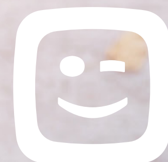


# FINANCIAL REPORT 2018

This page is intentionally left blank.

# Table of contents


**Consolidated annual report of the board of directors for 2018 to the shareholders of Telenet Group Holding NV** 5

Definitions ........ 6

Important reporting changes ........ 6

1 Information on the company 9

1.1 Overview ........ 9

1.2 Video ........ 10

1.3 Enhanced video ........ 10

1.4 Broadband internet ........ 10

1.5 Telephony ........ 11

1.6 Business services ........ 12

1.7 Network ........ 12

1.8 Strategy ........ 13

2. Discussion of the consolidated financial statements 14

2.1 Revenue by service ........ 14

2.2 Total expenses ........ 15

2.3 Expenses by nature ........ 15

2.4 Net Result ........ 16

2.5 Adjusted EBITDA ........ 17

2.6 Capital expenditure ........ 18

2.7 Operating Free Cash FLow ........ 18

2.8 Cash flow and liquidity ........ 17

2.9 Debt profile, cash balance and net leverage ratio ........ 20

2.10 Shareholder remuneration ........ 21

3 Risk factors 22

3.1 General information ........ 22

3.2 Legal proceedings ........ 23

4. Information about subsequent events 24

5. Information on research and development 25

6. Use of financial instruments 26

7. Non-financial information 27

7.1 Introduction 27
7.2 Labor 27
7.3 Environment 28
7.4 Human rights 30
7.5 Anti-corruption and bribery 31
7.6 Non-financial indicators 32
7.7 2018 Sustainability outlook 34

8. Corporate governance statement 35

8.1 Reference code 35
8.2 Regulatory developments and their impact on Telenet 35
8.3 Capital and shareholders 36
8.4 Internal control and risk management systems 40
8.5 Board of directors 43
8.6 Daily management 50
8.7 Remuneration report 52
8.8 Audit of the company 60

**Telenet Group Holding NV consolidated financial statements** 61

1. Consolidated statement of financial position 61

2. Consolidated statement of profit or loss and other comprehensive income 63

3. Consolidated statement of changes in shareholders' equity 65

4. Consolidated statement of cash flows 69

5. Notes to the consolidated financial statements for the year ended December 31, 2018 71

5.1 Reporting entity and basis of preparation 71
5.2 Significant accounting policies 73
5.3 Risk management 85
5.4 Property and equipment 94
5.5 Goodwill 95
5.6 Other intangible assets 97
5.7 Investments in and loans to equity accounted investees 98
5.8 Trade receivables 101
5.9 Other assets 103
5.10 Inventories 104
5.11 Cash and cash equivalents 104
5.12 Shareholders' equity 104
5.13 Loans and borrowings 116
5.14 Derivative financial instruments 125
5.15 Deferred taxes 129
5.16 Other non-current liabilities 132
5.17 Employee benefit plans 133
5.18 Accrued expenses and other current liabilities 137
5.19 Revenue 138
5.20 Expenses by nature 140
5.21 Finance income / expense 142
5.22 Income tax expense 142
5.23 Earnings per share 143
5.24 Acquisition of subsidiaries 144
5.25 Non cash investing and financing transactions 149
5.26 Commitments and contingencies 149
5.27 Related parties 154
5.28 Subsidiaries 156
5.29 Subsequent events 164
5.30 External audit 164

**Abridged annual report of the board of directors to the annual general meeting of shareholders 169**

1. Abridged non-consolidated balance sheet 170

2. Abridged non-consolidated income statement 171

3. Capital 172

4. Accounting policies 173

4.1 General 173
4.2 Specific accounting policies 173

5. Abridged annual report concerning the statutory annual accounts of Telenet Group Holding NV 174

5.1 Comments on the balance sheet 174
5.2 Comments on the income statement 177
5.3 Information on research and development 178
5.4 Risk factors 178
5.5 Information about subsequent events 178
5.6 Going concern 178
5.7 Application of legal rules regarding conflicts of interest 178
5.8 Branch offices of the Company 178
5.9 Extraordinary activities and special assignments carried out by the auditor 178
5.10 Telenet hedging policy and the use of financial instruments 178
5.11 Grant of discharge to the directors and statutory auditor 179
5.12 Information required pursuant to article 34 of the Belgian Royal Decree of November 14, 2007 and the law of April 6, 2010 179

# Consolidated annual report of the board of directors for 2018 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 for the year ended December 31, 2018, 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.

# Introduction

## Definitions

(1) For purposes of calculating **rebased growth** rates on a comparable basis for the twelve months ended December 31, 2018, Telenet has adjusted its historical revenue and Adjusted EBITDA to (i) include the pre-acquisition revenue and Adjusted EBITDA of SFR Belux (fully consolidated since June 19, 2017) in Telenet's rebased amounts for the twelve months ended December 31, 2017 to the same extent that the revenue and Adjusted EBITDA of such entity is included in Telenet's results for the twelve months ended December 31, 2018, (ii) include the pre-acquisition revenue and Adjusted EBITDA of Nextel (fully consolidated since May 31, 2018) in Telenet's rebased amounts for the twelve months ended December 31, 2017 to the same extent that the revenue and Adjusted EBITDA of such entity is included in Telenet's results for the twelve months ended December 31, 2018 and (iii) exclude the revenue and Adjusted EBITDA of the disposals of certain legacy fixed-line products at BASE and Ortel made during Q1 2017 to the same extent that the revenue and Adjusted EBITDA of these disposed business is excluded from Telenet's results for the twelve months ended December 31, 2018, (iv) exclude the revenue and Adjusted EBITDA of the disposals of JIM Mobile and Mobile Viking during Q1 2017 to the same extent that the revenue and Adjusted EBITDA of these disposed business is excluded from Telenet's results for the twelve months ended December 31, 2018 and (v) give effect to the new IFRS 15 framework as if it had been implemented on January 1, 2017. Telenet has reflected the revenue and Adjusted EBITDA of SFR Belux and Nextel in its 2017 rebased amounts based on what Telenet believes to be the most reliable information that is currently available to the Company (generally pre-acquisition financial statements), as adjusted for the estimated effects of (a) any significant differences between Telenet's accounting policies and those of the acquired entities, (b) any significant effects of acquisition accounting adjustments and (c) other items Telenet deems appropriate. Telenet does not adjust pre-acquisition periods to eliminate nonrecurring items or to give retroactive effect to any changes in estimates that might be implemented during post-acquisition periods. As Telenet did not own or operate the acquired businesses during the pre-acquisition periods, no assurance can be given that Telenet has identified all adjustments necessary to present the revenue and Adjusted EBITDA of these entities on a basis that is comparable to the corresponding post-acquisition amounts that are included in Telenet's historical results or that the pre-acquisition financial statements Telenet has relied upon do not contain undetected errors. In addition, the rebased growth percentages are not necessarily indicative of the revenue and Adjusted EBITDA that would have occurred if these transactions had occurred on the dates assumed for purposes of calculating Telenet's rebased amounts or the revenue and Adjusted EBITDA that will occur in the future. The rebased growth percentages have been presented as a basis for assessing growth rates on a comparable basis, and are not presented as a measure of Telenet's pro forma financial performance.

(2) **EBITDA** is defined as profit before net finance expense, the share of the result of equity accounted investees, income taxes, depreciation, amortization and impairment. **Adjusted EBITDA** is defined as EBITDA before stock-based compensation, post-measurement period adjustments related to business acquisitions and restructuring charges, and before operating charges or credits related to successful or unsuccessful acquisitions or divestitures. Operating charges or credits related to acquisitions or divestitures include (i) gains and losses on the disposition of long-lived assets, (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, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. 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 EU IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable EU IFRS measure.

(3) **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.

(4) **Operating Free Cash Flow** ("OFCF") is defined as Adjusted EBITDA minus accrued capital expenditures as reported in the Company's consolidated financial statements. Accrued capital expenditures exclude the recognition of football broadcasting rights and mobile spectrum licenses.

**(5) Adjusted Free Cash Flow** is defined as net cash provided by the Company's operating activities, plus (i) cash payments for third-party costs directly associated with successful and unsuccessful acquisitions and divestitures and (ii) expenses financed by an

intermediary, less (i) purchases of property and equipment and purchases of intangibles as reported in the Company's consolidated statement of cash flows, (ii) principal payments on amounts financed by vendors and intermediaries, (iii) principal payments on capital leases (exclusive of network-related leases that were assumed in acquisitions), and (iv) principal payments on post acquisition additions to network leases, each as reported in the Company's consolidated statement of cash flows. Adjusted 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 EU IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable EU IFRS measure.

(6) **Basic Video Subscriber** is a home, residential multiple dwelling unit or commercial unit that receives Telenet's video service over the Combined Network either via an analog video signal or via a digital video signal without subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Encryption-enabling technology includes smart cards, or other integrated or virtual technologies that Telenet uses to provide its enhanced service offerings. Telenet counts Revenue Generating Unites ("**RGUs**") on a unique premises basis. In other words, a subscriber with multiple outlets in one premise is counted as one RGU and a subscriber with two homes and a subscription to Telenet's video service at each home is counted as two RGUs.

(7) **Enhanced Video Subscriber** is a home, residential multiple dwelling unit or commercial unit that receives Telenet's video service over the Combined Network via a digital video signal while subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Enhanced Video Subscribers are counted on a unique premises basis. For example, a subscriber with one or more set-top boxes that receives Telenet's video service in one premise is generally counted as just one subscriber. An Enhanced Video Subscriber is not counted as a Basic Video Subscriber. As Telenet migrates customers from basic to enhanced video services, Telenet reports a decrease in its Basic Video Subscribers equal to the increase in Telenet's Enhanced Video Subscribers.

(8) **Internet Subscriber** is a home, residential multiple dwelling unit or commercial unit that receives internet services over the Combined Network.

(9) **Fixed-line Telephony Subscriber** is a home, residential multiple dwelling unit or commercial unit that receives fixed-line voice services over the Combined Network. Fixed-line Telephony Subscribers exclude mobile telephony subscribers.

(10) **Telenet's mobile subscriber count** represents the number of active subscriber identification module ("**SIM**") cards in service rather than services provided. For example, if a mobile subscriber has both a data and voice plan on a smartphone this would equate to one mobile subscriber. Alternatively, a subscriber who has a voice and data plan for a mobile handset and a data plan for a laptop (via a dongle) would be counted as two mobile subscribers. Customers who do not pay a recurring monthly fee are excluded from Telenet's mobile telephony subscriber counts after a 90-day inactivity period.

(11) **Customer Relationships** are the number of customers who receive at least one of Telenet's video, internet or telephony services that Telenet counts as RGUs, without regard to which or to how many services they subscribe. Customer Relationships generally are counted on a unique premises basis. Accordingly, if an individual receives Telenet's services in two premises (e.g. a primary home and a vacation home), that individual generally will count as two Customer Relationships. Telenet excludes mobile-only customers from Customer Relationships.

(12) **Average Revenue Per Unit ("ARPU")** refers to the average monthly subscription revenue per average customer relationship and is calculated by dividing the average monthly subscription revenue (excluding mobile services, business-to-business ("**B2B**") services, interconnect, channel carriage fees, mobile handset sales and installation fees) for the indicated period, by the average of the opening and closing balances for customer relationships for the period.

(13) **Homes Passed** are homes, residential multiple dwelling units or commercial units that can be connected to the Combined Network without materially extending the distribution plant. Telenet's Homes Passed counts are based on census data that can change based on either revisions to the data or from new census results.

(14) **RGU** is separately a Basic Video Subscriber, Enhanced Video Subscriber, Internet Subscriber or Fixed-line Telephony Subscriber. A home, residential multiple dwelling unit, or commercial unit may contain one or more RGUs. For example, if a residential customer subscribed to Telenet's enhanced video service, fixed-line telephony service and broadband internet service, the customer would constitute three RGUs. Total RGUs is the sum of Basic Video, Enhanced Video, Internet and Fixed-line Telephony Subscribers. RGUs generally are counted on a unique premises basis such that a given premises does not count as more than one RGU for any given service. On the other hand, if an individual receives one of Telenet's services in two premises (e.g. a primary home and a vacation home), that individual will count as two RGUs for that service. Each bundled cable, internet or fixed-line telephony service is counted as a separate RGU regardless of the nature of any bundling discount or promotion. Non-paying subscribers are counted as subscribers during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period. Services offered without charge on a long-term basis (e.g. VIP subscribers, free service to employees) generally are not counted as RGUs. Telenet does not include subscriptions to mobile services in its externally reported RGU counts.

(15) **Customer Churn** represents the rate at which customers relinquish their subscriptions. The annual rolling average basis is calculated by dividing the number of disconnects during the preceding 12 months by the average number of customer relationships. For the purpose of computing churn, a disconnect is deemed to have occurred if the customer no longer receives any level of service from Telenet and is required to return Telenet's equipment. A partial product downgrade, typically used to encourage customers to pay an outstanding bill and avoid complete service disconnection is not considered to be disconnected for purposes of Telenet's churn calculations. Customers who move within Telenet's cable footprint and upgrades and downgrades between services are also excluded from the disconnect figures used in the churn calculation.

(16) Telenet's **ARPU per mobile subscriber** calculation that excludes interconnect revenue refers to the average monthly mobile subscription revenue per average mobile subscribers in service and is calculated by dividing the average monthly mobile subscription

revenue (excluding activation fees, handset sales and late fees) for the indicated period, by the average of the opening and closing balances of mobile subscribers in service for the period. Telenet's ARPU per mobile subscriber calculation that includes interconnect revenue increases the numerator in the above-described calculation by the amount of mobile interconnect revenue during the period.

(17) **Net total leverage** is defined as the sum of all of the Company's short-term and long-term liabilities minus cash and cash equivalents ("**Net Total Debt**"), as recorded in the Company's statement of financial position, divided by the last two quarters' Consolidated Annualized EBITDA.

(18) **Net covenant leverage** is calculated as per the 2018 Amended Senior Credit Facility definition, using Net Total Debt, excluding (i) subordinated shareholder loans, (ii) capitalized elements of indebtedness under the Clientele and Annuity Fees, (iii) any finance leases entered into on or prior to August 1, 2007, (iv) any indebtedness incurred under the network lease entered into with the pure intermunicipalities and (v) any vendor financing-related liabilities, divided by last two quarters' Consolidated Annualized EBITDA including certain unrealized cost synergies related to the BASE and SFR Belux acquisitions.

## Important reporting changes

**Presentation of mobile telephony small and medium-sized ("SME") customers:** As of April 1, 2018, mobile telephony SME subscribers are considered to be business customers. Therefore, as of April 1, 2018, they are no longer included in Telenet's mobile telephony subscriber count. For comparable reasons, Telenet has restated its December 31, 2017 mobile telephony subscriber base by taking out 133,200 mobile telephony SME subscribers.

**Representation of cable RGUs:** Telenet has represented the December 31, 2017 RGUs for its video, enhanced video, broadband internet and fixed-line telephony services to correctly reflect the migrations of former SFR Belux subscribers to its Telenet-branded products and services. For comparable reasons, Telenet has restated its December 31, 2017 subscriber count.

**Adoption of IFRS 15:** As of January 1, 2018, Telenet has adopted IFRS 15 as mentioned in its 2017 Annual Report (see Section 5.2.20 - *Forthcoming requirements*). IFRS 15 has impacted certain of Telenet's previous revenue recognition policies, including the accounting for (i) time-limited discounts and free service periods provided to customers, (ii) certain up-front fees charged to customers and (iii) multiple element arrangements. Time-limited discounts and free service periods provided to customers did not result in a material impact upon adoption of IFRS 15. IFRS 15 has also changed the accounting policy for certain upfront costs directly associated with obtaining and fulfilling customer contracts. Under Telenet's previous policy, these costs were expensed as incurred unless the costs were in the scope of another accounting topic that allowed for capitalization. Under IFRS 15, the upfront costs that were previously expensed as incurred have been recognized as assets and amortized to other operating expenses over a period that is consistent with the transfer to the customers of the goods or services to which the assets relate. The adjusted policy for certain upfront costs did not result in a material impact upon adoption of IFRS 15. Application of IFRS 15 positively impacted revenue for the year ended December 31, 2018 related to 2018 handset offers and other hardware devices for an amount of €6.0 million. When taking into account the unwinding in 2018 of the contract assets recognized related to handset offers prior to 2018, the cumulative impact of IFRS 15 on revenues from handset offers amounted to -€3.7 million. With respect to installation and activation fees charged to residential customers for the year ended December 31, 2018, the cumulative impact of IFRS 15 for the year ended December 31, 2018 amounted to -€3.2 million. The total cumulative impact of the aforementioned policy changes in accordance with IFRS 15 thus amounted to -€6.9 million as per December 31, 2018.

**Presentation of intercompany-related security revenue:** As of January 1, 2018, Telenet changed the way it presents revenue earned from its security business across the Liberty Global Group. As of January 1, 2018, Telenet presents this revenue on a net basis versus on a gross basis previously. This change did not impact Telenet's gross profit or Adjusted EBITDA. For comparability reasons, Telenet has represented its FY 2017 revenue with a total impact of €7.0 million.

**Presentation of accrued capital expenditures:** As of January 1, 2018, Telenet changed the way it presents its accrued capital expenditures in order to align with Telenet's internal capital allocation framework. Going forward, accrued capital expenditures will be reported across the following buckets: (i) customer premises equipment, (ii) network growth, (iii) product and services and (iv) maintenance and other. Telenet has also represented the prior year quarters. This representation did not affect Telenet's total level of accrued capital expenditures.

**Purchase price allocation for the SFR Belux acquisition:** The December 31, 2017 statement of financial position has been restated, reflecting the retrospective impact of the purchase price allocation ("**PPA**") for the SFR Belux acquisition, which was not yet available at year-end 2017. A step-up on property & equipment of €8.1 million was recorded, while an intangible asset was recognized amounting to €70.5 million, almost entirely consisting of the customer relationships. Together with the deferred tax impact of the above mentioned adjustments (€25.5 million), goodwill was reduced by €53.1 million. The depreciation and amortization expenses, as well as the deferred tax impact related to the period from the acquisition date (June 19, 2017) until December 31, 2017, amounted to €2.3 million and has been reflected in retained earnings of the December 31, 2017 restated statement of financial position.

**Presentation of mobile telephony revenue generated by SME customers:** As of April 1, 2018, Telenet changed the way it presents revenue earned through its mobile SME subscribers. As of April 1, 2018, Telenet presents this revenue incremental (incl. interconnect revenue and carriage fees) under business services revenue versus under mobile telephony revenue (subscription and usage revenue) and under other revenue (interconnect revenue and carriage fees) previously. This change did not impact Telenet's gross profit and Adjusted EBITDA. For comparable reasons, Telenet has represented its FY 2017 results with a total negative impact on mobile telephony revenue of €28.5 million, and a total negative impact on other revenue of €6.1 million and a total positive impact on business services revenue of €34.6 million, respectively.

