors for 2011 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 ended December 31, 2011, 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 Information on the Company

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 approximately 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, 2011, Telenet had 2,198,500 unique residential subscribers, which represented approximately 77% of the 2,843,800 homes passed by its network. As of December 31, 2011, all of Telenet's 2,198,500 unique residential subscribers subscribed to its basic cable television services, 1,305,600 subscribed to its broadband internet services and 880,100 subscribed to its fixed telephony services. In addition, approximately 64% of its basic cable television subscribers had upgraded from analog to digital television, and 238,700 customers subscribed to its mobile telephony services. For the year ended December 31, 2011, Telenet's total revenue was €1,376.3 million, a 6% increase over the year ended December 31, 2010, and its Adjusted EBITDA1[1] was €723.4 million, an 8% increase over the year ended December 31, 2010.

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

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 divestures. Operating charges or credits related to acquisitions or divestures 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. ("LGI") is the Company's controlling shareholder.

bundled subscriptions, through which it is able to sell more products to individual subscribers, resulting in significantly higher average monthly subscription revenue per revenue generating unit[1] ("ARPU") and, in its experience, the reduction of customer churn. For the year ended December 31, 2011, Telenet's ARPU per unique subscriber was €42.1 per month, a €3.3 per month increase over Telenet's ARPU per unique subscriber for the year ended December 31, 2010.

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. In February 2010, Telenet announced its "Digital Wave 2015" upgrade project, under which it will split optical nodes thereby gradually 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.

1 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.

For the years ended December 31,

	2011	2010	Change %
Total Services			
Homes passed - Combined Network	2,843,800	2,818,800	1%
Television			
Analog Cable TV			
Total Analog Cable TV	**789,000**	**1,032,500**	**(24%)**
Digital Cable TV			
Digital Cable TV (Telenet Digital TV)	1,355,800	1,182,800	15%
Digital Cable TV (INDI)	53,700	59,100	(9%)
Total Digital Cable TV	**1,409,500**	**1,241,900**	**13%**
Total Cable TV	**2,198,500**	**2,274,400**	**(3%)**
Internet			
Residential Broadband Internet	1,264,600	1,189,000	6%
Business Broadband Internet	41,000	37,600	9%
Total Broadband Internet	**1,305,600**	**1,226,600**	**6%**
Telephony			
Residential Telephony	867,100	802,200	8%
Business Telephony	13,000	12,400	5%
Total Telephony	**880,100**	**814,600**	**8%**
Mobile telephony (active customers)	238,700	198,500	20%
Total Services (excl. Mobile)	**4,384,200**	**4,315,600**	**2%**
Churn			
Basic cable television	9.3%	9.1%	
Broadband internet	7.7%	7.2%	
Telephony	7.5%	6.8%	
Customer relationship information - Combined Network			
Triple-play customers	783,100	719,200	9%
Total customer relationships	2,198,500	2,274,400	(3%)
Services per customer relationship	1.99	1.90	5%
ARPU per customer relationship (in € / month)	42.1	38.8	9%

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.

Telenet's basic cable television subscribers have access to an average of 28 basic analog television channels and an average of 26 analog radio channels. 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. 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 with respect to copyright fees paid for certain content provided by the public broadcasters.

Telenet regularly reviews its pricing policy, carefully weighing the current and future economic and competitive environment. Historically, Telenet has increased the subscription fee for its basic cable television service in response to inflation by an average rate of between 3% and 4% per year. In January 2011, Telenet submitted an application to the regulator to increase its basic cable television subscription fee, which was granted in May 2011. As of October 2011, Telenet effectively increased its subscription fee by an average 4.2% (€0.55 per month) for the first time since 2009 and raised the associated copyright fee by €0.25 per month on average.

As of December 31, 2011, Telenet provided its basic cable television services to all of its approximately 2,198,500 unique residential subscribers, or approximately 77% of homes passed by its network. This represented a net organic loss of 75,500 basic cable television subscribers for the year ended December 31, 2011 as compared to a net organic loss of 68,000 for the year ended December 31, 2010, reflecting the intensely competitive environment and the availability of competing digital platforms in Telenet's footprint. 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. Telenet believes, however, that the anticipated erosion in the number of TV-only subscribers will be more than offset by further growth in multiple-play subscribers, generating a much higher ARPU relative to the basic cable television ARPU.

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 a total of more than 70 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 sports and movies, 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.. Telenet offers digital set-top boxes in a sale or a rental model. Telenet offers a choice of "HD Digibox" and "HD Digicorder" set-top boxes with alternative specifications and functionality, such as the ability to record and playback digital content viewed on its service. As of December, 31, 2011, approximately 82% of activated set-top boxes included PVR functionalities and approximately 73% were HD-enabled. The vast majority of digital cable television subscribers rent the "HD Digicorder" as this specific set-top box type is bundled into Telenet's multiple-play bundles.

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, search and recommend, 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 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.

In June 2011, Telenet acquired certain exclusive broadcasting rights for the Belgian football championship for the next three seasons, starting July 2011. As a result, Telenet will be able to select and broadcast the three most important league matches of the Jupiler Pro League. As from the 2012-2013 season onwards, Telenet will also be able to broadcast all league matches, including the five remaining secondary matches on a non-exclusive basis, which is expected to drive incremental subscriber growth. At the end of July 2011, Telenet completely revamped its pay television sports channel PRIME Sport into Sporting Telenet. This sports channel exclusively broadcasts the most important fixtures of the Belgian football championship alongside the most popular international football leagues and other major sporting events, such as NBA basketball and golf. Pricing is dependent on the number of services ordered and ranges from €16.15 per month for triple-play subscribers to €26.95 per month for single-play subscribers (both including 21% VAT). As of December 31, 2011, approximately 177,200 customers subscribed to Sporting Telenet, up 46% as compared to December 31, 2010.

At the end of December 2011, approximately 64% of Telenet's cable television subscriber base had upgraded to digital television, which offers a much richer viewing experience and access to a wide variety of thematic channel packs and digital pay television services as well as an extensive VOD library. At December 31, 2011, the number of digital cable television subscribers reached 1,409,500, up 13% compared to December 31, 2010. The vast majority of Telenet's digital cable television subscribers opt for the interactive iDTV platform (1,355,800 subscribers at end December 2011) with the remaining 53,700 digital television subscribers accessing the linear digital INDI platform, which Telenet acquired as part of the Interkabel Acquisition in October 2008. For the year ended December 31, 2011, Telenet recorded 174,600 net new Telenet Digital TV subscribers. Hence, Telenet succeeded in converting approximately 19% of its analog cable television subscriber base in 2011.

Going forward, Telenet believes that the migration from analog to digital television will remain one of its key value drivers given the much higher ARPU generated by a digital cable television customer. In the near future, Telenet expects the importance of digital television, premium services and multi-screen features to gain further traction. The traditional TV experience is increasingly being marginalized as consumers assert their right to watch what they want, when they want. To keep pace with this growing trend, Telenet will further exploit the many technological possibilities of its digital platform in combination with its leading broadband network. The launch of Yelo in December 2010, enabling customers to watch their favorite programs and shows wherever they are on their iPad, iPhone or laptop, fits perfectly well within this strategy.

1.4 BROADBAND INTERNET

Telenet is the leading provider of residential broadband internet services in Flanders. 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 "Basic Internet", which allows end users to receive data from the internet at a downstream data transfer speed of up to 20 Mbps, to "Fibernet XL", which offers end users a downstream speed of up to 100 Mbps. Telenet believes that its broadband customers are among the most advanced in Europe[1] given that approximately 73% of its total subscriber base enjoyed download speeds of at least 30 Mbps as of December 31, 2011. Furthermore, approximately 20% of Telenet's installed base subscribed to its EuroDocsis 3.0 offering, Fibernet, as of December 31, 2011. Telenet believes that this success clearly demonstrates customers' demand for reliable and high speed broadband connections so they can access the internet through multiple devices simultaneously.

In February 2010, Telenet introduced its next generation broadband internet line-up centered around its Fibernet product suite. Powered by the EuroDocsis 3.0 technology, which has been introduced across its entire footprint, Telenet has reaffirmed its market positioning as the fastest internet service provider in its footprint with unrivalled download speeds of up to 100 Mbps. The ISP Monitor Speed Test[2], which ranks the real speeds of all internet providers in Belgium, confirms Telenet's leading position versus all of its main competitors.

As of December 31, 2011, Telenet provided its broadband internet services to 1,305,600 subscribers, an increase of 6% compared to December 31, 2010. Despite slower penetration growth for the broadband market in general, Telenet succeeded in attracting 81,100

1 Akamai: The State of the Internet, Q3 2011.
2 The ISP Monitor Speed Test is an independent source for bandwidth speed comparison. The results shown on www.ispmonitor.be are a summary of the test results gathered by the users of ISP Monitor software.

net new broadband internet subscribers for the year ended December 31, 2011. Through a combination of attractively priced product tiers, Telenet's demonstrated speed leadership, brand recognition and Telenet's focus on customer experience, Telenet has been able to further increase its market share in its footprint. As of December 31, 2011, Telenet's broadband internet service reached a penetration of 45.9% relative to the number of homes passed by the Combined Network compared to 43.5% as of December 31, 2010. For the year ended December 31, 2011, the Company's annualized broadband internet churn rate was 7.7%.

The broadband internet access market in Belgium is well established, with penetration rates higher than in most other major European markets. According to the Belgian Institute for Postal Services and Telecommunications ("BIPT"), broadband internet access penetration in Belgium stood at approximately 71% of the total number of households as of December 31, 2010. In the Flanders region, the broadband internet access penetration was approximately 77% of the total number of households according to BIPT data for the same period. Telenet's ability to continue to further grow the broadband market will depend in part on increases in the number of households with a personal computer in Flanders and parts of Brussels.

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.

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. At the end of November 2011, Telenet introduced "FreePhone Mobile", which allows fixed telephony customers to make free off-peak calls to mobile lines in Belgium. Telenet believes this new innovative service will drive further RGU growth.

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 880,100 as of December 31, 2011, an 8% increase compared to the year ended December 31, 2010. This corresponds to a penetration rate of 30.9% as of December 31, 2011 relative to the number of homes passed compared to 28.9% as of December 31, 2010. 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 for the year ended December 31, 2011 was 0.7 percentage points higher as compared to the year ended December 31, 2010 at 7.5%.

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.

In June 2011, Telenet Tecteo Bidco NV, a partnership between Telenet NV and the Walloon cable operator Tecteo SCRL, acquired the 4th 3G mobile spectrum license in Belgium, for the minimum reserved price of €71.5 million. Telenet is now looking at all available options to operate its frequencies in the 2.1 GHz band, which are also suited for Long-Term Evolution ("LTE") wireless services, at maximum capital efficiency in a very constructive manner. It is Telenet's intention to leverage as much as possible on existing infrastructure assets and to seek a more intense collaboration with the existing Belgian mobile network operators through mutual value-accretive partnerships. As per the license agreement, Telenet Tecteo Bidco NV must launch commercial services by March 2013.

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, Telenet redesigned its product offers and tariff structures including subsidized smartphones for postpaid subscribers taking a two-year contract. As a result, Telenet has been able to significantly increase its mobile subscriber base to 238,700 active mobile subscribers (+20% year-on-year) at the end of December 2011 despite only cross-selling mobile telephony services to its existing cable customers in Flanders and parts of Brussels and focusing solely on the postpaid segment. At the same time, Telenet has shifted its focus to customers with a higher lifetime value and to the growing proportion of smartphone users, generating a superior ARPU as compared to its legacy mobile customers on the older tariff plans. As a result, Telenet's mobile ARPU has grown approximately 60% over the past two years.

At the end of November 2011, Telenet changed its mobile telephony tariff plans into "Walk & Connect", including access to the network of its current public hotspots and future "Homespots" and a certain allowance for mobile data usage. Recently, Telenet also started to commercialize SIM-only tariff plans with clear-cut and attractive prices in order to further drive mobile subscriber growth. Telenet believes these actions will help to improve the growth of its mobile business in the year to come. Finally, having secured its mobile future through the acquisition of valuable and scarce mobile spectrum, Telenet believes it is well placed to further grow its mobile business and to unlock the untapped potential of the mobile data market in Belgium.

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 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 2011, the interconnection regime for fixed telephony remained unchanged. In October 2006, Belgacom submitted an appeal to the Court of Appeal in Brussels arguing for a faster reduction in Telenet's interconnection rates. Telenet has also launched an appeal with the Brussels Court of Appeal arguing that the reduction in its interconnection rates should be cost oriented. If Belgacom were to be successful in its appeal, Telenet could be required to reduce its interconnection rates retroactively.

As for mobile telephony, the BIPT imposed a sharply declining glide path following its market analysis dated June 2010. As a result, mobile termination rates will be capped at €1.08 cent/per minute starting January 2013, a 75% decline compared to the current average rate of €4.25 cent/per minute. As per January 1, 2012, the average mobile termination rate decreased 37% under the regulatory glide path to an average rate of €2.67 cent/per minute.

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, 2011, Telenet incurred interconnection fees of €59.5 million (2010: €64.7 million) and received interconnection revenue of €23.8 million (2010: €18.2 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, 2011, Telenet's business services operations generated €90.8 million in revenue, an increase of 7% compared to the year ended December 31, 2010. Telenet markets its business services under the Telenet for Business 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 for Business 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 corporations, Telenet enters into individual agreements under which it must meet minimum service levels.

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's leading connectivity solutions are being complemented by a growing portfolio of value-added services, such as hosting, managed security and cloud computing amongst others. This will enable Telenet for Business 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 35 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 is 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 that it owns and fiber that 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 than 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, 2011, 64% of Telenet's unique residential customers subscribed to its double or triple-play packages, of which 36% or 783,100 represented triple-play subscribers (representing an increase of 9% compared to December 31, 2010). 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, such as premium sports and movies, and the usage of VOD and interactive applications. At the end of December 2011, approximately 64% of Telenet's cable television subscriber base had upgraded to digital television.

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 and customer loyalty. 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' loyalty score ("CLS") 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 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 in Belgium is currently not yet as developed as in other European countries, 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 and 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 Discussion of the consolidated financial statements

2.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, (in thousands of euro, except per share data)	2011	2010
Revenue	1,376,253	1,298,993
Cost of services provided	(821,152)	(735,781)
Gross profit	**555,101**	**563,212**
Selling, general and administrative expenses	(228,910)	(218,681)
Operating profit	**326,191**	**344,531**
Finance income	7,808	1,513
Net interest income and foreign exchange gain	7,808	1,513
Finance expense	(279,897)	(199,158)
Net interest expense and foreign exchange loss	(205,832)	(152,257)
Net loss on derivative financial instruments	(62,673)	(38,998)
Loss on extinguishment of debt	(11,392)	(7,903)
Net finance expenses	**(272,089)**	**(197,645)**
Share of the loss of equity accounted investees	(361)	(412)
Profit before income tax	53,741	146,474
Income tax expense	(36,918)	(57,172)
Profit for the period	**16,823**	**89,302**
Other comprehensive income for the period, net of income tax	**-**	**-**
Total comprehensive income for the period	**16,823**	**89,302**
Profit attributable to:	**16,823**	**89,302**
Owners of the Company	16,829	89,302
Non-Controlling interests	(6)	-
Total comprehensive income for the period, attributable to :	**16,823**	**89,302**
Owners of the Company	16,829	89,302
Non-Controlling interests	(6)	-
Earnings per share		
Basic earnings per share in €	0.15	0.80
Diluted earnings per share in €	0.15	0.79

For the year ended December 31, 2011, Telenet generated revenue of €1,376.3 million, a 6% increase compared to the year ended December 31, 2010 when Telenet recorded revenue of €1,299.0 million. The year-on-year revenue growth rate was negatively impacted by the January 1, 2011 change in the presentation of revenue and expenses related to certain premium voice and SMS content services. Since telecommunications operators are no longer carrying legal responsibility for the collection of these services following a change in the Belgian legislation, the costs related to these premium voice and SMS content services are netted off against revenue. This reporting change had a negative impact on Telenet's residential telephony revenue of approximately €8.0 million for the year ended December 31, 2011 but did not affect the Company's Adjusted EBITDA.

Substantially all of Telenet's revenue growth during the year ended December 31, 2011 was organic and directly driven by the underlying growth in the number of fixed and mobile telephony services, the ongoing migration from analog to digital cable television and the recently started uptiering of Telenet's existing high-end broadband customer base to Fibernet, all resulting in a higher value per customer. Telenet's business services division, Telenet for Business, also delivered healthy high single-digit top line growth for the year ended December 31, 2011 driven by the acquisition of C-CURE as of May 31, 2010 and strong growth for its value-added services including hosting, managed security and cloud solutions.

Telenet's operating profit for the year ended December 31, 2011 fell 5% to €326.2 million as compared to €344.5 million for the year ended December 31, 2010. A healthy 8% year-on-year increase in Telenet's Adjusted EBITDA was offset by 22% higher depreciation, amortization and impairment charges primarily as a result of the pro rata amortization of the acquired Belgian football broadcasting rights and the €28.5 million impairment on the DTT-related intangible assets.

Net profit for the year ended December 31, 2011 reached €16.8 million, including a loss on interest rate derivatives of €62.7 million, a €11.4 million loss on extinguishment of debt and a €28.5 million impairment charge relating to the intangible assets related to the DTT-license. Excluding these three items, Telenet would have recorded a net profit of €119.4 million.

2.2 REVENUE BY SERVICE

For the years ended December 31, (in thousands of euro)	2011	2010
Cable television:		
Basic Subscribers (1)	317,853	325,100
Premium Subscribers (1)	189,144	150,684
Residential:		
Internet	441,674	426,657
Telephony (2)	279,334	255,862
Distributors/Other	57,509	55,734
Business	90,739	84,956
Total Revenue	**1,376,253**	**1,298,993**

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, 2011 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, 2011, Telenet's aggregate cable television revenue, which comprises both basic cable television and premium cable television revenue, was €507.0 million, a 7% increase compared to the year ended December 31, 2010. The revenue increase was primarily driven by higher premium cable television revenue as a result of a growing proportion of digital television subscribers and higher revenue from pay television services following the acquisition of certain exclusive broadcasting rights for the Belgian football championship.

For the year ended December 31, 2011, basic cable television revenue decreased 2% to €317.9 million, from €325.1 million for the year ended December 31, 2010 as a result of an average lower number of active subscribers. As of October 2011, Telenet has increased the monthly basic access fee by €0.55 and the copyright fee by €0.25 on a monthly basis. Telenet anticipates this price increase to have a gradual positive impact on its basic cable television revenue throughout the year ending December 31, 2012.

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 video-on-demand revenue, premium cable television revenue is driven by the strong uptake in rentals of the high-end HD and PVR-enabled set-top boxes. The other contributors to premium cable television revenue include subscription fees to Telenet's thematic and premium channel packages (including Sporting Telenet) and interactive services on the platform. For the year ended December 31, 2011, Telenet recorded premium cable television revenue of €189.1 million, a 25% increase as compared to the year ended December 31, 2010.

2.2.2 Residential broadband internet

Revenue generated by Telenet's 1.3 million residential and business broadband internet subscribers totaled €441.7 million for the year ended December 31, 2011, a 4% increase compared to the year ended December 31, 2010. Revenue growth was primarily driven by the underlying growth in Telenet's subscriber base and the gradual uptiering of its customer base to Fibernet. In addition, in line with previous quarters, Telenet continued to sell the vast majority of broadband subscriptions through bundled offers and the proportionate allocation of that bundle discount over all involved products continued to weigh on the individual broadband ARPU.

Early 2011, Telenet started to commercialize Fibernet on a larger commercial scale. For the year ended December 31, 2011, approximately 41% of gross sales subscribed to one of Telenet's Fibernet products with speeds of up to 50 Mbps and more. At the end of 2011, approximately 73% of Telenet's broadband subscriber base subscribed to tiers of 30 Mbps or higher and hence Telenet continues to enjoy a high quality subscriber base. Furthermore, approximately 20% of Telenet's installed base subscribed to its EuroDocsis 3.0 offering, Fibernet, as of December 31, 2011. Telenet believes that this success clearly demonstrates customers' demand for reliable and high speed broadband connections so they can access the internet through multiple devices simultaneously.

2.2.3 Residential telephony

Residential telephony revenue, which includes the contribution from both Telenet's fixed and mobile telephony business, jumped €23.4 million, or 9%, to €279.3 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010 despite approximately €8.0 million lower revenue from the reporting change for certain premium voice and SMS content services as previously discussed. Residential telephony revenue growth would have been 13% excluding the impact of the aforementioned reporting change.

Telenet's fixed telephony revenue for the year ended December 31, 2011 remained broadly stable as compared to the year ended December 31, 2010 as an increased number of RGUs offset the decline in usage-related revenue. Telenet's mobile business, however, continued to make a growing contribution to the Company's overall top line growth driven by 20% growth in the number of postpaid subscribers and a further increase in mobile ARPU following Telenet's increased focus on smartphones and customers with a higher lifetime value.

2.2.4 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 and stand-alone handset sales through Telenet's distribution channels SmartSpot and BelCompany. For the year ended December 31, 2011, Distributors/Other revenue grew 3% to €57.5 million from €55.7 million for the year ended December 31, 2010. Lower sales throughout the year ended December 31, 2011 were offset by much higher stand-alone iPhone4S handset sales for the three months ended December 31, 2011.

2.2.5 Business services – Telenet for Business

Telenet for Business, Telenet's business services division, recorded 7% top line growth for the year ended December 31, 2011 to €90.8 million. This is a solid achievement in a highly competitive and price eroding market. Growth was sustained by sound demand for Telenet's leading connectivity solutions and a broad array of value-added services, which Telenet has added in order to offer its customers a state-of-the-art integrated solution. The acquisition of C-CURE, a local managed security specialist which Telenet acquired on May 31, 2010, also boosted year-on-year revenue growth.

2.3 TOTAL EXPENSES

Operating expenses for the year ended December 31, 2011 totaled €1,050.1 million, a 10% increase as compared to the year ended December 31, 2010 when Telenet incurred total operating expenses of €954.5 million. The increase in total operating expenses was driven by higher employee benefits, depreciation, amortization and impairment charges, including a €28.5 million impairment on the intangibles assets related to Digital Terrestrial Television ("DTT"), and higher network operating and service costs in line with revenue growth. Excluding the DTT-related impairment, total operating expenses for the year ended December 31, 2011 were up 7% as compared to the year ended December 31, 2010.

Total operating expenses represented approximately 76% of overall revenue for the year ended December 31, 2011 as compared to approximately 73% for the year ended December 31, 2010. The increase was predominantly attributable to higher depreciation, amortization and impairment charges, including the aforementioned €28.5 million impairment charge on the DTT-related intangible assets. Excluding the DTT-related impairment, total operating expenses as a percentage of revenue were approximately 74% in 2011.

For the years ended December 31, (in thousands of euro)	2011	2010
Cost of services provided	(821,152)	(735,781)
Selling, general and administrative expenses	(228,910)	(218,681)
Total expenses	**(1,050,062)**	**(954,462)**

2.3.1 Cost of services provided

Cost of services provided for the year ended December 31, 2011 represented €821.2 million, a 12% increase compared to the year ended December 31, 2010, and including a €28.5 million impairment on the intangible assets related to DTT. Excluding the DTT-related impairment, cost of services provided reached €792.7 million for the year ended December 31, 2011 (+8% year-on-year). 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, programming costs related to Belgian football and higher handset costs. Depreciation and amortization charges increased mainly due to the pro rata amortization of the acquired broadcasting rights for the Belgian football championship.

Cost of services provided (excluding the DTT-related impairment) as a percentage of revenue slightly increased from approximately 57% for the year ended December 31, 2010 to approximately 58% for the year ended December 31, 2011, mainly because of higher direct costs and an increase in depreciation and amortization expenses.

2.3.2 Selling, general and administrative expenses

Selling, general and administrative ("SG&A") expenses totaled €228.9 million for the year ended December 31, 2011 compared to €218.7 million for the year ended December 31, 2010 (+5% year-on-year). The growth in SG&A expenses reflected the underlying growth in staffing levels as result of business growth and a further insourcing of call centers, as well as higher share based compensation-related expenses.

Selling, general & administrative expenses as a percentage of revenue remained stable at approximately 17% of revenue despite higher personnel expenses and expenses related to share based compensation.

2.4 EXPENSES BY NATURE

For the years ended December 31, (in thousands of euro)	2011	2010
Employee benefits:		
Wages, salaries, commissions and social security costs	123,180	117,296
Other employee benefit costs	21,186	16,512
	144,366	**133,808**
Depreciation and impairment	259,019	246,471
Amortization	70,753	60,487
Amortization of broadcasting rights	22,991	6,830
Impairment loss on other intangible assets	28,464	-
Losses on disposal of property and equipment and other intangible assets	2,065	46
Network operating and service costs	395,443	378,220
Advertising, sales and marketing	60,791	69,307
Share-based payments granted to directors and employees	13,005	9,787
Operating charges related to acquisitions or divestitures	724	267
Other costs	52,284	48,971
Restructuring charges	157	268
Total costs and expenses	**1,050,062**	**954,462**

Employee benefits for the year ended December 31, 2011 increased 8% to €144.4 million from €133.8 million for the year ended December 31, 2010. The increase in personnel expenses reflected the mandatory implementation of the wage indexation for all employees as of early 2011, a general increase in staffing levels as a result of business growth and a further insourcing of call centers. The latter is expected to be offset by lower network operating and service costs in future periods, as Telenet anticipates improved efficiencies in its care and sales operations through a higher proportion of insourced call centers.

Depreciation, amortization and impairment totaled €383.3 million for the year ended December 31, 2011, a 22% increase as compared to the year ended December 31, 2010. This increase primarily reflected the acquisition of the exclusive broadcasting rights for the main fixtures of the Belgian football championship for three seasons, starting July 2011. These broadcasting rights are being amortized on a pro rata basis as the football seasons progress. Telenet also recognized a €28.5 million non-cash impairment charge on the intangible assets related to DTT due to coverage and content issues and the expected impact of cable regulation.

Network operating and service costs, which include all direct expenses such as call center costs, costs related to handset purchases, interconnect, programming and network-related expenses, continued to represent the vast majority of total operating expenses for the year ended December 31, 2011. For the year ended December 31, 2011, network operating and service costs showed a 5% increase year-on-year to €395.4 million, a growth rate which was lower than the 6% growth in Telenet's overall revenue.

Advertising, sales and marketing expenses for the year ended December 31, 2011 reached €60.8 million, a 12% decrease as compared to the year ended December 31, 2010 when Telenet incurred higher expenses because of specific marketing campaigns related to the launch of Fibernet and Yelo.

Other costs, including operating charges related to acquisitions or divestitures and restructuring charges, increased 7% from €49.6 million for the year ended December 31, 2010 to €53.2 million for the year ended December 31, 2011. The increase as compared to the year ended December 31, 2010 reflected higher costs as part of the regulatory review as well as other business-supporting corporate advisory and legal fees.

2.5 ADJUSTED EBITDA

For the year ended December 31, 2011, Telenet achieved Adjusted EBITDA of €723.4 million, an 8% increase as compared to the year ended December 31, 2010 when Telenet generated Adjusted EBITDA of €668.7 million. Despite higher personnel expenses, higher corporate advisory and legal fees as a result of the regulatory review of the local TV access markets and costs related to the rebranding of Sporting Telenet, Telenet was able to improve its Adjusted EBITDA margin by 110 basis points as compared to the year ended December 31, 2010 to 52.6%. Telenet attributes this robust performance to its continued focus on maintaining efficient operations and platform improvements within its organization, a relatively larger share of triple-play subscribers in the net additions subscriber mix, strict control on overhead expenses and generally less spending on its mobile activities.

For the years ended December 31, (in thousands of euro)	2011	2010
Adjusted EBITDA	**723,369**	**668,641**
Adjusted EBITDA margin	52.6%	51.5%
Share based compensation	(13,005)	(9,787)
Operating charges related to acquisitions or divestitures	(724)	(267)
Restructuring charges	(157)	(268)
EBITDA	**709,483**	**658,319**
Depreciation, amortization and impairment	(383,292)	(313,788)
Operating profit	**326,191**	**344,531**
Net finance expenses	(272,089)	(197,645)
Share of the loss of equity accounted investees	(361)	(412)
Income tax expense	(36,918)	(57,172)
Total comprehensive income for the period	**16,823**	**89,302**

2.6 OPERATING PROFIT (EBIT)

The healthy 8% year-on-year increase in Telenet's Adjusted EBITDA for the year ended December 31, 2011 was offset by 22% higher depreciation, amortization and impairment charges primarily as a result of the pro rata amortization of the acquired Belgian football broadcasting rights and the €28.5 million impairment on the DTT-related intangible assets. As a result, operating profit for the year ended December 31, 2011 fell 5% to €326.2 million as compared to €344.5 million for the year ended December 31, 2010.