# 1. Information on the Company

## 1.1 Overview

Telenet is the largest provider of video services in Belgium. Telenet's hybrid fiber-coaxial ("**HFC**") cable network spans the Flanders region, covers approximately 66% of Belgium by homes passed and includes the metropolitan centers of Antwerp and Ghent and approximately two-thirds of Brussels following the acquisition of SFR Belux, which Telenet acquired on June 19, 2017. Telenet Group Holding'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 basic and enhanced video, including high definition ("**HD**"), pay television and video-on-demand ("**VOD**") services, high-speed broadband internet and fixed-line 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 video, broadband internet and telephony services from a single provider at an attractive and discounted price. Under the "BASE" brand, Telenet also offers mobile telephony services to residential and business customers across Belgium. In addition, Telenet offers voice and data services, as well as value-added services including cloud, hosting and security solutions, to SMEs and large-sized businesses throughout Belgium and parts of Luxembourg.

At December 31, 2018, Telenet served 2,115,000 unique customer relationships, which represented approximately 63% of the 3,350,700 homes passed by its leading hybrid fiber coaxial ("**HFC**") network across Telenet's Flemish and Brussels footprint. At December 31, 2018, Telenet provided 4,853,800 fixed services ("**RGUs**") consisting of 1,939,900 video, 1,657,800 broadband internet and 1,256,100 fixed-line telephony subscriptions. In addition, approximately 90% of Telenet's video subscribers had upgraded to the higher ARPU enhanced video platform at December 31, 2018. Enhanced video subscribers enjoy an enriched TV experience with unrestricted access to a wider range of digital, HD and pay television sports, series and movies channels, a vast library of domestic and international VOD content and Telenet's over-the-top ("**OTT**") platform "Yelo Play". At December 31, 2018, Telenet also served 2,731,000 mobile subscribers as compared to 2,670,600 at December 31, 2017. Telenet reached a bundling rate of 2.29 RGUs per unique customer relationship at December 31, 2018, which was stable compared to December 31, 2017. At December 31, 2018, approximately 27% of Telenet's cable customers subscribed to a quadruple-play bundle (excluding mobile subscriptions under the BASE brand), an increase of 2 percentage points compared to December 31, 2017, indicating continued uptake of Telenet's fixed-mobile convergence strategy. At December 31, 2018, Telenet reached a total of 399,700 "WIGO" customers. As such, the penetration of "WIGO" subscribers relative to the total number of customer relationships represented approximately 19% at December 31, 2018 as compared to approximately 14% at December 31, 2017. All of Telenet's "WIGO" bundles include a superfast broadband connection, WiFi access, unlimited fixed and mobile calls in Belgium and a mobile data allowance to be shared among individual family members. For the year ended December 31, 2018, Telenet's total revenue was €2,534.8 million, a 1% increase over the year ended December 31, 2017 and its Adjusted EBITDA was €1,324.1 million, a 9% increase over the year ended December 31, 2017.

The Combined Network (see section 1.7 ***Network***) is fully bi-directional and EuroDocsis 3.0 enabled, and provides a spectrum bandwidth capacity of 600 MHz. In August 2014, Telenet announced a five-year €500.0 million network investment program as it plans to increase the capacity of the Combined Network to 1 GHz, enabling download speeds of at least 1 Gbps in the future, with the objective of allowing Flanders to offer some of the highest-capacity digital infrastructure in Europe. At December 31, 2018, approximately 94% of the nodes in the Combined Network had been upgraded. Besides the fixed network upgrade, Telenet has also fully modernized its mobile infrastructure. At December 31, 2018, substantially all 2,800 macro sites were upgraded to the latest technology and the Company deployed 413 new sites

Telenet is increasingly focused on offering its subscribers broadband internet and telephony subscriptions and services together with its video services in the form of attractively priced multiple-play bundles. Telenet has derived, and believes it can continue to derive, substantial benefits from the trend towards bundled subscriptions, through which it is able to sell more products to individual subscribers, resulting in significantly higher ARPU per customer relationship and, in its experience, the reduction of customer churn. For the year ended December 31, 2018, Telenet achieved an ARPU per customer relationship of €55.9, representing a modest 2% increase versus the year ended December 31, 2017. Growth in the ARPU per customer relationship was underpinned by a higher proportion of multiple-play subscribers in the overall customer mix and a larger share of enhanced video customers subscribing to Telenet's premium entertainment services, which was partially offset by competitive headwinds, larger bundle discounts and fixed-term promotions.

## 1.2 Video

Cable television is the principal medium for the provision of television services in Flanders, and Telenet is the largest provider of video services in Belgium. Almost all Flemish television households are passed by the Combined Network. The high penetration of Telenet's video business has resulted in a steady source of revenue and cash flow. Telenet's total basic and enhanced video customer base was 1,939,900 at December 31, 2018. All of Telenet's basic video subscribers have access to at least 21 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. Telenet's basic video subscribers who have installed a set-top box or CI+ module, and activated a smart card, have access to more than 80 digital channels, including 40 HD channels, and approximately 36 digital radio channels, for no additional fee. Telenet offers its basic video services in digital for no additional fee in order to encourage its subscribers to migrate to its enhanced video services giving them access to a more enriched TV experience, including access to electronic program guides ("**EPGs**"), additional thematic content packs, exclusive movies and sports channels and a large VOD library of both local and international programs.

For the year ended December 31, 2018, Telenet lost 91,400 net video subscribers, impacted by higher churn in the acquired SFR Belux footprint as part of the overall customer migration strategy, and the intensely competitive environment. The aforementioned net loss excludes migrations to Telenet's enhanced video service and represents customers churning to competitors' platforms, such as other digital television, OTT and satellite providers, or customers terminating their television service or having moved out of Telenet's service footprint.

## 1.3 Enhanced video

Telenet's interactive enhanced video 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 enhanced video offering is available to all subscribers passed by the Combined Network. At December 31, 2018, Telenet served 1,738,700 enhanced video customers, representing a net loss of 47,900 net enhanced video subscribers for the year ended December 31, 2018, impacted by higher churn in the acquired SFR Belux footprint as mentioned above and the intensely competitive market environment. Telenet's digitalization ratio, which measures the total base of enhanced video customers relative to Telenet's total video subscriber base, reached approximately 90% at December 31, 2018, compared to approximately 88% at December 31, 2017. All of Telenet's enhanced video subscribers can access the "Yelo Play" app, through which they can enjoy a unique content experience on multiple connected devices in the home and out-of-home through Telenet's WiFi Homespots and hotspots.

Telenet's subscription VOD packages "Play" and "Play More" had 434,300 customers at December 31, 2018, up 9% compared to December 31, 2017. The solid growth was driven by Telenet's continued investments in promising local content both through co-productions with Telenet's co-owned commercial channels "VIER", "VIJF" and "ZES" as well as certain proprietary content. Telenet extended and enlarged in December 2018 its contract with the American channel HBO. Thanks to the new agreement, Telenet will be able to offer the full range of HBO top series as from 2019 onwards. In early October 2018, Telenet launched "Telenet TV", which provides access to all of Telenet's basic and premium entertainment offerings on all platforms across multiple devices in the home. Going forward, customers can connect to Telenet's television services through Google Chromecast or Apple TV, and Telenet has commenced a friendly user trial for its next-generation cloud-based set-top box platform to be launched in the first half of 2019.

Telenet also provides the broadest sports offering within its footprint through "Play Sports", which combines domestic and foreign football, including the UK Premier League amongst others, with other major sport events including golf, ATP tennis, Formula One racing, volleyball, basketball and hockey. At December 31, 2018, Telenet served 232,400 "Play Sports" customers, which remained broadly stable compared to December 31, 2017.

## 1.4 Broadband internet

Telenet is the leading provider of residential broadband internet services in Flanders. Today, Telenet offers consumers and businesses data download speeds of up to 400 and 750 Mbps, respectively, and upload speeds of 20 and 75 Mbps, respectively. Through Telenet's €500.0 million five-year "Grote Netwerf" investment program, which started in early 2015 and is expected to be completed mid-2019, Telenet aims to boost the capacity of its network from 600 MHz to 1 GHz, enabling data download speeds of at least 1 Gbps in the future. As customers expect to enjoy seamless superfast connectivity whether at home, at work or on the move, WiFi remains one of the cornerstones of Telenet's connectivity strategy. Telenet's brand-wide "Go With The Good Flow" campaign, which Telenet launched during the summer of 2018, has been very successful with 340,000 WiFi boosters distributed at the end of 2018. This already represents over one-fifth of Telenet's total broadband internet subscriber base in only six months' time.

At December 31, 2018, Telenet has deployed around 1.5 million WiFi Homespots and operated nearly 2,000 WiFi hotspots in public areas. Through partnerships with its majority shareholder Liberty Global and certain of its affiliates, as well as Walloon cable operator Nethys, broadband internet customers from both cable companies can freely use the WiFi Homespots on either company's network in Wallonia and in certain other European countries where service is offered through other Liberty Global and certain affiliate networks.

At December 31, 2018, Telenet served 1,657,800 broadband internet subscribers, representing a modest 1% decrease from December 31, 2017 and equivalent to approximately 49% of the homes passed by its HFC network. For the year ended December 31, 2018, Telenet lost 16,300 net broadband subscribers, impacted by higher churn in the acquired SFR Belux footprint as mentioned above and the intensely competitive market environment. Consequently, Telenet's annualized churn rate reached 11.6% for the year ended December 31, 2018 as compared to 9.0% for the year ended December 31, 2017.

# 1.5 Telephony

## 1.5.1 Fixed-line telephony

Telenet offers its residential subscribers local, national and international long distance fixed-line telephony services and a variety of value-added features. In Flanders, Telenet believes it is currently the largest competitor of Proximus, the Belgian incumbent operator, due in part to Telenet's emphasis on customer service and innovative flat-fee rate plans. Substantially all of Telenet's fixed-line 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 fixed-line telephony services.

At December 31, 2018, Telenet served 1,256,100 fixed-line telephony subscribers, representing a 4% decrease compared to December 31, 2017. For the year ended December 31, 2018, Telenet lost 46,500 net fixed-line telephony subscribers, impacted by (i) higher churn in the acquired SFR Belux footprint as mentioned above, (ii) the intensely competitive market environment and (iii) an overall declining market trend. Consequently, Telenet's annualized churn rate reached 13.7% for the year ended December 31, 2018 as compared to 10.1% for the year ended December 31, 2017.

## 1.5.2 Mobile telephony

In February 2016, Telenet finalized the acquisition of Belgian mobile operator BASE Company NV. Telenet offers its mobile telephony services under both the "Telenet" and "BASE" brand names and has entered into several wholesale partnerships, including the Walloon cable operator Nethys and the international provider of prepaid services Lycamobile. Prior to the BASE acquisition, Telenet has historically been operating through a mobile virtual network operator ("**MVNO**") partnership with Orange Belgium, the third-largest mobile operator in Belgium (the "**MVNO Arrangement**"). At the end of March 31, 2018, Telenet had migrated all of its Full MVNO customers from the rented Orange Belgium network to its own mobile network, realizing important MVNO synergies. Through its own mobile network, Telenet offers its cable customers mobile voice and data services, including 4G/LTE ("**Long Term Evolution**").

Telenet's active mobile subscriber base, which excludes subscribers under its commercial wholesale partnerships and its SME customers, totaled 2,731,000 SIMs at December 31, 2018, including 2,241,600 postpaid subscribers. The remaining 489,400 mobile subscribers are prepaid subscribers under the BASE brand. Despite a competitive market backdrop, characterized by temporary price promotions and improved offers launched by Telenet's direct competitors, Telenet added 86,200 net postpaid subscribers for the year ended December 31, 2018. This was mainly driven by Telenet's all-in-one converged "WIGO" bundles and its Telenet Mobile standalone rate plans, partly offset by continued pressure within certain parts of the BASE mobile-only footprint. In the beginning of 2019, Telenet revamped its mobile standalone offers increasing data specs for both new and existing customers and introducing unlimited mobile data plans under the Telenet and BASE brand.

## 1.5.3 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 connect 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 on its network, which is based on a call set-up charge and on the length of the telephone call.

Telenet's interconnect revenue and costs are recharged through Telenet Group (former BASE Company NV). Telenet's principal interconnection agreements are with Proximus and the main telecommunication operators in Belgium. Proximus provided fixed-line telephony services to an estimated 50-60% of the residential and an estimated 70-80% of the business fixed-line market in Belgium according to the most recent Annual Report (2017) from the Belgian Institute for Postal and Telecommunication services ("**BIPT**").

In the premium service mobile business, Telenet and Telenet Group connect to content aggregators, and as such provide mobile telephony subscribers access to value-added services. For the purpose of serving its mobile telephony subscribers roaming abroad, Telenet Group has over 600 bilateral roaming agreements. For this purpose, Telenet has closed a roaming agreement with an international provider, acting as a roaming hub provider.

Interconnection revenue and expenses have a significant impact on Telenet's financial results. As a result, Telenet is focused heavily on managing this cost. For the year ended December 31, 2018, Telenet incurred interconnection expenses of €208.5 million (€224.1 million for the year ended December 31, 2017). For the year ended December 31, 2018, Telenet received interconnection revenue of €210.6 million (€212.1 million for the year ended December 31, 2017). Telenet reports the interconnection revenue generated by its fixed-line and mobile telephony subscribers under 'Other' revenue, while the incurred interconnection fees are included in 'Direct costs'.

Telenet has been declared an operator with Significant Market Power ("**SMP**") on the market for call termination on an individual fixed public telephone network. Since April 1, 2012, reciprocal termination rates have been imposed, which results in Telenet charging the interconnection rate of Proximus. Following a court annulment of a final decision on wholesale tariffs issued by the BIPT in 2016, the BIPT issued a new decision in November 2018 that proposes a wholesale tariff of €0.116 cents per minute of January 1, 2019.

In May 2017, the BIPT published its latest decision on the relevant market for "call termination on individual mobile networks". Telenet, as a mobile network operator, has also been designated in the BIPT decision as having SMP. In the decision, the BIPT adopts a bottom-up long-run incremental cost model to calculate tariffs for call termination on individual mobile networks, resulting in a nominal value of €0.99 cents per minute as of July 1, 2017.

## 1.6 Business services

Under the "Telenet Business" brand, Telenet offers a range of voice, data and internet products and services that are tailored to the size and needs of each customer. Telenet Business also offers its business customers an extensive range of reliable value-added services, including hosting, managed security and cloud services. Telenet provides services to business customers throughout Belgium and parts of Luxembourg. Telenet's business customers include SMEs, larger corporations, public, healthcare and educational institutions, and carrier customers that include international voice, data and internet service providers. The Company expanded its offering through the acquisition of local ICT integrator Nextel on May 31, 2018. This acquisition has put Telenet Business in a stronger position to create more competition in the business market. It will now be able to offer all-in-one solutions to medium-sized and large companies. Telenet Business generated revenue of €193.2 million for the year ended December 31, 2018, up 18% compared to the year ended December 31, 2017. Telenet's B2B revenue growth was primarily driven by the inorganic contribution of Nextel, which the Company consolidates as from May 31, 2018. Excluding the impact of Nextel, Telenet's revenue for the year ended December 31, 2018 decreased 3% compared to the year ended December 31, 2017, as higher data connectivity and mobile telephony revenue was more than offset by structurally lower fixed-line telephony revenue and lower security revenue.

## 1.7 Network

In 1996, Telenet acquired the exclusive right to provide point-to-point services, including broadband internet and fixed-line telephony services, and the right to use a portion of the capacity of the broadband communications network owned by the pure intermunicipalities (the "**PICs**"), the Partner Network. Currently, under the PICs Agreement through Telenet BVBA and Telenet Vlaanderen NV, Telenet has full rights to use substantially all of the Partner Network under a long-term lease (***erfpacht/emphythéose***) entered into in 2008 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.

Telenet refers to the Combined Network when describing the combination of its own network and the Partner Network. Through the Combined Network, Telenet provides video in analog, digital and HD formats, broadband internet and fixed-line telephony services to both residential and business customers who reside in its service area. Telenet's Combined Network consists of a fiber backbone with local loop connections constructed of coaxial cable with a minimum capacity of 600 MHz. The Combined Network uses EuroDocsis 3.0 technology, which enables Telenet to currently offer downstream speeds of up to 750 Mbps for certain of its business customers. Telenet's Combined Network assets include approximately 12,000 kilometers of fiber backbone, of which Telenet owns 7,300 kilometers, utilizes approximately 2,600 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 Digital Subscriber Line ("**DSL**") technology. DSL technology enables Telenet to serve business customers that are not close to the Combined Network in a more cost effective manner.

Telenet's fiber backbone is 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. Network quality usually deteriorates as customer penetration rates on any particular node increases. When required, the scalability of Telenet's network enables it to address this problem, within limits, through node splits. Telenet uses node splits, among other measures, to manage potential congestion in certain parts of the Combined 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.

In August 2014, Telenet announced a five-year €500.0 million network investment program as it plans to increase the capacity of the Combined Network to 1 GHz, enabling download speeds of at least 1 Gbps in the future, with the objective of allowing Flanders to offer some of the highest-capacity digital infrastructure in Europe. At December 31, 2018, approximately 94% of the nodes in the Combined Network had been upgraded.

For the ongoing mobile network modernization, Telenet upgraded all of its 2,800 macro sites and deployed 413 new sites. The Company also successfully launched new Voice-over-WiFi -and Voice-over-LTE services, improving indoor coverage and delivering HD sound quality.

## 1.8 Strategy

Telenet's strategy is to be the best-in-class and preferred provider of enhanced video, 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.

Over the past three years, Telenet has invested around €2.0 billion cumulatively in its fixed and mobile networks, its products and its customers in order to further solidify its converged network leadership in the Belgian market. Telenet has also successfully started to unlock the potential in business solutions, while continuing to lead on converged connected entertainment so customers can get the most out of their digital lifestyle.

The cornerstones of Telenet's strategy for the next three years represent an extension of the previous strategic plan. Having upgraded around 94% of nodes in its HFC network and having fully completed the modernization of the acquired mobile network, Telenet will soon be ready to provide data download speeds of at least 1 Gbps, complemented with a leading mobile network across Belgium. Against the backdrop of continued growth in both fixed and mobile data traffic, Telenet is confident it can sustain a lower capital intensity over the next three years, while continuing to innovate within the Belgian telecoms landscape.

Telenet has further strengthened the foundations to grow in the business market through the acquisition of SFR Belux and the local ICT integrator Nextel. These acquisitions will drive future growth, expanding to adjacent value-added ICT services and addressing the increasing customer need for one-stop-shop solutions.

In the residential market, Telenet aims to leverage its strong brands and amazing customer experience. Telenet has built a unique positioning in converged connected entertainment and the Company aims to create further customer value across its customer base. As part of the three-year plan, Telenet wants to boost penetration in the acquired SFR Belux footprint, while leveraging data and digital to create highly personalized customer touchpoints.

Finally, Telenet aims to further improve the customer experience by simplifying how customers interact with Telenet in an increasingly digital way. Together with a radical simplification of Telenet's IT landscape and a simplification of the operating model, these initiatives are expected to result in significant cost savings of up to 15% in IT and residential customer operations by 2021. These cost reductions will be partially reinvested to accelerate growth in 2020 and 2021.