2.7 NET FINANCE EXPENSES

Net finance expenses totaled €272.1 million for the year ended December 31, 2011 as compared to €197.6 million for the year ended December 31, 2010. This 38% year-on-year increase reflected primarily higher interest expenses on the Term Loans under Telenet's Senior Credit Facility as a result of the issuance of additional debt and an increase in the overall interest margin following the voluntary extension of debt maturities. Furthermore, Telenet incurred a €11.4 million loss as a result of the early redemption of certain Term Loans. Finally, interest rate derivatives for the year ended December 31, 2011 yielded a much steeper loss as compared to the year ended December 31, 2010.

2.7.1 Interest income and foreign exchange gain

Interest income and foreign exchange gain for the year ended December 31, 2011 was €7.8 million, up €6.3 million compared to €1.5 million for the year ended December 31, 2010. The increase was driven by the returns from a significantly higher cash balance that Telenet invested prior to the capital reduction of July 2011. To minimize the concentration of counterparty risk, the Company's cash equivalents, certificates of deposit and money market funds are placed with highly rated European and US financial institutions.

2.7.2 Interest expenses and foreign exchange loss

Interest expense and foreign exchange loss totaled €205.8 million for the year ended December 31, 2011, up from €152.2 million for the year ended December 31, 2010. The 35% increase is the cumulative effect of (i) a 17% or €374.8 million net increase in Telenet's indebtedness from December 31, 2010 to December 31, 2011, (ii) an increase in the overall interest margin on Telenet's Senior Credit Facility, following the maturity extension processes, and (iii) higher EURIBOR interest rates which set the basis for the majority of the interest expenses on the Senior Credit Facility.

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 and the second half of 2011, Telenet further optimized its portfolio of interest rate hedges to lower the average interest rates and extend the hedges' maturities to cover the entire duration of floating rate debt instruments up to 2021. As of December 31, 2011, Telenet held a combination of 6% of caps, 22% of collars and 72% of swap instruments that provide for a maximum average interest rate of 3.6% on top of 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 cash flows until such time as the derivatives are fully or partially settled. For the year ended December 31, 2011, the change in fair value of interest rate derivatives yielded a loss of €62.7 million versus a loss of €39.0 million for the year ended December 31, 2010, mainly driven by a downward shift of the projected forward interest rate curve.

The mark-to-market valuation of interest rate derivates depends on the evolution of the forward EURIBOR rates over the lifetime of such an instrument. To the extent the projected interest rates over the respective instruments' lifetime rise (fall), Telenet expects the mark-to-market valuation of these instruments to increase (decrease) and to have a positive (negative) impact on the Company's net result.

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 €686.5 million as part of the Company's financing optimizations, €11.4 million of transaction costs and related deferred financing costs were expensed for the year ended December 31, 2011, as compared to €7.9 million for the year ended December 31, 2010.

2.8 INCOME TAXES

For the year ended December 31, 2011, Telenet recorded an income tax expense of €36.9 million compared to an income tax expense of €57.2 million for the year ended December 31, 2010. The higher losses on derivative financial instruments for the year ended December 31, 2011 and the impairment on the intangible assets related to the DTT-license reduced overall profit before income taxes, which had a positive impact on the year-on-year evolution of deferred income tax expenses.

2.9 NET INCOME FROM CONTINUING OPERATIONS

Telenet recorded a net profit of €16.8 million for the year ended December 31, 2011, including a loss on interest rate derivatives of €62.7 million, a €11.4 million loss on extinguishment of debt and a €28.5 million impairment on the intangible assets related to the DTT-license, without which Telenet would have recorded a net profit of €119.4 million. For the year ended December 31, 2010, Telenet reported a net profit of €89.3 million, including a €39.0 million loss on interest rate derivatives and a €7.9 million loss on extinguishment of debt, without which Telenet would have recorded a net profit of €136.2 million. The underlying decrease in net profit, excluding losses on derivative financial instruments, losses on extinguishment of debt and impairments, primarily reflected the impact from higher interest expenses and amortizations of broadcasting rights following the acquisition of the broadcasting rights for Belgian football.

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:

For the years ended December 31, (in thousands of euro)	2011	2010
Net cash provided by operating activities	540,856	503,777
Net cash used in investing activities	(293,436)	(248,043)
Net cash provided by (used in) financing activities	(540,404)	238,138
Net increase (decrease) in cash and cash equivalents	**(292,984)**	**493,872**
Cash and cash equivalents:		
at January 1	639,581	145,709
at December 31	**346,597**	**639,581**

2.10.1 Net cash provided by operating activities

Net cash provided by operating activities increased by 7% to €540.8 million for the year ended December 31, 2011 compared to €503.8 million for the year ended December 31, 2010. The strong underlying cash generation from operations and a strong improvement of the change in working capital resulted in this increase which was partially offset by higher cash interest payments.

2.10.2 Net cash used in investing activities

Telenet used €293.4 million of net cash in investing activities for the year ended December 31, 2011, up 18% versus €248.0 million for the year ended December 31, 2010. The cash used in investing activities comprised the cash payments for the Company's capital expenditures, including the cash payment of €22.4 million for the first tranche of the Belgian football broadcasting rights, net of the proceeds received from other operators and broadcasters using a portion of these rights. Cash payments related to the broadcasting rights for the Belgian championship typically occur in the third and first quarter. *Please refer to Section 2.12 – Capital expenditures for detailed information about the underlying accrued capital expenditures.*

2.10.3 Free Cash Flow

For the year ended December 31, 2011, Telenet generated Free Cash Flow[1] of €246.3 million, compared to €257.8 million for the year ended December 31, 2010 representing 18% and 20% of revenue, respectively. The 4% year-on-year decrease in Free Cash Flow was predominantly driven by the €22.4 million cash payment for the Belgian football broadcasting rights and higher cash interest payments as discussed above, partially offset by overall business growth.

1 Free Cash Flow is defined as net cash provided by the operating activities of the Company's continuing operations less purchases of property and equipment and purchases of intangibles 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.

For the years ended December 31, (in thousands of euro)	2011	2010
Net cash provided by operating activities	540,856	503,777
Purchases of property and equipment	(216,300)	(194,549)
Purchases of intangibles	(78,254)	(51,494)
Free Cash Flow	**246,302**	**257,734**

2.10.4 Net cash provided by (used in) financing activities

Net cash used in financing activities amounted to €540.4 million for the year ended December 31, 2011, compared to net cash provided by financing activities of €238.1 million for the year ended December 31, 2010. Net cash used for the year ended December 31, 2011 primarily reflected the €509.0 million capital reduction paid to shareholders, net cash used of €14.6 million from the issuance of additional debt and the early redemption of certain Term Loans with shorter maturities and €34.1 million related to various lease repayments, including the scheduled repayment of the Telenet Partner Network capital lease and of the 3G mobile spectrum.

The net cash provided by financing activities for the year ended December 31, 2010 reflected the capital reduction of €249.8 million paid to shareholders, partially offset by the drawdown of Term Loans B2A and E2 for an aggregate of €135.0 million. In addition, Telenet launched two new debt issuances under the Senior Credit Facility at the end of 2010 for an aggregate amount of €600.0 million, of which €208.7 million was used to early redeem a proportion of Term Loans with shorter maturities.

2.11 DEBT PROFILE, CASH BALANCE AND LEVERAGE RATIO

2.11.1 Debt profile

As of December 31, 2011, Telenet carried a total debt balance of €2,959.5 million, of which €1,229.6 million is owed under the Senior Credit Facility and €1,300.0 million is related to the four Notes issued in 2010 and 2011. It also included €60.7 million for the outstanding portion of the 3G mobile spectrum. The remainder primarily represents the capital lease obligations associated with the Interkabel Acquisition. During the year ended December 31, 2011, Telenet has continued to improve its debt repayment profile through the issuance of €300.0 million principal amount of Senior Secured Fixed Rate Notes due 2021 and €400.0 million principal amount of Senior Secured Floating Rate Notes due 2021 by independent financing companies that the Company consolidates. Telenet used substantially all of the proceeds from the €300.0 million Senior Secured Fixed Rate Notes to redeem Term Loans K and L1.

In addition, Telenet launched a voluntary exchange process for Term Loan G under the Senior Credit Facility. Existing lenders in Term Loan G were requested to exchange their existing participations and commitments for participations and commitments in new Term Loans either with unchanged maturity at July 31, 2017 (Term Loan Q) or with an extended maturity of two years to July 31, 2019 (Term Loan R), in each case re-priced in line with current market conditions. After the closing of this transaction early July 2011, the entire proceeds of the €400.0 million issuance of Senior Secured Floating Rate Notes were used on July 29, 2011 to fully redeem the remaining part of the existing Term Loans G and J.

The voluntary exchange and re-pricing process, together with the redemption of shorter-term maturities, resulted in a further extension of the average maturity of the Senior Credit Facility to approximately 8 years. Hence, Telenet will not face any debt amortizations before mid-November 2016. These transactions were part of a larger financing framework under which the Company seeks to extend the average maturity profile and improve the stability of its debt capitalization by providing additional cash flow flexibility at very attractive market conditions.

As part of the voluntary debt and exchange process referred to above, Telenet also extended on July 22, 2011 the availability of the Revolving Facility to December 31, 2016. The committed undrawn amount was revised to €158.0 million with an applicable margin of 2.75% over the EURIBOR rate.

2.11.2 Debt overview and payment schedules

As a result of the recent refinancing operations, a portion of interest expenses are now being paid on a semi-annual basis rather than on a monthly basis, which was primarily the case for the year ended December 31, 2010. The table below provides an overview of Telenet's debt instruments and payment schedule after the debt exchange and re-pricing process.

December 31, 2011 (in thousands of euro)	Total Facility	Drawn amount	Undrawn amount	Maturity Date	Interest rate	Interest payments due
2011 Amended Senior Credit Facility						
Term Loan Q	431,038	431,038	-	July 31, 2017	Floating - Euribor + 3.25%	Monthly
Term Loan R	798,634	798,634	-	July 31, 2019	Floating - Euribor + 3.625%	Monthly
Revolving Credit Facility	158,000	-	158,000	December 31, 2016	Floating - Euribor + 2.75%	Not applicable
Senior Secured Fixed Rate Notes						
€500 million Senior Secured Notes due 2020	500,000	500,000	-	November 15, 2020	Fixed - 6.375%	Semi-annually (May and Nov.)
€100 million Senior Secured Notes due 2016	100,000	100,000	-	November 15, 2016	Fixed - 5.30%	Semi-annually (May and Nov.)
€300 million Senior Secured Notes due 2021	300,000	300,000	-	February 15, 2021	Fixed - 6.625%	Semi-annually (Feb. and Aug.)
Senior Secured Floating Rate Notes						
€400 million Senior Secured Notes due 2021	400,000	400,000	-	June 15, 2021	Floating - 3M Euribor+3.875%	Quarterly (March, June, Sep. and Dec.)
Total notional amount	**2,687,672**	**2,529,672**	**158,000**			

2.11.3 Cash balance and availability of funds

As of December 31, 2011, Telenet held €346.6 million of cash and cash equivalents, compared to €639.6 million as of December 31, 2010. The Company manages and optimizes its cash balance on a daily basis and according to balanced counterparty risks. Under the Senior Credit Facility Telenet has access to the additional committed Revolving Facility of €158.0 million, subject to compliance with the covenants mentioned below, with availability up to and including December 31, 2016.

2.11.4 Leverage ratio

As of December 31, 2011, the outstanding balance of the Senior Credit Facility and outstanding cash balance resulted in a Net Total Debt to EBITDA ratio[1] of 3.2x, up compared to 2.8x as of December 31, 2010. The year-on-year increase in the leverage ratio was attributable to the payment of the €509.0 million shareholder disbursement in July 2011. The Company's current leverage ratio is significantly below the covenant of 6.0x and the availability test of 5.0x. Going forward, Telenet continues to target a broadly stable leverage ratio in the range of 3.5x-4.5x Net Total Debt to EBITDA.

2.12 CAPITAL EXPENDITURES

Accrued capital expenditures[2] were €470.2 million for the year ended December 31, 2011, including €71.5 million related to the 3G mobile spectrum license and €88.8 million related to the acquisition of the Belgian football broadcasting rights, including the non-exclusive broadcasting rights for the remaining five league games (lot 3) for the next two seasons. Excluding the impact of the 3G mobile spectrum and the Belgian football broadcasting rights, accrued capital expenditures for the year ended December 31, 2011 amounted to €309.9 million, representing approximately 23% of revenue, up from €285.6 million for the year ended December 31, 2010 excluding the impact from the acquisition of the DTT-license. This underlying 9% year-on-year increase in accrued capital expenditures was primarily driven by higher success-based capital expenditures as a result of customers migrating to EuroDocsis 3.0-enabled Fibernet product, thus generating a higher ARPU, and network upgrades including the Pulsar node splitting project.

For the year ended December 31, 2011, set-top box expenditures represented €43.3 million, or 14% of total accrued capital expenditures, excluding accrued capital expenditures related to the acquisition of Belgian football broadcasting rights and 3G mobile spectrum, as compared to €63.1 million for the year ended December 31, 2010. Customer installations amounted to €77.8 million for the year ended December 31, 2011, or 25% of total accrued capital expenditures excluding accrued capital expenditures related to the acquisition of Belgian football broadcasting rights and 3G mobile spectrum, primarily boosted by migrations to Fibernet broadband products, for which Telenet installs a brand-new EuroDocsis 3.0 home gateway. Through this home gateway, Telenet is able to remotely monitor the quality of service, which should have a positive impact on the number of technical customer visits in the future.

Accrued capital expenditures for network growth and upgrades amounted to €99.0 million for the year ended December 31, 2011, or 32% of total accrued capital expenditures, excluding accrued capital expenditures related to the acquisition of Belgian football broadcasting rights and 3G mobile spectrum, and included investments for Telenet's node splitting project. The remainder of accrued capital expenditures includes refurbishments and replacements of network equipment, sports content acquisition costs other than those related to Belgian football and recurring investments in IT-platform and systems. This implies that 71% of accrued capital expenditures, excluding accrued capital expenditures related to the acquisition of Belgian football broadcasting rights and 3G mobile spectrum, for the year ended December 31, 2011 were scalable and subscriber growth related.

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 additions from capital leases and other financing arrangements, as reported in the Company's consolidated statement of financial position 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 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;
- Instability in global financial markets, including the sovereign debt issue in the European Union and related fiscal reforms;
- 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, and 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;
- 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;
- Technical failures, equipment defects, physical or electronic break-ins to the services, computer viruses and events that are outside of Telenet's control, such as political unrest in international markets, terrorist attacks, malicious human acts, 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.

4 Information about subsequent events

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

5 Information on research and development

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.

In February 2010, Telenet launched its "Digital Wave 2015" investment program aimed at delivering a next generation broadband internet network. One of the cornerstones of this project is Pulsar, a network investment program aimed at reducing the number of homes passed per optical node from an average of 1,400 homes today on average to an average of 500 homes passed by the end of 2015. Powered by its strong HFC network, Telenet will develop new applications and features, such as smart metering, e-health and others, either on a stand-alone basis or through mutual value-accretive partnerships.

Mid-December 2011, Telenet launched its Homespot concept, which is a complement to the Telenet hotspot network which is freely accessible for existing Telenet customers. Through the two antennas the Telenet modem is able to transmit two signals: one for private use and another one for public use. Hence, Telenet internet customers will soon be able to surf for free on their smartphones, laptops and tablets by using their friends' or relatives' wireless network.

In 2004, Telenet was the first operator in Belgium to launch "FreePhone", enabling unlimited calls to landlines in Belgium during off-peak hours. In November 2011, Telenet introduced a new feature on this flat-fee rate plan, called "FreePhone Mobile". Thanks to "FreePhone Mobile" Telenet's fixed telephony customers can make free calls to mobile lines in Belgium during off-peak hours.

At the end of 2010, Telenet launched Yelo, its new multimedia platform enabling digital cable television subscribers to watch their favorite shows, films and episodes through their mobile device at their own discretion. At the same time, Telenet added automated programming features and an EPG to the product. In the near future, Telenet will add additional features to this product.

In June 2011, Telenet Tecteo Bidco NV acquired the 4th 3G mobile spectrum license, through a partnership between Telenet NV and the Walloon cable operator Tecteo SCRL. Having acquired valuable and scarce spectrum at the minimum reserved price, Telenet believes it has obtained an important insurance policy to protect against potential future value constraints. Telenet will now seek to operate these frequencies in a capital efficient manner, leveraging as much as possible on existing infrastructure assets. As per the agreement, Telenet Tecteo Bidco NV must roll out commercial services by March 2013.

6 Use of financial instruments

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

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

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

7 Corporate governance statement

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 2011.

7.1 REFERENCE CODE

The Corporate Governance Charter of the Company has last been updated on July 28, 2011, following the publication of new legislative initiatives, and can be consulted on the investor website of the Company (http://investors.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, the Company is 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 2011, Telenet witnessed again some important legal and regulatory developments.

The most relevant regulatory development for the Company in 2011 was the new regulation by the sector regulators regarding the broadband and broadcasting markets in Belgium. In addition, the following developments have occurred which have or could have an impact on the Company's corporate governance: new regulation relating to the exercise of certain rights by shareholders of listed companies, new regulation on quota relating to gender diversity within the board of directors of listed companies and new regulation relating to variable remuneration of non-executive directors in listed companies.

(a) New regulation by the sector regulators

In December 2010, the BIPT, the Belgian National Regulatory Authority, and the regional regulators for the telecommunications and media sectors published their respective draft decisions reflecting the results of their joint analysis of the retail television market in Belgium. In addition, the BIPT published an analysis of the wholesale broadband market in Belgium. These draft decisions aimed to impose regulatory obligations on cable operators and Belgacom, the incumbent telecommunications operator.

The regulatory authorities held a public consultation on the proposed measures and published the comments made by various market players. Based on these comments, the regulatory authorities made some changes to the draft decisions. The draft decisions were then notified to the European Commission by the Belgian Conference of Regulators for Electronic Communications ("CRC"), a body which brings together the BIPT and the regional regulators. On June 20, 2011, the European Commission sent a letter to the CRC criticizing the analysis of the broadcasting markets. The Commission more specifically criticized the fact that the regulators failed to analyze upstream wholesale markets. It also expressed doubts as to the necessity and proportionality of the various remedies.

The regulatory authorities nevertheless adopted a final decision on July 1, 2011 (the July 2011 Decision) after making some further changes to the text of their initial draft decisions. The July 2011 Decision was notified to Telenet on July 18, 2011. The regulatory obligations imposed by the July 2011 Decision include (i) an obligation to make a resale offer at "retail minus" of the cable analog package available to third-party operators (including Belgacom); (ii) an obligation to grant third-party operators (except Belgacom) access to digital television platforms; and (iii) an obligation to make a resale offer at "retail minus" of broadband internet access available to beneficiaries of the digital television access obligation that wish to offer bundles to their customers. A "retail-minus" method would imply a wholesale tariff calculated as the retail price for the offered service, excluding VAT and copyrights, and further deducting the retail costs avoided by offering the wholesale service (such as, for example, costs for billing, franchise, consumer service, marketing, and sales). The implementation of the July 2011 Decision will take more than twelve months.

For Belgacom, the regulatory obligations include (i) an obligation to provide wholesale access to the local loop; (ii) an obligation to provide wholesale internet access at bitstream level; and (iii) an obligation to provide wholesale multicast access for distribution of television channels.

Telenet believes that there are serious grounds to challenge the findings of the regulators' television market analysis and the resulting regulatory obligations, and has lodged an appeal against the July 2011 Decision with the Brussels Court of Appeal. It cannot be excluded, however, that one or more regulatory obligations will be eventually upheld. Telenet expects a judgment in appeal in the second quarter of 2012.

The July 2011 Decision aims to, and in its application may, strengthen Telenet's competitors by granting them access to Telenet's network and lowering their costs to offer competing products and services. In addition, any access granted to competitors could (i) limit the bandwidth available to Telenet to provide new or expanded products and services to the customers served by its network; and (ii) adversely impact Telenet's ability to maintain or increase its revenue and cash flows. The extent of any such adverse impacts ultimately will be dependent on whether the July 2011 Decision is implemented in its current form and, if implemented, the wholesale rates established by the regulatory authorities and the extent that competitors take advantage of the access ultimately afforded to Telenet's network.

(b) Shareholders rights

On December 20, 2010, the Parliament approved a new law concerning the exercise of certain rights of shareholders in listed companies as amended on April 5, 2011. This law entered into force as of January 1, 2012. In anticipation of this legislation, which was only published on April 28, 2011, the extraordinary shareholders' meeting of April 27, 2011 has approved certain amendments to the articles of association in relation to the convocation formalities of the shareholders' meetings and the exercise of shareholders' rights.

(c) New regulation on quota relating to gender diversity within the board of directors of listed companies

On July 28, 2011, the Parliament approved a new law regarding the fair representation of both genders within the board of directors of, amongst others, listed companies. By the end of 2016 at the latest, at least one third of the members of a board of directors should be of the opposite gender of the other members of the board. The law foresees in a double penalty system: all appointments made after 2016 disregarding the compulsory composition of the board, will be null and void, and all advantages to the directors, both financial and others, will be suspended until the composition of the board respects the requirements of the law. In accordance with this recent legislation, by the end of 2016 at the latest, Telenet expects to have a composition of the board of directors whereby at least one third of its board members is of the opposite gender as the other members.

(d) New regulation on remuneration of non-executive directors

On November 7, 2011, the Parliament approved a new law regarding the variable remuneration of non-executive directors in listed companies, requiring the approval of the provisions relating to the variable remuneration in the agreement with the non-executive director by the first following ordinary general shareholders' meeting. Since Telenet is not paying variable remuneration to its non-executive directors, the impact of this new legislation is limited.

7.3 CAPITAL AND SHAREHOLDERS

7.3.1 Capital and securities

The share capital of the Company amounted to €294,190,333.96 as at December 31, 2011 and was represented by 113,516,857 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.

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, 2011, there were 346,025 options of Class A, no profit certificates of Class A, and no more options of Class B or profit certificates of Class B outstanding under the ESOP 2004. More details on the outstanding options 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 (as of 2011 called Remuneration & Nomination 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, 2009 and 2010, the HRO Committee and the board of directors have organized seven grants under the ESOP 2007, for an aggregate number of respectively 1,129,100 warrants in 2008, 1,484,000 warrants in 2009 and 189,900 warrants in 2010. 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 Remuneration & Nomination Committee (formerly the HRO Committee) can grant the warrants to selected beneficiaries, over a maximum period of 3 years as from the issue date. The warrants vest on a quarterly basis over a period of four years. In 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. In 2011, the Remuneration & Nomination Committee has organized one grant under the ESOP 2010, for an aggregate number of 147,500 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. As of March 1, 2011, the first tranche of 250,000 options (290,323 after giving effect to the impact of the 2011 capital reduction) under the SSOP 2010-2014 vested following the confirmation by the board of directors on February 23, 2011 that the performance criteria for 2010 were effectively realized. As of March 1, 2012, the second tranche of 200,000 options (232,258 options after giving effect to the impact of the 2011 capital reduction) under the SSOP 2010-2014 vested following the confirmation by the board of directors on February 15, 2012 that the performance criteria for 2011 were effectively realized. 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.

On May 29, 2008, the extraordinary shareholder's meeting of the Company approved the issuance of a new Employee Share Purchase Plan ("ESPP 2011") for a maximum amount of €23.5 million. In February 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 communicated on March 24, 2011. Based on the average share price of €31.65 during this 30-day period, the shares were offered to the personnel at a subscription price of €26.38. The 341,168 shares that were purchased were fully vested at the time of the transaction.

In December 2011, Telenet granted certain of its Executive Team members (other than its Chief Executive Officer) a total of 31,914 performance shares ("the 2011 Telenet Performance Shares"). The performance target applicable to the 2011 Telenet Performance Shares is the achievement of a compound annual growth rate (CAGR) for operating free cash flow (OFCF), when comparing 2013 OFCF to 2010 OFCF. A performance range of 75% to 150% of the target OFCF CAGR would generally result in award recipients earning 50% to 150% of their 2011 Telenet Performance Shares, subject to reduction or forfeiture based on individual performance and service requirements. The earned 2011 Telenet Performance Shares will vest on December 6, 2014. More details on the outstanding 2011 Telenet Performance Shares 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 2011:

- On April 12, 2011, the share capital was increased by €2,617,885.60 through the exercise of 298,629 ESOP 2007 warrants and 70,498 ESOP 2010 warrants, creating 369,127 new ordinary shares. An amount of €2,978,460.53 was recorded as issue premium. At the same time 36,709 Class B profit certificates were converted into 36,709 new ordinary shares, increasing the capital with €205,203.31, bringing the share capital of the Company to €800,172,762.39 and the total number of shares to 112,833,876.
- On April 27, 2011, pursuant to the ESPP 2011, the share capital was increased by €2,419,426.99, creating 341,168 new shares, bringing the share capital of the Company to €802,592,189.38 and the total number of shares to 113,175,044.
- On April 27, 2011, the share capital was decreased with €509,287,698.00, reducing the share capital to €293,304,491.38, without cancellation of shares.
- On October 12, 2011, the share capital was increased by €677,356.13 through the exercise of 201,457 ESOP 2007 warrants and 59,909 ESOP 2010 warrants, creating 261,366 new ordinary shares, bringing the share capital of the Company to €293,981,847.51 and the total number of shares to 113,436,410. An amount of €2,972,353.66 was recorded as issue premium.
- On December 22, 2011, the share capital was increased by €208,486.45 through the exercise of 57,754 ESOP 2007 warrants and 22,693 ESOP 2010 warrants, creating 80,447 new ordinary shares, bringing the share capital of the Company to €294,190,333.96 and the total number of shares to 113,516,857. An amount of €980,592.13 was recorded as issue premium.

7.3.3 Shareholders

IMPORTANT MOVEMENTS IN SHAREHOLDINGS

Transparency declarations

In the course of 2011, the Company received the following transparency declarations:

- On April 4, 2011, the Company received a transparency declaration from BNP Paribas Investment Partners SA, according to which, as of March 29, 2011, BNP Paribas Investment Partners SA held 5.05% of the outstanding voting securities.
- On May 10, 2011, the Company received a transparency declaration from BNP Paribas Investment Partners SA, according to which, as of May 6, 2011, BNP Paribas Investment Partners SA held 4.97% of the outstanding voting securities.
- On July 7, 2011, the Company received a transparency declaration from BNP Paribas Investment Partners SA, according to which, as of June 30, 2011, BNP Paribas Investment Partners SA held 5.00% of the outstanding voting securities.
- On July 14, 2011, the Company received a transparency declaration from BNP Paribas Investment Partners SA, according to which, as of July 11, 2011, BNP Paribas Investment Partners SA held 4.94% of the outstanding voting securities.
- On October 25, 2011, the Company received a transparency declaration from AXA SA, according to which, as of October 20, 2011, AXA SA held 3.02% of the outstanding voting securities.
- On November 4, 2011, the Company received a transparency declaration from AXA SA, according to which, as of November 2, 2011, AXA SA held 2.95% of the outstanding voting securities.

On February 3, 2012, the Company received a transparency declaration from AXA SA, according to which, as of February 1, 2012, AXA SA held 3.11% 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 held a stake in Telenet Group Holding NV that exceeded 30% of the total share capital. On August 28, 2008, on August 27, 2009, August 31, 2010 and on August 29, 2011, the Company received an update of this notification.

All these declarations can be consulted on the Company's investor relations website: http://investors.telenet.be.

Share Repurchase Program 2011

On August 9, 2011, the Company announced the initiation of a share repurchase program (the "Share Repurchase Program 2011"). Under this program, the board of directors may acquire from time to time its common stock, for a maximum of 1,000,000 shares within a nine-month period from the date of approval of the program by the board of directors. These share repurchases take place under the conditions as approved by the extraordinary general shareholders' meeting of May 28, 2009. Telenet has mandated an intermediary to repurchase Telenet shares on its behalf. All repurchased shares will be held by the Company to cover the Company's obligations under existing stock option plans. For as long as they remain in possession of the Company, the dividend rights for these shares will be suspended.

Under this program, the Company disclosed several repurchases, on August 22, 2011, October 3, 2011, October 12, 2011 and on December 5, 2011.

Until December 31, 2011, the Company had acquired 220,352 own shares for a total amount of €5.8 million, being 0.19 % of the total number of outstanding shares at that time and representing a par value of €570,711.68.

Share Repurchase Program 2012

On February 16, 2012, the Company announced the initiation, as of February 20, 2012, of a second share repurchase program, referred to as the "Share Repurchase Program 2012". Under this program, the Company may acquire from time to time up to maximum 3 million of its outstanding ordinary shares, for a maximum consideration of €50 million, within the six months following February 20, 2012. All repurchased shares will be cancelled by the Company.

This Share Repurchase Program 2012 replaces the Share Repurchase Program 2011, which contained certain maximum price limits that are no longer relevant today given changed market circumstances.

The current status of the Share Repurchase Program 2012 can be found on the Company's investor relations website: http://investors.telenet.be.

Shareholder structure

The shareholder structure of the Company as at December 31, 2011, was as follows:

Shareholders	Outstanding shares	Percentage	(Options) on PCs	Warrants	Total (fully diluted)	Percentage (fully diluted)
Binan Investments B.V. (Liberty Global Inc.) (*)	56,844,400	50.08%			56,844,400	47.63%
BNP Paribas Investment Partners SA	5,592,018	4.93%			5,592,018	4.69%
Norges Bank	5,059,301	4.46%			5,059,301	4.24%
AXA S.A.	3,342,592	2.94%			3,342,592	2.80%
Employees	361,318	0.32%	346,025	5,479,559	6,186,902	5.18%
Own Shares	220,352	0.19%			220,352	0.18%
Public (**)	42,096,876	37.08%			42,096,876	35.27%
TOTAL	**113,516,857**	**100.00%**	**346,025**	**5,479,559**	**119,342,441**	**100.00%**

(*) Including 94.827 Liquidation Dispreference Shares
(**) 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.

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 2012, this will be on April 25.

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 investor relations website (http://investors.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 7.3.3 of this Statement.
- On December 31, 2011, 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.
- The Performance Share Plan 2011 concluded between Telenet NV and the members of the Executive Team also contains change of control wording. The relevant provisions will be submitted for approval 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, the strategy and the values of the Company (see also section 1 Information on the Company to 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 Audit Committee monitors the effectiveness of the internal control and risk management system of the Company, and reviews it every year.

Liberty Global Inc. ("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 investor relations website investors.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.

In the area of revenue assurance, a structured risk management approach was set up based upon a formal risk assessment.

In December 2011, the Company's internal auditor has reviewed the risk management maturity for all risk areas and the implementation of the risk framework. The findings and proposed action plans were presented to the Audit Committee and the board of directors, which has decided to implement the proposed action plans in order to further optimize (the maturity of) the company's control framework.

Control activities

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 the control owners 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.

Assurance

Although the above measures are designed to limit the risks inherent to the company's business and operations to the maximum extent, the determination of the risk framework and the set-up of the control systems provide reasonable but not absolute certainty that none of these risks will effectively materialize.

7.4.3 Most important risks

For a description of the main risks to which the Company is exposed, 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 see Note 5.3 Risk management to the consolidated financial statements.

7.5 BOARD OF DIRECTORS

7.5.1 Composition

a) General

On December 31, 2011, the board of directors of the Company was composed of 14 members. With the exception of the Managing Director (CEO), all directors are non-executive directors.

There are five independent directors within the meaning of article 526ter of the Belgian Company Code, the Belgian Corporate Governance Code and the articles of association of the Company: Mr. Frank Donck, Mr. Alex Brabers, 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, a wholly-owned direct subsidiary of the Company, also has five independent directors appointed within the meaning of article 526ter Belgian Company Code and the Corporate Governance Code: Mr. Frank Donck, Mr. Alex Brabers, 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 are identical to those of Telenet Group Holding NV.

As of December 30, 2011, Mr. Shane O'Neill has resigned as director of the Company and its direct subsidiaries.

The board of directors of the Company is aware that Mr. Friso van Oranje-Nassau will likely not be able to attend the board meetings for a prolonged period of time, but given the current circumstances the board of directors prefers not to change his mandate as board member of the Company.

The mandates of Mr. Duco Sickinghe, Mr. André Sarens, Mr. Charles Bracken and Cytifinance NV (with as permanent representative Mr. Michel Delloye) as director of Telenet Group Holding NV expire at the annual shareholders' meeting of 2012. All other director mandates of Telenet Group Holding NV expire at the annual shareholders' meeting of 2015, except for the mandates of Mr. Frank Donck, Mr. Alex Brabers, Mr. Friso van Oranje-Nassau and De Wilde J. Management BVBA (with as permanent representative Mr. Julien De Wilde), which expire at the annual shareholders' meeting of 2014. Mr. Duco Sickinghe and Mr. Charles Bracken will be nominated for re-election as directors of the Company. Cytindus NV (with as permanent representative Mr. Michel Delloye) will also be nominated for re-election as directors of the Company. Mr. Niall Curran will resign as a director of the Company and Mrs. Angela McMullen will be nominated for election as director of the Company. Mr. André Sarens will not be nominated for re-election, but will be appointed as "observer" of the board of directors.

At the level of the board of directors of Telenet NV, Mr. Duco Sickinghe, and Mr. Charles Bracken will be nominated for re-election as directors. All other directors will voluntarily resign as director, except for Mrs. Ruth Pirie, Mr. Jim Ryan and Mr. Frank Donck.

The board of directors of Telenet Vlaanderen NV currently consists of 6 members, namely Mr. Charles Bracken, Mrs. Ruth Pirie, Mr. Balan Nair, Mr. Frank Donck (chairman), Mr. Duco Sickinghe and one additional director, appointed upon nomination of Interkabel Vlaanderen CVBA, Mrs. Leen Verbist. As of April 25, 2012, Mr. Charles Bracken, Mr. Duco Sickinghe and Mrs. Leen Verbist will be nominated for re-election and Mr. Jim Ryan will be nominated for election as additional director of Telenet Vlaanderen NV.

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.

Except 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, 2011, 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	Independent director	CM	CM
Alex Brabers	Executive Vice President Technology, GIMV	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 Electrabel		•	•
Duco Sickinghe	Chief Executive Officer & Managing Director Telenet		•	•
Charles H. Bracken	Executive Vice President & Co-Chief Financial Officer (Principal Financial Officer) of Liberty Global, Inc.	Liberty Global Consortium	•	•
Diederik Karsten	Executive Vice President, European Broadband Operations of Liberty Global, Inc.	Liberty Global Consortium	•	•
Balan Nair	Executive Vice President & Chief Technology Officer Liberty Global Inc.	Liberty Global Consortium	•	•
Manuel Kohnstamm	Managing Director Public Policy & Communications UPC Corporate	Liberty Global Consortium	•	•
Niall Curran	Acting President & Chief Operating Officer Chellomedia BV	Liberty Global Consortium	•	•
Ruth Pirie	CFO Liberty Global Europe Holding	Liberty Global	•	•
Jim Ryan	Senior Vice President & Chief Strategy Officer of Liberty Global, Inc.	Liberty Global	•	•
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

Mr. Dieter Nieuwdorp, VP Corporate Counsel of Telenet, acts as secretary of the board of directors and its committees.

b) Diversity

The Company strives for diversity within the board of directors, creating a mixed balance between executive directors, non-executive directors and independent directors, their diverse competences and experience, their ages and nationality and their specific knowledge of the telecommunications and media sector.

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. A first step is the proposal to nominate Mrs. Angela McMullen for election as director of the Company. In accordance with the new legislation in this respect, by the end of 2016 at the latest, Telenet expects to have a composition of the board of directors whereby at least one third of its board members is of the opposite gender as the other members.

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 and independent director (°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 7.6 c) of this Statement.

Alex Brabers, independent 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 Executive Vice President and Co-Chief Financial Officer of LGI, positions he has held since January 2012 and June 2005, respectively, with responsibility for Group Treasury, Tax and Financial Planning. Previously, he was Senior Vice President from April 2005 to January 2012. 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.

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, and was recently named Executive Vice President, European Broadband Operations of Liberty Global, Inc.. 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 VECAI, the Dutch Association of Cable Operators, European Cable Communications Association and International Communications Round Table. He also serves as chairman of Cable Europe.

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. Ms. Pirie began her career as an Auditor, spending 5 years in a Chartered Accountants practice achieving the position of Senior Audit Manager. During this time she completed her accountancy training and qualified as a Fellow of the Chartered Association of Certified Accountants in 1993.

Jim Ryan, director (°1965)

Jim Ryan has been with Liberty Global Europe Holding BV and its predecessors since 2000. He is currently Senior Vice President & Chief Strategy Officer and is responsible for corporate development and strategy focusing on M&A, strategic planning and group strategy for the operations of LGI. Since June 2005, Mr. Ryan has global responsibility for strategy and strategic planning across the regions of LGI's 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 and of Electrabel Green Projects Flanders.

Balan Nair, director (°1966)

Balan Nair is an Executive Vice President and the Chief Technology Officer of Liberty Global, Inc., positions he has held since January 2012 and July 2007, respectively. Before being named an Executive Vice President, Mr. Nair was Senior Vice President from July 2007 to January 2012. 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 and Arseus.

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. 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-Nassau 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-Nassau 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.

7.5.2 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 board of directors has installed a number of committees to assist the board with the analysis of specific issues. These committees advise the board on the relevant topics, but the decision power remains with the board of directors as a whole.

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 2011, there were six scheduled board of directors meetings (one by conference call) and eight non-scheduled board of directors meetings (all 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.

The directors are deemed to avoid, to the extent possible, to perform any actions, to defend certain positions, and to pursue certain interests, if this would conflict, or would give the impression to conflict, with the interests of Telenet. If such conflicts of interest would occur, the director concerned shall immediately inform the chairman hereof. The directors shall then comply with the applicable legal provisions of the Belgian Company Code and, more in particular, abstain from deliberation and voting on the transaction in which the conflict situation arises. The director shall inform the statutory auditor in writing about the conflict of interest. The minutes shall contain the required mentions and an excerpt shall be published in the annual report.

Transactions and/or business relationships between directors and one or more companies of the Telenet Group, which do not strictly fall under the application of article 523 of the Belgian Company Code, should always take place at normal market conditions. The director concerned informs the chairman of the board of directors in advance about such transactions.

7.5.3 Evaluation of the board of directors

Every two years, the board of directors assesses its functioning and its relation with the Company's executive management. The evaluation exercise is usually 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 Remuneration & Nomination Committee and the board of directors. Appropriate action is taken on those items that require improvement. The last formal evaluation took place in March 2012, among others in view of the re-appointment of certain directors. Once a year, the non-executive directors make an evaluation of their interaction with the executive management, whereby they meet in the absence of the executive director and the management of the Company.

In March 2011, the Remuneration & Nomination Committee has reviewed the composition, the size and the functioning of the board of directors of the Company, its main subsidiaries and the different committees within the board of directors. This assessment took into account different elements, amongst others the composition and functioning of the board of directors and its committees, the thoroughness with which material subjects and decisions are prepared and discussed, the actual contribution of each director in terms of presence at board and/or committee meetings and the constructive involvement in the deliberation and resolutions, the evaluation whether the effective composition corresponds with the desirable or ideal composition, the application of the corporate governance rules within the Company and its bodies, and an evaluation of the specific roles such as chairman of the board and chairman or member of a board committee. As a result thereof, and in order to increase the efficiency of the board meetings, the board composition was changed in 2011, by reducing the size of the board and the appointment of additional independent directors.

In 2012, the board of directors will propose to the general shareholders' meeting to further reduce the size of the board of directors of the Company (by not replacing Mr. Shane O'Neill and Mr. André Sarens). The board of directors of Telenet NV will be reduced to five directors to increase the efficiency of the board meetings at that level.

Subject to the approval of the new composition of the boards of the Company and of Telenet NV by the general shareholders' meetings of April 25, 2012, the composition of the different board committees will be amended accordingly.

The board of directors believes that these changes are in the best interest of the Company, since smaller sized board and committees make it possible to have more in depth discussions and should increase the participation of the different members to the meetings.

Given the increasing impact and importance of 'sustainability' on Telenet's business, the board of directors has decided on February 15, 2012, to establish a "Sustainability Committee", which will deal with all matters relating to the design, implementation and monitoring of Telenet's sustainability program (known as the "LEAP program"). This Committee will be joined with the Strategic Committee, which will be renamed to the "Strategy & Sustainability Committee".

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 & Nomination Committee and a Strategy & Sustainability Committee.

On December 31, 2011, the different board committees were composed as follows:

Name	Audit Committee	Remuneration & Nomination Committee	Strategic Committee
Frank Donck		CM	ATN
Alex Brabers	CM		•
André Sarens	•		
Charles H. Bracken	•	•	CM
Ruth Pirie	ATN		
Jim Ryan			•
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	
Jozef Roos (JROOS BVBA)		ATN	

CM: Chairman
ATN: Attendee

As of April 25, 2012 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 & Nomination Committee	Strategy & Sustainability Committee
Frank Donck		CM	ATN
Alex Brabers	CM		•
Charles H. Bracken	•	•	CM
Ruth Pirie	ATN		
Jim Ryan			•
Michel Delloye (Cytindus NV)	•		•
Julien De Wilde (De Wilde J. Management BVBA)		•	•
Friso van Oranje-Nassau	•		

CM: Chairman
ATN: Attendee

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-Nassau. Currently, the Audit Committee is composed of five members, including three independent directors of Telenet Group Holding NV. 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 Luxemburg 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 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. Subject to the approval of certain proposals regarding the composition of the board of directors by the general shareholders' meeting of April 25, 2012, the Audit Committee will be composed of four members including three independent directors of Telenet Group Holding NV. Both the current composition and the newly proposed composition conform to article 526bis §1 of the Belgian Company Code regarding the composition of Audit Committees within listed companies, as introduced in December 2008, and the Corporate Governance Code 2009.

In 2011, the Committee convened six 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. The Audit Committee, together with the internal audit function (which is partially outsourced, see under "Internal Audit"), also 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. Finally, the Committee convened to discuss and advise the board on the appointment of an external accounting firm to perform the role of "internal auditor" for the Telenet Group.

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 was presented to and approved by the annual general shareholders' meeting of April 27, 2011.

The Remuneration & Nomination Committee

The principal tasks of the Remuneration & Nomination 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.

Furthermore, the Remuneration & 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 Committee is composed exclusively of non-executive directors and has three members. Two members are independent directors of the Company. The chairman of the board of directors also serves as chairman of the Remuneration & Nomination Committee.

The members of the Remuneration & Nomination Committee as of the date hereof were: Mr. Frank Donck, chairman; Mr. Charles Bracken, and Mr. Julien De Wilde (as permanent representative of De Wilde J. Management BVBA). Until April 25, 2012, the meetings will also be attended by Mr. Guido De Keersmaecker (as permanent representative of Abaxon BVBA) and Mr. Jozef Roos (as permanent representative of JRoos BVBA), two independent directors of Telenet NV, provided there is no conflict of interest.

In 2011, the Remuneration & Nomination Committee met four 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, the composition of the different board committees and a renewed concept of remuneration for the executive management.

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

The Strategic Committee (as of February 15, 2012 "Strategy & Sustainability Committee")

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

The Committee was chaired in 2011 by Mr. Charles Bracken, and was further composed of three independent directors and one other non-executive director nominated by the Liberty Global Consortium.

The Strategic Committee convened four times in 2011, in order to discuss potential joint venture and acquisition projects and other important strategic matters of the Telenet Group.

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 (and one ad hoc meeting) are presented in this overview, since they serve as basis for the calculation of the attendance fees.

Name	Board of Directors (7)	Audit Committee (6)	Remuneration & Nomination Committee (4)	Strategic Committee (4)
Frank Donck	7 (CM)		3 (CM)	
Alex Brabers	7	6 (CM)		4
Michel Delloye (Cytifinance NV)	6	5		4
Julien De Wilde (De Wilde J. Management BVBA)	5		3	3
Friso van Oranje-Nassau	7	3 (of 4)		
André Sarens	7	6		
Duco Sickinghe	7			
Charles H. Bracken	6	3	2	3 (of 3) (CM)
Shane O'Neill	2			1 (of 1)
Diederik Karsten	0			
Balan Nair	2 (of 5)			
Manuel Kohnstamm	3			
Niall Curran	6			
Ruth Elisabeth Pirie	4			
Jim Ryan	6			3 (of 3)
Bernard G. Dvorak	0 (of 2)	1 (of 1)		
Guido De Keersmaecker (Abaxon BVBA)	7			
Jozef Roos (JROOS BVBA)	7			
Michel Allé	7			

CM: Chairman

7.5.6 Application of legal rules regarding conflicts of interest

In the meeting of the board of directors of March 29, 2011, article 523 of the Belgian Company Code was applied. At this meeting, the board of directors discussed, amongst other items, the determination of the variable remuneration for the CEO for 2010, a possible change in his fixed remuneration for 2011 and the determination of the realization of the performance criteria (for 2010) for the options granted to the CEO under the 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 determination of the realization of the performance criteria (for 2010) for the options granted to the CEO under the 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 2010 and a possible change in his future fixed compensation.

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

The chairman of the Remuneration Committee reports to the board on the discussions held within the Remuneration Committee of February 23, 2011 concerning the determination of the CEO's bonus and merit and the determination of the realization of the performance criteria (for 2010) for the options granted to the CEO under the SSOP 2010-2014.

After discussion, and upon proposal of the Remuneration Committee, the board unanimously decides:

(i) To grant a bonus to the CEO for 2010 equal to €650,000;
(ii) to increase his fixed compensation for 2011 to €765,000;
(iii) to determine the maximum cash bonus for 2011 to be 110% of the 2011 annual fixed compensation; and
(iv) That the performance criteria set by the Remuneration Committee for performance year 2010 in accordance with the provisions of the SSOP 2010-2014 have been achieved and that therefore the first tranche of options under the SSOP 2010-2014 will vest on March 1, 2011.

The board acknowledges that the fixed and variable remuneration of the CEO is market conform and believes that these decisions are in the interest of the Company."

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 Financial Services and Markets Authority 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 in March 2011, the Executive Team was composed as follows as from April 1, 2011:

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
Ann Caluwaerts	1966	Senior Vice President Public Affairs & Media Management

As of March 1, 2012, Mr. Vincent Bruyneel has joined the Executive Team as Senior Vice President Strategy, Investor Relations & Corporate Communication. He will be responsible for the strategy of the Company, beside his former tasks as head of the investor relations and the communication department of the Company.

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 22, 2011.

b) Conflicts of interest

The members of the Executive Team are deemed to avoid, to the extent possible, to perform any actions, to defend certain positions, and to pursue certain interests, if this would conflict, or would give the impression to conflict, with the interests of Telenet. If such conflicts of interest would occur, the concerned member of the Executive Team shall immediately inform the CEO hereof, who will in turn inform the chairman of the board of directors.

Transactions and/or business relationships between members of the Executive Team and one or more companies of the Telenet Group should in any case take place at normal market conditions.

c) 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 analog and digital television customer base of certain pure intermunicipalities (Interkabel) and long-term leasing rights on their cable network. 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 subsequentely 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.

Ann Caluwaerts, Senior Vice President Public Affairs & Media Management

Ann Caluwaerts has joined 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.

Vincent Bruyneel, Senior Vice President Strategy, Investor Relations & Corporate Communication

Vincent Bruyneel started his career in 1998 with Procter & Gamble as Financial Controller for the European Headquarters. In 2000, he moved on to Capco, a global financial services consulting firm, to become Financial Analyst with a focus on corporate planning and reporting. After an international assignment in New York, he became global head of corporate planning and reporting. He concluded his tenure at Capco as Principal Consultant overlooking the firm's corporate finance activities. Mr. Bruyneel joined Telenet in late 2004 and was appointed Manager Group Planning & Reporting, responsible for the company's long-range plan, budgets and corporate reporting. In 2007, he became Director Investor Relations and assumed additional responsibilities as Group Treasurer in 2008. Since 2010, Mr. Bruyneel has been appointed Vice President Investor Relations, Corporate Finance and Corporate Development. As of March 1, 2012, he joined the Executive Team as Senior

Vice President Strategy, Investor Relations & Corporate Communication.

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 2011, the aggregate remuneration of the members of the board of directors amounted to €413,500 for the Company and to €142,500 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 Financial Services and Markets Authority.

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

Name	Remuneration 2011
Frank Donck (CM)	€ 77,500
Alex Brabers	€ 47,500
Michel Delloye (Cytifinance NV)	€ 45,000
Julien De Wilde (De Wilde J. Management BVBA)	€ 42,500
Friso van Oranje-Nassau	€ 47,500
André Sarens	€ 47,500
Duco Sickinghe	-
Charles H. Bracken	€ 24,000
James S. O'Neill	€ 4,000
Diederik Karsten	-
Bernard G. Dvorak	-
Manuel Kohnstamm	€ 6,000
Niall Curran	€ 24,000
Ruth Elisabeth Pirie	€ 20,000
Balan Nair	€ 4,000
Jim Ryan	€ 24,000
Guido De Keersmaecker (Abaxon BVBA)	€ 47,500
Jozef Roos (JROOS BVBA)	€ 47,500
Michel Allé	€ 47,500

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 the Company's 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, the Company's policy on fringe benefits offers good social support in terms of extra-legal pension, life and disability coverage and medical insurance; all of Telenet's 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 the Company's total rewards strategy: the vast majority of its 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 & Nomination 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 prepares 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 & Nomination Committee. The Remuneration & Nomination 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 2011, 15% 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.

In 2011, in view of the binding provisions of the Law of April 6, 2010 and the relevant principles of the Belgian Corporate Governance Code on executive remuneration, the general shareholders' meeting of April 27, 2011 approved the current remuneration principles of the CEO and the members of the Executive Team.

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 & Nomination Committee, can also grant warrants and/or stock options to the members of the Executive Team.

The Performance Shares Plan 2011 for members of the Executive Team contains a provision regarding the "claw back" of variable remuneration granted in case of restatement of the Company's financial statements. There are no such provisions in the warrant agreements and the SSOP 2010-2014 agreement with the CEO.

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 Financial Services and Markets Authority.

The Company expects the remuneration principles of the members of the Executive Team of the Company (including the CEO) for the next two financial years to be in line with the current remuneration policy.

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 cash remuneration of the CEO is based on his general performance over the year. Every year, the Remuneration & Nomination 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 2011), please see section 3.b) below.

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

The annual 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 cash 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 2011, 15% was linked to corporate targets such as the Customer Loyalty Score, 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 (see higher) and 85% was linked to their performance as leader of their department and as an individual. Upon advice of the CEO, the Remuneration and Nomination Committee decides on the achievement of the performance criteria of each member of the Executive Team as leader of their department and as an individual.

In 2011, the variable remuneration of the CEO and the members of the Executive Team of the Company was reviewed in order to comply with the provisions of the Law of April 6, 2010 and the relevant principles of the Belgian Corporate Governance Code.

On October 27, 2011, the board of directors approved to grant a total variable package to the members of the Executive Team, composed of a cash bonus and performance shares (the "2011 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 over three years.

In addition, the pay out of the cash bonus to members of the Executive Team (excluding the CEO) will be linked to meeting certain predetermined performance criteria over a one-year period. When these criteria are met, 50% of the acquired cash bonus will be paid out in the year following the performance year, 25% will be paid out in the second year following the performance year and 25% will be paid out in the third year following the performance year, provided that the members of the Executive Team are still in service at the relevant payment dates. All performance criteria will be determined by the CEO and the Remuneration & Nomination 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 2011), please see section 4.b) below.

The general shareholders' meeting of the Company approved the relevant terms of this remuneration package on April 27, 2011, in accordance with the provisions of the Law of April 6, 2010.

3. Remuneration CEO

a) Cash-based remuneration

In 2011, the Managing Director (CEO), Mr. Duco Sickinghe, was granted the following remuneration: (i) a fixed remuneration of €765,000, (ii) a variable remuneration of €670,000, (iii) paid premiums for group insurance for a total amount of €47,716 and (iv) benefits in kind valued at €68,878. As mentioned in section 7.7.1, the CEO is not remunerated for the exercise of his mandate as director of the Company or any of the Telenet companies.

The relative importance of these components is: fixed remuneration 49.30%, variable remuneration 43.18%, paid premiums for group insurance 3.08% and benefits in kind 4.44%.

This cash-based variable remuneration, together with the share-based variable remuneration under the SSOP 2010-2014 (see below), constitutes the total variable remuneration of the CEO for purposes of the Law of April 6, 2010, as approved by the general shareholders' meeting of April 27, 2011.

The CEO's pension plan is a defined contribution scheme, financed by contributions from Telenet, amounting to €47,716 in 2011.

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.

As he did in previous years, the CEO will contribute again a considerable amount to the Telenet Foundation, which this year represents 50% of his net cash bonus. The board of directors highly appreciates this gesture.

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.

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

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

per option. Both the number of options and the exercise price were amended after the payment of the capital reduction of the Company in July 2011 (see table below). The performance based conditions for the first installment relate to the EBITDA of the Telenet Group on a consolidated basis, the customer loyalty/satisfaction achieved by the Telenet Group and the product and services innovation within the Telenet Group. On February 23, 2011, the Remuneration & Nomination Committee has determined that these performance criteria have been achieved for 2010, resulting in the vesting of these 250,000 options (290,323 options after giving effect to the impact of the 2011 capital reduction) on March 1, 2011.

On February 23, 2011, the Remuneration & Nomination Committee, in consultation with the CEO, has determined the performance criteria for a second tranche of 200,000 options under the SSOP 2010-2014 with an exercise price of €24.00. The performance based conditions for the second installment relate to the free cash flow of the Telenet Group on a consolidated basis, customer satisfaction, sustainability and the product and services innovation within the Telenet Group. The board of directors has determined on February 15, 2012 that the applicable performance criteria have been achieved for 2011, which resulted in the vesting of these 200,000 options (232,258 options after giving effect to the impact of the 2011 capital reduction) on March 1, 2012, with an exercise price of €20.67.

Per December 31, 2011, 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		346,025	€ 3.84	All vested	June 15, 2012
ESOP 2007 quinquies warrants		198,422	€ 15.19	Vesting quarterly	December 4, 2014
ESOP 2008 warrants		418,580	€ 12.01	Vesting quarterly	May 28, 2013
ESOP 2009 warrants		237,680	€ 10.77	Vesting quarterly	May 27,2014
SSOP 2010-2014 options					
	first installment	290,323	€ 19.81	All vested	September 4, 2017
	second installment	232,258	€ 20.67	All vested	September 4, 2017
	third installment	232,258	€ 21.53	March 1, 2013 (*)	September 4, 2017
	fourth installment	232,258	€ 22.39	March 1, 2014 (*)	September 4, 2017

(*) Vesting based on achievement performance citeria in previous financial year

The Class A-options give the right to acquire 346,025 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 2011, 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 & Nomination Committee or the shareholders' meeting).

4. Remuneration Executive Team

a) Cash-based remuneration

In 2011, the aggregate remuneration paid to the other members of the Executive Team (not including the CEO), amounted to €2,927,015. 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 €2,101,230, (ii) a variable salary of €409,405 (constituting 50% of the total cash bonus, see above under 2.c), (iii) paid premiums for group insurance for an amount of €147,936 and (iv) benefits in kind valued at €268,443. 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) amounted to €221,000.

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 received performance shares of the Company during the last financial year. The performance target applicable to the 2011 Performance Shares is the achievement of a compound annual growth rate ("CAGR") for operating free cash flow ("OFCF"), when comparing 2013 OFCF to 2010 OFCF. A performance range of 75% to 150% of the target OFCF CAGR would generally result in award recipients earning 50% to 150% of their 2011 Performance Shares, subject to reduction or forfeiture based on individual performance and service requirements. The Performance Shares Plan 2011 contains a provision regarding the "claw back" of variable remuneration granted in case of restatement of the Company's financial statements.

An overview of the numbers of performance shares granted in 2011 to (and accepted by) the members of the Executive Team can be found below:

Name	Number of performance shares granted and accepted
Jan Vorstermans	5,071
Patrick Vincent	4,068
Renaat Berckmoes	3,745
Luc Machtelinckx	3,701
Claudia Poels	3,139
Martine Tempels	2,985
Inge Smidts	2,653
Herbert Vanhove	3,316
Ann Caluwaerts	3,236

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

On August 11, 2011, 40,000 warrants under the ESOP 2010 were granted to Mrs. Ann Caluwaerts, of which she accepted 20,000 warrants. After vesting, these warrants can be exercised for an equal number of shares. These warrants vest over 4 years and can be exercised until August 10, 2016. The exercise price per warrant is € 26,35.