# 2. Discussion of the consolidated financial statements

## 2.1 Revenue by service

For the year ended December 31, 2018, Telenet generated revenue of €2,534.8 million, which was up 1% versus €2,521.1 million for the year ended December 31, 2017. The reported revenue movements were predominantly attributable to acquisitions including (i) a full year revenue contribution from SFR Belux as opposed to only a partial contribution to Telenet's revenue for the year ended December 31, 2017 since the June 19, 2017 acquisition date and (ii) a seven-month contribution from the local ICT integrator Nextel, which Telenet acquired on May 31, 2018. These acquisitions boosted Telenet's revenue for the year ended December 31, 2018 by €15.5 million and €32.1 million, respectively, as opposed to the year ended December 31, 2017. Telenet's reported revenue growth for the year ended December 31, 2018 was negatively impacted by (i) the sale of its direct subsidiary Ortel to Lycamobile as per March 1, 2017, (ii) the discontinuation of certain fixed legacy products at BASE, (iii) the sale of JIM Mobile and Mobile Vikings to MEDIALAAN and (iv) the impact of the new IFRS 15 accounting framework, which the Company adopted as of January 1, 2018.

Revenue for the year ended December 31, 2018 also reflected (i) substantially lower handset sales as compared to the year ended December 31, 2017 on the back of generally prolonged smartphone replacement cycles in the consumer segment, (ii) continued competitive and regulatory headwinds and (iii) lower usage-related revenue amidst the continued success of Telenet's upgraded flat-fee "WIGO" quad-play bundles, including higher mobile data allowances. These headwinds were only partially offset by (i) a substantially larger contribution from Telenet's regulated and commercial wholesale businesses, (ii) the favorable impact of the July 2018 price adjustments and (iii) continued growth in the small business segment.

For further information, we refer to note 5.19 to the consolidated financial statements of the Company.

### 2.1.1 Video

Video revenue represents the monthly fee paid by Telenet's video subscribers for the channels they receive in the basic tier and the revenue generated by its enhanced video subscribers which primarily includes (i) recurring set-top box rental fees, (ii) fees for supplemental premium content offerings, including Telenet's subscription VOD packages "Play", "Play More" and "Play Sports" and (iii) transactional and broadcasting-on-demand services. For the year ended December 31, 2018, Telenet's video revenue amounted to €582.4 million, which was broadly stable as compared to €581.5 million for the year ended December 31, 2017 and included the impact from the SFR Belux acquisition.

### 2.1.2 Broadband internet

The revenue generated by Telenet's residential and small business broadband internet RGUs totaled €628.4 million for the year ended December 31, 2018 and was up 4% compared to €606.8 million for the year ended December 31, 2017. Revenue growth was driven by (i) continued traction in Telenet's "WIGO" propositions, (ii) a robust performance in the small business segment and (iii) the favorable impact from the July 2018 price adjustment, partially offset by an increased proportion of bundle discounts.

### 2.1.3 Fixed-line telephony

Fixed-line telephony revenue includes recurring subscription-based revenue from Telenet's fixed-line telephony subscribers and variable usage-related revenue, but excludes the interconnection revenue generated by these customers which is reported under other revenue. For the year ended December 31, 2018, Telenet's fixed-line telephony revenue decreased 3% to €232.9 million compared to €239.6 million for the year ended December 31, 2017. The favorable impact from the SFR Belux acquisition and the aforementioned price adjustment was more than offset by (i) a continued gradual decline in the residential fixed-line telephony RGU base amidst a challenging market backdrop, (ii) lower usage-related revenue, reflecting an overall declining market trend and (iii) a growing proportion of bundle discounts.

### 2.1.4 Mobile telephony

Mobile telephony revenue represents the subscription-based revenue generated by Telenet's direct mobile telephony subscribers and out-of-bundle revenue, but excludes (i) the interconnection revenue generated by these customers, (ii) the revenue earned from handset sales and (iii) revenue recognized under the "Choose Your Device" programs which are all recorded in other revenue. For the year ended December 31, 2018, Telenet generated mobile telephony revenue of €459.7 million, representing a 10% decrease compared to the year ended December 31, 2017. A solid net postpaid subscriber growth was more than offset by (i) lower out-of-bundle revenue generated by its mobile subscribers in excess of their monthly bundle on the back of Telenet's improved "WIGO" quad-play bundles and revamped BASE product portfolio, (ii) higher bundle-related discounts following the success of its quad-play

"WIGO" propositions and (iii) a continued decline in the number of prepaid subscribers, including the impacts of the mandatory prepaid registration as of June 2017.

### 2.1.5 Business services

The revenue reported under business services relates to (i) the revenue generated on non-coax products, including fiber and leased DSL lines, (ii) mobile telephony revenue generated by SME customers, (iii) Telenet's carrier business and (iv) value-added services such as network hosting and managed data security. Telenet's business services revenue also includes the revenue generated by the local ICT integrator Nextel, which it acquired on May 31, 2018. Revenue generated by business customers on all coax-related products, such as its flagship bundle "WIGO Business", is allocated to the cable subscription revenue lines and is not captured within Telenet Business, its business services division. Telenet Business generated revenue of €193.2 million for the year ended December 31, 2018, up 18% as compared to the year ended December 31, 2017. Telenet's reported revenue for the year ended December 31, 2018 included the aforementioned €32.1 million revenue contribution from Nextel since the May 31, 2018 acquisition date.

### 2.1.6 Other

Other revenue primarily includes (i) interconnection revenue from both Telenet's fixed-line and mobile telephony customers, (ii) wholesale revenue generated through both Telenet's commercial and regulated wholesale businesses, (iii) mobile handset sales, including the revenue earned under Telenet's "Choose Your Device" programs, (iv) product activation and installation fees and (v) set-top box sales revenue. Other revenue reached €438.2 million for the year ended December 31, 2018, up 4% as compared to the year ended December 31, 2017 driven by a higher contribution from Telenet's regulated and commercial wholesale business, which was partially offset by substantially lower revenue from handset sales and lower interconnection revenue.

## 2.2 Total expenses

For the year ended December 31, 2018, Telenet incurred total expenses of €1,935.3 million, representing a decrease of 7% compared to the year ended December 31, 2017 when it incurred total expenses of €2,080.7 million. Total expenses for the year ended December 31, 2018 reflected certain inorganic movements as mentioned above (see 2.1. *Revenue* for more details) as well as a €36.8 million impairment loss on Telenet's Luxembourg cable operations, while total expenses for the year ended December 31, 2017 included a €31.3 million non-cash restructuring charge predominantly linked to the accelerated onboarding of Telenet's Full MVNO customer base to its own mobile network. Total expenses represented approximately 76% of revenue for the year ended December 31, 2018 (for the year ended December 31, 2017: approximately 83%).

### 2.2.1 Cost of services provided

Cost of services provided as a percentage of revenue represented approximately 55% for the year ended December 31, 2018 (for the year ended December 31, 2017: approximately 63%).

### 2.2.2 Selling, general and administrative expenses

Selling, general and administrative expenses represented approximately 21% of total revenue for the year ended December 31, 2018 (for the year ended December 31, 2017: approximately 19%).

## 2.3 Expenses by nature

### 2.3.1 Network operating expenses

Network operating expenses reached €192.0 million for the year ended December 31, 2018 compared to €181.4 million for the year ended December 31, 2017 and reflected the aforementioned inorganic impacts. In Q3 2018, Telenet completed the transfer of its network field services to Unit-T, in which the Company has taken a 30% shareholding. Through this joint venture, Telenet will be able to share in the benefits of the growing market of field services in areas such as new digital technologies and the Internet-of-Things ("**IoT**"). This transaction results in higher network operating expenses, while at the same time favorably impacting the staff-related expenses as its field engineers and their related costs have been transferred to this new company.

### 2.3.2 Direct costs (programming and copyrights, interconnect and other)

Direct costs include all of Telenet's direct expenses such as (i) costs related to interconnection, including MVNO-related costs, (ii) programming and copyrights and (iii) handset sales and subsidies. For the year ended December 31, 2018, direct costs were €505.9 million, representing a 14% decrease compared to the year ended December 31, 2017 despite the aforementioned inorganic impacts. This was driven by substantially lower MVNO-related costs and lower costs related to handset sales and subsidies relative to the year ended December 31, 2017.

### 2.3.3 Staff-related expenses

Staff-related expenses for the year ended December 31, 2018 remained broadly stable compared to the year ended December 31, 2017 despite the aforementioned inorganic impacts and the negative cost impact of the approximately 2% mandatory wage indexation since January 2018.

### 2.3.4 Sales and marketing expenses

Relative to the year ended December 31, 2017, sales and marketing expenses for the year ended December 31, 2018 decreased €10.0 million, or 10%, to €90.4 million due to timing variances and phasing in some of Telenet's marketing campaigns.

### 2.3.5 Outsourced labor and professional services

Costs related to outsourced labor and professional services were €32.2 million for the year ended December 31, 2018, compared to €43.2 million for the year ended December 31, 2017, demonstrating Telenet's ability to carefully control its overall external spending levels.

### 2.3.6 Other indirect expenses

Other indirect expenses reached €137.9 million for the year ended December 31, 2018 , representing a 5% decrease compared to the year ended December 31, 2017 despite the aforementioned inorganic impacts. This was mainly driven by Telenet's continued focus on managing overhead expenses.

### 2.3.7 Depreciation and amortization, incl. gains on disposal of property and equipment and other intangible assets

Depreciation and amortization, including impairment of long-lived assets, loss (gain) on disposal of subsidiaries and restructuring charges, reached €705.9 million for the year ended December 31, 2018 compared to €747.1 million for the year ended December 31, 2017 when Telenet incurred higher depreciation expenses related to the modernization of both fixed and mobile infrastructures and higher restructuring charges as a result of the accelerated onboarding of its Full MVNO customers to the own mobile network. Telenet incurred a €36.8 million impairment loss on its Luxembourg cable operations in the three months ended December 31, 2018.

For further information, we refer to note 5.20 to the consolidated financial statements of the Company.

## 2.4 Net result

### 2.4.1 Finance income and expenses

For the year ended December 31, 2018, net finance expense totaled €263.3 million compared to €297.4 million of net finance expense incurred for the year ended December 31, 2017. Telenet's net finance expense for the year ended December 31, 2017 was impacted by (i) a €245.5 million non-cash foreign exchange gain on outstanding USD-denominated debt, (ii) a €243.0 million non-cash loss on derivatives and (iii) a €76.0 million loss on the extinguishment of debt following the early redemption of certain debt instruments.

For the year ended December 31, 2018, finance income was €112.2 million and included a €111.8 million non-cash gain on Telenet's derivatives. Compared to the year ended December 31, 2017, finance income decreased 54% as the year ended December 31, 2017 included the aforementioned non-cash foreign exchange gain. Net interest expense, foreign exchange loss and other finance expense increased 56% from €224.9 million for the year ended December 31, 2017 to €350.9 million for the year ended December 31, 2018 and mainly reflected a €115.2 million non-cash foreign exchange loss on Telenet's outstanding USD-denominated debt. Finance expenses for the year ended December 31, 2018 also included a €24.6 million loss on extinguishment of debt following the refinancing of Telenet's EUR and USD-denominated Term Loans.

For further information, we refer to note 5.21 to the consolidated financial statements of the Company.

### 2.4.2 Reversal of impairment of investments in equity accounted investees

For the year ended December 31, 2016, Telenet recognized a €31.0 million impairment loss on an investment in an equity accounted investee following the re-assessment of the strategic long-range plan. For the year ended December 31, 2018, following significant improvements in the performance and projections of the equity accounted investee, Telenet has concluded that the impairment of this investment has decreased. Accordingly, based on a reassessment of the recoverable amount, the impairment was reversed with €22.7 million.

### 2.4.3 Gain on disposal of assets to a joint venture

For the year ended December 31, 2018, Telenet recorded a €10.5 million gain on the disposal of assets to a joint venture, favorably impacting pre-tax profit by the same amount. In Q3 2018, Telenet completed the transfer of its network field services to Unit-T, in which it has taken a 30% shareholding. Through this joint venture, Telenet will be able to share in the benefits of the growing market of field services in areas such as new digital technologies and IoT.

### 2.4.4 Income taxes

Telenet recorded an income tax expense of €118.6 million for the year ended December 31, 2018 compared to €34.8 million for the year ended December 31, 2017, an increase of 241%.

For further information, we refer to note 5.22 to the consolidated financial statements of the Company.

### 2.4.5 Net profit

Telenet realized a net profit of €252.2 million for the year ended December 31, 2018 compared to a net profit of €111.5 million for the year ended December 31, 2017. The 126% increase in net profit was primarily driven by the 36% increase in operating profit compared to the year ended December 31, 2017 and reflected, amongst other changes, the aforementioned inorganic impacts. Furthermore, net profit for the year ended December 31, 2018 was favorably impacted by the aforementioned reversal of impairment of investments in equity accounted investees, the non-cash gain on derivatives and the gain on the disposal of assets to a joint venture, partially offset by the impairment loss on Telenet's SFR Luxembourg operations. For the year ended December 31, 2018, Telenet achieved a net profit margin of 9.9% compared to a net profit margin of 4.4% for the year ended December 31, 2017.

## 2.5 Adjusted EBITDA

For the year ended December 31, 2018, Telenet realized Adjusted EBITDA of €1,324.1 million, up 9% compared to the year ended December 31, 2017 when Telenet produced Adjusted EBITDA of €1,209.9 million. Telenet's Adjusted EBITDA for the year ended December 31, 2018 included a full twelve-month contribution from SFR Belux compared to the partial post-acquisition period for the year ended December 31, 2017 (€9.8 million) and a seven-month contribution of Nextel (€4.5 million since the acquisition date). Telenet's Adjusted EBITDA margin reached 52.2% for the year ended December 31, 2018 compared to 48.0% for the year ended December 31, 2017.

| *(in millions of euro)* | **For the years ended December 31,** | |
|---|---:|---:|
| | **2018** | **2017** |
| **Profit for the period** | **252.2** | **111.5** |
| Income tax expense | 118.6 | 34.8 |
| Share of the result of equity accounted investees | (1.4) | (3.3) |
| Reversal of Impairment of investments in equity accounted investees | (22.7) | — |
| Loss (gain) on disposal of assets to a joint venture | (10.5) | — |
| Net finance expense | 263.3 | 297.4 |
| Depreciation, amortization, impairment and loss (gain) on disposal of subsidiaries | 694.3 | 715.8 |
| **EBITDA** | **1,293.8** | **1,156.2** |
| Share based compensation | 17.5 | 19.7 |
| Operating charges related to acquisitions or divestitures | 4.4 | 2.7 |
| Restructuring charges | 11.6 | 31.3 |
| Post measurement period adjustments related to business acquisitions | (3.2) | — |
| **Adjusted EBITDA** | **1,324.1** | **1,209.9** |
| Adjusted EBITDA margin | 52.2% | 48.0% |
| Net profit margin | 9.9% | 4.4% |

## 2.6 Capital expenditures

Accrued capital expenditures reached €687.7 million for the year ended December 31, 2018, representing a 6% decrease versus the year ended December 31, 2017 when Telenet's accrued capital expenditures were impacted by the recognition of the Belgian football broadcasting rights for a period of three seasons. Under EU IFRS, these football broadcasting rights have been capitalized as an intangible asset and will be amortized as the seasons progress. Telenet's accrued capital expenditures for the year ended December 31, 2018 reflected the extension of the current 2G mobile spectrum license until March 2021 (€33.5 million), which will be paid in annual installments until maturity. Excluding the recognition of the mobile spectrum license and the Belgian football rights in both periods, Telenet's accrued capital expenditures for the year ended December 31, 2018 increased 4% versus the year ended December 31, 2017 driven by (i) continued investments in the upgrade of both Telenet's fixed and mobile infrastructures to create a leading converged network for the future, (ii) accelerated investments in Telenet's new IT platform with a view to create additional digital capabilities and (iii) the acquisition of the cable network in the Brussels commune Etterbeek in December 2018. For the year ended December 31, 2018, Telenet's accrued capital expenditures represented approximately 27% of Telenet's revenue versus approximately 29% for the year ended December 31, 2017. Excluding the recognition of the mobile spectrum license and and the Belgian football broadcasting rights in both periods, Telenet's underlying accrued capital expenditures represented approximately 26% and 25% of Telenet's revenue, respectively.

Capital expenditures related to customer premises equipment ("**CPE**"), which includes Telenet's spending on set-top boxes, modems and WiFi powerlines, amongst others, represented €105.6 million for the year ended December 31, 2018. The 23% increase compared to the year ended December 31, 2017 was driven by Telenet's successful in-home connectivity campaigns focused on improving the indoor wireless experience for Telenet's customers and which includes the rental of WiFi powerline boosters. For the year ended December 31, 2018, capital

expenditures related to customer premises equipment represented approximately 16% of Telenet's total accrued capital expenditures (excluding the recognition of the mobile spectrum license).

The vast majority of Telenet's capital expenditures continues to be geared towards targeted investments in both Telenet's fixed and mobile infrastructures, as mentioned above. At December 31, 2018, Telenet had modernized substantially all of Telenet's macro sites, had deployed 413 new sites and had upgraded around 94% of Telenet's HFC nodes within Telenet's footprint. As such, Telenet succeeded in substantially completing the mobile network modernization and expects to be able to complete Telenet's "Grote Netwerf" project mid-2019. Accrued capital expenditures for network growth and upgrades amounted to €220.2 million for the year ended December 31, 2018, marking a 20% decrease compared to the year ended December 31, 2017. For the year ended December 31, 2018, network-related capital expenditures represented approximately 34% of total accrued capital expenditures (excluding the recognition of the mobile spectrum license).

Capital expenditures for product and services, which reflects investments in product development and the upgrade of IT platforms and systems, amongst others, totaled €119.2 million for the year ended December 31, 2018. The 23% ramp-up versus the year ended December 31, 2017 reflected the start of Telenet's IT upgrade program as referenced to above. Capital expenditures for product and services for the year ended December 31, 2018 represented approximately 18% of total accrued capital expenditures (excluding the recognition of the mobile spectrum license).

The remainder of Telenet's accrued capital expenditures included refurbishments and replacements of network equipment, sports content acquisition costs, and certain recurring investments in IT platform and systems. These reached €242.7 million for the year ended December 31, 2018, including the aforementioned recognition of the 2G mobile spectrum license, compared to €271.5 million for the year ended December 31, 2017, which reflected the aforementioned recognition of the Belgian football broadcasting rights.

The above implies that approximately 68% of Telenet's accrued capital expenditures (excluding the recognition of the mobile spectrum license) for the year ended December 31, 2018 were scalable and subscriber growth related. Telenet will continue to closely monitor Telenet's capital expenditures in order to make sure that they drive incremental returns.