On December 31, 2011 the members of the Executive Team (excluding the CEO) held in aggregate 939,891 warrants under the ESOP 2007 and 309,688 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.

An overview of the warrants exercised by the current members of the Executive Team during 2011 can be found in the table below:

Name	Number of warrants exercised	Exercise Price	Plan
Before modification on July 26, 2011 in relation to payment of capital reduction			
Ronny Verhelst	40,664	€ 12.75	ESOP 2007 bis
	75,634	€ 12.63	ESOP 2007 quater
	35,000	€ 24.02	ESOP 2010 primo
Luc Machtelinckx	6,041	€ 12.63	ESOP 2007 quater
	6,874	€ 24.02	ESOP 2010 primo
Renaat Berckmoes	10,000	€ 12.75	ESOP 2007 bis
Patrick Vincent	2,000	€ 12.75	ESOP 2007 bis
	8,000	€ 12.63	ESOP 2007 quater
	10,000	€ 24.02	ESOP 2007 septies
After modification on July 26, 2011 in relation to payment of capital reduction			
Inge Smidts	5,877	€ 14.83	ESOP 2007 sexies
	14,516	€ 20.68	ESOP 2010 primo
Luc Machtelinckx	17,332	€ 10.98	ESOP 2007 bis
	18,025	€ 10.88	ESOP 2007 quater
	11,975	€ 20.68	ESOP 2010 primo
Patrick Vincent	7,000	€ 10.98	ESOP 2007 bis
	24,700	€ 10.88	ESOP 2007 quater
	21,000	€ 20.68	ESOP 2007 septies
Martine Tempels	758	€ 10.88	ESOP 2007 quater
	1,000	€ 20.68	ESOP 2010 primo

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):

Mr. 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.

Mr. Luc Machtelinckx has a contractual termination clause, providing for the performance during a notice period in case of termination by the Company (except for cause) to be calculated on the basis of the 'formula Claeys', which may be replaced (with the prior agreement of Mr. Machtelinckx) by an indemnification payment (without performance).

Mr. 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.

The employment agreements with Mrs. Martine Tempels, Mrs. Inge Smidts and Mr. 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.

The employment agreements with Mr. Renaat Berckmoes, Mr. Patrick Vincent and Mrs. Claudia Poels do not contain specific provisions relating to early termination.

The agreement with Mrs. Ann Caluwaerts, concluded after May 4, 2010, contains a clause specifying that severance pay in the event of early termination shall not exceed the maximum amount foreseen by law.

Each new agreement to be concluded with members of the Executive Team after May 4, 2010 will comply with the legal provisions of the Law of April 6, 2010 and the Belgian Corporate Governance Code 2009.

In April 2011, Mr. Ronny Verhelst, who was a member of the Executive Team, voluntarily left Telenet. Upon decision of the Remuneration & Nomination Committee, 17,420 of his unvested warrants under ESOP 2007 quater and 35,000 of his unvested warrants under ESOP 2010 primo 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 2011, we refer to Note 5.30 to the consolidated financial statements of the Company.

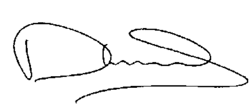
Internal audit

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. As from 2012, the Company has appointed Deloitte 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 20, 2012

On behalf of the board of directors



Duco Sickinghe

Chief Executive Officer

Frank Donck

Chairman

Telenet Group Holding NV consolidated financial statements

1 Consolidated statement of financial position

(in thousands of euro)	Note	December 31, 2011	December 31, 2010
Assets			
Non-current assets:			
Property and equipment	5.4	1,301,121	1,310,202
Goodwill	5.5	1,241,798	1,241,798
Other intangible assets	5.6	409,484	313,559
Deferred tax assets	5.14	10,721	19,905
Derivative financial instruments	5.13	190	4,718
Investments in equity accounted investees	5.21	187	213
Other assets	5.8	38,886	4,935
Total non-current assets		**3,002,387**	**2,895,330**
Current assets:			
Inventories	5.9	9,139	12,612
Trade receivables	5.7	93,623	79,826
Derivative financial instruments	5.13	1,988	315
Other current assets	5.8	88,000	65,016
Cash and cash equivalents	5.10	346,597	639,581
Total current assets		**539,347**	**797,350**
Total assets		**3,541,734**	**3,692,680**

(in thousands of euro)	Note	December 31, 2011	December 31, 2010
Equity and Liabilities			
Equity:			
Share capital	5.11	294,190	797,350
Share premium and other reserves	5.11	1,005,724	979,967
Retained loss	5.11	(1,548,156)	(1,559,845)
Total equity attributable to owners of the Company		**(248,242)**	**217,472**
Non-controlling interests	5.11	9	-
Total equity		**(248,233)**	**217,472**
Non-current liabilities:			
Loans and borrowings	5.12	2,904,131	2,837,377
Derivative financial instruments	5.13	94,093	35,914
Deferred revenue	5.18	4,380	6,428
Deferred tax liabilities	5.14	29,114	5,544
Other liabilities	5.15	115,598	38,145
Total non-current liabilities		**3,147,316**	**2,923,408**
Current liabilities:			
Loans and borrowings	5.12	55,402	40,319
Trade payables		147,341	109,341
Accrued expenses and other current liabilities	5.17	319,780	283,071
Deferred revenue	5.18	86,791	94,034
Derivative financial instruments	5.13	28,877	24,729
Current tax liability	5.14	4,460	306
Total current liabilities		**642,651**	**551,800**
Total liabilities		**3,789,967**	**3,475,208**
Total Equity and liabilities		**3,541,734**	**3,692,680**

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

2 Consolidated statement of comprehensive income

For the years ended December 31, (in thousands of euro, except per share data)	Note	2011	2010
Revenue	5.18	1,376,253	1,298,993
Cost of services provided	5.19	(821,152)	(735,781)
Gross profit		**555,101**	**563,212**
Selling, general and administrative expenses	5.19	(228,910)	(218,681)
Operating profit		**326,191**	**344,531**
Finance income		7,808	1,513
Net interest income and foreign exchange gain		7,808	1,513
Finance expense		(279,897)	(199,158)
Net interest expense and foreign exchange loss		(205,832)	(152,257)
Net loss on derivative financial instruments		(62,673)	(38,998)
Loss on extinguishment of debt		(11,392)	(7,903)
Net finance expenses	**5.20**	**(272,089)**	**(197,645)**
Share of the loss of equity accounted investees	5.21	(361)	(412)
Profit before income tax		53,741	146,474
Income tax expense	5.22	(36,918)	(57,172)
Profit for the period		**16,823**	**89,302**
Other comprehensive income for the period, net of income tax		**-**	**-**
Total comprehensive income for the period		**16,823**	**89,302**
Profit attributable to:		**16,823**	**89,302**
Owners of the Company		16,829	89,302
Non-controlling interests		(6)	-
Total comprehensive income for the period, attributable to :		**16,823**	**89,302**
Owners of the Company		16,829	89,302
Non-controlling interests		(6)	-
Earnings per share			
Basic earnings per share in €	5.23	0.15	0.80
Diluted earnings per share in €	5.23	0.15	0.79

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

3 Consolidated statement of changes in shareholders' equity

(in thousands of euro, except share data)	Note	Number of shares	Share capital
January 1, 2010		**111,761,666**	**1,041,812**
Total comprehensive income for the period			
Profit for the period		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		**-**	**-**
Transactions with owners, recorded directly in equity			
Contributions by and distributions to owners of the Company			
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 to shareholders	5.11	-	(249,938)
Total contributions by and distributions to owners of the Company		**666,374**	**(244,462)**
December 31, 2010		**112,428,040**	**797,350**

Attributable to equity holders of the Company

	Share premium	Equity-based compensation reserve	Legal reserve	Reserve for own shares	Other reserves	Retained loss	Total	Non-controlling interest	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**
	-	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)
	3,009	**9,567**	**-**	**-**	**-**	**-**	**(231,886)**	**-**	**(231,886)**
	65,812	**24,007**	**64,798**	**-**	**825,350**	**(1,559,845)**	**217,472**	**-**	**217,472**

(in thousands of euro, except share data)	Note	Number of shares	Share capital	Share premium
January 1, 2011		**112,428,040**	**797,350**	**65,812**
Total comprehensive income for the period				
Profit for the period		-	-	-
Other comprehensive income		-	-	-
Total comprehensive income for the year		**-**	**-**	**-**
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners of the Company				
Reallocation of prior year's profit to legal reserve	5.11	-	-	-
Recognition of share-based compensation	5.11	-	-	-
Compensation cost related to Employee Share Purchase Plan	5.11	-	-	-
Proceeds received upon exercise of Class B Options	5.11	-	-	-
Proceeds received upon exercise of 2007 Warrants	5.11	1,806	5	22
Proceeds received upon exercise of 2007 bis Warrants	5.11	192,229	999	1,309
Proceeds received upon exercise of 2007 ter Warrants	5.11	1,592	6	12
Proceeds received upon exercise of 2007 quater Warrants	5.11	312,280	1,602	2,104
Proceeds received upon exercise of 2007 sexies Warrants	5.11	18,933	53	230
Proceeds received upon exercise of 2007 septies Warrants	5.11	31,000	125	549
Proceeds received upon exercise of 2010 primo Warrants	5.11	148,748	703	2,609
Proceeds received upon exercise of 2010 bis Warrants	5.11	4,352	11	97
Issuance of share capital via exchange of Class B Profit Certificates	5.11	36,709	204	-
Own shares acquired	5.11	-	-	-
Issuance of share capital through Employee Share Purchase Plan	5.11	341,168	2,420	6,580
Repayment of capital to shareholders	5.11	-	(509,288)	-
Total contributions by and distributions to owners of the Company		**1,088,817**	**(503,160)**	**13,512**
Changes in ownership interests in subsidiaries				
Disposal of non-controlling interests without a change in control		-	-	-
Total transactions with owners of the Company		**1,088,817**	**(503,160)**	**13,512**
December 31, 2011		**113,516,857**	**294,190**	**79,324**

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

Attributable to equity holders of the Company

Equity-based compensation reserve	Legal reserve	Reserve for own shares	Other reserves	Retained loss	Total	Non-controlling interest	Total equity
24,007	**64,798**	**-**	**825,350**	**(1,559,845)**	**217,472**	**-**	**217,472**
-	-	-	-	16,829	16,829	(6)	16,823
-	-	-	-	-	-	-	-
-	**-**	**-**	**-**	**16,829**	**16,829**	**(6)**	**16,823**
-	5,140	-	-	(5,140)	-	-	-
10,652	-	-	-	-	10,652	-	10,652
2,353	-	-	-	-	2,353	-	2,353
67	-	-	-	-	67	-	67
-	-	-	-	-	27	-	27
-	-	-	-	-	2,308	-	2,308
-	-	-	-	-	18	-	18
-	-	-	-	-	3,706	-	3,706
-	-	-	-	-	283	-	283
-	-	-	-	-	674	-	674
-	-	-	-	-	3,312	-	3,312
-	-	-	-	-	108	-	108
(204)	-	-	-	-	-	-	-
-	-	(5,763)	-	-	(5,763)	-	(5,763)
-	-	-	-	-	9,000		9,000
-	-	-	-	-	(509,288)	-	(509,288)
12,868	**5,140**	**(5,763)**	**-**	**(5,140)**	**(482,543)**	**-**	**(482,543)**
-	-	-	-	-	-	15	15
12,868	**5,140**	**(5,763)**	**-**	**(5,140)**	**(482,543)**	**15**	**(482,528)**
36,875	**69,938**	**(5,763)**	**825,350**	**(1,548,156)**	**(248,242)**	**9**	**(248,233)**

4 Consolidated statement of cash flows

For the years ended December 31, (in thousands of euro)	Note	2011	2010
Cash flows provided by operating activities:			
Profit for the period		16,823	89,302
Adjustments for:			
Depreciation, amortization and impairment	5.19	381,227	313,788
Losses on disposal of property and equipment and other intangible assets	5.19	2,065	46
Income tax expense	5.22	36,918	57,172
Increase (decrease) in allowance for bad debt	5.7	3,895	(3,801)
Net interest income and foreign exchange gain	5.20	(7,808)	(1,513)
Net interest expense and foreign exchange loss	5.20	205,832	152,257
Net loss on derivative financial instruments	5.20	62,673	38,998
Loss on extinguishment of debt	5.20	11,392	7,903
Loss in equity-accounted investees	5.21	361	412
Share based payments	5.19	13,005	9,787
Change in:			
Trade receivables		(13,051)	(454)
Other assets		2,166	(17,173)
Deferred revenue		(9,292)	(13,596)
Trade payables		38,212	24,242
Other liabilities		286	(4,848)
Accrued expenses and other current liabilities		(32,702)	(11,710)
Interest paid		(180,165)	(129,006)
Interest received		7,314	844
Income taxes received (paid)		(795)	358
Cash paid for derivatives	5.13	-	(12,940)
Cash received for derivatives	5.13	2,500	3,709
Net cash provided by operating activities		**540,856**	**503,777**

For the years ended December 31, (in thousands of euro)	Note	2011	2010
Cash flows used in investing activities:			
Purchases of property and equipment		(216,300)	(194,549)
Purchases of intangibles		(78,254)	(51,494)
Acquisitions of subsidiaries and affiliates, net of cash acquired	5.24	-	(2,315)
Proceeds from sale of property and equipment and other intangibles		1,118	315
Purchases of broadcasting rights for resale purposes		(15,600)	-
Proceeds from the sale of broadcasting rights for resale purposes		15,600	-
Net cash used in investing activities		**(293,436)**	**(248,043)**
Cash flows provided by (used in) financing activities:			
Repayments of loans and borrowings	5.12	(697,447)	(208,811)
Proceeds from loans and borrowings	5.12	700,000	735,000
Payments of finance lease liabilities		(34,077)	(26,467)
Payments for debt issuance costs		(17,202)	(20,014)
Repurchase of own shares		(5,763)	-
Proceeds from exercise of options and warrants	5.11	10,503	8,264
Proceeds from capital transactions with equity participants		3,563	-
Proceeds from sale of non-controlling interests		15	-
Proceeds from issuance of share capital through Employee Share Purchase Plan		9,000	-
Payments related to capital reductions	5.11	(508,996)	(249,834)
Net cash provided by (used in) financing activities		**(540,404)**	**238,138**
Net increase (decrease) in cash and cash equivalents		**(292,984)**	**493,872**
Cash and cash equivalents:			
at January 1	5.10	639,581	145,709
at December 31	5.10	346,597	639,581

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

5 Notes to the consolidated financial statements for the year ended December 31, 2011

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 and the Company has an agreement with Norkring België NV regarding the use of DTT spectrum over the latter's broadcasting network. 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 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, rounded to the nearest thousand except when indicated otherwise.

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 5.4: Property and equipment
- Note 5.5: Goodwill
- Note 5.6: Other intangible assets
- Note 5.13: Derivative financial instruments
- Note 5.14: Deferred taxes
- Note 5.24: Acquisitions of subsidiaries

5.1.5 Going Concern

As a result of the Company's shareholders disbursements policy and the capital reductions described in Note 5.11.1, the consolidated financial statements as of December 31, 2011 showed a negative (consolidated) equity amounting to €248.2 million.

The board of directors has considered this and has prepared the consolidated financial statements applying the accounting policies consistently on a going concern basis taking into account amongst others:

- the forecasted earnings for the next years;
- a projected steadily strong positive cash flow;
- the various modifications to the company's debt, disclosed in Note 5.12, resulting in a significantly extended average maturity of its financial obligations, spread over balanced maturity dates.

5.1.6 Approval by board of directors

These consolidated financial statements were authorized for issue by the board of directors on March 20, 2012.

5.2 SIGNIFICANT ACCOUNTING POLICIES

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

No changes to the significant accounting policies have been made, except as explained in note 5.2.19, which addresses new standards, interpretations, amendments and improvements.

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.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a negative balance.

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

Operating segments are the individual operations of a company that the chief operating decision maker ("CODM") reviews regularly in allocating resources to these segments and in assessing segment performance. Telenet's segment reporting is presented based on how Telenet's internal financial information is organized and reported to the CEO, who is Telenet's CODM, the Executive Team and the board of directors.

The CEO, the Executive Team and the board of directors of Telenet manage the Company as a single operation, and assess its performance and make resource allocation decisions based on an overall Profit and Loss Statement. The Profit and Loss Statement is analyzed at least on a monthly basis with only revenue and direct costs allocated to separate product and service lines. The primary measure of profit within the Profit and Loss Statement used by the CODM to assess performance is Adjusted EBITDA, and the Profit and Loss Statement does not present Adjusted EBITDA for separate product and service lines. Notwithstanding that revenue and direct costs are allocated to the separate product and service lines, as a differentiated Profit and Loss Statement is not used by the CODM to manage Telenet's operations, assess performance or make resource allocation decisions, Telenet has determined that its operations constitute one single 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 analog 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 Acquisition Accounting and Goodwill

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. 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.

From 1 January 2010, the Company applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy was applied prospectively to acquisitions occurring after January 1, 2010.

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.

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

Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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. Gains and losses arising on translation are included in profit or loss for the period. 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.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are presented in the reserve for own shares. When own shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

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 analog 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.

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.

As of January 1, 2011, Telenet adjusted its financial collecting model for certain premium voice and SMS content services following a change in the Belgian legislation. This legislation states that the operator is no longer carrying legal responsibilities for the collection of these services, hence will only act on behalf of the third-party content providers going forward. As a result, the amounts billed for these premium voice and SMS content services are not presented as revenues but are netted against the corresponding expenses as from January 1, 2011.

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.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

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.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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 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. As these criteria are generally not met, customer acquisition costs are generally expensed as incurred.

Cash incentives given to customers are not viewed as subscriber acquisition costs, but are recognized as a deduction from revenue.

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.

5.2.19 New standards, interpretations, amendments and improvements

Standards, amendments and interpretations effective or early adopted in 2011

The following standards, amendments, interpretations and improvements have been adopted in these consolidated financial statements. The application of these new and revised IFRSs had no material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements:

Amendment to IAS24 *Related Party Disclosures* (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.

Amendments to IFRIC 14: *IAS 19 – Prepayments of a Minimum Funding Requirement* (effective for annual periods beginning on or after January 1, 2011). These Amendments remove unintended consequences related to voluntary pension prepayments where there is a minimum funding requirement.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after July 1, 2010) provides guidance on the accounting for debt for equity swaps.

Amendment to IAS32 *Financial Instruments: Classification of Rights Issues* (effective for annual periods beginning on or after February 1, 2010). The amendment allows rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

Improvements to IFRSs 2010 (effective for annual periods beginning on or after January 1, 2011).

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, 2011, or later periods, but the Company has not early adopted them. The adoption of these standards, amendments and interpretations is not expected to have a material impact on the Company's financial result or financial position:

Amendments to IAS 12 – *Deferred Tax : Recovery of Underlying Assets* (effective for annual periods beginning on or after January 1, 2012).
Under these Amendments, investment properties that are measured using the fair value model are presumed to be recovered through sale for the purposes of measuring deferred taxes. This presumption can be rebutted only if the investment property is depreciable and held with a business model whose objectives is to consume substantially all of the asset's economic benefits over the life of the asset.

Amendments to IAS 1 – *Presentation of Items of Other Comprehensive Income (*effective for annual periods beginning on or after July 1, 2012).
These Amendments require to group items in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently and change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income.

Amendments to IFRS 7 – *Disclosures – Transfers of Financial Assets* (effective for annual periods beginning on or after July 1, 2011).
These Amendments increase the disclosure requirements in respect of risk exposure arising from transfers of financial assets that are not derecognized in their entirety or financial assets derecognized in their entirety but for which the entity retains continuing involvement.

IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after January 1, 2013).
This Standard introduces new requirements for the classification, measurement and derecognition of

- financial assets: measured at amortized cost (debt instruments if held to collect contractual cash flows being principal and interest) or fair value (equity instruments);
- financial liabilities: changes in fair value of financial liabilities designated at fair value through profit or loss attributable to changes in credit risk are presented in OCI unless this would create or enlarge an accounting mismatch in profit or loss.

IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on or after January 1, 2013) introduces a new approach to determining which investees should be consolidated. Under IFRS 10, there is only one basis for consolidation that is control. In addition, IFRS 10 includes a new definition of control that contains three elements:

- power over an investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 11 *Joint Arrangements* (effective for annual periods beginning on or after January 1, 2013) deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting.

IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after January 1, 2013) contains more extensive disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

IFRS 13 Fair value measurement (effective for annual periods beginning on or after January 1, 2013) defines fair value, establishes a framework for measuring fair value and requires more extensive disclosures about fair value measurement.

IAS 19 Amendments to Employee Benefits (effective for annual periods beginning on or after January 1, 2013).

- The amended IAS 19 includes the following requirements:
- actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and
- expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

IAS 27 *Separate Financial Statements* (effective for annual periods beginning on or after January 1, 2013) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

IAS 28 *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after January 1, 2013) makes the following amendments:

- IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and
- on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

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, money market funds and certificates of deposit 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)	December 31, 2011	December 31, 2010
Cash and cash equivalents (including money market funds, certificates of deposits)	346,597	639,581
Trade receivables	104,648	86,956
Derivative financial instruments	2,178	5,033
Outstanding guarantees to third parties for own liabilities (cash paid)	2,817	1,921
Total	**456,240**	**733,491**

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 2011 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 2011 Amended Senior Credit Facility, will be sufficient to fund its currently anticipated working capital needs, capital expenditures and debt service requirements.

In February 2011, the Company issued €300.0 million Senior Secured Notes due 2021, the proceeds of which were used to redeem tranches K and L1 under the 2010 Amended Senior Credit Facility, for an aggregate amount of €286.5 million.

On June 10, 2011 the Company further improved its debt maturity profile by novating €27.5 million from Term Loan J to Term Loan G.

In June 2011, the Company issued €400.0 million Senior Secured Notes due 2021. Subsequently, the Company launched a voluntary exchange process for its Term Loan G lenders under the 2011 Amended Senior Credit Facility. Existing lenders in Term Loan G were requested to exchange their existing participations and commitments for participations and commitments in new Term Loans either with unchanged maturity at July 31, 2017 (Term Loan Q) or an extended maturity of two years at July 31, 2019 (Term Loan R), each repriced in line with current market conditions. The proceeds of the €400.0 million Senior Secured Notes due 2021 were used to redeem the remainder of Term Loans G and J.

The Company has access to undrawn facilities under the 2011 Amended Senior Credit Facility. As of December 31, 2011, €158.0 million under the revolving credit facility (€175.0 million as of December 31, 2010) was available to the Company subject to the Company being in compliance with certain financial covenants and other conditions.

The 2011 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, 2011, of €3.4 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, 2011 and 2010 were as follows:

Situation as per December 31, 2011 (in thousands of euro)	Total	Payments due by period Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
Contractual obligations							
Long term debt (1) (3)	4,038,453	145,521	145,021	144,743	144,466	243,815	3,214,887
Finance lease obligations (1) (3)	455,286	45,526	49,158	47,716	43,754	42,566	226,566
Operating lease obligations	46,894	22,630	8,396	5,637	4,123	3,405	2,703
Other contractual obligations(2)	1,444,451	177,461	181,397	86,149	49,089	44,292	906,063
Interest Rate Derivatives (3)	223,963	35,952	30,034	30,034	27,377	25,582	74,984
Foreign Exchange Derivatives	34,494	34,494	-	-	-	-	-
Accrued expenses and other current liabilities (4)	254,784	254,784	-	-	-	-	-
Trade payables	147,341	147,341	-	-	-	-	-
Total contractual obligations	**6,645,666**	**863,709**	**414,006**	**314,279**	**268,809**	**359,660**	**4,425,203**

Payments due by period

Situation as per December 31, 2010 (in thousands of euro)	Total	Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
Contractual obligations							
Long term debt (1) (3)	3,713,874	123,100	123,336	123,100	281,100	397,156	2,666,082
Finance lease obligations (1) (3)	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 (2)	1,239,816	96,512	89,241	63,099	40,877	37,469	912,618
Interest Rate Derivatives (3)	189,288	29,190	37,454	32,035	32,035	29,127	29,447
Foreign Exchange Derivatives	8,725	7,271	1,454	-	-	-	-
Accrued expenses and other current liabilities (4)	217,941	217,941	-	-	-	-	-
Trade payables	109,341	109,341	-	-	-	-	-
Total contractual obligations	**6,002,419**	**655,200**	**310,470**	**271,969**	**403,196**	**507,770**	**3,853,814**

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 Contractual obligations with a floating interest rate are based on the rate outstanding as at December 31, 2011.

4 Excluding compensation and employee benefits, VAT and withholding taxes and the current portion of the Interkabel out 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. 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. About 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.

The outstanding forward foreign exchange derivatives as of December 31, 2011 and 2010, 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 Company applies a policy to hedge its exposure to floating interest rates. The risk is managed by maintaining an appropriate mix of interest rate swap contracts, interest rate cap contracts, interest rate collar contracts and basis swap 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, 2011, Telenet carried a total debt balance of €2,959.5 million, of which €1,229.6 million is owed under the Senior Credit Facility and €1,300.0 million is related to the four Notes issued in 2010 and 2011. It also included €60.7 million for the outstanding portion of the 3G mobile spectrum. The remainder primarily represents the capital lease obligations associated with the Interkabel Acquisition. On December 31, 2011, fixed interest rates applied to 43.80% of this total debt (2010: 32.36%).

As referred to above, the outstanding interest rate derivatives as of December 31, 2011 and 2010, are disclosed in more detail in Note 5.13 to the consolidated financial statements of the Company.

Quantitative disclosures

Interest rate sensitivity testing

For interest rate derivatives and variable debt, the Company has used a sensitivity analysis technique that measures the change in the fair value or interest expense of these financial instruments for hypothetical changes in the relevant base rate applicable at year-end, holding all other factors constant.

The sensitivity analysis is for illustrative purposes only – in practice, market rates rarely change in isolation and are likely to be interdependent. A change of 25 basis points in interest rates at the reporting date would have increased (decreased) the profit for the period and would have changed the fair values of the Company's interest rate derivatives as set out in the table below:

(in thousands of euro)	2011		2010	
	+0.25%	-0.25%	+0.25%	-0.25%
Interest				
Senior Credit Facility	(3,763)	3,763	(5,081)	5,081
Senior Secured Floating Rate Notes	(553)	553	-	-
Finance leases	30	(30)	(35)	35
Interest rate derivatives	(2,702)	2,677	1,460	(1,810)
	(6,988)	**6,963**	**(3,656)**	**3,306**
Changes in fair value				
Swaps	18,027	(18,027)	10,816	(10,816)
Caps	84	(65)	771	(527)
Collars	8,982	(10,378)	8,830	(9,693)
	27,093	**(28,470)**	**20,417**	**(21,036)**
Total	**20,105**	**(21,507)**	**16,761**	**(17,730)**

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

Situation as per December 31, 2011

Interest payments due by period

+0.25% (in thousands of euro)	Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
Amended SCF Term Loan Q	20,084	20,029	20,029	20,029	20,084	9,932
Amended SCF Term Loan R	40,256	40,146	40,146	40,146	40,256	100,201
€400 million Senior Secured Notes due 2021	22,590	22,529	22,529	22,529	22,590	101,348
Finance Lease	185	136	81	39	27	12
Interest Derivatives	24,004	18,962	18,962	16,951	15,463	53,492
Total	**107,119**	**101,802**	**101,747**	**99,694**	**98,420**	**264,985**

Situation as per December 31, 2011

Interest payments due by period

-0.25% (in thousands of euro)	Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
Amended SCF Term Loan Q	17,893	17,844	17,844	17,844	17,893	8,849
Amended SCF Term Loan R	36,197	36,098	36,098	36,098	36,197	90,096
€400 million Senior Secured Notes due 2021	20,557	20,501	20,501	20,501	20,557	92,226
Finance Lease	137	101	60	29	20	9
Interest Derivatives	33,447	27,834	27,834	25,305	23,571	70,713
Total	**108,231**	**102,378**	**102,337**	**99,777**	**98,238**	**261,893**

Situation as per December 31, 2010 +0.25% (in thousands of euro)	Interest payments due by period Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
Amended SCF Term Loan 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
Total	**115,204**	**123,073**	**117,983**	**117,939**	**100,772**	**128,925**

Situation as per December 31, 2010 -0.25% (in thousands of euro)	Interest payments due by period Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
Amended SCF Term Loan 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
Total	**115,328**	**124,402**	**118,118**	**118,089**	**102,056**	**131,637**

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. The Company does not currently have any obligation to redeem 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 the Company 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 primarily includes the effect on Telenet's US dollar denominated payables (primarily payables associated with network hardware equipment, software and premium cable television rights).