## 2.7 Operating Free Cash Flow

For the year ended December 31, 2018, the sum of Telenet's Adjusted EBITDA and accrued capital expenditures, excluding the recognition of football broadcasting rights and mobile spectrum licenses, yielded an Operating Free Cash Flow of €669.9 million. Compared to the year ended December 31, 2017, Telenet's Operating Free Cash Flow improved 15% and was mainly driven by the aforementioned increase in Telenet's Adjusted EBITDA.

| (in millions of euro) | For the years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| **Adjusted EBITDA** | **1,324.1** | **1,209.9** |
| Accrued capital expenditures | (687.7) | (729.2) |
| Recognition of football broadcasting rights | — | 100.6 |
| Recognition of mobile spectrum licenses | 33.5 | — |
| **Accrued capital expenditures excluding recognition of football broadcasting rights and mobile spectrum licenses** | **(654.2)** | **(628.6)** |
| **Operating Free Cash Flow** | **669.9** | **581.3** |

## 2.8 Cash flow and liquidity

For further information, we refer to the consolidated statement of cash flows of the Company.

### 2.8.1 Net cash from operating activities

For the year ended December 31, 2018, Telenet's operations yielded €1,075.6 million of net cash compared to the €831.6 million generated for the year ended December 31, 2017. The net cash from Telenet's operating activities for the year ended December 31, 2018 included the inorganic impacts from the SFR Belux and Nextel acquisitions as mentioned above. Telenet's net operating cash flow for the year ended December 31, 2018 increased 29% versus the year ended December 31, 2017 driven by (i) robust underlying Adjusted EBITDA growth as mentioned above, (ii) €54.7 million lower cash interest expenses and cash derivatives as a result of Telenet's recent refinancing transactions, partially offset by a growing proportion of short-term liabilities from Telenet's vendor financing platform, (iii) an improved trend in Telenet's working capital in the period and (iv) €32.8 million lower cash taxes paid relative to the year ended December 31, 2017.

### 2.8.2 Net cash used in investing activities

The Company used €466.4 million of net cash in investing activities for the year ended December 31, 2018 inclusive of the payment for the May 2018 acquisition of Nextel as compared to €841.0 million for the year ended December 31, 2017, which included the payment for the June 2017 acquisition of SFR Belux. Relative to the year ended December 31, 2017, Telenet's cash capital expenditures decreased 16% as a result of its vendor financing program, which Telenet implemented in Q3 2016 and through which it is able to extend its payment terms for certain suppliers to 360 days at an attractive all-in cost. During the year ended December 31, 2018, Telenet acquired €293.5 million of assets through capital-related vendor financing arrangements favorably impacting Telenet's net cash used in investing activities for the equivalent amount. Please refer to Section 2.6 - ***Capital expenditures*** for detailed information about the underlying accrued capital expenditures.

### 2.8.3 Net cash from financing activities

The net cash used in financing activities was €560.1 million for the year ended December 31, 2018 compared to €50.7 million of net cash used in financing activities for the year ended December 31, 2017. The net cash used in financing activities for the year ended December 31, 2018 reflected a net €315.1 million increase in Telenet's loans and borrowings, including the incremental issuance of both € and USD-denominated Term Loans in August 2018 and scheduled repayments of Telenet's short-term vendor financing commitments. In October 2018, Telenet paid €598.9 million of the €600.0 million gross extraordinary dividend to its shareholders, while spending €228.5 million throughout the year ended December 31, 2018 on share repurchases as part of Telenet's €300.0 million Share Repurchase Program 2018bis and Telenet's Share Repurchase Program 2018. Finally, Telenet incurred €25.7 million of debt issuance costs related to the March and May 2018 refinancings in addition to the August 2018 debt issuance (See 2.9 ***Debt profile*** for more details). The remainder of the net cash used in financing activities primarily consisted of capital lease repayments and other financial payments.

### 2.8.4 Adjusted Free Cash Flow

For the year ended December 31, 2018, Telenet generated Adjusted Free Cash Flow of €421.9 million. This represented an 11% increase versus the €381.8 million Telenet generated for the year ended December 31, 2017. Adjusted Free Cash Flow for the year ended December 31, 2018 was primarily driven by lower cash capital expenditures due to continued net increases in Telenet's vendor financing program and a robust increase in the net cash flow from operating activities as explained above. These tailwinds were partially offset by substantially higher scheduled repayments of Telenet's short-term vendor financing commitments relative to the year ended December 31, 2017 when Telenet was facing limited repayments given the start of the program in late 2016.

| *(in millions of euro)* | For the years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Net cash from operating activities | 1,075.6 | 831.6 |
| Cash payments for direct acquisition and divestiture costs | 3.9 | 3.4 |
| Expenses financed by an intermediary | 158.7 | 107.7 |
| Purchases of property and equipment | (245.8) | (294.9) |
| Purchases of intangibles | (157.9) | (185.0) |
| Principal payments on amounts financed by vendors and intermediaries | (384.5) | (61.1) |
| Principal payments on capital leases (excluding network-related leases assumed in acquisitions) | (5.7) | (1.8) |
| Principal payments on post acquisition additions to network leases | (22.4) | (18.1) |
| **Adjusted Free Cash Flow** | **421.9** | **381.8** |

## 2.9 Debt profile, cash balance and net leverage ratio

### 2.9.1 Debt profile

As of December 31, 2018, Telenet carried a total debt balance (including accrued interest) of €5,665.1 million, of which €1,950.2 million principal amount is related to the Senior Secured Fixed Rate Notes with maturities ranging from July 2027 through March 2028 and €2,747.0 million principal amount is owed under Telenet's 2018 Amended Senior Credit Facility with maturities ranging from August 2026 through December 2027. Telenet's total debt balance at December 31, 2018 also included €359.0 million of short-term debt related to Telenet's vendor financing program (including accrued interest) and €23.8 million for the outstanding portion of the 2G and 3G mobile spectrum licenses. The remainder primarily represents the capital lease obligations associated with the Interkabel Acquisition.

During the year ended December 31, 2018, Telenet refinanced part of its outstanding debt at attractive and improved long-term interest rates, while extending tenor. In March 2018, Telenet used part of its cash and cash equivalents to prepay 10% of Facility AB , of which the lender is Telenet Finance VI Luxembourg S.C.A. ("**TFLVI**"). TFLVI used the proceeds from the prepayment of 10% of Facility AB to redeem 10% of the original aggregate principal amount of its 4.875% €530.0 million Senior Secured Notes due July 2027.

In March 2018, Telenet issued a USD 300.0 million Term Loan ("**Facility AL2**") at par, under which Telenet Financing USD LLC is the borrowing entity. Facility AL2 carried the same characteristics as the initial Facility AL, which was issued on December 1, 2017. In April 2018, Telenet Financing USD LLC borrowed the full USD 300.0 million under Facility AL2 and on-lent the net proceeds of this issuance to Telenet International Finance S.à r.l., which used such proceeds, together with existing cash, to prepay Facility V, of which the lender is Telenet Finance V Luxembourg S.C.A. ("**TFLV**"). TFLV used the proceeds from the prepayment of Facility V to redeem in full its 6.75% €250.0 million Senior Secured Notes due August 2024.

In May 2018, Telenet issued a new €730.0 million Term Loan facility ("**Facility AO**"), under which Telenet International Finance S.à r.l. is the borrowing entity. Facility AO carries a reduced margin of 2.50% over EURIBOR with a 0% floor, matures on December 15, 2027 and was issued at 99.875%. Through Telenet Financing USD LLC, Telenet issued a new USD 1.6 billion Term Loan facility ("**Facility AN**") with a modestly improved maturity of August 15, 2026. Facility AN carries a reduced margin of 2.25% over LIBOR with a 0% floor and was issued at 99.875%. Telenet used the net proceeds from these new facilities in June 2018 to entirely prepay the following credit facilities under the 2017 Amended Senior Credit Facility: (i) Facility AM (€730.0 million due December 2027, EURIBOR +2.75%, 0% floor); and (ii) Facility AL (USD 1.6 billion due March 2026, LIBOR + 2.50%, 0% floor).

In August 2018, Telenet successfully issued and priced an additional USD 475.0 million Term Loan ("**Facility AN2**") and an additional €205.0 million Term Loan ("**Facility AO2**"). Facility AN2, under which Telenet Financing USD LLC is the borrowing entity, carries the same characteristics as the initial Facility AN, which was issued on May 24, 2018. As such, Facility AN2 carries (i) a margin of 2.25% over LIBOR, (ii) a 0% LIBOR floor and (iii) a maturity of August 15, 2026. Facility AN2 was issued at 98.5%. Facility AO2, under which Telenet International Finance S.à r.l. is the borrowing entity, carries the same characteristics as the initial Facility AO, which was issued on May 25, 2018. As such, Facility AO2 carries (i) a margin of 2.50% over EURIBOR, (ii) a 0% EURIBOR floor and (iii) a maturity of December 15, 2027. Facility AO2 was issued at 98.0%. The net proceeds of these two issuances, together with excess cash and cash equivalents, have been used in early October to pay €598.9 million of the €600.0 million gross extraordinary gross dividend.

Excluding short-term liabilities related to Telenet's vendor financing program, Telenet faces no debt maturities prior to August 2026 with a weighted average maturity of 8.5 years at December 31, 2018. In addition, Telenet also had full access to €445.0 million of undrawn commitments under its revolving credit facilities at December 31, 2018, with certain availabilities up to June 2023.

### 2.9.2 Debt overview and payment schedules

For an overview of the Company's debt instruments and payment schedule at December 31, 2018 we refer to note 5.13.3 to the consolidated financial statements of the Company.

### 2.9.3 Cash balance and availability of funds

At December 31, 2018, Telenet held €88.2 million of cash and cash equivalents compared to €39.1 million at December 31, 2017. To minimize the concentration of counterparty risk, Telenet's cash equivalents and AAA-rated money market funds are placed with highly rated European and US financial institutions. Relative to December 31, 2017, Telenet's cash balance increased as the solid growth in Telenet's net cash from operating activities was only partly offset by continued share repurchases under Telenet's €300.0 million Share Repurchase Program 2018bis. At December 31, 2018, Telenet had repurchased just over 4.4 million shares under this program for an aggregate amount of €199.0 million. Consequently, around two-thirds of this program was effectively executed at December 31, 2018. In addition to Telenet's available cash balance, Telenet also had access to €445.0 million of available commitments under its 2018 Amended Senior Credit Facility and other revolving credit facilities at December 31, 2018, subject to compliance with the covenants mentioned below.

For further information, Telenet refers to note 5.11 to the consolidated financial statements of the Company.

### 2.9.4 Net leverage ratio

At the December 2018 Capital Markets Day, Telenet reconfirmed its leverage framework, maintained at 3.5x to 4.5x Net Total Debt to Consolidated Annualized EBITDA ("**net total leverage**"). In absence of any material acquisitions and/or significant changes in Telenet's business or regulatory environment, Telenet intends to stay around the 4.0x mid-point through an attractive and sustainable level of shareholder disbursements. At December 31, 2018, Telenet's net total leverage ratio reached 4.1x versus 3.9x at December 31, 2017. The anticipated step-up in Telenet's net leverage ratio was fully attributable to the €598.9 million Telenet paid out of the €600.0 million gross extraordinary dividend to shareholders in early October 2018. In addition, Telenet spent €209.9 million on share repurchases during the year ended December 31, 2018 as part of the aforementioned €300.0 million Share Repurchase Program 2018bis. On a pro forma basis, reflecting the impact of the new IFRS 16 lease accounting standard, applicable as of early January 2019, Telenet's net total leverage would have remained broadly unchanged at 4.1x.

Net covenant leverage, as calculated under the 2018 Amended Senior Credit Facility and which includes certain unrealized M&A-related cost synergies and excludes both lease-related liabilities and vendor financing-related short-term liabilities, reached 3.4x at December 31, 2018 (December 31, 2017: 3.2x) and mainly reflected the same impacts as mentioned above. Telenet's current net covenant leverage ratio is significantly below the springing maintenance covenant of 6.0x and the incurrence test of 4.5x net senior leverage.

## 2.10 Shareholder remuneration

In 2018, Telenet consistently delivered on its anticipated shareholder remuneration timeline with €808.8 million of shareholder disbursements since the end of June 2018. In addition to the October 2018 €600.0 million extraordinary gross dividend, the Company has repurchased over 4.4 million shares for an aggregate amount of €199.0 million under its €300.0 million Share Repurchase Program 2018bis. As a result, the Company's net total leverage ratio at December 31, 2018 reached 4.1x, broadly representing the mid-point of Telenet's net total leverage framework. As confirmed during the December 2018 Capital Markets Day, the Board of Directors remains committed to a policy of active balance sheet management, maintaining a net total leverage ratio between 3.5x to 4.5x Net Total Debt to Adjusted EBITDA. In absence of any material acquisitions and/or significant changes in Telenet's business or regulatory environment, Telenet intends to stay around the 4.0x mid-point through an attractive and sustainable level of shareholder disbursements in the future.

As part of Telenet's capital allocation framework, Telenet aims to distribute between 50% and 70% of its prior year Adjusted Free Cash Flow to shareholders through intermediate and final dividends. Within the boundaries of the aforementioned net total leverage framework and in absence of any of the above factors, the remaining part of Telenet's Adjusted Free Cash Flow may be considered for incremental share buy-backs, extraordinary dividends, deleveraging, accretive acquisitions or a combination thereof.

The board of directors believes the proposed leverage and shareholder remuneration framework provides for an optimal balance between (i) financial flexibility to pursue both organic and inorganic growth opportunities, (ii) attractive and sustainable shareholder returns as referred to above and (iii) flexible access to capital markets.

In the first half of 2019, Telenet will continue to execute share repurchases under its Share Repurchase Program 2018bis. In April 2019, Telenet will seek shareholder consent at the extraordinary shareholders' meeting for a new five-year authorization to be able to repurchase up to 20% of its outstanding shares. In Q4 2019, Telenet intends to pay an intermediate dividend, subject to market and financial conditions, in the absence of any material acquisitions and/or significant changes in Telenet's business or regulatory environment and subject to compliance with the aforementioned objective to remain around the 4.0x mid-point of the net total leverage framework.

# 3. Risk factors

## 3.1 General information

Certain statements in this Annual Report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. To the extent that statements in this Annual Report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under section 1. '***Information on the Company***' may contain forward-looking statements, including statements regarding Telenet's business, product, foreign currency and finance strategies in 2019, subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, the maturity of the Company's markets, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated changes in Telenet's revenue, costs or growth rates, Telenet's liquidity, credit risks, foreign currency risks, target leverage levels, Telenet's future projected contractual commitments and cash flows and other information and statements that are not historical fact. Where, in any forward-looking statement, the Company expresses an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the risks and uncertainties discussed under Note 5.3. ***Risk Management***, as well as the following list of some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends;
- the competitive environment across the industries in which Telenet operates, including competitor responses to Telenet's products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- 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 Telenet's existing service offerings, including Telenet's cable television, broadband internet, fixed-line telephony, mobile and business service offerings, and of new technology, programming alternatives and other products and services that Telenet may offer in the future;
- Telenet's ability to manage rapid technological changes;
- Telenet's ability to maintain or increase the number of subscriptions to its cable television, broadband internet, fixed-line telephony and mobile service offerings and its average revenue per household;
- Telenet's ability to provide satisfactory customer service, including support for new and evolving products and services;
- Telenet's ability to maintain or increase 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;
- changes in, or failure or inability to comply with, government regulations in Belgium and adverse outcomes from regulatory proceedings;
- government intervention that requires opening Telenet's broadband distribution networks to competitors;
- Telenet's ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- Telenet's ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from, and implement its business plan with respect to, the businesses Telenet has acquired, such as BASE, SFR and Nextel, or that the Company expects to acquire;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in Belgium;
- changes in laws and government regulations that may impact the availability and cost of capital and the derivative instruments that hedge certain of Telenet's financial risks;
- the availability of attractive programming for Telenet's video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- Telenet's ability to adequately forecast and plan future network requirements;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- problems the Company may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses Telenet acquires;

- Telenet's substantial leverage could limit Telenet's ability to obtain additional financing and have other adverse effects;
- Telenet is subject to increasing operating costs and inflation risks, which may adversely affect Telenet's results of operations;
- the leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint ventures;
- events that are outside of Telenet's control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

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 5.30 to the consolidated financial statements of the Company.

# 5. Information on research and development

Telenet is taking a diverse approach to innovation by making important investments in several activity domains. By doing so, Telenet sets new standards in the telecom, media and entertainment segments and builds disruptive business models and innovative products that make a real difference in this digital age.

## Technological innovation: Building highly performing fixed and mobile connectivity solutions

The explosion of fixed and mobile data usage demands constant expansion of the network capacity. In the Flanders region, Telenet is a leading fixed connectivity provider thanks to its state-of-the- art hybrid network of glass fiber and coaxial cable.

As a first operator in Europe, Telenet wants to expand this performing fixed cable network to a Giga speed network offering even faster network connections to both residential and business customers, with higher data volumes – anytime, anyplace.

The acquisition of BASE in 2016 provides Telenet with an own mobile network, covering all regions of Belgium. Additional investments in this mobile network should further increase coverage and performance.

On October 5, 2017, Telenet opened its own innovation centre in Brussels in the presence of Alexander De Croo, Deputy Prime Minister and Minister of Digital Agenda and Telecom. In this innovation centre, Telenet will not only test new technology for connectivity, entertainment, value-added services or customer experiences, but also give partners the opportunity to test their projects using Telenet technology and to appeal to the Telenet know-how. The Telenet Innovation Centre will also serve as a knowledge and innovation centre for the Liberty Global Group. Telenet Innovation Centre's focus is on the introduction and preparation of 5G and IoT.

## Product innovation: Anticipating changing customer behaviors

Telenet is actively responding to changing customer behaviors by introducing propositions that offer best-in-class, user-friendly products in simple and transparent bundles. Thanks to these limited offerings, customers can more easily compare products and make a fast and balanced choice that responds to their specific needs and expectations.

## Customer service innovation: Creating amazing customer experiences

Positive customer experiences form the foundation for sustainable growth. Telenet is permanently optimizing its customer service models by creating memorable experiences that enhance customer satisfaction.

## Strategic partnerships: Stimulating open innovation

Telenet is building strategic partnerships that transform the telecom, media and entertainment business. The Company is also actively involved in open innovation initiatives across industries and sectors. Efforts result in new, disruptive business models and innovative products and solutions that shape the digital age.

# 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 profit or loss and other 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 host contracts and the host contracts are not carried at fair value with unrealized gains or losses reported in the statement of profit or loss and other comprehensive income.

For further information, we refer to note 5.14 to the consolidated financial statements of the Company.

# 7. Non-financial information

## 7.1 Introduction

Telenet strives for sustainable growth with a good balance between operational excellence and social responsibility, taking into account the social, economic and environmental impact of its business activities, as outlined in section 1, '***Information on the company***'.

Telenet's sustainability program underscores the Company's commitment to its key stakeholders and reflects their interests as defined by the material issues. In the autumn of 2018, Telenet has started a detailed review of its material issues, based on an analysis of several environmental, social and governance ("**ESG**") benchmarks and an exhaustive research on the Company's stakeholder interests.