December 31, 2011	Foreign currency	Amount in foreign currency	Gain / (loss) in thousands of euro	10% increase		10% decrease
Trade payables	USD	11,368	(975)	On comprehensive income	797	On comprehensive income
	GBP	10	(1)	On comprehensive income	1	On comprehensive income

December 31, 2010	Foreign currency	Amount in foreign currency	Gain / (loss) in thousands of euro	10% increase		10% decrease
Trade payables	USD	14,616	(1,215)	On comprehensive income	994	On comprehensive income
	GBP	17	(2)	On comprehensive income	2	On comprehensive income

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. As of December 31, 2011, the outstanding balance of the Senior Credit Facility and outstanding cash balance resulted in a Net Total Debt to EBITDA ratio of 3.2x, up compared to 2.8x as of December 31, 2010. The leverage ratio is 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.

The Company's current leverage ratio is significantly below the covenant of 6.0x and the availability test of 5.0x. Going forward, Telenet continues to target a broadly stable leverage ratio in the range of 3.5x-4.5x Net Total Debt to EBITDA.

Within the 2011 Amended Senior Credit Facility, the Company has access to an additional committed loan capacity of €158.0 million, subject to compliance with applicable covenants, composing the Revolving Facility which are available to be drawn up to and including December 31, 2016.

Fair value versus carrying amounts

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

(in thousands of euro)	Note	December 31, 2011		December 31, 2010	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Assets carried at fair value					
Derivative financial assets	5.13	2,178	2,178	5,033	5,033
Cash and cash equivalents (e.g. money market funds)	5.10	281,242	281,242	541,940	541,940
Total assets carried at fair value		**283,420**	**283,420**	**546,973**	**546,973**
Assets carried at amortized cost					
Trade receivables	5.7	93,623	93,623	79,826	79,826
Other assets	5.8	108,165	108,165	54,956	54,956
Cash and cash equivalents	5.10	65,355	65,355	97,641	97,641
Total assets carried at amortized cost		**267,143**	**267,143**	**232,423**	**232,423**
Liabilities					
Liabilities carried at fair value					
Derivative financial liabilities	5.13	122,970	122,970	60,643	60,643
Liabilities carried at amortized cost					
Loans, borrowings and finance lease liabilities (excluding deferred financing fees)	5.12				
- Amended Senior Credit Facility		1,230,123	1,199,381	1,916,479	1,918,911
- Senior Secured Fixed Rate Notes		912,100	877,789	605,562	613,312
- Senior Secured Floating Rate Notes		400,943	386,943	-	-
- Deferred Financing Fees		(47,709)	(47,709)	(49,638)	(49,638)
- Finance lease obligations		332,745	301,839	340,125	330,785
- Clientele fee > 20 years		70,644	63,524	65,137	74,093
- 3G Mobile Spectrum		60,679	48,801	-	-
- Other bank loans		8	8	31	31
Trade payables		147,341	147,341	109,341	109,341
Other liabilities	5.15 5.17	389,157	389,157	270,549	270,549
Total liabilities carried at amortized cost		**3,496,031**	**3,367,074**	**3,257,586**	**3,267,384**

5.3.5 Fair value hierarchy

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

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

(in thousands of euro)	December 31, 2011 Level 1	Level 2	Level 3	December 31, 2010 Level 1	Level 2	Level 3
Assets						
Derivative financial assets	-	2,178	-	-	5,033	-
Cash and cash equivalents (e.g. money market funds)	281,242	-	-	541,940	-	-
Total financial assets carried at Fair value	**281,242**	**2,178**	**-**	**541,940**	**5,033**	**-**
Liabilities						
Derivative financial liabilities	-	122,970	-	-	60,643	-
Total financial liabilities carried at Fair value	**-**	**122,970**	**-**	**-**	**60,643**	**-**

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, 2011 no financial assets or liabilities have been transferred from one level to another level.

5.4 PROPERTY AND EQUIPMENT

(in thousands of euro)	Note	Land, buildings, and leasehold improvements	Network	Construction in progress	Furniture, equipment, and vehicles	Total
Cost						
At January 1, 2010		**100,240**	**2,557,072**	**53,152**	**54,152**	**2,764,616**
Acquisition 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)
At December 31, 2010		**103,215**	**2,769,185**	**79,408**	**57,295**	**3,009,103**
Additions		1,726	342	249,190	942	252,200
Transfers		2,162	222,705	(230,778)	5,879	(32)
Disposals		(1,023)	(20,216)	-	(109)	(21,348)
At December 31, 2011		**106,080**	**2,972,016**	**97,820**	**64,007**	**3,239,923**
Accumulated Depreciation						
At January 1, 2010		**19,847**	**1,389,072**	**-**	**40,729**	**1,449,648**
Depreciation charge for the year		5,255	235,683	-	5,533	246,471
Transfers		-	4,157	-	-	4,157
Eliminated on disposal		(393)	(852)	-	(130)	(1,375)
At December 31, 2010		**24,709**	**1,628,060**	**-**	**46,132**	**1,698,901**
Depreciation charge for the year		5,450	247,936	-	5,633	259,019
Transfers		(7)	-	-	(25)	(32)
Eliminated on disposal		(970)	(18,031)	-	(85)	(19,086)
At December 31, 2011		**29,182**	**1,857,965**	**-**	**51,655**	**1,938,802**
Carrying Amount						
At December 31, 2011		76,898	1,114,051	97,820	12,352	1,301,121
At December 31, 2010		78,506	1,141,125	79,408	11,163	1,310,202
Carrying Amount of Finance Leases included in Property and Equipment						
At December 31, 2011		35,092	204,131	-	-	239,223
At December 31, 2010		37,786	229,958	-	34	267,778

The Company evaluates the estimated useful lives of its property and equipment each reporting period to determine whether events or circumstances warrant a revision of these estimated useful lives. The evaluation performed in 2011 did not result in any revision to the estimated useful lives of property and equipment.

For information regarding finance lease obligations, see Note 5.12.7 to the consolidated financial statements of the Company.

Detailed information with respect to the acquisition of subsidiaries is disclosed in Note 5.24.

In 2010, the Company capitalized borrowing costs, primarily related to the construction of Telenet's proprietary mobile telephony infrastructure in the amount of €0.4 million, with a capitalization rate of 3.9%. In 2011, the Company did not acquire or construct any assets that qualified for the capitalization of borrowing costs.

For information regarding assets pledged as security, refer to Note 5.12.6.

The disposal of property and equipment mainly consists of:

- the write-off of fully depreciated setup boxes which were no longer active for a gross value of €13.8 million;
- the disposal of HD cards with a carrying amount of €1.7 million of which €4.6 million is gross resulting in a loss on disposal of €1.1 million.

5.5 GOODWILL

In 2011, no changes in goodwill have occurred and thus as of December 31, 2011 goodwill remained unchanged from the prior year-end at €1,241.8 million.

The Company performed its annual review for impairment during the third quarters of 2011 and 2010. Goodwill was allocated to one cash generating unit. The recoverable amount of the cash generating unit was based on its value in use and was determined by discounting (Discounted Cash Flow method) the future cash flows to be generated from the continuing use of the cash generating unit. Value in use in 2011 was determined in a similar manner as in 2010.

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 and is determined by a third party specifically for the cable industry. 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 2016, and a pre-tax discount rate of 9.0% (In 2010 a pre-tax discount rate was used of 10.6%) based on current market assessments of the time value of money and the risks specific to the Company. The development of the Long-Range Plan relies on a number of assumptions, including:

- market growth, the evolution of the Company's market share and the resulting trends in the number of subscribers;
- the product mix per subscriber;
- the average revenue per subscriber;
- the expected evolution of various direct and indirect expenses;
- the expected evolution in other variable and fixed costs;
- the estimated future capital expenditure (excluding capital expenditure that improves or enhances the Company's assets' performance).

The assumptions were derived mainly from:

- available historic data;
- external market researches and observations with respect to e.g. inflation, changes in the remuneration index, evolutions of the number of households, connection points etc...;
- internal market expectations based on trend reports, the current state of important negotiations, etc...

Cash flows beyond the five-year period have been extrapolated using no growth rate based on historical known data and taking into account the current economic situation (2010: 2%). This growth rate does not exceed the long-term average growth rate for the industry as published periodically in the Bulletins of the European Central Bank (ECB).

The Discounted Cash Flow calculation for determining the value in use and net recoverable amount mentioned above was reviewed for reasonableness by comparing the result of the calculation to the market capitalization of the Company.

The key assumptions used are reviewed and updated on a yearly basis by the Company's management. Taking into account the considerable excess of the cash generating unit's recoverable amount over its carrying amount, and based on sensitivity testing performed, management is of the opinion that any reasonably possible changes in key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount at December 31, 2011.

For detailed information regarding acquisitions of subsidiaries, we refer to 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	Broadcasting rights	Other	Subtotal	Broadcasting rights for resale purposes	Total
Cost										
At January 1, 2010		**9,700**	**121,000**	**207,568**	**228,028**	**21,477**	**21,125**	**608,898**	**-**	**608,898**
Acquisition of subsidiary	5.24	-	514	-	1,050	-	-	1,564	-	1,564
Additions		31,102	-	44,046	-	4,108	-	79,256	-	79,256
Transfers		(9,700)	-	-	-	-	-	(9,700)	-	(9,700)
Disposals		(255)	-	-	-	(10,141)	-	(10,396)	-	(10,396)
At December 31, 2010		**30,847**	**121,514**	**251,614**	**229,078**	**15,444**	**21,125**	**669,622**	**-**	**669,622**
Additions		71,780	-	45,786	-	100,567	-	218,133	71,961	290,094
Disposals		(405)	-	-	-	(4,778)	-	(5,183)	(71,961)	(77,144)
At December 31, 2011		**102,222**	**121,514**	**297,400**	**229,078**	**111,233**	**21,125**	**882,572**	**-**	**882,572**
Accumulated Amortization										
At January 1, 2010		**3,204**	**70,584**	**148,493**	**69,844**	**5,955**	**2,173**	**300,253**	**-**	**300,253**
Charge of the year		1,806	8,379	29,470	20,741	6,830	91	67,317	-	67,317
Transfers		(4,157)	-	-	-	-	-	(4,157)	-	(4,157)
Disposals		(255)	-	-	-	(7,095)	-	(7,350)	-	(7,350)
At December 31, 2010		**598**	**78,963**	**177,963**	**90,585**	**5,690**	**2,264**	**356,063**	**-**	**356,063**
Charge of the year		5,486	8,190	36,583	20,355	22,991	139	93,744	-	93,744
Disposals		(405)	-	-	-	(4,778)	-	(5,183)	-	(5,183)
Impairment		28,464	-	-	-	-	-	28,464	-	28,464
At December 31, 2011		**34,143**	**87,153**	**214,546**	**110,940**	**23,903**	**2,403**	**473,088**	**-**	**473,088**
Carrying Amount										
At December 31, 2011		68,079	34,361	82,854	118,138	87,330	18,722	409,484	-	409,484
At December 31, 2010		30,249	42,551	73,651	138,493	9,754	18,861	313,559	-	313,559

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 a revision of these estimated useful lives. The evaluation performed in 2011 did not result in any revision to the estimated useful lives of intangible assets.

The disposals all relate to fully amortized broadcasting rights at the end of the license period.

Following a tendering procedure in June 2011, the Company acquired five of the six auctioned batches comprising the exclusive broadcasting rights for the main fixtures of the Belgian football championship for the three seasons starting July 2011. Concurrently, the company entered into agreements with various third parties for the partial or full resale of certain of these rights. Taking into account the three-year term of the contract and the deferred payment terms, the cost or cash price equivalent was determined by means of a net present value calculation using the effective interest method applying an incremental borrowing rate of 3.89%. This resulted in the recognition of an intangible asset for the broadcasting rights retained by the Company of €86.6 million. On December 16, 2011 the Company also acquired the remaining batch comprising the non-exclusive broadcasting rights for the two football seasons starting July 2012. The cost or cash price equivalent for this batch was calculated using the effective interest method applying an incremental borrowing rate of 2.55%. This resulted in the recognition of an additional intangible asset of €2.0 million. The intangible assets related to sports broadcasting rights are amortized on a pro rata basis as the respective sports seasons progress.

Following an auction launched in March 2011 by the BIPT, Telenet Tecteo Bidco NV, a partnership between Telenet NV and the Walloon cable operator Tecteo SCRL, acquired the fourth 3G mobile spectrum license. The Company recognized the acquired spectrum as an intangible asset for an amount of €71.5 million, equal to the cash price equivalent (i.e. the net present value) at the acquisition date of the yearly installments. This intangible asset is being amortized on a straight-line basis through the expiry date of the underlying license of March 15, 2021. The Company also exercised its call option to request a certain number of channels within the 2G spectrum, which will become available in November 2015. As the exact frequencies will be determined in 2015 and taken into account that it is highly likely that certain of these frequencies are currently in use by other operators, the Company determined that its right to acquire spectrum in the 2G band as from November 15, 2015 does not meet the definition of an intangible asset as of December 31, 2011.

In 2010, the Company recognized an intangible asset related to a license to use Digital Terrestrial Television (DTT) spectrum over the network of Norkring België NV (see Note 5.12.7). The Company re-assessed its DTT business plan in the second half of 2011, and took note of the following:

- signal coverage issues;
- a lack of content agreements in order to be able to offer a DTT product to Telenet's customers; and
- the expected impact of the regulation by the Belgian telecom and media regulators of television broadcasting and broadband. This regulation is likely to result in DTT becoming a less attractive medium, thus reducing the probability that other parties will want to acquire DTT spectrum. This, in turn, has an unfavorable effect on the DTT license fees to be paid by Telenet.

The Company had not started offering DTT services as of December 31, 2011.

Based on the re-assessed business plan, the Company determined that the carrying amount of the underlying intangible asset exceeded its recoverable amount. The recoverable amount was determined by means of a value-in-use calculation based on the revised business plan, and using a discount rate of 10.6%. Consequently, an impairment loss in respect of the intangible assets related to DTT was recognized for an amount of €28.5 million (Note 5.19).

For information regarding finance leases of intangible assets, see Note 5.12.7 to the consolidated financial statements of the Company.

5.7 TRADE RECEIVABLES

(in thousands of euro)	December 31, 2011	December 31, 2010
Trade receivables	104,648	86,956
Less: provision for impairment of trade receivables	(11,025)	(7,130)
Trade receivables, net	**93,623**	**79,826**

At December 31, 2011 and 2010, respectively, the ageing of Telenet's current trade receivables can be detailed as follows:

		Past due					
(in thousands of euro)	Not due	1-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
December 31, 2011	47,340	22,875	7,468	2,289	2,388	22,288	104,648
December 31, 2010	29,382	24,879	9,013	3,629	2,929	17,124	86,956

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 120 days past due are not considered impaired. At December 31, 2011 a total amount of €35.0 million (2010: €40.5 million) was past due but not considered impaired for these reasons. With respect to these trade receivables, there are no indications that the debtors will not meet their payment obligations. The credit quality of trade and other receivables is assessed, and the Company monitors customer credit risk, based on a credit policy established by the Company's management.

Outstanding trade receivables past due for more than 120 days are considered as potentially impaired and are subject to detailed analysis at the 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, receivables more than 120 days past 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 provided 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 provision for impairment of trade receivables:

(in thousands of euro)	December 31, 2011	December 31, 2010
Provision for impairment of trade receivables at the beginning of the year	(7,130)	(10,930)
Additions	(12,598)	(6,190)
Write-offs	8,703	9,990
Provision for impairment of trade receivables at the end of the year	**(11,025)**	**(7,130)**

When a trade receivable is uncollectible, it is written off against the provision for impairment of trade receivables. Trade receivables impairment losses have 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

(in thousands of euro)	Note		December 31, 2011	December 31, 2010
Outstanding guarantees to third parties for own liabilities (cash paid)			2,817	1,921
Funding of post retirement obligation	5.16	5.3.4	3,082	2,913
Receivables from sale of sports broadcasting rights	5.6	5.3.4	32,806	-
Other			181	101
Other non-current assets			**38,886**	**4,935**

5.8.2 Current

(in thousands of euro)	Note		December 31, 2011	December 31, 2010
Recoverable withholding taxes			888	103
Recoverable VAT			-	3
Prepaid content			5,521	5,684
Prepayments			9,049	6,191
Unbilled revenue		5.3.4	50,091	52,118
Receivables from sale of sports broadcasting rights	5.6	5.3.4	21,215	-
Other		5.3.4	1,236	917
Other current assets			**88,000**	**65,016**

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.

The receivables from the sale of broadcasting rights relate primarily to the Belgian football broadcasting rights. Concurrent with the acquisition of the exclusive broadcasting rights for the main fixtures of the Belgian football championship for the three seasons starting July 2011, the Company entered into agreements with various third parties for the partial or full resale of certain of these rights. Taking into account the three-year term of the contract and the deferred payment terms, the cost or cash price equivalent of the sold part of the rights was determined by means of a net present value calculation using the effective interest method by applying an incremental borrowing rate of 3.89%. This resulted in a total aggregate initial receivable balance of €67.5 million. As per December 31, 2011, outstanding non-current and current receivables regarding Belgian football broadcasting rights amounted to €29.3 million and €19.8 million, respectively, and are included in the balances of "Receivables from sale of broadcasting rights" shown in the tables above.

5.9 INVENTORIES

As of December 31, 2011 inventories amounted to €9.1 million (2010: €12.6 million) and consisted mainly of mobile handsets as well as wireless modems, HD Digiboxes and powerline adaptors. The decrease compared to the end of 2010 of €3.5 million is mainly due to a decrease in the mobile handsets inventory of €3.0 million.

The above mentioned decrease of inventories also includes the write-downs of inventories to net realizable value amounting to €1.5 million (2010: €0.5 million).

5.10 CASH AND CASH EQUIVALENTS

(in thousands of euro)	December 31, 2011	December 31, 2010
Cash at bank and on hand	61,220	72,031
Certificates of deposit	4,135	25,610
Money market funds	281,242	541,940
Total cash and cash equivalents	**346,597**	**639,581**

On December 31, 2011, the certificates of deposit had a weighted average interest rate of 1.24% (2010: 0.47%) and an average maturity of 64 days (2010: 13 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, 2011 and 2010 were done in compliance with the Company's Risk Management policies.

5.11 SHAREHOLDERS' EQUITY

5.11.1 Shareholders' equity

On December 31, 2011 Telenet Group Holding NV had the following shares outstanding, all of which are treated as one class in the earnings (loss) per share calculation:

- 113,421,984 ordinary shares (2010: 112,333,167 shares);
- 94,843 Liquidation Dispreference Shares (2010: 94,843 shares), held by Interkabel and Binan

Investments BV (a subsidiary of Liberty Global Inc.), 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 exceed €8.02 per Share. Liquidation Dispreference Shares may be converted into ordinary shares at a rate of 1.04 to 1; and

- 30 Golden Shares (2010: 30 shares) held by the financing municipalities[1], 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 Telenet's offering of digital television.

As of December 31, 2011, share capital amounted to €294.2 million (2010: €797.3 million).

Capital reductions

With respect to the repayments of the capital reductions approved by the extraordinary shareholders' meetings of Telenet Group Holding NV on August 17, 2007 and May 28, 2009 of respectively €6.00 and €0.50 per share, payments have been made in 2010 totaling €0.2 million.

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 of the closing of trading on Euronext Brussels on July 27, 2010 with the payment of €249.7 million made in 2010 and €0.1 million in 2011. No changes to the outstanding number of shares occurred as result of this transaction.

On April 27, 2011, the extraordinary shareholders' meeting of Telenet Group Holding NV approved a capital reduction of €4.50 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 July 25, 2011 with the payment of €508.9 million made in 2011. No changes to the outstanding number of shares occurred as a result of this transaction.

Own shares

On August 9, 2011, the Company announced the initiation of a share repurchase program. Under this program, Telenet Group Holding NV may acquire from time to time the Company's common stock, for a maximum of 1,000,000 shares within a period of 9 months. All repurchased shares will be held by the Company to cover the Company's obligations under existing stock option plans. There will be no dividend rights for these shares for as long as they remain in possession of the Company.

Telenet has mandated an intermediary to repurchase Telenet shares on its behalf. This intermediary is a discretionary asset management company deciding autonomously upon the timing, offer and number of shares to be repurchased.

As of December 31, 2011, the Company had purchased 220,352 own shares for a total amount of €5.8 million, representing 0.2% of the total outstanding shares at December 31, 2011.

On February 16, 2012, the Company announced the initiation, as of February 20, 2012, of a second share repurchase program, referred to as the "Share Repurchase Program 2012". Under this program, the Company may acquire from time to time up to maximum 3 million of its outstanding ordinary shares, for a maximum consideration of €50 million, within the six months following February 20, 2012. All repurchased shares will be cancelled by the Company.

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

This Share Repurchase Program 2012 replaces the previously approved repurchase program of 1 million shares as announced on August 9, 2011 (the "Share Repurchase Program 2011") which contained certain maximum price limits that are no longer relevant today given changed market circumstances.

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. As of April 12, 2011 there are no more Class B Options or Profit Certificates outstanding.

The Class A 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, Warrant Plan 2009 and Warrant Plan 2010

The details regarding the Warrant Plan 2007, Warrant Plan 2008, Warrant Plan 2009 and Warrant Plan 2010 issued by the Company are summarized in the table below:

	Issuance of warrants		
Warrant Plan	Date approved by the extraordinary shareholders' meeting	Total number of warrants issued	Name of the grant
Warrant Plan 2007	December 27, 2007	3,300,000	Warrant Plan 2007
			Warrant Plan 2007 bis
			Warrant Plan 2007 ter
			Warrant Plan 2007 quater
			Warrant Plan 2007 quinquies
			Warrant Plan 2007 sexies
			Warrant Plan 2007 septies
Warrant Plan 2008	May 29, 2008	317,000	Warrant Plan 2008
Warrant Plan 2009	May 28, 2009	180,000	Warrant Plan 2009
Warrant Plan 2010	April 28, 2010	2,800,000	Warrant Plan 2010 primo
			Warrant Plan 2010 bis
			Warrant Plan 2010 ter

Under all of the aforementioned plans, 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.

In 2010, the board of directors authorized two separate grants of warrants under the Warrant Plan 2010 (ESOP 2010 primo and ESOP 2010 bis). On August 11, 2011, the board of directors authorized one new grant of warrants under the Warrant Plan 2010 to certain key management personnel (ESOP 2010 ter).

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.

On April 28, 2010, the extraordinary shareholders' meeting of the Company approved certain terms and conditions of the SSOP 2010-2014.

The grant of 850,000 stock options under the SSOP 2010-2014 was effectively made to the CEO on September 4, 2010, who accepted this offer on October 3, 2010.

The vesting of these options is contingent upon the achievement of certain performance criteria. The Remuneration & Nomination Committee, in consultation with the CEO, determines for each installment the performance criteria and each year the Remuneration & Nomination Committee decides whether these criteria have been met.

In October 2010, the first tranche of 250,000 stock options were granted to the CEO with an exercise price of €23.00 per option. The Remuneration & Nomination Committee has determined in 2011 that the applicable performance criteria had been achieved for 2010, which resulted in the vesting of these 250,000 options on March 1, 2011.

In February 2011, the second tranche of 200,000 stock options were granted to the CEO with an exercise price of €24.00 per option. The Remuneration & Nomination Committee has determined on February 15, 2012 that the applicable performance criteria have been achieved for 2011, which resulted in the vesting of these 200,000 options (232,258 options after giving effect to the impact of the 2011 capital reduction) on March 1, 2012.

Warrants granted

Date offered	Number of warrants offered	Number of warrants accepted	Beneficiaries
December 27, 2007	55,000	27,500	certain employees
March 5, 2008	1,294,000	1,058,600	certain employees
August 25, 2008	63,000	43,000	certain employees
June 30, 2009	1,298,000	1,236,000	certain employees
December 4, 2009	155,000	155,000	CEO
December 18, 2009	117,500	93,000	certain employees
September 28, 2010	189,900	189,900	certain employees
May 29, 2008	317,000	317,000	CEO
May 28, 2009	180,000	180,000	CEO
September 28, 2010	1,147,600	1,006,700	certain employees
December 10, 2010	70,500	50,500	certain employees
August 11, 2011	184,500	147,500	certain employees

On February 15, 2012 the Remuneration & Nomination Committee, in consultation with the CEO, has determined the performance criteria for a third tranche of 200,000 options (232,258 options after giving effect to the impact of the 2011 capital reduction) under the SSOP 2010-2014 with an exercise price of €25.00 (€21.53 after giving effect to the impact of the 2011 capital reduction), and therefore the grant of these options is considered to have occurred on that date. Subject to achievement of the relevant performance criteria for the year 2012, these options will vest on March 1, 2013.

A fourth tranche of 200,000 additional stock options (232,258 after giving effect to the impact of the 2011 capital reduction) with an exercise price of €26.00 (€22.39 after giving effect to the impact of the 2011 capital reduction) per option, will be for accounting purposes considered to have been granted in February 2013 upon determination of the related performance criteria. Subject to achievement of relevant performance criteria for the year 2013, these options 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 options under the SSOP 2010-2014 have an expiration date of September 4, 2017.

For accounting purposes, the grant dates of all of the above mentioned grants were defined as the date the beneficiaries accepted the offer. The fair values of the warrants and the stock options granted during 2011, 2010, 2009, 2008 and 2007 were determined using the Black-Scholes option-pricing model.

The grant dates for accounting purposes, as well as the underlying assumptions for determining the grant date fair value can be summarized as follows:

	Grant Date	Fair Value at grant date	Share Price	Exercise Price (1)	Expected Volatility	Expected Option Life	Expected Dividends	Risk-free interest rate
Warrant Plan 2007 warrants	January 27, 2008	3.83	18.04	19.40	25.5%	3.61 years	0.0%	3.50%
Warrant Plan 2007 bis warrants	April 19, 2008	2.79 - 4.34	14.51	14.50	24.2% - 27.7%	3.61 years	0.0%	4.07% - 4.20%
Warrant Plan 2007 ter warrants	September 25, 2008	3.15 - 4.62	14.78	14.69	25.9% - 28.5%	3.61 years	0.0%	4.17% - 4.39%
Warrant Plan 2007 quater warrants	July 30, 2009	4.91 - 5.93	16.35	14.36	32.2% - 36.4%	3.61 years	0.0%	1.83% - 2.61%
Warrant Plan 2007 quinquies warrants	January 3, 2010	5.24 - 6.26	19.93	19.45	32.5% - 38.8%	3.61 years	0.0%	1.64% - 2.46%
Warrant Plan 2007 sexies warrants	January 17, 2010	6.10 - 7.15	20.97	18.98	32.5% - 38.8%	3.61 years	0.0%	1.45% - 2.33%
Warrant Plan 2007 septies warrants	November 12, 2010	10.04 - 11.72	28.70	24.02	38.7% - 44.6%	3.61 years	0.0%	1.70% - 2.32%
Warrant Plan 2008 warrants	May 29, 2008	3.02 - 4.78	15.89	15.86	24.3% - 27.6%	3.61 years	0.0%	4.48% - 4.51%
Warrant Plan 2009 warrants	June 26, 2009	2.86 - 3.97	14.60	14.22	32.3% - 36.6%	3.61 years	0.0%	1.88% - 2.71%
Warrant Plan 2010 primo warrants	November 12, 2010	10.04 - 11.72	28.70	24.02	38.7% - 44.6%	3.61 years	0.0%	1.70% - 2.32%
Warrant Plan 2010 bis warrants	January 24, 2011	8.04 - 10.43	28.76	28.79	38.8% - 43.8%	3.61 years	0.0%	2.74% - 3.42%
Warrant Plan 2010 ter warrants	September 26, 2011	6.34 - 15.10	27.44	26.35	30.9% - 70.2%	3.61 years	0.0%	2.36% - 2.95%

(1) Exercise price upon grant, i.e. before adjustment for any capital reductions.