This materiality analysis has resulted in a shortlist of eleven material environmental, social and economic issues that will be mapped in the spring of 2019 according to their relative importance to the stakeholders and the business. This exercise will result in an updated Materiality Matrix that reflects the current corporate and business reality of the Company and its extended regional scope. The new Materiality Matrix will be published in Telenet's 2018 Sustainability Report, to be released in June 2019.

The Telenet sustainability program underscores the Company's commitment to help people and businesses stay one-step ahead in the digital world, embracing the endless possibilities of digital at the fullest. For a better quality of life. The program is built on four pillars: (i) Digital Society, (ii) Amazing Customer Experience, (iii) Great Workplace and (iv) Responsible Business Practices. For more information on the Company's sustainability framework and activities, please refer to the sustainability section of the Telenet corporate website.

The Telenet 2018 Sustainability Report will provide deeper insights in the Company's structural approach to sustainable development with focus on the progress made during the year ended December 31, 2018. The present statement outlines the Company's management of labor, environment, human rights, anti-corruption and bribery issues, in accordance with the Belgian Law 2017/20487 on integrated non-financial reporting.

## 7.2 Labor

### Telenet's material issues: main risks

Derived from Telenet's materiality matrix, the Company's main material issue in the area of labor is to be a responsible employer, which encompasses employee relations, diversity and equal opportunity, employee remuneration and benefits, freedom of association and collective bargaining, sustainable employment, and the health, safety and wellbeing of employees. Furthermore, employee engagement and the attraction and retention of talent were identified as core material issues on labor.

### How the Company addresses them: policies and due diligence

Telenet is committed to be a responsible employer, who creates a diverse and inclusive working environment that nourishes talent and stimulates engagement. The Company drives an employment policy that invests in learning and development, diversity, health and wellbeing and that generates an open and transparent company culture through internal communications and social dialog.

Due diligence is present through the continuous dialog and consultation with a variety of platforms such as the Works Council. The Company's Works Council has an equal representation and comprises the same number of employer and employee representatives. It is involved in the social, economic and financial policies of the company. In the year ended December 31, 2017, Telenet's majority shareholder Liberty Global plc established a European Works Council, in which Telenet has two representatives.

More information on Telenet's employment policies and programs can be found on the sustainability section of the Telenet corporate website.

### Outcomes: Most important labor developments in the year ended December 31, 2018

Telenet is a company in full transformation, following the acquisitions of BASE Company (2016), SFR Belux (2017) and Nextel (2018). The Human Resources department acts as one of the cornerstones in this transformation program and is in charge of ensuring the employees' wellbeing in times of change. It focuses on the development of an integrated, unified work environment with optimized HR business

processes and IT systems that underpin the Company's employment policy. Key in this transformation is the harmonization of the working conditions and the compensation and benefits plans for all employees, in close consultation with the social partners, which was achieved in late 2018. In this regard, a collective labor agreement has been reached and signed for all employees of Telenet Group NV.

One of the cornerstones of this transformation cycle is the adoption of a new, more efficient and effective way of working across the organization, built on a 'digital first' attitude. The Company wants to enable its employees to work smarter thanks to the rollout of digital communications and collaboration tools and the set-up of new, more collaborative working environments. In addition, Telenet is currently driving two pilot projects to explore the benefits of agile working, creating a more responsive, efficient and effective organization with more empowered, productive and expert-driven teams and individuals.

Ensuring the wellbeing of employees in these times of change is essential for Telenet. The Company's resilience program strengthens the ability of people leaders and employees to cope with uncertainty, unexpected changes and stress. Special attention is put on addressing and preventing (long-term) absenteeism through training, personal coaching and on-the-job support.

In the second half of 2018, the Company conducted its sixth employee wellbeing survey that involved all permanent employees in the fully integrated company for the first time. The survey was successful, with a response rate of 81%, and received strong scores well above the Belgian market benchmarks on the drivers of Employee Engagement (80%) and Pleasure in Work (82%). 40% of the respondents indicated they have a need for recovery, which is a clear attention point. In 2019, the Company plans to further follow-up on these results by establishing a detailed action plan and by creating a centralized, digital information point on health and safety located on the internal communications portal.

A trend that does not only affect Telenet, but rather the economy at large, is the growing digitalization and its consequences in terms of the new way of working and the war on talent. As many companies and organizations, Telenet faces a growing challenge in finding technical experts, such as data scientists and information security specialists. In order to nurture tomorrow's workforce, Telenet stimulates Science, Technology, Engineering and Mathematics ("**STEM**") education and skills development. In the short term, Telenet ensures access to talented people through collaboration with higher education schools and universities with focus on students out of engineering and technical professional trainings. The Young Graduate program, a two-year training program for recently graduated master students, gives new talent the opportunity to develop a first working experience.

In the year ended December 31, 2018, Telenet continued to strengthen its focus on diversity. The Company drives an inclusive talent management policy with a key attention to diversity in every stage of the employment cycle: from recruitment, over learning and development to career planning. In relation to recruitment, the Human Resources department is investing in (1) building a more diverse recruitment team, (2) diversifying the recruitment channels, and (3) establishing structural partnerships with recruitment agencies that create better opportunities on the labor market for millennials with a multi-cultural background or coming out of vulnerable social environments. Telenet also continues its commitment to YouthStart, an international organization that unlocks the potential of unemployed young adults by strengthening their entrepreneurial skills, and to BeCode, a professional training program that aims at cultivating web developer skills of young underprivileged people in Belgium. As part of its diversity policy, Telenet is committed at creating internship and job opportunities for YouthStart and BeCode graduates.

## 7.3 Environment

### Telenet's material issues: main risks

Telenet has identified its most material environmental risks in its materiality assessment. The Company's environmental priorities are:

**1. Improving energy efficiency:** Telenet invests in various initiatives to continue reducing the energy consumption in its own operations and at customers' homes.

**2. Reducing greenhouse gas emissions:** Telenet perceives climate change as a potential threat and therefore manages it as a business risk. Telenet switches as much as possible to renewable energy sources and offsets emissions by investing in carbon compensation programs.

**3. Reducing the use of resources and generation of waste:** Telenet's approach to waste focuses on reducing the use of resources, recycling and refurbishment of CPE, and accurate waste disposal and processing. The Company contributes to the circular economy by developing circular supply chains, recovering and recycling materials, extending the product lifecycle through refurbishment of CPE and by offering products as a service.

### How the Company addresses them: policies and due diligence

Telenet's Environmental Statement can be retrieved from the sustainability section of the Telenet corporate website and outlines the Company's approach to environmental management. Telenet reports its environmental data to its majority shareholder Liberty Global plc, using its Credit360 system. As such, Liberty Global annually reviews Telenet's environmental data. At group level, Liberty Global engages KPMG to provide limited assurance, reporting to Liberty Global plc, using the assurance standards ISAE 3000 and ISAE 3410, of the energy consumption and greenhouse gas emissions data presented in Liberty Global's Annual Report and Accounts.

Telenet purchases electricity from renewable resources that is certified according to the relevant regional and federal Belgian and European standards. Frequent reporting is in place of the most material waste streams.

### Outcomes: Most important environmental developments in the year ended December 31, 2018

Telenet's transformation process following the acquisitions that have turned the company into a convergent player with operations across Belgium and the Grand Duchy of Luxembourg has an impact on its environmental management processes and outcomes. Environmental data collection processes are consolidated to integrate all systems and procedures. The major network upgrade and optimization projects, initially focused on the Telenet fixed network in Flanders, have been

expanded to include the BASE mobile network across Belgium and the SFR fixed network in Brussels, la Botte du Hainaut and Luxembourg.

In the year ended December 31, 2018, Telenet redefined its targets and commitments for energy efficiency and carbon emission reduction taking into account its extended environmental footprint. The targets take into account the extended mobile and fixed network infrastructure, the extended customer base and the growing complexity of operations systems and supply chain processes. Telenet's goal is to improve the efficiency of its electricity consumption by 15% every year through 2025. Telenet also aims to be five times more carbon efficient by 2025, using 2016 as the base year for both targets. In order to provide meaningful targets, Telenet measures its energy consumption and GHG emissions per terabyte (TB) of data transported through its networks.

The Company took various initiatives in the year ended December 31, 2018 to address its key environmental priorities.

In relation to our network and data center operations, a free cooling project was initiated allowing for an increase of the maximum temperatures in the technical locations, reducing the need for cooling and therefore improving energy efficiency.

Continuously investing in innovative products and solutions, Telenet further worked on the development of a new generation of set-top boxes with significantly lower energy demand. These new models will be released to the market in the course of the year ending December 31, 2019.

Telenet also continues to work on reducing greenhouse gas emissions. As such, the Company introduced compressed natural gas vehicles to the fleet of technical and personal vehicles, with lower NOx emissions compared to traditional fuels. In addition, the Human Resources department has developed a new mobility program for employees offering them more flexibility in choosing mobility solutions customized to their needs and personal preferences. Besides a company car, employees can choose for alternative mobility solutions like e-bicycles and access to public transportation. The Flex Mobility Plan will be formally launched in the spring of 2019.

With regard to reducing the use of resources and generation of waste, Telenet continued its long-term collaboration with the social profit organization Vlotter (IMSIR cbva) for the recycling and refurbishment of set-top boxes and modems. Through this collaboration, Telenet avoided 375 tons of waste in 2018. On top of the environmental benefit, there is the social advantage as Vlotter/IMSIR offers job opportunities to individuals with limited access to the labor market.

An important challenge for Telenet when addressing its environmental priorities are the local regulatory developments requiring more elaborate environmental reporting. In addition, the regional differences on radiation norms are creating both operational and innovation challenges for improving and expanding its network infrastructure service coverage.

In November 2018, Telenet did a detailed review of its climate action plan in order to define a roadmap towards more climate-friendly operations. Electricity use in network-related operations, own fleet and third-party transportation are the Company’s main sources of greenhouse gas emissions. In the spring of 2019, the Company will develop a new climate action plan with sharper targets and more targeted initiatives to substantially reduce the environmental impact of its operations by 2030.

## 7.4 Human rights

### Telenet's material issues: main risks

Telenet’s commitment to human rights does not limit itself to its own operations but applies to the different stakeholder groups across the value chain. The Company has identified the most material human rights risks through the materiality assessment, as well as through an assessment of the implications of the UN Framework and Guiding Principles on Business and Human Rights:

**Employees:** 100% of Telenet's business operations are located in Belgium and The Grand Duchy of Luxembourg and are covered by stringent local legislation and regulation. On top of legal obligations, the main human rights risks for Telenet's employees are equal opportunity, privacy and health & safety.

**Customers:** 100% of Telenet's customer base is located in Belgium and The Grand Duchy of Luxembourg and is covered by stringent local legislation and regulation. On top of legal obligations, privacy and freedom of expression were identified as key human rights risks for the Company's customers.

**Suppliers:** An assessment of the implications of the UN Framework and Guiding Principles on Business and Human Rights on Telenet’s business found that there is a significantly higher risk of disrespect and abuse of human rights in its supply chain. Key human rights risks in the supply chain include child labor, forced labor, working hours and wages, discrimination, freedom of association and health & safety.

### How the Company addresses them: policies and due diligence

Telenet has several policies in place that demonstrate its commitment to human rights. Subscribing to the principles of the UN Global Compact, Telenet is committed to uphold high standards with regard to human rights as well as labor, environment and anti-corruption. Where relevant, principles of the OECD Guidelines for Multinationals have been integrated in the Company's Code of Conduct and supplier contracts.

**Employees:** Telenet’s Code of Conduct sets out the basic rules, standards and behaviors necessary to conduct business with honesty and integrity, in accordance with high ethical and legal standards. The Code of Conduct is the leading policy for employees and covers human rights including equal opportunity, privacy and health & safety. It prohibits discrimination and harassment of any kind. This commitment extends to all aspects of employment including recruitment, hiring, evaluation, promotion, compensation, training, development and termination. Code of Conduct compliance is monitored in different ways, for example using Entity Level Controls and IT General Controls. Their implementation is guaranteed and recorded via a web-based tool. They are also rigorously tested each year by the Company's majority shareholder Liberty Global and its statutory auditor KPMG.

An annual internal assessment is conducted through the Global Prevention Plan ("**GPP**"). The objective of the 5-year GPP to is to systematically and thematically manage the risks on safety, health,

ergonomics, hygiene, psychosocial wellbeing and environment, which have been identified through auditing, risk analyses, accident and incident analyses, safety rounds, dealing with complaints, results, notifications, new or revised regulations and from medical examinations. The GPP is updated at least annually, and evaluated and supplemented with the objectives with regard to the risks identified in the current calendar year or new/updated regulations. Each year, these objectives are developed in a yearly action plan. The entire organization is covered by Global Prevention Plans.

**Customers:** In compliance with all applicable legislation, Telenet has a dedicated Privacy Policy in place that stipulates the collection, use, storage and protection of customer data, which settings the customer can control for the use of his/her personal data, how Telenet is authorized to contact the customer, and guidelines for passing on personal data to third parties. Internal guidelines about how to practically follow the policy and a specific training for employees have been developed in order to implement the policy. Following its roll-out, Telenet engages with the Belgian Privacy Commission for its practical implementation and potential sharpening of clauses where necessary.

As a leading provider of internet services, Telenet has a special social responsibility with regard to the freedom of expression. The Company's general principle is not to limit it in any way, except when requested to do so by an authorized authority. Together with other Belgian Internet providers, Telenet signed a Protocol with the Belgian Gaming Commission in which Telenet, in cooperation with the Federal and Regional Computer Crime Unit, takes action against websites offering illegal gambling. The judicial powers can also require the Company to block websites that violate copyrights or that distribute illegal pornographic material. Finally, as a member of the Association of Internet Service Providers in Belgium ("**ISPA**"), Telenet adheres to its code of conduct to prevent and combat child abuse via chat applications and websites.

**Suppliers:** Telenet is in the advanced stage of integrating its supply chain with that of its majority shareholder Liberty Global. Liberty Global's Responsible Procurement and Supply Chain Principles explicitly outline what it expect from organizations the Company works with. These principles are based on all applicable local and international laws and regulations regarding the environment, health and safety and employment, and endorse the ILO Core Conventions and the UN Convention on Human Rights.

In addition to its supply chain standards, Telenet assesses and monitors compliance of its suppliers using the EcoVadis platform. The EcoVadis assessment covers 21 ESG criteria, including human rights focus areas such as child & forced labor, non-discrimination and fundamental human rights (civil & political, social & cultural, and indigenous rights, collective bargaining, property and privacy). Corrective action plans are implemented with suppliers identified as ‘high risk’.

### Outcomes: Most important human rights developments in the year ended December 31, 2018

**Employees**: In the second half of 2018, the Risk and Compliance Team reviewed and updated the Telenet Code of Conduct. The Code of Conduct is signed by the management board and the Senior Leadership team and is applicable to all employees. It was formally launched early 2019 through extensive internal communications.

**Customers**: In May 2018, the General Data Protection Regulation 2016/679 (“**GDPR**”), a regulation intended to strengthen and unify data protection for all individuals within the European Union, came into effect. Telenet took several actions to ensure compliance with the GDPR:

- the appointment of a dedicated Data Protection Officer;
- the set-up of several internal work groups to drive the GDPR implementation across the different business units;
- the update of the internal procedures and IT systems.

While Telenet is fully compliant with the GDPR rules as it comes to customer communications on the Telenet Customer Data Policy, the Company is continuing its investments to assure full compliance across the customer value chain.More information on Telenet’s approach to privacy and data security can be found on the sustainability section of the Telenet corporate website.

**Suppliers**: Telenet is currently in the process of reviewing its supplier chain management policies in order to increase transparency and ensure full alignment with the supplier policy of the majority shareholder Liberty Global. As far as the outcomes of Telenet and Liberty Global's annual supplier assessment through the EcoVadis platform are concerned, they will be collected and issued in spring 2019. Both the reviewed Supplier Policy and the results of the 2018 supplier assessments will be reported in the upcoming Telenet 2018 Sustainability Report.

## 7.5 Anti-corruption and bribery

### Telenet's material issues: main risks

Telenet’s anti-corruption policy identifies corruption and bribery risks in three categories:

- **Active public corruption:** Presenting a public official (or a person introducing himself as such), either directly or through an intermediary, with an offer, promise or benefit of whatever kind in favor of that same official or any other person, to adopt a particular course of action that could yield some kind of commercial advantage.
- **Active private corruption:** Presenting any other person (business partner, supplier...), either directly or through an intermediary, with an offer, promise or benefit of whatever kind in favor of that person or any other person, to perform or refrain from a particular action as part of his position within his company, without the knowledge and authorization of that person’s company.
- **Passive private corruption:** Requesting or accepting, either directly or through an intermediary, an offer, promise or benefit of whatever kind from another person, without the knowledge and authorization of the Company, to perform or refrain from a particular action as part of his position at the Company.

Telenet has identified a number of high-risk departments - Finance, Corporate Public & Regulatory Affairs, Procurement, and Telenet Business - which are presenting a higher risk of any of these types of corruption compared to the rest of the organization.

## How the Company addresses them: policies and due diligence

Telenet's dedicated anti-corruption policy is in line with international regulations, the Belgian legislation and the policy of Liberty Global. The anti-corruption policy has been approved by the Board of Directors and the Audit Committee. It is extensively communicated to all employees and agents, contractors and suppliers. The policy is further clarified with the help of specific examples and practical guidelines. It contains a prohibition on the giving and taking of bribes, a limitation on the giving and receiving of gifts, and a reminder to observe laws and regulations, restrictions on the giving and taking of gifts, and an obligation of transparency around political donations. Furthermore, anti-corruption and bribery is thoroughly addressed in Telenet's Code of Conduct. Telenet has trained its high-risk departments on anti-corruption and bribery through a train-the-trainer concept.

## Outcomes: highlighted anti-corruption and bribery developments in the year ended December 31, 2018

Telenet is fully committed to being a responsible company that takes into account the broader impact of its business activities and corporate decision making on the community it is operating in. Telenet actively engages with corporate stakeholders, including public authorities, through consultation and dialog. The Company has established a stakeholder engagement charter with a number of principles that ensure it develops lasting, trusted relationships with its corporate stakeholders in an open and transparent way.

## 7.6 Non-financial indicators according to selected GRI Standards

| | GRI Standard | Metric | For the years ended December 31, 2018 | 2017 |
|---|---|---|---|---|
| | **Labor** | | | |
| 102-8 | Employees | Headcount, year end | 3,310 | 3,364 |
| | **Employees by contract type** | | | |
| | Permanent contracts | Headcount, year end | 3,245 | 3,313 |
| | Temporary contracts | Headcount, year end | 65 | 51 |
| | **Employees by contract type** | | | |
| | Full time | Headcount, year end | 3,084 | 2,775 |
| | Part time | Headcount, year end | 226 | 589 |
| 102-41 | Percentage of total employees covered by collective bargaining agreements | % | 100 | 100 |
| 401-1 | New employee hires | Headcount, total number of newly hired employees over the course of the year | 335 | 358 |
| 403-2 | Work-related fatalities | # | — | — |
| 405-1 | Percentage of individuals within the organization's governance bodies | | | |
| | **Board of Directors** | | | |
| | Men | %, year end | 67 | 70 |
| | Women | %, year end | 33 | 30 |
| | **Senior Leadership Team** | | | |
| | Men | %, year end | 58 | 50 |
| | Women | %, year end | 42 | 50 |
| | **Environment[1,2]** | | | |
| 302-1 | Total energy consumption within the organization | mWh | 218,145 | 220,823 |
| 305-1 | Direct (Scope 1) GHG emissions | Metric tons CO2e | 8,155 | 7,607 |
| 305-2 | Energy indirect (Scope 2) GHG emissions - market-based | Metric tons CO2e | 2,069 | 5,235 |
| 305-2 | Energy indirect (Scope 2) GHG emissions - location-based | Metric tons CO2e | 31,910 | 45,611 |
| 305-3 | Other indirect (Scope 3) GHG emissions | Metric tons CO2e | 540 | 5,212 |
| | Carbon credits | Metric tons CO2e | (8,627) | (8,473) |
| | **Human Rights** | | | |
| 412-1 | Total percentage of operations that have been subject to human rights reviews or human rights impact assessments | % | 100 | 100 |
| | **Anti-Corruption and Bribery** | | | |
| 205-3 | Confirmed incidents of corruption | # | — | — |

1 Environmental figures for the year ended December 31, 2017 have been restated

2 Final environmental data for the year ended December 31, 2018 will be reported in Telenet's 2018 Sustainability Report, to be released in June 2019. This report will also contain more elaborate GRI Standards disclosures.

## 7.7 2019 sustainability outlook

In 2019, Telenet will continue its active policies and execution towards sustainable growth.

In the day-to-day management of the Company's sustainability program, Telenet will finalize and publish its new Materiality Matrix, mapping the identified sustainability priorities according to their relative importance to the stakeholders and the business. The updated Materiality Matrix will reflect the current corporate and business reality of the Company and its extended regional scope. In addition, Telenet will also focus on the further integration of and alignment with the UN Sustainable Development Goals ("**SDGs**").

In the area of labor, Telenet will continue delivering on its transformation processes, with a key focus on implementing a unified compensation and benefits plan for all employees, in close consultation with the social partners. In the spring of 2019, the Company will also conduct its bi-annual employee satisfaction survey Zoom.

Special attention will be on the integration of Nextel, the IT solutions provider acquired in May 2018, into the Telenet Business organization. In April 2019, Telenet also expects a final decision from the Belgian Competition Authorities on its intention to take full ownership of the Belgian entertainment and broadcasting company De Vijver Media.

In the spring of 2019, the Company will develop a new climate action plan with sharper targets and more targeted initiatives in order to reduce substantially the environmental impact of its operations by 2030. Important attention will be on internal communications regarding Telenet's Climate Action plan, in order to increase employee awareness and engagement on reaching the Company's goal to further decrease carbon emissions.

In terms of human rights, Telenet will continue focusing on (i) the implementation of the GDPR guidelines across all its operations ensuring full compliance and (ii) the update of the anti-corruption and bribery procedures. Compliance will be guaranteed through internal awareness campaigns and a compliance training for high-risk departments.

Telenet will also proceed to a detailed review its supplier chain management policies in order to increase transparency and ensure full alignment with the supplier policy of the majority shareholder Liberty Global.

Detailed information about the sustainability results for the year ended December 31, 2018 and the sustainable development plans for the year ended December 31, 2019 will become available in Telenet's 2018 Sustainability Report, to be released in June 2019.

To get an overview of the company's commitment to sustainability and to review all Telenet Sustainability Reports, which Telenet has published since 2010, please refer to the sustainability section of the Telenet corporate website.

# 8. Corporate governance statement

Corporate governance can be defined as a framework of rules (laws, institutions and policies) and practices (processes and customs) governing the way a company is directed, managed and controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the Company is governed. The principal stakeholders are the shareholders, the board of directors, management, employees, customers, creditors, suppliers, the government 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 the year ended December 31, 2018.

## 8.1 Reference code

The Corporate Governance Charter of the Company has most recently been updated on February 12, 2019, and can be consulted on the investor relations website of the Company (http://investors.telenet.be). In compliance with Article 96§2 of the Belgian Company Code and the Royal Decree of June 6, 2010, the Company has decided to adopt the Belgian Corporate Governance Code 2009 as reference code (www.corporategovernancecommittee.be). 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.

## 8.2 Regulatory developments and their impact on Telenet

Belgium has broadly transposed the Regulatory Framework into law. According to the electronic communications law of June 13, 2005, the BIPT, the Belgian National Regulatory Authority ("**NRA**"), should perform a market analysis to determine which, if any, operator or service provider has Significant Market Power. In addition, the Federal Parliament prepared legislation to transpose the 2009 revisions to the Regulatory Framework, which became effective as of August 4, 2012.

Telenet has been declared an operator with Significant Market Power on the market for call termination on an individual fixed public telephone network. Since April 1, 2012, reciprocal termination rates have been imposed, which results in Telenet charging the interconnection rate of the incumbent telecommunications operator, Proximus. Following a court annulment of a final decision on wholesale tariffs issued by the BIPT in 2016, the BIPT issued a new decision in November 2018 that imposes a wholesale tariff of €0.11603 cents per minute, as of January 1, 2019.

Although no determination has been made on whether Telenet, as a Mobile Virtual Network Operator ("**MVNO**"), has Significant Market Power on the market for call termination on individual mobile networks, its rates have been affected by rate limitations implemented by the BIPT. As of January 1, 2013, mobile termination rates have been set by the BIPT at €1.08 cents per minute, and to date, 2015 rates have not been set. In May 2017, the BIPT published its latest decision on the relevant market for "call termination on individual mobile networks". Telenet, as a mobile network operator, has also been designated in the draft decision as having Significant Market Power by the BIPT. In the draft decision, the BIPT adopts a bottom-up long run incremental cost model to calculate tariffs for call termination on individual mobile networks, resulting in a nominal value of €0.99 cents per minute as of July 1, 2017.

In 2011, the BIPT and the regional regulators for the media sectors (together, the Belgium Regulatory Authorities) found Telenet to have Significant Market Power in the broadcasting market (the "**2011 Decision**"). The 2011 Decision imposed on Telenet an obligation to provide third-party operators, at specified "Retail Minus" tariff rates, with (1) a resale offer of an analog television package, (2) access to digital television platforms and (3) a resale offer of broadband internet access in combination with the digital television access obligation. We refer to the tariff portion of the 2011 Decision as the "Retail Minus Rules". On November 12, 2014, the 2011 Decision was upheld by the Court of Appeal, and the Court of Appeal also accepted Proximus' claim that Proximus should be allowed access the digital television platforms of other operators, including Telenet, for the purpose of reselling bundles of digital video and broadband internet services. On November 30, 2015, Telenet filed an appeal of the Court of Appeal's ruling with the Belgian Supreme Court. As required by the 2011 Decision, Telenet has implemented the access obligations at the rates specified by the Retail Minus Rules, and on March 1, 2016, Orange Belgium launched a commercial offer combining a cable TV package with broadband internet access for certain of their mobile customers. On October 2, 2017, in a separate action, the Court of Appeal annulled the Retail Minus Rules, but maintained the effects of the Retail Minus Rules until April 30, 2018. Accordingly, as of May 1, 2018, the tariff rates for Telenet's resale obligations are unregulated until a new decision from the Belgium Regulatory Authorities is adopted.

On July 7, 2017, the Belgium Regulatory Authorities published a draft market review decision (the "**2017 Draft Decision**"). that, once adopted, will replace the 2011 Decision.

The 2017 Draft Decision was notified to the European Commission on April 27, 2018. The European Commission issued its comments on May 25, 2018 ("**Comments Letter**"). The 2017 Draft Decision which has been adopted on June 29, 2018 (the "**2018 Decision**") replaces the 2011 Decision. The 2018 Decision confirms a finding of Significant Market Power of Telenet in the wholesale broadband market. The obligations include (i) providing third-party operators with access to the digital television platform (including basic digital video and analog video) and (ii) making available to third-party operators a bitstream offer of broadband internet access (including fixed voice as an option). The 2018 Decision no longer applies a retail minus pricing on Telenet, but as of August 1, 2018, imposes monthly wholesale cable resale access prices during an interim period, before setting "reasonable access tariffs" expected by mid 2019 with a link to cable cost model which is under development by the Belgium Regulatory Authorities, of €20.29 (for services including broadband speeds up to 149Mbps download) and of €30.12 (for services including broadband speeds of 150Mbps download and above) . Telenet considers the 2018 Decision to be inconsistent with the principle of technology-neutral regulation and the European Single Market Strategy to stimulate further investments in broadband networks. For these reasons Telenet has appealed the Comments Letter of May 25, 2018 and the 2018 Decision before the European Court of First Instance and the Brussels Markets Court respectively.

The 2018 Decision aims to, and in their application, may strengthen Telenet's competitors by granting them resale access to Telenet's network to offer competing products and services notwithstanding Telenet's substantial historical financial outlays in developing the infrastructure. In addition, any resale 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.

## 8.3 Capital and shareholders

### 8.3.1 Capital and securities

The share capital of the Company amounted to €12,799,049.40 as of December 31, 2018 and was represented by 117,716,323 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.

Details on the various stock option plans for employees, the Senior Leadership Team ("**SLT**") and the Chief Executive Officer ("**CEO**"), issued before December 31, 2017, can be consulted in Telenet's 2017 Annual Report.

On March 19, 2018, the board of directors approved the Telenet Equity Plan on the basis of which Telenet is able to grant its Senior Leadership Team and the Company's CEO (i) stock options (see "**ESOP 2018**" below) and (ii) performance shares (see "**2018 Telenet Performance Shares**").

On March 19, 2018, the board of directors approved a new general stock option plan for the CEO, the SLT and a selected number of employees for a total number of 1,402,903 stock options on existing shares (the "**Employee Stock Option Plan 2018**" or "**ESOP 2018**"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

On June 6, 2018 the board of directors authorized a grant under this plan to certain beneficiaries with an exercise price of €42.72. On August 1, 2018, a total of 808,963 stock options were accepted.

The vesting of these stock options occurs quarterly over a period of 4 years, with a vesting of 10% of the total stock options granted during each of the first 4 quarters and a vesting of 5% of the total stock options granted during each of the 12 following quarters.

On October 30, 2018, the board of directors approved a stock option plan for the newly appointed Chief Financial Officer of the Company. Following this decision, 53,781 stock options with an exercise price of €44.62 were granted on November 2, 2018 to the selected participant under the "**Employee Stock Option Plan 2018bis**" or "**ESOP 2018bis**". On December 12, 2018 a total of 53,781 options were accepted.

The vesting of these stock options occurs quarterly over a period of 4 years, with a vesting of 10% of the total stock options granted during each of the first 4 quarters and a vesting of 5% of the total stock options granted during each of the 12 following quarters.

On November 5, 2018, Telenet granted the CEO, the SLT and one other manager a total of 60,082 performance shares (the "**2018 Telenet Performance Shares**"). The performance target applicable to the 2018 Telenet Performance Shares is the achievement of an Operating Cash Flow ("**OCF**") compound annual growth rate ("**CAGR**") over the performance period starting on January 1, 2018 and ending on December 31, 2020 (based on US GAAP). A performance range of 75% to 130% of the targeted OCF CAGR would generally result in the recipients being awarded between 75% and 200% of their 2018 Telenet Performance Shares. The granted 2018 Telenet Performance Shares will vest on November 5, 2021, provided the performance conditions have been realized and subject to reduction or forfeiture based on service requirements. More details on the outstanding 2018 Telenet Performance Shares can be found in section 8.7.2.4 b) of this Statement.

More details on previous performance share grants, issued before December 31, 2017, to the SLT and the CEO can be consulted in Telenet's 2017 Annual Report.

Upon the payment of the extraordinary dividend on October 4, 2018, the Company adjusted all options to ensure that benefits granted to the option holders were not reduced. The number of options was increased and the exercise price was decreased. More details on the extraordinary dividend and respective adjustments can be found in note 5.12 to the consolidated financial statements.

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

No capital movements took place in the year ended December 31, 2018.

## 8.3.3 Shareholders

**Important movements in shareholdings**

**Transparency declarations**

In the course of the year ended December 31, 2018, the Company received the following transparency declarations:

On January 10, 2018, Telenet received a transparency notification from Liberty Global Plc, Liberty Global Europe LLC (merged with UnitedGlobalCom LLC), UnitedGlobalCom LLC, LGI Slovakia Holdings, Inc., LGI International LLC, Liberty Global, Inc. and Lynx Finance 1 LLC (liquidated), in accordance with article 6 of the Law of May 2, 2007. In this notification, Liberty Global Plc provides an update of its notification of January 11, 2016 in which it reported a change in the control chain of its shareholding in Telenet pursuant to a number of intra-group transactions which took place on November 23, 2015.

In this transparency notification of January 9, 2018, Liberty Global Plc reports a change in the control chain of its shareholding in Telenet pursuant to three new intra-group transactions. First, Lynx Finance 1 LLC was dissolved and liquidated on August 29, 2017. Second, Liberty Global Europe LLC and UnitedGlobalCom LLC merged on December 14, 2017, whereby UnitedGlobalCom LLC absorbed Liberty Global Europe LLC. And third, LGI International LLC (formerly LGI International, Inc.) contributed all its shares in Liberty Global Broadband I Ltd to LGI Slovakia Holdings, Inc. on December 22, 2017. These transactions took place between and were realized by 100% subsidiaries of Liberty Global Plc, which remains the ultimate parent company of Telenet.

This transparency notification of January 9, 2018 does not report any change in the shareholding of Liberty Global Plc since its last notification of January 11, 2016.

On March 7, 2018, Telenet received a transparency notification from BlackRock, Inc. in accordance with Articles 6 and 18 of the Law of May 2, 2007. In this notification, BlackRock, Inc. reports that the shareholding in Telenet of one of its controlled undertakings, BlackRock Investment Management (UK) Limited, has fallen below the 3% threshold on March 5, 2018.

On March 8, 2018 and March 9, 2018, Telenet received a transparency notification from BlackRock, Inc. in accordance with Articles 6 and 18 of the Law of May 2, 2007. In its notification of March 9, 2018, BlackRock, Inc. reports that its ultimate shareholding, with respect to voting rights only, has fallen below the 5% threshold on March 7, 2018. In the transparency notification received on March 8, 2018, BlackRock, Inc. reported that the total shareholding in Telenet, including equivalent financial instruments, of one of its controlled undertakings, BlackRock Investment Management (UK) Limited, had fallen below the 3% threshold on March 6, 2018.

On March 12, 2018, Telenet received a transparency notification from BlackRock, Inc. in accordance with Articles 6 and 18 of the Law of May 2, 2007. In its notification of March 12, 2018, BlackRock, Inc. reports that its ultimate shareholding in Telenet (aggregated with its controlled undertakings), with respect to voting rights only, has risen above the 5% threshold on March 8, 2018.

On March 13 2018, Telenet received a transparency notification from BlackRock, Inc. in accordance with Articles 6 and 18 of the Law of May 2, 2007. In this notification, BlackRock, Inc. reports that its ultimate shareholding in Telenet (aggregated with its controlled undertakings), with respect to voting rights only, had fallen below the 5% threshold on March 9, 2018.

On March 13 2018, Telenet received a second transparency notification from BlackRock, Inc. in accordance with Articles 6 and 18 of the Law of May 2, 2007. In this notification, BlackRock, Inc. reports that its total ultimate shareholding in Telenet (aggregated with its controlled undertakings) has fallen below the 5% threshold on March 12, 2018.

On March 15, 2018, Telenet received a transparency notification from BlackRock, Inc. in accordance with Articles 6 and 18 of the Law of May 2, 2007. In this notification, BlackRock, Inc. reports that its ultimate shareholding in Telenet (aggregated with its controlled undertakings) has risen above the 5% threshold on March 14, 2018.

On March 19, 2018, Telenet received a transparency notification from BlackRock, Inc., dated March 16, 2018, in accordance with Articles 6 and 18 of the Law of May 2, 2007. In this notification, BlackRock, Inc. reports that its ultimate shareholding in Telenet (aggregated with its controlled undertakings) has dropped below the 5% threshold on March 15, 2018.

On July 25, 2018, Telenet received a transparency notification from Ameriprise Financial, Inc. in accordance with articles 6 and 18 of the Law of May 2, 2007. In its notification of July 25, 2018, Ameriprise Financial, Inc. reports that its total ultimate shareholding in Telenet (aggregated with its controlled undertakings) has fallen below the 3% threshold on July 23, 2018.

On August 7, 2018, Telenet received a transparency notification from Lucerne Capital Management, L.P. in accordance with articles 6 and 18 of the Law of May 2, 2007. In its notification of August 7, 2018, Lucerne Capital Management, L.P. reports that its shareholding in Telenet has exceeded the 3% threshold on August 3, 2018.

On August 17, 2018, Telenet received a notification from Liberty Global Plc and its affiliate Binan Investments B.V. in accordance with Article 74, § 8 of the Law of April 1, 2007 on public take-overs. This notification provides an update of the notification submitted by Liberty Global Plc and its affiliate Binan Investments B.V. on August 18, 2017 according to which Binan Investments B.V. declared to hold an interest in Telenet exceeding 55% of the securities holding voting rights. The notification of August 17, 2018 does not report any change in the Telenet shareholding of Binan Investments B.V. since the notification of August 18, 2017.

On November 5, 2018, Telenet received a transparency notification from BlackRock, Inc. in accordance with articles 6 and 18 of the Law of May 2, 2007. In this notification, BlackRock, Inc. reports that its total ultimate shareholding in Telenet (aggregated with its controlled undertakings), with respect to voting rights only has fallen below the 3% threshold on November 2, 2018.

On November 27, 2018, Telenet received a transparency notification from BlackRock, Inc. in accordance with articles 6 and 18 of the Law of May 2, 2007. In this notification, BlackRock, Inc. reports

that its total ultimate shareholding in Telenet (aggregated with its controlled undertakings) has fallen below the 3% threshold on November 14, 2018.

In the course of the year ending December 31, 2019, the Company already received the following transparency declaration:

On January 3, 2019, Telenet received a transparency notification from Liberty Global plc, in accordance with articles 6 and 18 of the Law of May 2, 2007. In its notification of January 2, 2019, Liberty Global plc reports (i) certain changes as per December 28, 2018 to the chain of control through which it holds its stake in Telenet as well as (ii) as the consequence of purchases of own shares by Telenet, the crossing, by Telenet, of the 3% threshold in the week of August 13, 2018 and the 5% threshold in the week of October 22, 2018, and the crossing, by Liberty Global plc, of the 60% threshold in the week of September 10, 2018. The voting rights attached to shares in Telenet, held by Telenet as the consequence of purchase of own shares, is suspended in accordance with applicable law.