	Grant Date	Fair Value at grant date	Share Price	Exercise Price		Expected Volatility	Expected Option Life	Expected Dividends	Risk-free interest rate
				Initially	Adjusted				
Specific Stock Option Plan 2010-2014	October 3, 2010	10.18	24.77	23.00	19.81	36.9%	5.7 years	0.0%	2.44%
"	February 23, 2011	15.31	31.39	24.00	20.67	36.9%	5.3 years	0.0%	3.62%
"	February 15, 2012	11.85	28.82	25.00	21.53	32.2%	4.3 years	0.0%	2.08%
"				26.00	22.39				

Effect of capital reductions on the outstanding options and warrants

Upon the payment of the capital reductions in 2010 and 2011, the Company adjusted 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, which is the ratio of the quoted closing market price of the Telenet Group Holding NV shares on the cum date less the amount of the capital reduction per share versus the quoted market price on the cum date. The cum date is the last day that the share is traded with the relevant coupon attached, i.e. the date that falls 4 business days before the date on which the capital is paid (payment date).

	Coupon n°	Cum date	Payment date	Capital Reduction amount capital reduction / share	Adjustment factor
Capital Reduction 2010	3	July 27, 2010	August 2, 2010	2.23	0.907161
Capital Reduction 2011	4	July 25, 2011	July 29, 2011	4.50	0.861111

As a result of these adjustments, fair values of the options and warrants before and after the capital reduction remained the same for all option and warrant holders resulting in no additional compensation expense. The aforementioned modifications to the different warrant plans can be summarized as follows:

Capital Reduction 2010	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 2007 bis warrants	823,650	907,942	14.06	12.75
Warrant Plan 2007 ter warrants	37,589	41,435	14.24	12.92
Warrant Plan 2007 quater warrants	1,214,617	1,338,928	13.92	12.63
Warrant Plan 2007 quinquies warrants	155,000	170,863	19.45	17.64
Warrant Plan 2007 sexies 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

Capital Reduction 2011	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	297,966	346,025	4.46	3.84
Warrant Plan 2007 warrants	31,269	36,313	17.06	14.69
Warrant Plan 2007 bis warrants	626,275	727,286	12.75	10.98
Warrant Plan 2007 ter warrants	33,260	38,626	12.92	11.13
Warrant Plan 2007 quater warrants	907,656	1,054,049	12.63	10.88
Warrant Plan 2007 quinquies warrants	170,863	198,422	17.64	15.19
Warrant Plan 2007 sexies warrants	82,167	95,419	17.22	14.83
Warrant Plan 2007 septies warrants	179,900	208,916	24.02	20.68
Warrant Plan 2008 warrants	360,444	418,580	13.95	12.01
Warrant Plan 2009 warrants	204,669	237,680	12.51	10.77
Warrant Plan 2010 primo warrants	886,555	1,029,539	24.02	20.68
Warrant Plan 2010 bis warrants	50,500	58,644	28.79	24.79

The options under the SSOP 2010-2014 were also amended following the payment of the 2011 capital reduction, whereby the number of options was increased and the exercise price was decreased by the same factor of 0.861111.

The aforementioned modifications to the SSOP 2010-2014 option plan can be summarized as follows:

	Outstanding number of SSOP 2010-2014 options		Exercise price of the SSOP 2010-2014 options	
	before capital reduction	after capital reduction	before capital reduction	after capital reduction
Tranche 1	250,000	290,323	23.00	19.81
Tranche 2	200,000	232,258	24.00	20.67
Tranche 3	200,000	232,258	25.00	21.53
Tranche 4	200,000	232,258	26.00	22.39

All plans

A summary of the activity in the Company's stock option and warrant plans for the years ended December 31, 2011, and 2010 is as follows:

	Outstanding Options and warrants	
	Number of Options and Warrants	Weighted Average Exercise Prices (in euro)
January 1, 2010	**3,254,636**	**13.48**
Granted		
Warrant Plan 2007 quinquies warrants granted	155,000	19.45
Warrant Plan 2007 sexies warrants granted	93,000	18.98
Warrant Plan 2007 septies warrants granted	189,900	24.02
Warrant Plan 2010 primo warrants granted	1,006,700	24.02
Specific Stock Option Plan 2010-2014 options granted (Tranche 1)	250,000	23.00
Additional issued upon plan amendment		
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

Outstanding Options and warrants

	Number of Options and Warrants	Weighted Average Exercise Prices (in euro)
Additional Warrant Plan 2007 quater warrants issued upon plan amendment	124,311	12.63
Additional Warrant Plan 2007 quinquies 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
Exercised		
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
Forfeited		
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
December 31, 2010	**4,472,201**	**16.13**
Granted		
Warrant Plan 2010 bis warrants granted	50,500	28.79
Warrant Plan 2010 ter warrants granted	147,500	26.35
Specific Stock Option Plan 2010-2014 options granted (Tranche 2)	200,000	24.00
Additional issued upon plan amendment		
Additional Class A Options issued upon plan amendment	48,059	3.84
Additional Warrant Plan 2007 warrants issued upon plan amendment	5,044	14.69
Additional Warrant Plan 2007 bis warrants issued upon plan amendment	101,011	10.98
Additional Warrant Plan 2007 ter warrants issued upon plan amendment	5,366	11.13
Additional Warrant Plan 2007 quater warrants issued upon plan amendment	146,393	10.88
Additional Warrant Plan 2007 quinquies warrants issued upon plan amendment	27,559	15.19
Additional Warrant Plan 2007 sexies warrants issued upon plan amendment	13,252	14.83
Additional Warrant Plan 2007 septies warrants issued upon plan amendment	29,016	20.68

Outstanding Options and warrants

	Number of Options and Warrants	Weighted Average Exercise Prices
		(in euro)
Additional Warrant Plan 2008 warrants issued upon plan amendment	58,136	12.01
Additional Warrant Plan 2009 warrants issued upon plan amendment	33,011	10.77
Additional Warrant Plan 2010 primo warrants issued upon plan amendment	142,984	20.68
Additional Warrant Plan 2010 bis warrants issued upon plan amendment	8,144	24.79
Additional Specific Stock Option Plan 2010-2014 options issued upon plan amendment (Tranche 1)	40,323	19.81
Additional Specific Stock Option Plan 2010-2014 options issued upon plan amendment (Tranche 2)	32,258	20.67
Exercised		
Class B Options exercised	(12,179)	5.59
Warrant Plan 2007 warrants exercised	(1,806)	14.69
Warrant Plan 2007 bis warrants exercised	(192,229)	12.00
Warrant Plan 2007 ter warrants exercised	(1,592)	11.53
Warrant Plan 2007 quater warrants exercised	(312,280)	11.87
Warrant Plan 2007 sexies warrants exercised	(18,933)	14.94
Warrant Plan 2007 septies warrants exercised	(31,000)	21.76
Warrant Plan 2010 primo warrants exercised	(148,748)	22.26
Warrant Plan 2010 bis warrants exercised	(4,352)	24.79
Forfeited		
Warrant Plan 2007 bis warrants forfeited	(1,992)	12.75
Warrant Plan 2007 ter warrants forfeited	(1,136)	12.92
Warrant Plan 2007 quater warrants forfeited	(17,420)	10.88
Warrant Plan 2007 sexies warrants forfeited	(7,096)	17.22
Warrant Plan 2010 primo warrants forfeited	(53,641)	23.77
Warrant Plan 2010 bis warrants forfeited	(3,488)	24.79
December 31, 2011	**4,752,865**	**14.93**

The options and warrants in the table below were exercised resulting in the receipt of payments of €10.5 million and €8.3 million during the years ended December 31, 2011 and 2010, respectively. Upon exercise, the Class B options were exchanged on a one-for-one basis for 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 €0.2 million and €1.0 million between Equity based compensation reserves and Share Capital within Equity in 2011 and 2010, respectively. Warrant Plan 2007 and Warrant Plan 2010 warrants were exchanged on a one-for-one basis for ordinary shares.

Class of options and warrants	Number of options and warrants exercised	Exercise date	Share price at exercise date (in euro)
Class B Options	12,179	12/04/2011	32.08
Warrant Plan 2007 warrants	1,806	12/10/2011	27.46
Warrant Plan 2007 bis warrants	111,208	12/04/2011	32.08
	72,180	12/10/2011	27.46
	8,841	22/12/2011	28.31
Warrant Plan 2007 ter warrants	355	12/04/2011	32.08
	825	12/10/2011	27.46
	412	22/12/2011	28.31
Warrant Plan 2007 quater warrants	176,205	12/04/2011	32.08
	95,574	12/10/2011	27.46
	40,501	22/12/2011	28.31
Warrant Plan 2007 sexies warrants	861	12/04/2011	32.08
	17,072	12/10/2011	27.46
	1,000	22/12/2011	28.31
Warrant Plan 2007 septies warrants	10,000	12/04/2011	32.08
	14,000	12/10/2011	27.46
	7,000	22/12/2011	28.31
Warrant Plan 2010 primo warrants	70,498	12/04/2011	32.08
	59,909	12/10/2011	27.46
	18,341	22/12/2011	28.31
Warrant Plan 2010 bis warrants	4,352	22/12/2011	28.31

The following table summarizes information about stock options and warrants outstanding and exercisable as of December 31, 2011:

Class of options and warrants	Number of options and warrants outstanding	Number of options and warrants exercisable	Weighted average remaining contractual life	Current exercise prices
				(in euro)
Class A Options	346,025	346,025	5 months	3.84
Warrant Plan 2007 warrants	34,507	34,507	15 months	14.69
Warrant Plan 2007 bis warrants	646,265	574,614	50 months	10.98
Warrant Plan 2007 ter warrants	37,389	28,617	56 months	11.13
Warrant Plan 2007 quater warrants	900,554	410,394	30 months	10.88
Warrant Plan 2007 quinquies warrants	198,422	99,209	35 months	15.19
Warrant Plan 2007 sexies warrants	77,347	23,787	36 months	14.83
Warrant Plan 2007 septies warrants	187,916	36,298	45 months	20.68
Warrant Plan 2008 warrants	418,580	392,417	17 months	12.01
Warrant Plan 2009 warrants	237,680	148,545	29 months	10.77
Warrant Plan 2010 primo warrants	947,295	217,149	45 months	20.68
Warrant Plan 2010 bis warrants	50,804	13,780	47 months	24.79
Warrant Plan 2010 ter warrants	147,500	9,214	55 months	26.35
Specific Stock Option Plan 2010-2014 options tranche 1	290,323	-	68 months	19.81
Specific Stock Option Plan 2010-2014 options tranche 2	232,258	-	68 months	20.67

Total compensation expense associated with the Company's option and warrant plans amounted to €13.0 million in 2011 (2010: €9.8 million).

Performance shares

In December 2011, Telenet granted certain of its Executive Team members (other than its chief executive officer) a total of 31,914 performance shares ("the 2011 Telenet Performance Shares"). The performance target applicable to the 2011 Telenet Performance Shares is the achievement of a compound annual growth rate (CAGR) for operating free cash flow (OFCF), when comparing 2013 OFCF to 2010 OFCF. A performance range of 75% to 150% of the target OFCF CAGR would generally result in award recipients earning 50% to 150% of their 2011 Telenet Performance Shares, subject to reduction or forfeiture based on individual performance and service requirements. The earned 2011 Telenet Performance Shares will vest on December 6, 2014. Any compensation costs attributable to the 2011 Telenet Performance Shares will be recognized over the requisite service period of the awards and will be included in stock-based compensation in Telenet's consolidated statements of operations.

In 2011, no compensation expense was recognized in respect of the 2011 Telenet Performance Shares.

5.11.3 Employee share purchase plan

On May 29, 2008, the extraordinary shareholder's meeting of the Company approved the issuance of a new Employee Share Purchase Plan ("ESPP 2011") for a maximum amount of €23.5 million.

In February 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 communicated on March 24, 2011. Based on the average share price of €31.65 during this 30 day period, the shares were offered to the personnel at a subscription price of €26.38. As the shares were fully vested at the time of the transaction, the Company recognized €2.4 million as compensation expense in 2011 for the 341,168 shares that were purchased.

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, 2011 and 2010.

(in thousands of euro)	December 31, 2011	December 31, 2010
Amended Senior Credit Facility:		
Revolving Credit Facility	294	230
Term Loan G	-	1,470,529
Term Loan J	-	79,263
Term Loan K	-	158,000
Term Loan L1	-	208,457
Term Loan Q	431,090	-
Term Loan R	798,739	-
Senior Secured Fixed Rate Notes		
€500 million Senior Secured Notes due 2020	503,984	505,047
€100 million Senior Secured Notes due 2016	100,663	100,515
€300 million Senior Secured Notes due 2021	307,453	-
Senior Secured Floating Rate Notes		
€400 million Senior Secured Notes due 2021	400,943	-
Finance lease obligations	332,745	340,125
Bank Loan	8	31
3G Mobile Spectrum	60,679	-
Clientele fee > 20 years	70,644	65,137
	3,007,242	**2,927,334**
Less: deferred financing fees	(47,709)	(49,638)
	2,959,533	**2,877,696**
Less: current portion	(55,402)	(40,319)
Total non-current loans and borrowings	**2,904,131**	**2,837,377**

As of December 31, 2011 and 2010, all loans and borrowings are denominated in euros. Fixed interest rates applied to 43.80% of the total loans and borrowings (2010: 32.36%). The weighted average interest rates at December 31, 2011, were 6.26% on fixed interest rate loans (2010: 6.30%) and 4.74% on floating interest rate loans (2010: 4.40%).

5.12.1 Senior Credit Facility

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.

After the completion of the 2009 amendments to the Senior Credit Facility in June and August 2009 (the "2009 Amended Senior Credit Facility"), the Telenet Senior Credit Facility included Facilities A, B1, B2A, B2B, C, D, E1, E2 and F, all of which were Term Loan facilities, and a Revolving Credit Facility. Among other matters, the completion of the 2009 Amended Senior Credit Facility resulted in the extension of a significant portion of the maturities under the Senior Credit Facility. Total Term Loans and revolving credit lines available remained unchanged and amounted to €2,300.0 million as of December 31, 2009.

5.12.2 2010 Amended Senior Credit Facility

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 were 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 were the same as those of Term Loan F.

The situation of the 2010 Amended Senior Credit Facility immediately after the 2010 extension process is summarized in the table below:

(in thousands of euro)	Total Facility	Drawn amount	Undrawn amount	Maturity Date	Interest rate
	After novation / extension				
2010 Amended Senior Credit Facility:					
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%
Total notional amount	**2,300,000**	**2,125,000**	**175,000**		

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 loss on extinguishment of debt.

The net proceeds from the €500.0 million Senior Secured Notes due 2020 (see Note 5.12.4) were partially used to redeem the outstanding Term Loans H, I and L2 under the 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 on November 15, 2010.

The terms and conditions of the 2010 Amended Senior Credit Facility and the situation at December 31, 2010 are summarized as follows:

December 31, 2010 (in thousands of euro)	Total Facility as per	Drawn amount	Undrawn amount	Maturity Date	Interest rate
2010 Amended Senior Credit Facility:					
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%
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%
Revolving Credit Facility	175,000	-	175,000	August 1, 2014	Floating - Euribor + 2.125%
Total notional amount	**2,091,249**	**1,916,249**	**175,000**		

5.12.3 2011 Amended Senior Credit Facility

On February 28, 2011, Tranches K and L1 under the 2010 Amended Senior Credit Facility were repaid before maturity for an aggregate amount of €286.5 million, using the proceeds of the issuance in February 2011 of the €300.0 million Senior Secured Notes due 2021 (see Note 5.12.4). The remaining €80.0 million of Tranche K was extended and novated to Term Loan G. The unamortized deferred financing fees related to Term Loan K and L1 amounted to €5.3 million and were accounted for as loss on extinguishment of debt upon the early redemption.

On June 10, 2011, the Company further improved its debt maturity profile by novating €27.5 million from Term Loan J to Term Loan G.

Following the successful issuance in June 2011 of the €400.0 million Senior Secured Notes due 2021 (see Note 5.12.4), the Company launched a voluntary exchange process for Term Loan G under the 2011 Amended Senior Credit Facility. Existing lenders in Term Loan G were requested to exchange their existing participations and commitments in new Term Loans either with unchanged maturity at July 31, 2017 (Term Loan Q) or with an extended maturity of two years to July 31, 2019 (Term Loan R), in each case re-priced in line with current market conditions. Following the closing of the above mentioned exchange process in July 2011 in which €431.0 million and €798.6 million was exchanged to Term Loan Q, respectively Term Loan R, the entire proceeds of the €400.0 million Senior Secured Notes due 2021 was used to fully redeem the remaining part of the existing Term Loans G and J amounting to respectively €348.3 million and €51.8 million. At the same time, the availability of the Revolving Credit Facility was extended to December 31, 2016. The committed undrawn amount under the Revolving Credit Facility was revised to €158 million with an applicable floating interest rate of 2.75% over the EURIBOR rate. The unamortized deferred financing fees related to Term Loan G and J that have been early redeemed amounted to €6.2 million and were accounted for as a loss on extinguishment of debt upon early redemption.

The voluntary exchange and re-pricing process, together with the redemption of shorter-term maturities, resulted in a further extension of the average maturity of the Company's 2011 Amended Senior Credit Facility to approximately 8 years.

The terms and conditions of the 2011 Amended Senior Credit Facility and the situation at December 31, 2011 is summarized as follows:

December 31, 2011 (in thousands of euro)	Total Facility as per	Drawn amount	Undrawn amount	Maturity Date	Interest rate
2011 Amended Senior Credit Facility:					
Term Loan Q	431,038	431,038	-	July 31, 2017	Floating - Euribor + 3.25%
Term Loan R	798,634	798,634	-	July 31, 2019	Floating - Euribor + 3.625%
Revolving Credit Facility	158,000	-	158,000	December 31, 2016	Floating - Euribor + 2.75%
TATAL NOTIONAL AMOUNT	**1,387,672**	**1,229,672**	**158,000**		

5.12.4 Senior Secured Notes

Issuance of €500.0 million Senior Secured Notes due 2020

Telenet Finance Luxembourg S.C.A. (further referred to as "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 Senior Secured Notes.

On October 28, 2010 TFL entered into a Global Note offering (the "Senior Secured Notes due 2020"). TFL 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.

TFL 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, TFL 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 TFL 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.

Issuance of €100.0 million Senior Secured Notes due 2016

Telenet Finance Luxembourg II S.A. (further referred to as "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 Senior Secured Notes.

On November 26, 2010 TFL II entered into a Global Note offering (the "Senior Secured Notes due 2016"). TFL II is incorporated as a limited liability company and is owned for 100.00% by a charitable trust.

TFL II 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, TFL II 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 TFL II 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 have been primarily used for general corporate purposes, including distributions to the Company's direct and indirect shareholders,.

Issuance of €300.0 million Senior Secured Fixed Rate Notes due 2021

Telenet Finance III Luxembourg S.C.A. (further referred to as "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 Senior Secured Notes.

On February 9, 2011 TFL III entered into a Global Note offering (the "Senior Secured Notes due 2021"). TFL III 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 III Luxembourg S.à r.l., a company independent from the Telenet Group.

TFL III 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, TFL III is included in the consolidated financial statements of the Company.

The proceeds from the issuance of the Senior Secured Fixed Rate Notes due 2021 (being €300.0 million) were used by TFL III to fund an additional facility under the Senior Credit Facility, (the "Finco Loan" or "Facility O"), denominated in euro, borrowed by Telenet International Finance S.à r.l. ("TIF").

The Senior Secured Fixed Rate Notes due 2021 were issued on February 9, 2011 and all cash was received on February 15, 2011. The Senior Secured Fixed Rate Notes due 2021 have a principal value of €300.0 million and were issued at par. The interest rate on the Senior Secured Fixed Rate 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 Fixed Rate Notes is February 15, 2021.

The net proceeds from this offering were partially used to redeem before maturity the outstanding Term Loans K and L1 under the Company's 2010 Amended Senior Credit Facility for an aggregate of €286.5 million. The unamortized deferred financing fees related to Term Loan K and L1 amounted to €5.3 million and were accounted for as a loss on extinguishment of debt upon early redemption at February 28, 2011.

Issuance of €400.0 million Senior Secured Floating Rate Notes due 2021

Telenet Finance IV Luxembourg S.C.A. (further referred to as "TFL IV") was incorporated on May 23, 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 Senior Secured Notes.

On June 8, 2011 TFL IV entered into a Global Note offering (the "Senior Secured Notes due 2021"). TFL IV 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 IV Luxembourg S.à r.l., a company independent from the Telenet Group.

TFL IV 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, TFL IV is included in the consolidated financial statements of the Company.

The proceeds from the issuance of the Senior Secured Floating Rate Notes due 2021 (being €400.0 million) were used by TFL IV to fund an additional facility under the Senior Credit Facility, (the "Proceeds Loan" or "Facility P"), denominated in euro, borrowed by Telenet International Finance S.à r.l. ("TIF").

The Senior Secured Floating Rate Notes due 2021 were issued on June 8, 2011 and the cash was received on June 15, 2011. These Senior Secured Floating Rate Notes due 2021 have a principal value of €400.0 million and were issued at par. The interest rate on the Senior Secured Floating Rate Notes due 2021 is the 3M EURIBOR + 3.875% and accrued interest is paid quarterly on March 15, June 15, September 15 and December 15 commencing September 15, 2011. The final maturity of these Senior Secured Notes is June 15, 2021.

The net proceeds from this offering were used to redeem €400.1 million on the outstanding Term Loan G and J under the Company's 2010 Amended Senior Credit Facility.

5.12.5 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, 2011 are shown in the following table:

December 31, 2011 (in thousands of euro)	Total Facility as per	Drawn amount	Undrawn amount	Maturity Date	Interest rate	Interest payments due
2011 Amended Senior Credit Facility:						
Term Loan Q	431,038	431,038	-	July 31, 2017	Floating - Euribor + 3.25%	Monthly
Term Loan R	798,634	798,634	-	July 31, 2019	Floating - Euribor + 3.625%	Monthly
Revolving Credit Facility	158,000	-	158,000	December 31, 2016	Floating - Euribor + 2.75%	Not applicable
Senior Secured Fixed Rate Notes						
€500 million Senior Secured Notes due 2020	500,000	500,000	-	November 15, 2020	Fixed - 6.375%	Semi-annually (May and Nov.)
€100 million Senior Secured Notes due 2016	100,000	100,000	-	November 15, 2016	Fixed - 5.30%	Semi-annually (May and Nov.)
€300 million Senior Secured Notes due 2021	300,000	300,000	-	February 15, 2021	Fixed - 6.625%	Semi-annually (Feb. and Aug.)
Senior Secured Floating Rate Notes						
€400 million Senior Secured Notes due 2021	400,000	400,000	-	June 15, 2021	Floating - 3M Euribor+ 3.875%	Quarterly (March, June, Sep. and Dec.)
Total notional amount	**2,687,672**	**2,529,672**	**158,000**			

5.12.6 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 "2011 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 C-CURE NV, Telenet Tecteo Bidco NV, T-VGAS NV, Telenet Mobile NV, Telenet Solutions Luxembourg S.A., Telenet Luxembourg Finance

Center S.à r.l., Finance Center Telenet S.à r.l. and Telenet Service Center N.V.) under the 2011 Amended Senior Credit Facility over substantially all their assets of which the carrying amounts as of December 31, 2011 and 2010 can be detailed as follows:

(in thousands of euro)	December 31, 2011	December 31, 2010
Assets		
Non-current assets:		
Property and equipment	1,298,113	1,306,982
Goodwill	1,233,438	1,235,895
Other intangible assets	341,387	311,927
Derivative financial instruments	-	4,718
Investments in equity accounted investees	185	212
Other assets	35,725	1,892
Total non-current assets	**2,908,848**	**2,861,626**
Current assets:		
Inventories	829	1,025
Trade receivables	90,799	74,059
Derivative financial instruments	1,703	315
Other current assets	75,878	55,357
Cash and cash equivalents	341,335	639,104
Total current assets	**510,544**	**769,860**
Total assets	**3,419,392**	**3,631,486**

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 PayTVCo NV (succeeded by Telenet NV) and (vii) €75 million granted by the former Telenet Solutions NV (succeeded by Telenet NV); a portion of the floating charges have been granted in a non-joined manner (non-cumulative) with certain mortgages;
- a non-exercised floating charge mandate of €865 million granted by Telenet NV;
- 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, 2011, the Company was in compliance with all of its financial covenants.

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 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 2011 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 2011 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 2011 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.

In respect of the obligations under the notes issued by Telenet Finance III 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 III Luxembourg S.C.A.;
- all of the issued shares of Telenet Finance III S.à r.l. (Telenet Finance III Luxembourg S.C.A.'s general partner);
- all of Telenet Finance III Luxembourg S.C.A.'s rights, title and interest under the 2011 Amended Senior Credit Facility, the intercreditor agreement dated October 10, 2007 and the additional facility O accession agreement pursuant to which Telenet Finance III Luxembourg S.C.A. has become a lender under the 2011 Amended Senior Credit Facility;
- all of Telenet Finance III 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 III 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 III Luxembourg S.C.A.

In respect of the obligations under the notes issued by Telenet Finance IV 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 IV Luxembourg S.C.A.;
- all of the issued shares of Telenet Finance IV S.à r.l. (Telenet Finance IV Luxembourg S.C.A.'s general partner);
- all of Telenet Finance IV Luxembourg S.C.A.'s rights, title and interest under the 2011 Amended Senior Credit Facility, the intercreditor agreement dated October 10, 2007 and the additional facility P accession agreement pursuant to which Telenet Finance IV Luxembourg S.C.A. has become a lender under the 2011 Amended Senior Credit Facility;
- all of Telenet Finance IV 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 IV 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 IV Luxembourg S.C.A.

5.12.7 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	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Within one year	45,526	50,482	19,185	21,053	26,341	29,429
In the second to fifth years, inclusive	183,194	180,518	64,761	66,689	118,433	113,829
Thereafter	226,566	241,861	43,419	49,825	183,147	192,036
Total minimum lease payments	**455,286**	**472,861**	**127,365**	**137,567**	**327,921**	**335,294**

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	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Buildings	39,226	44,495	6,976	8,171	32,250	36,324
Canon	374,180	383,134	107,636	114,795	266,544	268,339
Norkring (Digital Terrestrial Television)	41,613	44,942	12,753	14,601	28,860	30,341
Other	267	290	-	-	267	290
Total minimum lease payments	**455,286**	**472,861**	**127,365**	**137,567**	**327,921**	**335,294**

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 Pure Intercommunales ("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 35 years remained at the end of 2011). 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 in 2008 from intangibles to property and equipment.

For the year ended December 31, 2011, the average effective borrowing rate for the three above mentioned fees was 6.68% (2010 : 6.65%).

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 enabling 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, however through this agreement, the Company would also 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 (see Note 5.6). 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.

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, 2011, the average effective borrowing rate was 3.86% (2010: 3.53%). 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.

5.12.8 3G and 2G mobile spectrum

Following an auction launched in March 2011 by the BIPT, Telenet Tecteo Bidco NV, a partnership between Telenet NV and the Walloon cable operator Tecteo SCRL, acquired the fourth 3G mobile spectrum license (see Note 5.6). For the year ended December 31, 2011, the average effective borrowing rate for the 3G mobile spectrum was 3.75%.