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

### Share Repurchase Program 2018

In February 2018, the board of directors authorized a share buy-back program of up to €75.0 million (the "**Share Repurchase Program 2018**"), effective as of February 13, 2018. Under this program, Telenet could acquire from time to time its common stock, for a maximum of 1.1 million shares or a maximum consideration of €75.0 million, up to December 31, 2018. The share repurchases were conducted under the terms and conditions approved by the extraordinary general shareholders' meeting of the Company of April 30, 2014 and were used to cover the outstanding obligations under the Company's share option plans. On June 25, 2018, this program was terminated and replaced by the Share Repurchase Program 2018bis. Under the Share Repurchase Program 2018, 526,637 shares have been repurchased for a total consideration of €28.9 million.

### Share Repurchase Program 2018bis

On June, 25 2018, the Company announced the initiation of a €300 million share repurchase program (the "**Share Repurchase Program 2018bis**"). This program replaced the Share Repurchase Program 2018. Under the Share Repurchase Program 2018bis, Telenet may repurchase from time to time up to 7.5 million shares for a maximum consideration of €300 million until June 28, 2019. Telenet will fund this program with its existing and future cash balances as well as available untapped liquidity under its revolving credit facilities. For the period between April 30, 2019 and June 28, 2019, the execution of the remainder of the Share Repurchase Program 2018bis is subject to renewal of the share buy-back authorization by the shareholders' meeting.

Under this program, 4,427,060 shares were repurchased in 2018 for a total consideration of €199.0 million. Through March 8, 2019, the Company had acquired 5,486,743 own shares under the Share Repurchase Program 2018bis for a total amount of €241.4 million, representing 6.51% of the total number of outstanding shares at that moment. Taking into account a par value of €0.11 per share on December 31, 2018, this represents an amount of €843,037 in the share capital of the Company.

### Shareholder structure

The shareholder structure of the Company on December 31, 2018, based on (i) the shareholders' register of the Company, (ii) all transparency declarations received by the Company, (iii) as well as the latest notification of each relevant shareholder as notified to the Financial Services & Markets Authority ("**FSMA**"), is as follows:

| Shareholders | Outstanding shares | Percentage |
|---|---|---|
| Liberty Global Group (*) | 66,342,037 | 56.36 % |
| Own Shares | 6,604,293 | 5.61 % |
| Lucerne Capital Management, L.P. | 3,540,452 | 3.01 % |
| Employees | 755,626 | 0.64 % |
| Public (**) | 40,473,915 | 34.38 % |
| **Total** | **117,716,323** | **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

Please see Note 5.27 of the consolidated financial statements of the Company for an overview of the relationship of the Company with shareholders. Furthermore, the Company is not aware of any agreements between its shareholders.

## 8.3.4 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 10:00 am CET. In 2019, this will be on April 24.

The rules governing the convening, admission to meetings, their conduct 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).

## 8.3.5 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 take-over 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 5.12 to the consolidated financial statements of the Company.

- Restrictions on the transfer of shares extend only to the 30 Golden Shares. The Company's articles of association provide that the Golden Shares can only be transferred to other partnerships (*samenwerkingsverbanden*) between municipalities and to municipalities, provinces or other public law entities or private companies that are controlled directly or indirectly by public law entities. The Golden Shares can only be transferred per lot of three 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 8.3.3 of this Statement.

- On December 31, 2018, 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 to the financing intermunicipalities (who hold all 30 Golden Shares) the right to appoint representatives in the regulatory board (*regulatoire raad*), which supervises the so called "public interest guarantees", and the right to appoint an observer in the board of directors of the Company, as further described in the articles of association and the Corporate Governance Charter of the Company.

- Share option plans are described in note 5.12 to the consolidated financial statements of the Company. The ESOP 2013, CEO SOP 2014 and CEO SOP 2014 *bis* all provide that all outstanding stock options would immediately vest upon a change of control, a de-listing of the Company or the launch of a squeeze-out offer in relation to the shares of the Company. The ESOP 2014, CEO SOP 2015, SSOP 2015,ESOP 2015, ESOP 2016, ESOP 2016bis, ESOP 2017, ESOP 2017bis, ESOP 2018 and ESOP 2018bis provide that all outstanding stock options would immediately vest upon a change of control. All these provisions have been approved by or will be put for approval to 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 passes 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 April 30, 2014 to repurchase shares of the Company up to the maximum number allowed in accordance with articles 620 and following of the Belgian Company Code, provided that the purchase price per share of the Company may be maximum 20% above, and may not be lower than 20% below, the average closing quotes of the shares of the Company, on a "per share" basis, as traded on Euronext Brussels (or any other regulated market or trading platform on which the shares of the Company are traded at that time at the Company's initiative) during a period of 30 calendar days prior to the acquisition of the shares by the Company. This authorization is valid for 5 years, i.e. until April 30, 2019.

- Certain provisions of the financing agreements of the Company's subsidiaries would become effective or would be terminated in case of a change of control over the Company. The relevant provisions were approved at the extraordinary shareholders' meeting of the relevant subsidiaries of the Company in accordance with article 556 of the Belgian Company Code.

- The Telenet Performance Share Plan 2015, the Telenet Performance Share Plan 2016 and the Telenet Performance Share Plan 2018 (more details on these Performance Shares to be found in section 8.7.2.4 b) of this Statement), all concluded between the Company and certain members of the SLT and one other manager, also contain change of control wording. The Performance Share Plan 2015 was available for all the members of the SLT and one other manager, excluding the chief executive officer. The Performance Share Plans 2016 and 2018 were available for all the members of the SLT and one other manager, as well as the chief executive officer. The relevant provisions were approved or will be put for approval at the extraordinary shareholders' meeting in accordance with article 556 of the Belgian Company Code.

- The Company is otherwise 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 take-over 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 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 any special severance pay in the case of termination of employment as a result of a public take-over bid.

## 8.4 Internal control and risk management systems

### 8.4.1 General

The Company is exposed to various risks within the context of its normal business activities, which could have a material adverse impact on its business, prospects, results of operations and financial condition. Therefore, managing these risks is very important to the management of the Company. To support its growth and help management and the directors to deal with the challenges the Company faces, the Company has set up a risk management and internal control system. The purpose of the risk management and internal control framework is to enable the Company to meet its objectives.

The below sections provide an overview of the main actors in this framework and of the key risk areas to which the Company is exposed.

### 8.4.2 Governance

#### 8.4.2.1 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 (see also section 8.5 ***"Board of directors"***).

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 authority remains with the board of directors as a whole. In particular as part of the risk management and internal control framework, the board of directors has established an Audit Committee in accordance with the relevant legal requirements.

#### 8.4.2.2 Audit Committee

The principal tasks of the Audit Committee (see also section 8.5 ***"Board of directors"***) 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 statutory audit 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 is composed of three members, including two independent directors of the Company, of whom one is the chairman. All members are non-executive directors, and contribute broad experience and skills regarding financial items. 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.

#### 8.4.2.3 Treasury

The Treasury department's general objective is to support the Company to grow and invest. The Company needs to have access to sufficient cash resources to meet its financial obligations as they fall due, including supplier payments, taxes, debt repayments and provide funds for capital expenditures and investment opportunities as they arise, in addition to potential shareholder disbursements including dividends and/or share buy-backs. On an ongoing basis, the Treasury department monitors the leverage targets for the Company at a consolidated level and compliance therewith under the 2018 Amended Senior Credit Facility. The Treasury department continuously monitors financial conditions in the capital markets, closely assessing demand, supply and credit spreads, and when possible opportunistically analyzes the capital markets.

The Treasury department is responsible for hedging the underlying foreign currency and floating interest rate exposure. The Company takes a risk-adverse approach to non-functional currency exposure with a strong focus on reducing the cash impact of foreign exchange rate fluctuations. As for the floating interest rate exposure, the Company aims to reduce future interest rate volatility and will therefore generally fully hedge its exposure as part of a (re)financing transaction.

Ultimately, the Company's Treasury department drafts the cash flow planning and invests the Company's cash and cash equivalents as per Company's treasury policy. Such policy is discussed, reviewed and approved by the Company's Audit Committee. To execute and manage these investments, the Company only engages with highly-rated international financial institutions and only invests in triple-A rated money market funds.

#### 8.4.2.4 Risk and Compliance

The Risk and Compliance department helps the Company achieve its mission by providing support, advice and reasonable assurance to manage risks and improve operations. In particular the Risk and Compliance department helps the Company accomplish its objectives by bringing a risk-focused, pragmatic and systematic approach to the management of risks, compliance and evaluation of governance and business processes. As such, the department supports the Audit Committee in its oversight of the Company's operational, financial, compliance and strategic risks.

Within the Risk and Compliance department, the Compliance team ensures local coordination and testing of the framework to manage internal controls over financial reporting ("ICoFR", see also section 8.4.3.2 ***"Financial reporting risks"***). Further, a dedicated Compliance function has been established in 2018 to focus on the execution of the corporate compliance program including among others identification of key company policies and their owners, communication and publication of policies, organization of awareness campaigns and training sessions and implementation of controls to ensure policy compliance (see also section 8.4.3.3 ***"Compliance risks"***).

The Enterprise Risk Management ("**ERM**") team assists management in identifying, assessing and managing the key risks that are threatening the Company's strategic and operational objectives (see also section 8.4.3.4 ***"Other enterprise risks"***). The team also coordinates and supports the internal audit activities performed by Liberty Global, and follows up on the progress of the open audit findings (see also section 8.4.2.5 ***"Internal audit"***).

For some specific risk areas (e.g. revenue assurance and fraud), the Risk & Compliance department assists the business in the identification and mitigation of related risks and monitors the related control environment. In addition, internal control reviews are performed to identify gaps in the internal control environment and to support the remediation of these gaps

On a quarterly basis, the Risk and Compliance department reports on the progress and results of the above activities to the SLT and the Audit Committee.

Apart from the Risk and Compliance department, specific teams have been set up to oversee, coordinate and facilitate risk management activities within other risk areas (e.g. privacy, business continuity and cyber security). The Risk and Compliance department has prepared a risk management methodology to support these decentralized teams and to ensure that risks and controls are assessed in a consistent manner throughout the Company.

#### 8.4.2.5 Internal audit

Following the decision of the board of directors of July 29, 2014, and with effect as from 2015, the internal audit function is being performed by the independent internal audit department of Liberty Global. Based on a quality survey and benchmark with other audit firms, it was decided by the Audit Committee on July 30, 2018 to prolong the internal audit mandate of Liberty Global for one year. Such benchmark is performed on an annual basis.

A risk-based internal audit plan, focusing on significant risk areas, is proposed annually by Liberty Global's internal audit and approved by the Company's Audit Committee. This internal audit plan is established on the basis of the Telenet Risk Assurance Map (which provides an overview of The Company's risk universe and the related risk management coverage and results) and a meeting with all members of the SLT as well as on items raised by the Audit Committee, the board of directors, and Liberty Global's internal audit itself. The audit plan is executed by Liberty Global's internal audit.

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 follow-up of these action plans until closure is performed by the Risk and Compliance department. Liberty Global's internal audit performs the final validation before the action plans are actually closed.

On a quarterly basis, the Liberty Global internal audit team reports on the progress and results of the above activities to the Audit Committee.

#### 8.4.2.6 External audit

The general shareholders' meeting of April 26, 2017 reappointed KPMG Bedrijfsrevisoren CVBA ("KPMG") as statutory auditor of the Company for a period of three years.

On a quarterly basis KPMG reports on the progress and results of their audit procedures (including accounting and review issues, and misstatements) to the Audit Committee. In addition, KPMG herewith also reports on their independence and on any non-audit fees (which require pre-approval from the Audit Committee).

## 8.4.3 Risk Areas

### 8.4.3.1 Financial risks

#### 8.4.3.1.1 Credit risk

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.

For further information, we refer to note 5.3.2 to the consolidated financial statements of the Company.

#### 8.4.3.1.2 Liquidity risk

The principal risks to the Company's sources of liquidity are operational risks, including risks associated with increased competition, decreased pricing, reduced subscriber growth, increased marketing costs and other consequences of increasing competition, new regulations 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 depends 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.

For further information, we refer to note 5.3.3 to the consolidated financial statements of the Company.

#### 8.4.3.1.3 Market risk

The Company is exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily between the US dollar and euro. The Company uses financial instruments to manage its exposure to interest rate and foreign exchange rate fluctuations.

For further information, we refer to note 5.3.4 to the consolidated financial statements of the Company.

#### 8.4.3.1.5 Capital risk

The Company manages its capital to ensure that the Company and its subsidiaries will be able to continue as a going concern in order to provide sustainable and attractive 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.

For further information, we refer to note 5.3.5 to the consolidated financial statements of the Company.

### 8.4.3.2 Financial reporting risks

Liberty Global, the majority shareholder of the Company, is subject to the requirements of the US Sarbanes-Oxley Act of 2002 ("**SOX**"). The Company has been part of Liberty Global's assessment of ICoFR since 2008, and has not reported any material weaknesses.

As part of Liberty Global's compliance with the SOX legislation, Liberty Global reviews its 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. A formal monitoring process is in place for ICoFR: a periodic management self-assessment on design and control effectiveness based upon the frequency of the control, a quarterly self-assessment validation by the risk and compliance department and annually a direct testing cycle by the risk and compliance department and Liberty Global's internal audit and group compliance.

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

### 8.4.3.3 Compliance risks

The Company applies a risk based approach for compliance. Every domain (i.e. policy) is given a priority score based on the current risk level and current mitigating measures. Based on these priority score, the compliance roadmap for 2018 - 2019 was defined. The Compliance team ensures that each compliance domain (i.e. policy) is assigned to an owner. Responsibilities of these policy owners and other key compliance stakeholders (Legal, Regulatory and SLT members) have been recorded in a compliance 'Roles & Responsibility' matrix.

The Compliance team ensures that new or updated policies are approved and supports the policy owner with the communication and publication of the policy and organization of training and awareness campaigns. The Code of Conduct and several other key company policies are published on the Company's intranet. Every employee is expected to follow the principles and guidelines provided in the Code of Conduct and other company policies (e.g. anti-corruption guidelines, travel & expense policy, dealing code, Chinese walls guidelines etc.). To ensure compliance with these company guidelines, controls and metrics are put in place. Monitoring hereon is performed to measure the level of compliance and to define corrective actions if needed. In addition, the Compliance team is also responsible for the Whistleblower process that allows employees to report improper conduct such as violations of the Code of Conduct or any applicable company policy. Complaints can be reported in confidence via a telephone line or a reporting website and employees can remain anonymous if requested. All complaints received through the telephone line or reporting website are handled by the Compliance team in consultation with the chairman of the Audit Committee.

### 8.4.3.4. Other enterprise risks

The Company has a specific program in place to identify, assess and monitor the key risks that are threatening its strategic and operational objectives. Together with the SLT members, key strategic risk areas are prioritized as part of this program. Each of these risk areas is owned by an SLT member. The ERM team assists the SLT owner in identifying and assessing the key underlying risk drivers and in identifying or defining mitigation initiatives to further improve the risk coverage if required.

In 2018 the Company identified the following 5 key enterprise risks, which are detailed below: (i) Market Dynamics, (ii) Business Transformation and Programs, (iii) Security and Resilience, (iv) Customer Experience and (v) Laws and Regulations.

#### 8.4.3.4.1 Market Dynamics

Telenet operates in a highly volatile environment which is characterized by amongst others the following factors: constant and rapid technology changes, evolving customer behavior, strong existing and emerging/ new competition, product convergence, regulatory changes, etc. Telenet needs to identify, monitor and respond to these factors in order to remain competitive in the telecommunications and entertainment market.

Telenet is constantly looking for innovative ways to service the needs of all customers (residential, business, wholesale) and to stimulate innovation in the broadest sense. The Telenet strategy team defines and drives the strategic agenda of the Company in order to ensure long-term success of the company. This is done by identifying and analyzing major strategic challenges and opportunities and by prioritizing strategic themes. Long-term market trends and strategic projects are translated into shorter term projects and actions. These drive the further elaboration of Telenet's product portfolio to ensure that the connectivity and entertainment products and services offered respond to the (changing) customer needs. The Company also continuously invests in its fixed and mobile networks in order to optimally serve its customers.

Apart from the more traditional telecommunication products and services, Telenet is constantly looking for and investing in new growth opportunities (e.g. IoT) and innovation initiatives (e.g. The Park) in order to stay ahead in the very competitive market. Where needed, the company enters into strategic partnerships to further drive Telenet's ambitions.

#### 8.4.3.4.2 Business Transformation and Programs

Telenet continuously undertakes significant initiatives to change the Company's systems, products, processes and organizational structures

in order to achieve its strategic and operational objectives. This is realized through the delivery of significant capital expenditure programs. If these programs are not appropriately managed, strategic business objectives may not be met and the Company may incur unnecessary costs.

To ensure such programs are properly managed, Telenet has put in place a robust project governance framework. This framework consists of a strong project methodology and is supported by layered project forums and a dedicated project portfolio management office working together with divisional project management offices as a virtual team. The aim of the project governance framework is to ensure strategic alignment of Telenet's programs and projects and to provide clear and transparent processes, driving project quality and predictability.

In addition a project risk screening process is in place. Herewith all projects are screened by the ERM team to ensure that the impact of projects on key risk areas (ICoFR, revenue/fraud, privacy, legal, regulatory, security, etc.) is timely and adequately assessed, i.e. to ensure that "risk requirements" are timely defined, incorporated in the project design and budget, and fully implemented.

#### 8.4.3.4.3 Security and Resilience

Telenet has a significant amount of information which is crucial to the organization. The integrity, availability and confidentiality of this information might be threatened by hazards such as cyber-attacks, malware etc. In addition, there are many hazards that could significantly interrupt the Company's services to its customers or the continuity of its business. Telenet's networks, systems and physical assets may be exposed to external (cyber) attacks or other threats. Failure to prevent or timely and effectively respond to the impact of such hazards, could lead to service interruption, loss of customer data or unauthorized access to commercially sensitive information.

In order to properly manage these risks, the Company has established a dedicated cyber security team and a business continuity management team. In-depth proactive security testing is performed, as well as detective penetration testing, vulnerability scanning and ethical hackings. A security incident & event monitoring tool is in place to timely identify potential security breaches. The Company has also implemented TIM ("Telenet Identity Management") to support authorized user management and automate access request management and periodic access rights certification for key applications. In addition a privileged access management solution has been implemented, which secures and monitors all privilege accesses to the Company's systems, and a dedicated tool is used for full database logging on the key databases.

From business continuity perspective, resilient networks and systems have been built and are periodically subject to high availability testing. Further, periodic business impact analyses and risk assessments are performed across the entire Company.

#### 8.4.3.4.4 Customer Experience

Delivering an amazing customer experience throughout all steps of the customer journey is an important strategic pillar for the Company. Failure to deliver a superior and differentiated experience to the customers (e.g. through poor service, mismanaged expectations or inferior products) will damage the Company's customer relationships and adversely impact the Company's brand and business growth.