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, 2011 and 2010, the outstanding forward foreign exchange derivatives were as follows:

(in thousands of euro)	December 31, 2011	December 31, 2010
Forward Purchase Contracts		
Notional amount in US dollar	47,000	12,000
Weighted average strike price (US dollar per euro)	1.363	1.375
Maturity	From January to December 2012	From January to March 2012

As of December 31, 2011 and 2010, the outstanding interest rate derivatives were as follows:

(in thousands of euro)	December 31, 2011	December 31, 2010
Interest Rate Swaps		
Notional amount	2,145,000	1,200,000
Average pay interest rate	3.57%	3.85%
Average receive interest rate	EURIBOR 3M	0.74%
Maturity	From 2012 to 2021	From 2011 to 2017
Basis Swaps		
Notional amount	1,000,000	-
Average pay interest rate	EURIBOR 3M	-
Average receive interest rate	EURIBOR 1M+0.31%	-
Maturity	From 2012 to 2013	-
Caps		
Notional amount	255,875	1,057,115
Average cap interest rate	3.75%	3.80%
Maturity	From 2012 to 2017	From 2011 to 2017
Collars		
Notional amount	950,000	1,025,000
Average floor interest rate	1.50%	1.11%
Average cap interest rate	4.00%	4.06%
Maturity	2017	From 2011 to 2017

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

(in thousands of euro)	December 31, 2011	December 31, 2010
Current assets	1,988	315
Non-current assets	190	4,718
Current liabilities	(28,877)	(24,729)
Non-current liabilities	(94,093)	(35,914)
	(120,792)	**(55,610)**
Interest rate derivatives	(122,379)	(56,029)
Foreign exchange forwards	1,703	276
Embedded derivatives	(116)	143
	(120,792)	**(55,610)**

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

(in thousands of euro)	December 31, 2011	December 31, 2010
Interest rate derivatives	(63,849)	(39,228)
Foreign exchange forwards	1,427	45
Embedded derivatives	(251)	185
	(62,673)	**(38,998)**

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
January 1, 2010	**(25,754)**	**-**	**91,167**	**(116,921)**
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
December 31, 2010	**(55,610)**	**(89)**	**100,398**	**(155,919)**

(in thousands of euro)	Increase (decrease) in fair value	Increase (decrease) in operating profit & CAPEX	Cash paid (received)	Increase (decrease) in earnings
January 1, 2011	**(55,610)**	**(89)**	**100,398**	**(155,919)**
Change in fair value of interest rate derivatives and forward contracts	(64,930)	-	-	(64,930)
Embedded derivatives at fair value through P&L	(251)	-	-	(251)
Operating profit & CAPEX impact embedded derivatives	-	(8)	-	8
Cash received upon early termination CAPS & COLLARS	-	-	(2,500)	2,500
December 31, 2011	**(120,791)**	**(97)**	**97,898**	**(218,592)**

5.13.2 Fair value

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

(in thousands of euro)	December 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Amended Senior Credit Facility	(1,230,123)	(1,199,381)	(1,916,479)	(1,918,911)
Senior Secured Fixed Rate Notes	(912,100)	(877,789)	(605,562)	(613,312)
Senior Secured Floating Rate Notes	(400,943)	(386,943)	-	-
Finance Lease obligations	(332,745)	(301,839)	(340,125)	(330,785)
Clientele fee > 20 years	(70,644)	(63,524)	(65,137)	(74,093)
3G Mobile Spectrum	(60,679)	(48,801)	-	-
Other bank loans	(8)	(8)	(31)	(31)
Total loans and borrowings (including short-term maturities)	**(3,007,242)**	**(2,878,285)**	**(2,927,334)**	**(2,937,132)**
Foreign exchange forwards	1,703	1,703	276	276
Interest rate swaps	(91,190)	(91,190)	(55,944)	(55,944)
Caps	(87)	(87)	1,913	1,913
Collars	(31,102)	(31,102)	(1,998)	(1,998)
Embedded derivatives	(116)	(116)	143	143
Total derivative instruments	**(120,792)**	**(120,792)**	**(55,610)**	**(55,610)**
Total	**(3,128,034)**	**(2,999,077)**	**(2,982,944)**	**(2,992,742)**

The fair value of interest rate swaps and foreign exchange forwards are calculated by the Company based on interest rate futures and swap rates, 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 Telenet's 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 debt securities that have comparable maturities, and similar credit risk at the 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:

(in thousands of euro)	January 1, 2011	(Charged) credited to the statement of comprehensive income	Acquisition of Subsidiary	December 31, 2011
Deferred tax assets:				
Financial instruments	26,651	8,641	-	35,292
Property and equipment	20,706	4,202	-	24,908
Provisions	6,337	6,842	-	13,179
Tax loss carry-forwards	44,183	(1,678)	-	42,505
Other	188	17,766	-	17,954
Total Deferred tax assets	**98,065**	**35,773**(1)		**133,838**(2)
Deferred tax liabilities:				
Financial instruments	-	(11,596)	-	(11,596)
Intangible assets	(37,590)	(16,746)	-	(54,336)
Investments	(266)	217	-	(49)
Property and equipment	(35,806)	(10,296)	-	(46,102)
Provisions	(6,097)	(23,439)	-	(29,536)
Other	(3,945)	(6,667)	-	(10,612)
Total Deferred tax liabilities	**(83,704)**	**(68,527)**(1)		**(152,231)**(2)

(in thousands of euro)	Statement of comprehensive income(1)	Balance Sheet(2)
Deferred tax assets	35,774	133,838
Deferred tax liabilities	(68,527)	(152,231)
	(32,753)	**(18,393)**

Statement of comprehensive income (see Note 5.22)		
Deferred tax (benefit) / expense	32,753	
Current tax expense	4,164	
	36,918	

Balance Sheet	
Deferred tax assets	10,721
Deferred tax liabilities	(29,114)
	(18,393)

(in thousands of euro)	January 1, 2010	(Charged) credited to the statement of comprehensive income	Acquisition of Subsidiary	December 31, 2010
Deferred tax assets:				
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
Total Deferred tax assets	**149,426**	**(51,500)**(1)	**139**	**98,065**(2)
Deferred tax liabilities:				
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)
Total Deferred tax liabilities	**(78,748)**	**(5,366)**(1)	**410**	**(83,704)**(2)

(in thousands of euro)	Statement of comprehensive income(1)	Balance Sheet(2)
Deferred tax assets	(51,500)	98,065
Deferred tax liabilities	(5,366)	(83,704)
	(56,866)	**14,361**
Statement of comprehensive income (see Note 5.22)		
Deferred tax (benefit) / expense	56,866	
Current tax expense	306	
	57,172	
Balance Sheet		
Deferred tax assets		19,905
Deferred tax liabilities		(5,544)
		14,361

As of December 31, 2011, Telenet Group Holding NV and its subsidiaries had available combined cumulative tax loss carry forwards of €291.8 million (2010: €248.9 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.

Deferred tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable.

Telenet did not recognize deferred tax assets of €56.0 million (2010: €40.4 million) in respect of losses amounting to €166.2 million (2010: €118.9 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.

As at December 31, 2011, no deferred tax liabilities of €0.0 million (2010: €1.7 million) relating to investments in subsidiaries wide recognized for future dividend streams to the parent Company because management believes that the liabilities will not be incurred in the forseeable future.

5.15 OTHER LIABILITIES

(in thousands of euro)		Note	December 31, 2011	December 31, 2010
Employee benefit obligations	5.16		7,146	5,642
Copyright fees			-	568
Other personnel related obligations		5.3.4	3,474	3,796
Long service awards	5.16	5.3.4	4,652	4,105
Interkabel out of market opex			14,160	16,214
Asset retirement obligations			2,372	2,354
Liabilities regarding sports broadcasting rights	5.6	5.3.4	77,594	-
Other			6,200	5,466
Total Other liabilities			**115,598**	**38,145**

The acquisition by Telenet of the Belgian football broadcasting rights (see Note 5.6) resulted in the recognition of liabilities totaling €155.1 million at the inception of the agreement. At December 31, 2011, the remaining non-current and current liabilities with respect to these broadcasting rights amounted to €67.4 million and €53.6 million (see Note 5.17), respectively.

The operational expenses charged to Telenet 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, 2011 amounts to €14.2 million (2010: €16.2 million).

5.16 EMPLOYEE BENEFIT PLANS

Assets and liabilities carried on the consolidated statement of financial position, related to the Company's benefit plans can be summarized as follows:

		December 31, 2011			December 31, 2010		
(in thousands of euro)	Note	Total employee benefit plans	of which Defined benefit pension plans	of which Other post re-tirement plans	Total employee benefit plans	of which Defined benefit pension plans	of which Other post re-tirement plans
			Note 5.16			Note 5.16	
Defined benefit pension plans		420	420	-	385	385	-
Other post-retirement plans		5,191	-	5,191	4,406	-	4,406
Other employee benefit plans		1,535	-	-	851	-	-
Total LT employee benefit obligations	5.15	**7,146**	**420**	**5,191**	**5,642**	**385**	**4,406**
Total LT service awards	5.15	**4,652**	**-**	**-**	**4,105**	**-**	**-**
Total ST service awards		**438**	**-**	**-**	**625**	**-**	**-**
Defined benefit pension plans		(3,082)	(3,082)	-	(2,913)	(2,913)	-
Defined contribution plans		-	-	-	-	-	-
Total LT asset related to funding of employee benefit obligations	5.8.1	**(3,082)**	**(3,082)**	**-**	**(2,913)**	**(2,913)**	**-**
Total employee benefit plans liability/(asset)		**9,154**	**(2,662)**	**5,191**	**7,459**	**(2,528)**	**4,406**

Defined contribution plans

Total employer contributions to the defined contribution plan for 2011 amounted to €2.7 million (2010: €1.2 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 €32.1 million at December 31, 2011 (2010: €29.4 million).

By law, those plans provide an average minimum guaranteed rate of return over the employee's career equal to 3.75% on employee contributions and 3.25% on employer contributions paid as from January 1, 2004 onwards. 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 statement of financial position at December 31, 2011 and 2010.

Long service awards

The Company has also recognized a liability of €4.7 million at December 31, 2011 (2010: €4.1 million) for long service awards, which have the form of jubilee benefits.

Defined benefit pension plans and other post-retirement plans

Former Electrabel (ICS) employees as well as some other employees are covered by defined benefit pension plans which provide benefits based on the employee's final salaries and the years of service.

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 former Electrabel (ICS) employees. These obligations are financed directly by the Company.

The amounts recognized in the statement of financial position with respect to the defined benefit plans are as follows:

	Defined Benefit Pension Plans		Other post-retirement plans	
(in thousands of euro)	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Present value of funded obligations	12,018	10,951	-	-
Fair value of plan assets	(10,093)	(10,073)	-	-
	1,925	**878**	**-**	**-**
Present value of unfunded obligations	-	-	7,842	5,634
Unrecognized net actuarial gain/(loss)	(4,587)	(3,406)	(2,651)	(1,228)
Net (asset) liability	**(2,662)**	**(2,528)**	**5,191**	**4,406**

The amounts recognized in the statement of comprehensive income are as follows:

	Defined Benefit Pension Plans		Other post-retirement plans	
(in thousands of euro)	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Service cost	1,504	1,504	355	379
Interest cost	555	509	343	257
Expected return on plan assets	(414)	(401)	-	-
Losses / (gains) on settlements	-	-	-	-
Actuarial losses recognized in the year	314	158	150	48
Total	**1,959**	**1,770**	**848**	**684**

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

(in thousands of euro)	Defined Benefit Pension Plans		Other post-retirement plans	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Opening defined benefit obligation	10,951	10,835	5,634	3,601
Service cost	1,504	1,504	355	379
Interest cost	555	509	343	257
Plan participants contributions	47	44	-	-
Liabilities extinguished on settlements	-	-	-	-
Actuarial loss (gain)	84	(1,544)	1,573	1,443
Benefits paid	(1,123)	(397)	(63)	(46)
Closing defined benefit obligation	**12,018**	**10,951**	**7,842**	**5,634**

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

(in thousands of euro)	Defined Benefit Pension Plans		Other post-retirement plans	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Opening fair value of plan assets	10,073	8,856	-	-
Expected return on plan assets	414	401	-	-
Company contributions	2,093	2,223	63	46
Plan participants contributions	47	44	-	-
Assets distributed on settlements	-	-	-	-
Actuarial (loss) gain	(1,411)	(1,054)	-	-
Benefits paid	(1,123)	(397)	(63)	(46)
Closing fair value of plan assets	**10,093**	**10,073**	**-**	**-**

The actual return on plan assets for the plans shown was €(1.0) million (2010: €(0.6) 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	183	(133)
b) defined benefit obligation	1,742	(1,244)

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

(in thousands of euro)	2011	2010	2009	2008	2007
Defined benefit obligation	19,860	16,585	14,436	14,708	11,150
Fair value of plan assets	10,093	10,073	8,856	5,303	3,228
(Surplus) / deficit	9,767	6,512	5,580	9,405	7,922
Experience adjustments on plan liabilities	1,352	(1,348)	(945)	590	(831)
Experience adjustments on plan assets	(1,411)	(1,054)	(678)	(265)	(1,547)

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

	Defined Benefit Pension Plans		Other post-retirement plans	
	2011	**2010**	**2011**	**2010**
Discount rate at December 31	4.50%	4.75%	4.50%	4.75%
Rate of compensation increase	3.07%	3.07%	-	-
Expected return on plan assets	4.50%	4.50%	-	-
Underlying inflation rate	2.00%	2.00%	2.00%	2.00%
Increase of medical benefits	-	-	4.00%	4.00%
Mortality tables	MR/FR-3	MR/FR-3	MR/FR-3	MR/FR-3

The contributions towards defined benefit plans for 2012 are estimated at €2.2 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)	Note	**December 31, 2011**	**December 31, 2010**
Customer deposits	5.3.4	22,958	23,438
Compensation and employee benefits	5.3.4	48,653	44,139
VAT and withholding taxes		15,616	18,904
Copyright fees	5.3.4	787	989
Dividend payable to shareholders	5.3.4	667	375
Current portion of "Interkabel out of market component" liability		727	2,087
Accrued programming fees	5.3.4	41,790	43,267
Accrued capital expenditure	5.3.4	18,517	18,223
Accrued other liabilities - invoices to receive regarding:	5.3.4		
Goods received and services performed	5.3.4	32,221	39,444
Professional fees	5.3.4	16,954	16,198
Warehouse items received	5.3.4	13,868	12,176
Interconnect	5.3.4	13,435	10,225
Advertising, marketing and public relations	5.3.4	13,247	9,712
Infrastructure	5.3.4	7,383	5,484
Other	5.3.4	24,385	37,555
Accrued interest on derivatives	5.3.4	1,390	7
Liabilities regarding capital transactions with equity participants	5.3.4	3,563	-
Liabilities regarding sports broadcasting rights	5.6 5.3.4	43,049	-
Other current liabilities	5.3.4	570	848
Total Accrued expenses and other current liabilities		**319,780**	**283,071**

5.18 REVENUE

The Company's revenue is comprised of the following:

For the years ended December 31, (in thousands of euro)	2011	2010
Cable television:		
Basic Subscribers [1]	317,853	325,100
Premium Subscribers [1]	189,144	150,684
Residential:		
Internet	441,674	426,657
Telephony [2]	279,334	255,862
Distributors/Other	57,509	55,734
Business	90,739	84,956
Total Revenue	**1,376,253**	**1,298,993**

The Company also has deferred revenue as follows:

For the years ended December 31, (in thousands of euro)	2011	2010
Cable television:		
Basic Subscribers [1]	47,492	64,764
Premium Subscribers [1]	4,662	6,698
Residential:		
Internet	12,504	10,864
Telephony [2]	4,491	3,844
Distributors/Other	20,395	12,779
Business	1,627	1,513
Total Deferred Revenue	**91,171**	**100,462**
Current portion	86,791	94,034
Non-current portion	4,380	6,428

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

For the years ended December 31, (in thousands of euro)	Note	2011	2010
Employee benefits:			
Wages, salaries, commissions and social security costs		123,180	117,296
Other employee benefit costs		21,186	16,512
		144,366	**133,808**
Depreciation and impairment	5.4	259,019	246,471
Amortization	5.6	70,753	60,487
Amortization of broadcasting rights	5.6	22,991	6,830
Impairment loss on other intangible assets		28,464	-
Losses (gains) on disposal of property and equipment and other intangible assets		2,065	46
Network operating and service costs		395,443	378,220
Advertising, sales and marketing		60,791	69,307
Share-based payments granted to directors and employees		13,005	9,787
Operating charges related to acquisitions or divestitures		724	267
Other costs		52,284	48,971
Restructuring charges		157	268
Total costs and expenses		**1,050,062**	**954,462**

The number of full time equivalents employed by the Company at December 31, 2011 was 2,093 (2010: 2,000).

5.20 FINANCE INCOME / EXPENSE

For the years ended December 31,
(in thousands of euro)

	2011	2010
Recognized in the statement of comprehensive income		
Finance income		
Interest income on bank deposits and commercial paper	6,586	1,513
Interest income on receivables	1,018	-
Net foreign exchange gain	204	-
	7,808	**1,513**
Finance expense		
Interest expense, net		
Interest expense on financial liabilities measured at amortized cost	(177,924)	(124,055)
Net interest expense on derivatives at fair value through statement of comprehensive income	(21,931)	(20,230)
Amortization of financing cost	(5,977)	(6,364)
	(205,832)	**(150,649)**
Net loss on derivative financial instruments	(62,673)	(38,998)
Loss on extinguishment of debt	(11,392)	(7,903)
Net foreign exchange loss	-	(1,608)
	(279,897)	**(199,158)**
Net finance expense recognized in the statement of comprehensive income	**(272,089)**	**(197,645)**

5.21 EQUITY ACCOUNTED INVESTEES

The Group's share in the net result of its equity accounted investees for the year ended December 31, 2011 was €0.4 million (loss) (2010: €0.4 million (loss)).

In 2011 and 2010 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:

(in thousands of euro)	Ownership	Total net result	Group's share in the total net result
2011			
Pebble Media NV	33.33%	(80)	(27)
Thalys	20.00%	(1,215)	(334)
Total share of the loss of equity accounted investees		**(1,295)**	**(361)**
2010			
Pebble Media NV	33.33%	(594)	(198)
Thalys	20.00%	(1,070)	(214)
Total share of the loss of equity accounted investees		**(1,664)**	**(412)**

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. 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)	December 31, 2011	December 31, 2010
Current assets	4,454	3,976
Non-current assets	40	71
Total assets	**4,494**	**4,047**
Current liabilities	3,939	3,411
Non-current liabilities	-	-
Equity	555	636
Total liabilities	**4,494**	**4,047**

For the years ended December 31, (in thousands of euro)	2011	2011
Revenue	9,082	7,288
	9,082	**7,288**

'Thalys' consortium

In 2007, Siemens Networks NV, 21NET Ltd and Telenet NV formed a consortium under the form of a "Association Momentanée/Tijdelijke Vereniging" under Belgian law with respect to a selection procedure by Thalys, the European high speed train operator, to provide wireless broadband internet access on certain international high speed trains across European borders. The consortium did not meet the definition of joint control and thus was determined to be an associate. As a result, the Company's share in the result of the consortium has always been accounted for using the equity method.

The term of the agreement between Thalys and the above mentioned consortium was four years and has ended in the course of the fourth quarter of 2011. Final settlement of Telenet's share in the result of the 'Thalys' consortium amounts to €0.2 million and has been accounted for as a liability at December 31, 2011.

5.22 INCOME TAX EXPENSE

For the years ended December 31, (in thousands of euro)	2011	2010
Current tax expense	4,164	306
Deferred tax expense (Note 5.14)	32,753	56,866
Income tax expense	**36,918**	**57,172**

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

For the years ended December 31, (in thousands of euro)	2011	2010
Profit before tax	53,741	146,474
Income tax expense at the Belgian statutory rate of 33.99%	18,267	49,787
Expenses not deductible for tax purposes	6,545	32,271
Benefit of the investment deduction	(4,610)	(3,291)
Notional interest deduction	(925)	(5,070)
Expiration of tax losses	-	(3,337)
Adjustments recognized in the current year in relation to the filings for prior years	40	(3,582)
Impact of different tax rates	1,859	-
Utilisation of previously unrecognized tax losses	(136)	(11,738)
Tax losses and temporary differences for which no deferred tax asset was recognized	16,018	2,494
Other	(140)	(362)
Tax expense for the year	**36,918**	**57,172**

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:

For the years ended December 31, (in thousands of euro, except share and per share data)	2011	2010
Net profit attributable to the equity holders of the Company	16,829	89,302
Weighted average number of ordinary shares	112,952,552	112,047,884
Weighted average number of Class B Profit Certificates	6,806	45,874
Weighted average number of shares used in the calculation of basic earnings per share	**112,959,358**	**112,093,758**
Basic earnings per share in €	0.15	0.80

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, 2011, the Company had fourteen 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 quinquies
- Warrant Plan 2007 sexies
- Warrant Plan 2007 septies
- Warrant Plan 2008
- Warrant Plan 2009
- Warrant Plan 2010 primo
- Warrant Plan 2010 bis
- Warrant Plan 2010 ter

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 quinquies
- Warrant Plan 2007 sexies
- Warrant Plan 2007 septies
- Warrant Plan 2008
- Warrant Plan 2009
- Warrant Plan 2010 primo

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.

For the years ended December 31, (in thousands of euro, except share and per share data)	2011	2010
Weighted average number of shares used in the calculation of basic earnings per share	**112,959,358**	**112,093,758**
Adjustment for:		
Class A Options	277,350	228,778
Class B Options	2,745	26,533
Warrant Plan 2007 Warrants	16,724	8,305
Warrant Plan 2007 bis Warrants	432,332	390,451
Warrant Plan 2008 Warrants	229,776	137,824
Warrant Plan 2007 ter Warrants	22,149	17,838
Warrant Plan 2007 quater Warrants	611,581	510,482
Warrant Plan 2009 Warrants	137,803	84,165
Warrant Plan 2007 quinquies Warrants	85,383	27,825
Warrant Plan 2007 sexies Warrants	40,654	16,824
Warrant Plan 2007 septies Warrants	39,862	-
Warrant Plan 2010 primo Warrants	202,827	-
Warrant Plan 2010 bis Warrants	3,778	-
Employee Share Purchase Plan	12,492	-
Weighted average number of shares used in the calculation of diluted earnings per share	**115,074,813**	**113,542,782**
Diluted earnings per share in €	0.15	0.79

5.24 ACQUISITIONS OF SUBSIDIARIES

No acquisition of subsidiaries have occurred in the course of 2011 while in 2010, the Company paid an amount of €2.3 million related to the following acquisitions of subsidiaries and affiliates:

For the years ended December 31, (in thousands of euro)	Note	Consideration transferred 2011	Consideration transferred 2010
Subsidiaries			
C-CURE NV		-	1,536
Hostbasket NV		-	629
Equity accounted investees			
Pebble Media NV	5.21	-	150
Total purchase consideration		**-**	**2,315**

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 amounted to €2.2 million (€1.5 million net of cash acquired). The acquisition contract also included earn out clauses related to revenue and EBITDA targets for which a total amount of €0.2 million was included as a component of the 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 achieved a net result of €0.6 million. If the acquisition had occurred on January 1, 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:

(in thousands of euro)	Purchase Price Allocation December 31, 2010
Current assets, net of cash acquired	1,754
Property and equipment	164
Intangible assets	664
Liabilities assumed	(2,708)
Goodwill	2,598
Total purchase consideration	**2,472**

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.

The goodwill is attributable mainly to the synergies expected to be achieved from integrating C-CURE into the Company's business.

At each reporting date the fair value of the contingent consideration was remeasured and was performed in first instance at the occasion of the finalization of the purchase price allocation exercise in December 2010. Given the strong performances of C-CURE NV, it was concluded to be more likely than not that the targets as defined in the Share Purchase Agreement ("SPA") would be fully achieved and therefore, Telenet revised its estimate of the earn-out amounts to €0.5 million as of December 31, 2010. The €0.3 million change in fair value of the contingent consideration was recognized as an expense in 2010.

In the course of the second quarter of 2011, a final settlement was signed by all parties involved with respect to the earn-out consideration amounting to in total €0.3 million, resulting in a recognition in earnings of €0.2 million.

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 December 31, 2010	Initial Purchase Price Allocation December 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
Total purchase consideration	**6,300**	**6,568**

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

For the years ended December 31, (in thousands of euro)	2011	2010
Acquisition of property and equipment in exchange for finance lease obligations	24,856	18,564
Acquisition of network user rights in exchange for finance lease obligations	-	30,697
Acquisition of sports broadcasting rights (mainly Belgian football broadcasting rights) in exchange for investing obligations	168,840	-
Acquisition of 3G mobile spectrum in exchange for finance obligations	71,525	-

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 notes, however, that the outcome of legal proceedings can be extremely difficult to predict with certainty, and Telenet offers no assurances in this regard.

Litigation concerning the in-principle agreement concluded between Telenet and the PICs, Interkabel and INDI

On November 26, 2007, Telenet and the PICs announced a non-binding agreement-in-principle to transfer the analog and digital television activities of the PICs, including all existing subscribers, to Telenet. Subsequently, Telenet and the PICs entered into a binding agreement (the 2008 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. Belgacom brought this appeal judgment before the Cour de Cassation (the Belgian Supreme Court), which confirmed the appeal judgment in September 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 2008 PICs Agreement. On June 12, 2009, Belgacom appealed this judgment with the Court of Appeal of Antwerp. In this appeal, Belgacom is now also seeking compensation for damages should the 2008 PICs Agreement not be rescinded. 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 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 Belgian Council of State against these approvals and subsequently against the board resolutions of the PICs approving the 2008 PICs Agreement. In this complaint, Belgacom's primary argument was that the PICs should have organized a public market consultation before entering into the agreement-in-principle and the 2008 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, has not yet been rendered. However, the auditor of the Belgian Council of State, who advises the judges, issued an opinion to the Belgian Council of State on May 3, 2011, indicating his belief that no public market consultation was required. A final decision is expected in May or June 2012.

It is possible that Belgacom or another 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 2008 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 2008 PICs Agreement and/or to an obligation for Telenet to pay compensation for damages, subject to the relevant provisions of the 2008 PICs Agreement, which stipulates that Telenet is only responsible for damages in excess of €20.0 million. In light of the fact that Belgacom has not quantified the amount of damages that it is seeking and Telenet has no basis for assessing the amount of losses Telenet would incur in the unlikely event that the 2008 PICs Agreement were to be rescinded, Telenet cannot provide a reasonable estimate of the range of loss that would be incurred in the event the ultimate resolution of this matter were to be unfavorable to Telenet. However, 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 but agreed to hear the case on the merits (not in summary proceedings). Belgacom also filed, in 2007, a compensation claim of €75 million for undue payments and damages of €1 million before the Court of First Instance (Rechtbank van Eerste Aanleg/Tribunal de première instance) in Brussels. On April 8, 2011, the Belgian Council of State rendered a judgment on the merits annulling the BIPT decision that allowed Telenet to apply non-reciprocal interconnection tariffs. The judgment found that the BIPT decision was not adequately motivated. It confirmed, however, Belgacom's obligation to accept reasonable interconnection requests and BIPT's competence to enforce this obligation. If Belgacom is successful in its claim, it is possible that Telenet would be required to refund the excess amounts that it has collected since August 2002, which would result in a substantial liability. 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, 2011, Telenet retained an accrual of €0.8 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, 2011).

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.

On April 12, 2011, the Court of First Instance of Mechelen rendered a positive judgment in the procedure against Sabam, Agicoa, Uradex and other collection agencies, and as part of which procedure several collection agencies (Sabam not included) filed counterclaims against Telenet for the payment of the invoices that Telenet disputed. The Court validated Telenet's arguments in each of the claims and counterclaims that were the subject of the procedure and, as a result: (i) no retransmission fees have to be paid by Telenet in case of direct injection of a broadcaster's signal into Telenet's network, (ii) no retransmission fees have to be paid in case of simulcast of an analog and digital signal (and consequently, Telenet does not have to pay extra for the distribution of linear digital television signals) and (iii) all-rights-included contracts are deemed legally valid, which means that if Telenet agrees with a broadcaster that the latter is responsible for clearing all copyrights, Telenet is not liable towards the collection agencies. The collection agencies already lodged an appeal. Since Sabam had not filed any counterclaim for the payment of invoices as part of the aforesaid judgment, on April 6, 2011, Sabam (not the other collecting agencies) initiated judicial proceedings before the Commercial Court of Antwerp, claiming payment by Telenet of invoices relating to (i) fees for a period from January 1, 2005 until December 31, 2010 for Telenet's basic digital television package, and (ii) fee advances for the first semester of 2011 for Telenet's basic and optional digital television packages. The claims mainly relate to (i) direct injection and (ii) all-rights-included contracts. Sabam's claim is based on arguments substantially similar to those rejected by the Court of First Instance of Mechelen on April 12, 2011. Simultaneously, Sabam initiated a summary procedure before the President of the Commercial Court of Antwerp, to receive provisional payment of the contested fees and fee advances. On June 30, 2011, the

President of the Commercial Court of Antwerp rendered a positive judgment in this procedure. Sabam lodged appeal.

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 was 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. The procedure with SBS Belgium was settled out-of-court, after both parties analyzed the judgment rendered by the Commercial Court of Mechelen on November 3, 2011. As a part of that settlement a distribution agreement of three years was signed between Telenet and SBS Belgium.

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. On November 14, 2011, the Court of Appeal of Antwerp has determined the extent of the mandate of the technical expert. Following that clarification by the Court of Appeal, the technical expert wished to resume his activities. However, M-Tec announced on January 20, 2012 that it will file a motion to the Court of Appeal in order to dismiss the judicial expert. As a consequence the expert stopped his further initiatives.

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, 2011 and 2010, the future minimum lease payments under cancellable and non-cancellable operating leases:

(in thousands of euro)	December 31, 2011	December 31, 2010
Within one year	22,630	21,363
In the second to fifth year, inclusive	21,561	25,403
Thereafter	2,703	3,806
Total minimum lease payments	**46,894**	**50,572**
Minimum lease payments recognized as an expense in the year	**29,166**	**28,015**

The Company's operating leases as at December 31, 2011 and December 31, 2010 did not contain any material contingent rentals.

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 2011 and 2010. It also includes transactions with Pebble Media NV.

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

5.27.1 Statement of financial position

(in thousands of euro)	December 31, 2011	December 31, 2010
Trade receivables	527	776
Trade payables and accrued liabilities	219	73

5.27.2 Statement of comprehensive income

(in thousands of euro)	December 31, 2011	December 31, 2010
Operating		
Revenue	1,382	1,135
Operating expenses	(1,736)	(1,165)
Other operating income	-	22

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, 2011	2010
Salaries and other short-term employee benefits	5,117	4,952
Post-employment benefits	208	178
Share-based payments (compensation cost recognized)	6,995	5,954
	12,321	**11,084**

5.28 SUBSIDIARIES

5.28.1 Subsidiaries

Details of the Company's subsidiaries as of December 31, 2011 are as follows:

Company	National Number	Address	% Held	Consolidation Method
Telenet Group Holding NV	0477.702.333	Liersesteenweg 4, 2800 Mechelen, Belgium	-	Parent company
Telenet NV	0473.416.418	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet Vlaanderen NV	0458.840.088	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
T-VGAS NV	0808.321.289	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet Mobile NV	0813.219.195	Zandvoortstraat 5, 2800 Mechelen, Belgium	100%	Fully consolidated
C-CURE NV	0463.997.817	Schaliënhoevedreef 20 H, 2800 Mechelen, Belgium	100%	Fully consolidated
TELENET TECTEO BIDCO NV	0835.821.779	Liersesteenweg 4, 2800 Mechelen, Belgium	74.99%	Fully consolidated
Telenet Service Center NV	0842.132.719	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet Solutions Luxembourg S.A.	1999 22 34426	2 rue Peternelchen, L-2370 Howald, Luxembourg	100%	Fully consolidated
Telenet International Finance S.à r.l.	2010 24 40480	2 rue Peternelchen, L-2370 Howald, Luxembourg	100%	Fully consolidated
Telenet Luxembourg Finance Center S.à r.l.	2010 24 40464	2 rue Peternelchen, L-2370 Howald, Luxembourg	100%	Fully consolidated
Finance Center Telenet S.à r.l.		2 rue Peternelchen, L-2370 Howald, Luxembourg	100%	Fully consolidated

5.28.2 Other Consolidated Companies

Company	Trade Register Number	Address	% Held	Consolidation Method
Telenet Finance Luxembourg S.C.A. (1)	RCS B.155.894	65 Boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg, Luxembourg	0%	Fully consolidated
Telenet Finance Luxembourg II S.A. (2)	RCS B.156.414	65 Boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg, Luxembourg	0%	Fully consolidated
Telenet Finance III Luxembourg S.C.A. (3)	RCS B.158.666	65 Boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg, Luxembourg	0%	Fully consolidated
Telenet Finance IV Luxembourg S.C.A. (4)	RCS B.161.083	65 Boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg, Luxembourg	0%	Fully consolidated
Telenet Finance V Luxembourg S.C.A. (5)	RCS B.164.890	65 Boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg, Luxembourg	0%	Fully consolidated

(1) Telenet Finance Luxembourg S.C.A. 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 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. 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.

(3) Telenet Finance III Luxembourg S.C.A. was incorporated on January 28, 2011 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 III Luxembourg and 0.01% by Telenet Finance III 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.

(4) Telenet Finance IV Luxembourg S.C.A. was incorporated on May 23, 2011 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 IV Luxembourg and 0.01% by Telenet Finance IV 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.

(5) Telenet Finance V Luxembourg S.C.A. was incorporated on November 16, 2011 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 V Luxembourg and 0.01% by Telenet Finance V 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.

5.29 SUBSEQUENT EVENTS

Increase in VAT rate from 12% to 21% on certain digital cable services

At the end of 2011, the new Belgian federal government decided to increase the VAT rate on certain digital services as part of its budget reform. In 2005, at the time of the launch of digital television in Belgium, the Belgian federal government decided to lower the VAT rate on digital cable television subscriptions from the standard VAT rate of 21% to 12% with a similar VAT rate of 12% being levied on pay television services. As of January 1, 2012, onwards, the VAT rate on digital cable television subscriptions and pay television was increased and harmonized at 21%. Consequently, Telenet has raised its consumer billings accordingly early 2012 in order to reflect the increase in VAT rate.

Issuance of €175 million debt under Senior Credit Facility

On February 8, 2012, Telenet announced the issuance of €175 million debt, on a consolidated basis. To this end, Telenet International Finance S.à r.l., a wholly owned subsidiary of Telenet Group Holding NV and which acts as the group's financing subsidiary, has issued a new floating rate Term Loan ("Facility T") under its existing credit facility with maturity December 31, 2018 at a 3.50% margin over Euribor. Telenet will use the net proceeds from this new debt issuance for general corporate purposes of the Telenet Group, which may include distributions to Telenet's direct and indirect shareholders or acquisitions.

Proposed dividend payment and capital reduction

On February 16, 2012, Telenet announced that the board of directors will propose to the general sharehoders meeting of April 25, 2012, to approve (i) a dividend of €1.00 per share and; (ii) a capital reduction of €3.25 per share.

5.30 EXTERNAL AUDIT

(all amounts in euro)

The general shareholders' meeting of April 27, 2011 appointed KPMG Bedrijfsrevisoren CVBA ("KPMG"), represented by Jos Briers and Götwin Jackers, 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 2011 in relation to services provided by KPMG Bedrijfsrevisoren amounted to EUR 649,190 (2010: EUR 711,370), which was composed of audit services for the annual financial statements of EUR 536,950 (2010: EUR 521,650) and audit related services of EUR 112,240 (2010: EUR 189,720). 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 2011 in relation to services provided by other offices in the KPMG network amounted to EUR 81,335 (2010: EUR 62,197), which was composed of audit services for the annual financial statements of EUR 50,000 (2010: EUR 20,000) and audit related services of EUR 31,335 (2010: EUR 42,197). Audit related services mainly relate to services incurred in connection with a series of bonds issues.

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, 2011

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 December 31, 2011 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 3.541.734 and the consolidated statement of comprehensive income shows a profit for the year of EUR'000 16.823.

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 van de 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 December 31, 2011 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 Note 5.2.19 to the consolidated financial statements, the accounting policies applied when preparing these consolidated financial statements have been modified compared to the previous year.
- As disclosed in Note 5.1.5 to the consolidated financial statements, the board of directors of the company has considered the group's consolidated net equity position as at December 31, 2011 and has disclosed its considerations for applying the accounting policies on a going concern basis.

Brussels, March 20, 2012

KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises
Statutory auditor
represented by

Jos Briers	Götwin Jackers
Réviseur d'Entreprises/ Bedrijfsrevisor	Réviseur d'Entreprises/ Bedrijfsrevisor

Abridged annual report

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 statutory auditor issued an unqualified opinion on the statutory accounts of Telenet Group Holding NV as of and for the year ended December 31, 2011. The second part of the audit report also includes the additional paragraph similar to that included in the statutory 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).

1 Abridged non-consolidated balance sheet

(in thousands of euro)	December 31, 2011	December 31, 2010
Assets		
Non-current assets:		
Financial assets	2,360,543	2,564,580
Total non-current assets	**2,360,543**	**2,564,580**
Current assets:		
Amounts receivable within 1 year	-	305,846
Other investments and deposits	5,763	7,423
Cash at bank and in hand	2,129	193
Deferred charges and accrued income	138	138
Total current assets	**8,030**	**313,600**
Total assets	**2,368,573**	**2,878,180**

(in thousands of euro)	December 31, 2011	December 31, 2010
Equity and Liabilities		
Equity:		
Capital	294,190	797,350
Share premium	79,326	65,814
Reserves	70,782	64,935
Profit to be carried forward	1,074,258	1,231,110
Total equity	**1,518,556**	**2,159,209**
Liabilities:		
Amounts payable after more than 1 year	218,950	478,301
Amounts payable within 1 year	631,067	240,670
Total liabilities	**850,017**	**718,971**
Total Equity and Liabilities	**2,368,573**	**2,878,180**

2 Abridged non-consolidated income statement

(in thousands of euro)	For the years ended December 31, 2011	2010
Operating expenses	(899)	(396)
Operating loss	**(899)**	**(396)**
Finance expenses	(37,002)	(42,602)
Extraordinary income	-	1,455,285
Profit/(Loss) to be appropriated	**(37,901)**	**1,412,287**

3 Capital

	2011 (in thousands of euro)	2010 (number of shares)
Issued capital		
January 1, 2011	**797,349**	**112,428,040**
12/04/11 Capital increase conversion of profit certificates B	205	36,709
12/04/11 Capital increase exercise of warrants 2007	2,118	298,629
12/04/11 Capital increase exercise of warrants 2010	500	70,498
27/04/11 Capital increase Employee Share Purchase Plan 2011	2,420	341,168
27/04/11 Capital decrease	(509,288)	-
12/10/11 Capital increase exercise of warrants 2007	522	201,457
12/10/11 Capital increase exercise of warrants 2010	155	59,909
22/12/11 Capital increase exercise of warrants 2007	150	57,754
22/12/11 Capital increase exercise of warrants 2010	59	22,693
December 31, 2011	**294,190**	**113,516,857**
Composition of the capital		
Dispreference shares	246	94,843
Golden shares	-	30
Ordinary shares without nominal value	293,944	113,421,984

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 are 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 issuance costs relating to the Senior Notes are amortized over the term of the loan and recognized in earnings pro rata the monthly amount of interest. As from 2011 onwards, debt issuance costs are expensed as incurred.

4.2.2 Financial assets

Investments are recorded at their acquisition value. For the investments 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 respective investees.

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 balance sheet date 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 Fees related to long-term financing

The deferred financing fees including early redemption fees and debt issuance costs are recognized in the statement of comprehensive income using the effective interest method. As from 2011 onwards, debt issuance costs relating to new loans are expressed as incurred.

4.2.7 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 Financial assets

The investments amounted to €2,360.5 million (2010: €2,564.6 million) and consisted of:

(in euro)	December 31, 2011	December 31, 2010
Investees		
Telenet NV	2,360,231,563	2,564,330,184
Telenet Vlaanderen NV	249,438	249,438
Telenet Service Center NV	61,439	-
Telenet Mobile NV	62	62
T-VGAS NV	11	11
Telenet Tecteo Bidco NV	1	-
Hostbasket NV	-	1
Investees	**2,360,542,512**	**2,564,579,696**

The extra ordinary shareholders' meeting of Telenet NV of July 28, 2011 decided upon a capital reduction by repayment to its shareholders of €10.54 per share or in total €299.1 million. On December 20, 2011, Telenet's NV's capital was increased by €95.0 million contributed in cash by Telenet Group Holding NV against creation of 7,738,090 new shares.

5.1.2 Amounts receivable within one year

The amounts receivable within one year amounted to €305.8 million at year-end 2010 and consisted of the receivable that Telenet Group Holding NV held on Telenet NV as a result of a capital reduction acted in December 2010 of Telenet NV amounting to €305.8 million. Aforementioned amount was effectively received in April 2011.

5.1.3 Other investments and deposits

The investments as reported at year-end 2011 contain term accounts / deposits realizable within one year for an amount of €5.8 million compared to €7.4 million prior year. Composition of these investments can be summarized as follows:

(in euro)	December 31, 2011	December 31, 2010
Other investments and deposits		
Own shares	5,763,121	-
Fixed-yield securities	-	7,422,791
Other investments and deposits	**5,763,121**	**7,422,791**

On August 9, 2011, the Company announced its initiation of a share repurchase program. Under this program, Telenet Group Holding NV may acquire from time to time the Company's common stock, for a maximum of 1,000,000 shares within a period of 9 months. All repurchased shares will be held by the Company to cover the Company's obligations under existing stock option plans. There will be no dividend rights for these shares for as long as they remain in possession of the Company.

Telenet has mandated an intermediary to repurchase Telenet shares on its behalf. This intermediary is a discretionary asset management company deciding autonomously upon the timing, offer and number of shares to be repurchased.

5.1.4 Capital

The changes in capital during 2011 can be summarized as follows:

(in euro)

12/04/2011	Capital increase conversion of profit certificates B	205,203.31
12/04/2011	Capital increase exercise of warrants 2007	2,117,906.73
12/04/2011	Capital increase exercise of warrants 2010	499,978.87
27/04/2011	Capital increase Employee Share Purchase Plan 2011	2,419,426.99
27/04/2011	Capital decrease	(509,287,698.00)
12/10/2011	Capital increase exercise of warrants 2007	522,095.96
12/10/2011	Capital increase exercise of warrants 2010	155,260.16
22/12/2011	Capital increase exercise of warrants 2007	149,675.27
22/12/2011	Capital increase exercise of warrants 2010	58,811.18
		(503,159,339.53)

5.1.5 Share premium

Upon the exercise in 2011 of options related to the Warrant Plan 2007 bis, ter, quater, sexies and septies, of options related to the Warrant Plan 2010 primo and bis, as well as the amounts received regarding the Employee Share Purchase Plan 2011 an amount of €13.5 million was accounted for as share premium. As a result, share premium amounts to €79.3 million at the end of 2011.

5.1.6 Reserves

Total reserves at year-end 2011 amount to €70.8 million compared to €64.8 million at December 31, 2010. The increase is the result of a legally required attribution to the specific reserve unavailable for distribution under Belgian Corporate Law which prescribes that a company needs to allocate the equivalent of the amount of own shares purchased to this special reserve amounting to €5.7 million. Other reserves unavailable for distribution amount to €0.2 million and relate to the proposed dividend attributable to the own shares held by the Company. Total reserves can be detailed as follows:

(in euro)	December 31, 2011	December 31, 2010
Reserves		
Legal reserve	64,798,289	64,798,289
Reserves unavailable for distribution		
- for own shares	5,763,121	-
- other	220,352	-
Reserves	**70,781,762**	**64,798,289**

5.1.7 Amounts payable after more than one year

Amounts payable after more than one year can be summarized as follows:

(in euro)	December 31, 2011	December 31, 2010
Amounts payable after more than one year		
Telenet International Finance S.à r.l.	95,083,485	-
Telenet NV	123,866,023	478,300,510
Amounts payable after more than one year	**218,949,508**	**478,300,510**

The decline in the outstanding debt of Telenet NV can mainly be explained by the fact that the cash received in April 2011 upon repayment of the capital by Telenet NV (€305.8 million) was used to partly redeem the existing intercompany loan from Telenet NV. The proceeds received in October 2011 (€299.1 million) with respect to the capital decrease of Telenet NV of July 2011, were used to (i) partly refund the long-term loan from Telenet (€81.5 million) and (ii) partly refund the current account with Telenet NV (€217.7 million). Taking into account the monthly interest accruals accounted for during the year, the remaining long-term debt to Telenet NV amounts to €123.9 million at year-end 2011.

Telenet Group Holding NV underwrote the capital increase in Telenet NV of December 2011 amounting to €95.0 million. This amount was borrowed from Telenet International Finance S.à r.l., resulting in a long-term debt to this latter.

5.1.8 Amounts payable within one year

Amounts payable within one year amount to €631.1 million compared to €240.7 million at year-end 2010 and can be detailed as follows:

(in euro)	December 31, 2011	December 31, 2010
Amounts payable within one year		
Trade debts	200,000	221,054
Taxes, remuneration and social security	-	15,000
Other amounts payable		
- current account Telenet NV	517,232,816	240,058,430
- other	113,634,690	375,158
Amounts payable within one year	**631,067,506**	**240,669,642**

The increase of the outstanding amount on the current account with Telenet NV can be explained by an additional intercompany loan of €509.5 million granted by Telenet NV in order to finance Telenet Group Holding NV's capital decrease in 2011. On the other hand, the proceeds of the capital decrease in Telenet NV (€299.1 million) were used to redeem the current account with Telenet NV for an amount of €217.7 million. The excess cash available in Telenet Group Holding NV at that moment (€21.8 million) was used as well to settle part of this current account. Taking into account the monthly interest accruals accounted for during the year, the remaining short-term debt to Telenet NV amounts to €517 million at year-end 2011.

The other amounts payable for an amount of €113.6 million (2010: €0.4 million) consist primarily of the dividend of the current year as proposed by the board of directors amounting to €113.0 million. This amount excludes the dividend rights related to the own shares acquired in 2011 under the Share Repurchase Program 2011 and held at year end by the company as they are accounted for as a reserve unavailable for distribution (€0.2 million). The own shares acquired in 2012 under the Share Repurchase Program 2012 which will subsequently be cancelled and are not entitled to a dividend and therefore are excluded from the proposed dividend amount of €113.0 million. The remaining other amounts payable of €0.7 million consist of amounts payable related to the capital decrease executed in July 2011, respectively August 2010.

5.2 COMMENTS ON THE INCOME STATEMENT

The income statement shows a loss of €37,900,974.64 for the financial year ended December 31, 2011 (versus a gain of €1,412,286,532.36 in 2010). Net operating loss for the year amounts to €898,889.24 (compared to a loss of €395,678.98 in 2010).

Finance expense (€37.1 million) consists almost entirely of interest charges to Telenet NV (€37.0 million) and interest due to Telenet International Finance S.à r.l. (€0.1 million). Last year this interest charge amounted to €42.6 million relating to interest due to Telenet Communications NV (€22.7 million) and interest due to Telenet NV (€19.8 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 Company proposes to the general shareholders' meeting to:

- carry forward the profit brought forward amounting to €1,231,110,100.93 and the remaining profit for the period available for appropriation €1,193,209,126.29 ;
- allocate an amount of €5,763,120.98 to the reserves unavailable for distribution for own shares ;
- distribute a dividend of €113,187,865.00, of which ;
- an amount of €220,352.00 related to the own shares held by the Company is allocated to the other reserves unavailable for distribution.

As a result, the profit to be carried forward amounts to €1,074,258,140.31 as of December 31, 2011.

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, 2011, the Company held total debt of €2,960 million, of which €1,230 million was owed under its 2011 Amended Senior Credit Facility, €1,300 million was related to the Notes issued in 2010 and 2011 and the remainder primarily represented (i) the capital lease associated with the Interkabel Acquisition and (ii) the obligations related to the in 2011 acquired Mobile Spectrum. During 2011, Telenet continued to improve its debt repayment profile at attractive rates therefore reducing future refinancing risk. Taking into account the disbursement paid to shareholders in July 2011, the Company's leverage ratio – as defined by Net Total Debt to EBITDA as defined under the Senior Credit Facility – increased year-on year to 3.2x at the end of 2011 compared to 2.8x at the end of 2010.

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 annual report 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 to 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 25, 2012 to grant discharge to the directors and the statutory auditors of their responsibilities assumed in the financial year 2011.

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 20, 2012

On behalf of the board of directors

Duco Sickinghe	**Frank Donck**
Chief Executive Officer	Chairman

1. Glossary

Term	Definition
"3DTV"	Three-dimensional high definition television.
"3G"	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.
"4G"	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.
"ADSL"	Asymmetrical DSL; an internet access technology that allows voice and high-speed data to be sent simultaneously over local copper telephone line.
"ARPU"	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.
"ATN"	Attendee.
"B2B"	Business-to-business.
"Bandwidth"	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.
"BIPT"	Belgian Institute for Postal Services and Telecommunications, being the federal telecommunications regulator.
"Broadband"	Any circuit that can transfer data significantly faster than a dial-up phone line.
"Bundle"	A combination of television, internet and telephony products and services marketed by service providers.
"CAGR"	Compound Annual Growth Rate.
"CEO"	Chief Executive Officer.
"Churn"	The total number of RGUs disconnected during the period divided by the average number of RGUs for the period; statistics do not include customers who move within the areas of the Combined Network offering the same service and who elect to receive the same services from Telenet that they previously received at their prior location; statistics do includes SMEs that receive Telenet's services through a coaxial connection.
"CLS"	Customer Loyalty Score, a measure for "attitudinal loyalty" at a given moment. It measures (consumer) perception and expresses the momentary intensity of the relationship between the customer and the Telenet brand.
"CM"	Chairman.
"CODM"	Chief operating decision maker, refers to the Company's CEO.
"Combined Network"	The combination of Telenet's own network and the Partner Network.
"Company"	Telenet Group Holding NV.

Term	Definition
"COSO"	Committee of Sponsoring Organizations of the Treadway Commission.
"CPE"	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.
"CRC"	Refers to Conference of Regulators for Electronic Communications, a body which brings together the BIPT and the regional regulators.
"CSA"	Conseil Supérieur de l'Audiovisuel, being the Walloon regulator on audio-visual matters.
"Customer relationships"	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.
"DSL"	Digital Subscriber Line; DSL is a technology that provides high-speed internet access over traditional telephone lines.
"DTT"	Digital terrestrial television.
"EPG"	Electronic program guide.
"ESOP"	Employee Stock Option Plan. The Company issued warrant plans in 2007 and 2010 (ESOP 2007 and ESOP 2010 respectively).
"ESPP 2011"	Employee share purchase plan. The Company issued an employee share purchase plan in 2011.
"EuroDocsis 3.0"	Data over cable service interface specification, a technology that enables the addition of high-speed data transfer over an existing cable television system.
"Fibernet"	Refers to all of Telenet's high-speed broadband internet services powered by the EuroDocsis 3.0 protocol. Fibernet was first introduced in February 2010 and in early 2011 Telenet started to commercialize Fibernet on a larger commercial scale. Currently, Telenet offers two Fibernet tiers with download speeds of up to 50 Mbps and up to 100 Mbps respectively.
"Footprint"	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.
"FreePhone"	Refers to Telenet's flat-fee rate plan for fixed telephony services. FreePhone was introduced in 2004 and enables Telenet's fixed telephony subscribers to make unlimited free calls to landlines in Belgium (later complemented with certain European and international destinations) during off-peak hours.
"FreePhone Mobile"	Flat-fee rate plan for fixed telephony services, launched by Telenet in November 2011. FreePhone Mobile enables Telenet's fixed telephony subscribers to make free calls to mobile lines in Belgium during off-peak hours.
"Full-MVNO"	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.

Term	Definition
"HD"	High definition.
"HFC"	Hybrid fiber-coaxial; refers to a broadband network which combines optical fibre and coaxial cable.
"Homes passed"	Telenet's estimate of the number of potential residential, SoHo and SME subscribers to whom it can offer its services.
"Homespot"	Homespots are a complement to the Telenet hotspot network, the wireless WiFi network that has been around since 2003. Through the wireless homespots network, Telenet's broadband internet customers are able to surf for free at the homes of friends or relatives.
"Hotspot"	A hotspot is a site that offers internet access over a wireless local area network through the use of a router connected to a link to an internet service provider. Hotspots typically use Wi-Fi technology.
"ICoFR"	Internal Control over Financial Reporting.
"iDTV"	Interactive digital television.
"INDI"	Non-interactive digital television platform acquired pursuant to the PICs Agreement.
"Interconnection"	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.
"Internet"	A collection of interconnected networks spanning the entire world, including university, corporate, government and research networks. These networks all use the IP communications protocol.
"IP"	Internet Protocol.
"IPTV"	IP-protocol digital television.
"ISP"	Internet Service Provider.
"IT"	Information technology, a general term referring to the use of various software and hardware components when used in a business.
"LGI"	Liberty Global, Inc., Telenet's majority shareholder.
"Liberty Global Consortium"	The majority shareholder of the Company. Currently all shares of the Company are held by Binan Investments B.V.
"LTE"	Long term evolution technology being a standard in mobile network technology, commonly referred to as 4G.
"Mbps"	Megabits per second; each megabit is one million bits.
"MHP"	Multimedia Home Platform.
"MHz"	Megahertz; a unit of frequency equal to one million Hertz.
"MICs"	Refers to the mixed intermunicipalities in Belgium. Mixed intermunicipalities, as opposed to pure intermunicipalities, have the private company Electrabel as a partner.
"MPLS"	Multi-protocol label switching.
"Multiple-play"	The bundling of different telecommunications services, e.g. digital cable television, broadband internet and fixed telephony services, by one provider.
"MVNO"	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.

Term	Definition
"Network"	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.
"NIU"	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.
"OFCF"	Operating Free Cash Flow, or under Telenet's definition Adjusted EBITDA minus cash capital expenditures.
"Partner Network"	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.
"PICs"	Pure intermunicipalities in Belgium.
"PICs Agreement"	Refers to an agreement dated June 28, 2008 entered into between Telenet, Interkabel, INDI ESV and four PICs in Flanders.
"PRIME"	Subbrand used by the Company for its digital pay television services.
"Pulsar"	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.
"PVR"	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.
"Quad-play"	Quadruple-play, referring to triple-play with the addition of mobile telephony services.
"Retail minus method"	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.
"RGU"	Revenue Generating Unit; separately an analog cable television subscriber, digital cable television subscriber, internet subscriber or fixed telephony subscriber. A home, residential multiple dwelling unit or commercial unit may contain one or more RGUs. For example, if a residential customer in Telenet's digital cable service, telephony service (regardless of their number of telephony access lines) and broadband internet service, the customer would constitute three RGUs. "Total RGUs"is the sum of analog cable, digital cable, internet and fixed telephony subscribers. RGUs generally are counted on a unique premise basis such that a given premise does not count as more than one RGU for any given service. On the other hand, if an individual receives Telenet's service in two premises (e.g., a primary home and a vacation home), that individual will count as two RGUs. Non paying subscribers are counted as subscribers during their fee promotional service period. Some of these subscribers choose to disconnect after their free service period. Services offered without charge on a permanent basis (e.g. VIP subscribers, free service to employees) are not counted as RGUs.
"SG&A"	Selling, general and administrative expenses.
"Shakes"	The various multiple-play bundles, which Telenet offers to its residential customers. These multiple play bundles combine two, three or multiple services into one single subscription.

Term	Definition
"SIM"	A subscriber identity module or subscriber identification module (SIM) is an integrated circuit that securely stores the International Mobile Subscriber Identity (IMSI) and the related key used to identify and authenticate subscribers on mobile telephony devices (such as mobile phones and tablets).
"SME"	Small and medium-sized enterprise.
"SOX"	Refers to the US Sarbanes-Oxley Act of 2002.
"SoHo"	A small office at home.
"SPE"	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.
"SSOP 2010-2014"	Special Stock Option Plan. The Company issued an option plan for the CEO of the Company in 2010.
"TFL"	Refers to Telenet Finance Luxembourg S.C.A., the issuer of the €500.0 million Senior Secured Notes due 2020.
"TFL II"	Refers to Telenet Finance Luxembourg II S.A., the issuer of the €100.0 million Senior Secured Notes due 2016.
"TFL III"	Refers to Telenet Finance III Luxembourg S.C.A., the issuer of the €300.0 million Senior Secured Notes due 2021.
"TFL IV"	Refers to Telenet Finance IV Luxembourg S.C.A., the issuer of the €400.0 million Senior Secured Floating Rate Notes due 2021.
"TIF"	Refers to Telenet International Finance S.à r.l., the Company's financing center in Luxembourg.
"Traffic data"	Data processed for the purpose of the conveyance of a communication on an electronic communications network or for billing.
"Triple-play"	Where a customer has subscribed to a combination of three products, digital cable television, broadband internet and fixed telephony services, from Telenet.
"VDSL"	Very high speed DSL. A high speed variant of ADSL.
"VOD"	Video on demand; a service which provides subscribers with enhanced playback functionality and gives subscribers access to a broad array of on demand programming, including movies, live events, local drama, music videos, children programming and adult programming.
"VoIP"	Voice over internet Protocol; a telephone service via internet, or via TCP/IP protocol, which can be accessed using a computer, a sound card, adequate software and a modem.
"VPN"	Virtual private network, a business service enabling users to obtain remote access to network functionality.
"VRM"	Vlaamse Regulator voor de Media, being the Flemish regulator for Media.
"WiFi"	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.
"Wi-Free"	Refers to the the free wireless internet service that Telenet provides for its broadband internet customers through a dense network of wireless hotspots and homespots.

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