To this end, a dedicated customer journey design and management team has been established. Customer journey managers assess if customer experience is properly taken into consideration throughout the Company's key processes. Customer journey design is embedded in the Company's project governance to ensure that the customer's perspective is timely and properly considered in all projects. This includes the execution of a customer journey assessment and, when needed, the definition of specific customer journey requirements for incorporation in the projects.

Customer experience related to the Company's products and services is constantly measured by the Consumer Insights department in order to timely identify pain points in the customer journey and to define further initiatives to restore or increase the customer experience. To keep sufficient focus on improving customer experience throughout the whole Company, the feedback from the customers is explicitly included in the Company targets.

#### 8.4.3.4.5 Laws and Regulations

Telenet needs to comply with a multitude of local and international laws and regulations. These include but are not limited to customer registration, data privacy, competition law, anti-corruption, anti-money laundering, accounting and VAT laws, etc. Non-compliance with these laws and regulations exposes the Company to financial and reputational risk. See section 8.4.3.3 ***"Compliance risks"*** for a description on how these risks are managed within the Company.

Also, failure to adapt quickly and effectively to changes in the legal and regulatory environment might expose Telenet to the same financial and reputational risks. To this end, the Regulatory and Legal departments ensure that dedicated projects are set up when needed for the implementation of new laws and regulations. Both departments are also actively involved in the project risk screening process to ensure that the legal and regulatory impact of business projects is timely identified and assessed. When needed, legal and regulatory requirements are defined for incorporation in the project and are followed up till implementation.

### 8.4.4 Assurance

Although the above measures are designed to address the risks inherent to the Company's business and operations to the extent practicable, the determination of the risk framework and the implementation of the control systems provide reasonable but not absolute certainty that these risks will be effectively mitigated.

# 8.5 Board of directors

## 8.5.1 Composition

### a) General

On December 31, 2018, the board of directors of the Company was composed of 9 members. With the exception of the Managing Director (CEO), all directors are non-executive directors.

There are currently three 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: (i) IDw Consult BVBA (represented by its permanent representative Mr. Bert De Graeve), (ii) Ms. Christiane Franck, and (iii) JoVB BVBA (represented by its permanent representative Mr. Jo Van Biesbroeck).

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.

The mandates of JoVB BVBA (represented by its permanent representative Mr. Jo Van Biesbroeck) and Mr. Manuel Kohnstamm expire at the annual shareholders' meeting of 2019. The mandate of Mr. Charles H. Bracken expires at the annual shareholders' meeting of 2020. The mandate of Mr. John Porter expires at the annual shareholders' meeting of 2021. The mandates of IDw Consult BVBA (represented by its permanent representative Mr. Bert De Graeve), Ms. Christiane Franck, Ms. Severina Pascu and Ms. Amy Blair expire at the annual shareholders' meeting of 2022.

At the meeting of the board of directors of February 12, 2019, Mr. Diederik Karsten announced that he will resign as director of the Company with effect as of February 15, 2019.

Upon advice of the Remuneration & Nomination Committee, the board of directors will present the following proposals for approval to the general shareholders' meeting:

- the (re)appointment of JoVB BVBA (represented by its permanent representative Mr. Jo Van Biesbroeck) as independent director of the Company;

- the (re)appointment of Mr. Manuel Kohnstamm as director of the Company;

- the appointment of Mr. Enrique Rodriguez as director of the Company, as announced following the meeting of the board of directors of 14 March 2019.

As of the general shareholders' meeting of April 25, 2012, Mr. André Sarens has been appointed as "observer" to the board of directors.

The directors have been 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 time their mandate expires. The directors can be re-appointed.

The general shareholders' meeting (resolving by ordinary majority) 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 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 the directors shall terminate at the first annual shareholders' meeting after they have reached the age of 70.

On December 31, 2018, the board of directors of the Company was composed as follows:

| Name | Function | Nominated by |
|---|---|---|
| Bert De Graeve (IDw Consult BVBA) | Chairman Bekaert NV | Independent director - CM |
| Jo Van Biesbroeck (JoVB BVBA) | Director of companies | Independent director |
| Christiane Franck | Director of companies | Independent director |
| John Porter | Chief Executive Officer & Managing Director Telenet | |
| Charles H. Bracken | Executive Vice President & Co-Chief Financial Officer (Principal Financial Officer) of Liberty Global | Liberty Global Group |
| Diederik Karsten | Executive Vice President, European Broadband Operations of Liberty Global | Liberty Global Group |
| Amy Blair | Senior Vice President & Chief People Officer of Liberty Global | Liberty Global Group |
| Manuel Kohnstamm | Senior Vice President & Chief Policy Officer of Liberty Global | Liberty Global Group |
| Severina Pascu | Chief Operating Officer for Liberty Global's Central Europe Group | Liberty Global Group |

CM: Chairman

Mr. Bart van Sprundel, Director Legal Affairs at the Company, 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 mix of 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.

At December 31, 2018, the board of directors included three female members: Ms. Christiane Franck, Ms. Amy Blair and Ms. Severina Pascu. At present, Telenet is in line with the gender composition requirements.

## c) Biographies of directors

The following paragraphs set out the biographical information of the members of the board of directors of the Company as of 31 December 2018 as well as the members who are nominated for appointment, or whose appointment should be confirmed at the next general shareholders' meeting, as well as information on other director mandates held by the members of the board of directors of the Company.

### John Porter, Chief Executive Officer and Managing director (°1957)

For the biography of Mr. Porter, we refer to section 8.6 c) of this Statement.

### Bert De Graeve, chairman of the board of directors and independent director (representing IDw Consult BVBA) (°1955)

Bert De Graeve is Chairman of the Bekaert Group since May 2014. He started his career in 1980 with Arthur Andersen & Co and joined Alcatel Bell in 1982. In 1991 he became General Manager Shanghai Bell Telephone Equipment Mfg. Cy in Shanghai. In 1994 he was appointed Vice President, Director Operations, Alcatel Trade International and later Director International Affairs, Alcatel Alstom in Paris. In 1996 he became Managing Director of the Flemish Public Radio & TV Broadcaster (VRT) and joined Bekaert in 2002 as CFO, to become CEO from 2006 until 2014. Bert De Graeve holds a Master in Law from the University of Ghent (1980), studied Financial Management at IPO (Antwerp) and became Master in Tax Management at VLEKHO (Brussels). Bert De Graeve is also Chairman of the Board of Directors of Sibelco NV, Independent Director of UCB, Member of the International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC) and Member of the Board of the Concours Reine Elisabeth.

### Jo Van Biesbroeck, independent director (representing JoVB BVBA) (°1956)

Up to 2015, Jo Van Biesbroeck has been Chief Strategy Officer and Chief International Business Development of Anheuser-Busch InBev SA/NV (formerly known as InBev SA and Interbrew) where he also started his career in 1978. Anheuser-Busch InBev is the world's leading brewer and is amongst the world's top five companies operating consumer goods. Mr Van Biesbroeck held various positions in controlling and finance and was Senior Vice-President of Corporate Strategy, Chief Business Development Officer, Chief Strategy and Business Development Officer, Chief Sales Officer, and Zone President Western Europe in that order. As of 1 September 2015, Jo Van Biesbroeck is manager and member of the board of of RSC Anderlecht. Jo Van Biesbroeck obtained a Master's degree in Economics at the Roman Catholic University of Leuven. He is also an independent and non-executive director of Matexi Group, Etex nv and the investment company SFI and various non profit organisations including the ACF cancer fund, Kick cancer fund and Franklinea fund in Swiss. He is also President of Audit Committees and Remuneration Committees.

### Ms. Christiane Franck, independent director (°1951)

Until February 2017 Christiane Franck has been CEO (2005-2017) of Vivaqua in Brussels where she also started her career. At Vivaqua, she consecutively held the positions of ICT Manager, Commercial Manager of Distribution and Secretary General. Vivaqua, specializing in water production and distribution, serves over two million inhabitants throughout Belgium through close cooperation with the public authorities at local, regional and federal level. Christiane Franck brings a strong level of service company experience to Telenet. Christiane Franck has a Masters in Mathematics from the University of Brussels (ULB) and is a member of the board of the ULB and a member of the advisory committee of Ethias Mutual Insurance Company. She is also a member of the board of Artsen Zonder Vacantie. Furthermore, Ms. Franck is Chairwoman of Hydralis, one of the largest Belgian pension funds. Since 2018, Christiane Franck is also Chairwoman of NV Virteo.

### Charles Bracken, director (°1966)

Charles Bracken is Executive Vice President and Chief Financial Officer for Liberty Global with responsibility for Group Finance and Treasury operations, including tax and financial planning, procurement, and property as well as capital allocation and finance operations of Telenet's largest operations, and overseeing its accounting, external reporting and Investor Relations functions. He is responsible for overseeing Liberty Global's business plan and its focus on customer support systems. He is an executive officer of Liberty Global and sits on the Executive Leadership Team and the Investment Committee.

### Diederik Karsten, director (°1956)

Diederik Karsten is Executive Vice President and Chief Commercial Officer for Liberty Global. Mr. Karsten is a named executive officer of Liberty Global and sits on Liberty Global's Executive Operations Committee and Executive Leadership Team.

From January 2012 to August 2015, Mr. Karsten served as Liberty Global's Executive Vice President, European Broadband Operations where he was responsible for the day-to-day operations of Liberty Global's broadband operations in 10 European countries. From 2004 until December 2011, he served as the Managing Director for Liberty Global's broadband operations in the Netherlands. Before joining Liberty Global, he served as Chief Executive Officer of KPN Mobile (Netherlands, Germany, Belgium and others) and has served as a non-executive Board Member of Easyjet PLC in the United Kingdom. Before that time, he held various management positions at PepsiCo and Procter & Gamble in the Netherlands, the United States, Germany and the United Kingdom.

Mr. Karsten serves as a director of Telenet Group Holding NV, a Liberty Global subsidiary, and a Belgian public limited liability company and is the Vice-Chairman of the Supervisory Board of VodafoneZiggo JV. He was previously Chairman of the Supervisory Board of VodafoneZiggo JV and prior to that of Ziggo.

Mr. Karsten holds a Masters of Business Administration from Erasmus University in Rotterdam, the Netherlands.

### Manuel Kohnstamm, director (°1962)

Manuel Kohnstamm has served as a director of the Company since May 2007. Mr. Kohnstamm is Senior Vice President and Chief Corporate Affairs Officer for Liberty Global, responsible for regulatory strategy, government affairs and internal and external communications. Mr. Kohnstamm joined Liberty Global's predecessor in 1999 and held several positions in corporate affairs, public policy, and communications. He was appointed to his current position as an executive officer of Liberty Global in January 2012. Before he joined Liberty Global, Mr. Kohnstamm worked at Time Warner Inc., as Vice President of Public Affairs in Brussels and with the consulting group European Research Associates in Brussels. Mr. Kohnstamm has been President of the industry association Cable Europe since 2008, and a member of the Supervisory Board of Unitymedia GmbH, a Liberty Global subsidiary in Germany. Mr. Kohnstamm graduated in Political Science and holds a Doctorandus Degree in International and European Law from the University of Amsterdam and a Postgraduate Degree in International relations from the Clingendael Diplomat School in The Hague. He also completed the Cable Executive Management Program from Harvard Business School, Boston (MA).

### Severina Pascu, director (°1972)

Severina Pascu serves as the Chief Operating Officer (COO) for Liberty Global's Central Europe Group since 2017 and is combining that position with her role as Managing Director of Liberty Globals's Central Eastern Europe Group since 2015. Before, Ms Pascu served as Chief Financial Officer of UPC Romania from 2008 and became CEO in 2010. Between 2005 and 2008, she held the position of Manager in CAIB Romania, one of the main investment banks in Central Europe. Between 2000 and 2005, Ms Pascu was part of the management of the American cable telecommunication company Metromedia International. Ms Pascu started her career in 1996 in KPMG Romania and then continued in Great Britain. Severina Pascu graduated from the Bucharest Academy of Economic Studies.

### Amy Blair, director (°1966)

Amy Blair is the Senior Vice President and Chief People Officer for Liberty Global. In this capacity, she is responsible for the Global People Function, including developing and implementing programs and policies which address employment and retention, compensation and benefits, organizational structure, talent and development, employee engagement, and compliance with applicable federal, state and local laws. In addition, Ms Blair oversees Liberty Global's leadership initiatives to create greater alignment and deliver efficiencies throughout the operations. Ms Blair is an executive officer of Liberty Global and sits on Liberty Global's Executive Leadership Team. Amy Blair holds a Masters of Business Administration from the University of Denver and a Bachelor of Arts from The Colorado College.

### Enrique Rodriguez, candidate director

Enrique Rodriguez is the Executive Vice President & Chief Technology Officer of Liberty Global, the world's largest international TV and broadband company, joining the company in July of 2018. Prior to this role, Enrique served as the President and Chief Executive Officer and a member of the Board of Directors of TiVo. Before becoming CEO, Enrique was Executive Vice President and Chief Technology Officer of AT&T Entertainment Group from August 2015 to November 2017. From January 2013 to July 2015, he served as Executive Vice President, Operations and Products for Sirius XM and was Group Vice President of Sirius XM from October 2012 to January 2013. Prior to his employment with Sirius XM, Enrique was the Senior Vice President and General Manager of Cisco Systems' Service Provider Video Technology Group. Enrique also held various executive positions at Microsoft from 2003 to 2010, including Corporate Vice President for the TV Division and as Vice President of Xbox Partnerships. Prior to joining Microsoft, Enrique spent over 20 years at Thomson/RCA in a variety of engineering and executive roles where he was awarded over 25 U.S. patents and international derivatives. Enrique holds a B.S. in electrical engineering from Mexico's Instituto Tecnologico de Monterrey.

### André Sarens, observer (°1952)

André Sarens has served as a director of the Company from December 2003 until April 2012. Since April 2012, he has been appointed as observer to the board of directors. Mr. Sarens was until October 2017 Grid Participations Manager at Engie, having previously held numerous senior finance and administration positions related to Engie 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 from 1999. Mr. Sarens served on the board of directors of several of the mixed intermunicipalities in Belgium, and held several board positions in Engie Electrabel affiliates such as Electrabel Green Projects Flanders and Electrabel Customers Solutions.

## 8.5.2 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 authority remains with the board of directors as a whole.

In the year ended December 31, 2018, six scheduled board of directors meetings and four non-scheduled board of directors meetings took place.

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

In accordance with the Corporate Governance Charter 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 of 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, in particular, to the extent legally required, 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 information and an excerpt shall be published in the annual report. In 2018, article 523 of the Belgian Company Code was applied once. In 2019, article 523 of the Belgian Company Code is already applied once. More information can be found in section 8.5.6 of this Statement.

In accordance with the Corporate Governance Charter, 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 hereof, in advance of such transactions.

## 8.5.3 Evaluation of the board of directors

On a regular basis, 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 evaluation took place in February 2018 and the board of directors of April 2018 assessed and discussed the results of the same.

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.

The Remuneration & Nomination Committee regularly reviews 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. The latest 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.

Given the increasing impact and importance of corporate social responsibility and sustainability on Telenet's business, the board of directors decided in 2013 that the design, implementation and monitoring of Telenet's corporate and social responsibility program would be discussed and approved at full board level. The board of directors also formally reviews and approves the Company's sustainability report and ensures that all material aspects are covered.

## 8.5.4 Board Committees

In accordance with the relevant legal requirements, the board of directors has established an Audit Committee and a Remuneration & Nomination Committee. On December 31, 2018, the two board committees were composed as follows:

| Name | Audit Committee | Remuneration & Nomination Committee |
|---|---|---|
| Bert De Graeve (IDw Consult BVBA) | | CM |
| Jo Van Biesbroeck (JoVB BVBA) | CM | • |
| Charles H. Bracken | | • |
| Christiane Franck | • | |
| Severina Pascu | • | |

CM: Chairman

### 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 statutory audit 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 annually with the external auditor without the presence of the executive management.

The Audit Committee is composed of three members, including two independent directors of the Company, of whom one is the chairman. All members are non-executive directors. One director is appointed upon nomination of Liberty Global. All members contribute broad experience and skills regarding financial items, which have a positive impact on the committee's operation. This composition conforms to article 526bis §1 of the Belgian Company Code regarding the composition of Audit Committees within listed companies, as introduced in December 2008, and the Corporate Governance Code 2009. The meetings of the Audit Committee are also attended by Mr. André Sarens in his capacity of observer to the board of directors. With regard to the competences of the members of the Audit Committee, particular reference is made to the biography of Mr. Jo Van Biesbroeck, chairman of Telenet's Audit Committee, in section 8.5.1 c) of this Statement. Further reference is made to the biographies of Ms. Severina Pascu and Ms. Christiane Franck, members of the Audit Committee, in section 8.5.1. c) of this Statement.

In the year ended December 31, 2018, the Audit Committee convened five times, to review and discuss the quarterly, semi-annual and annual financial statements before submission to the board of directors and, subsequently, publication. At all 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 Audit Committee further discussed and advised the board of directors about procedures for and monitoring of financial reporting to its majority shareholder Liberty Global.

The Company has established a whistleblowing procedure, which has been reviewed by the Audit Committee and approved by the board of directors. This procedure allows employees of the Company to report improper conduct such as improprieties in accounting, internal control or audit matters or violations of the Code of Conduct or any applicable company policy. Complaints can be reported in confidence via a telephone line or a reporting website and employees can remain anonymous if requested. Complaints received through the telephone line or reporting website are handled by the Compliance team in consultation with 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.

### 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, in the form of stock options or other financial instruments (and the resulting proposals to be presented by the board of directors to the shareholders where applicable), the hiring and retention policy, the nomination of the CEO, 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 at 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 Committee have ample experience in remuneration matters, amongst other things because they have taken up senior executive roles in large companies in other stages of their careers.

The members of the Remuneration & Nomination Committee on December 31, 2018 were: (i) IDw Consult BVBA (represented by its permanent representative Mr. Bert De Graeve), chairman; (ii) Mr. Charles Bracken and (iii) JoVB BVBA (represented by its permanent representative Mr. Jo Van Biesbroeck). As of the Remuneration & Nomination Committee meeting of February 11, 2019 Mr. Charles Bracken was replaced with Ms. Amy Blair.

In the year ended December 31, 2018, 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 determination of the remuneration package of the CEO and the SLT, the composition of the different board committees, the granting of stock options to the CEO, the granting of stock options and performance shares to the SLT and the granting of stock options to selected employees.

The chairman of the Remuneration & Nomination Committee reports on the matters discussed in the Remuneration & Nomination 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.

## 8.5.5 Attendance

The attendance overview of the board and committee meetings has been set out hereunder. In this overview, all meetings are presented (not solely the annual pre-scheduled meetings).

| Name | Board of Directors (10) | Audit Committee (5) | Remuneration & Nomination Committee (4) |
|---|---|---|---|
| Bert De Graeve (IDw Consult BVBA) | 10 of (10) CM | | 4 of (4) CM |
| John Porter | 10 of (10) | | |
| Jo Van Biesbroeck (JoVB BVBA) | 8 of (10) | 5 of (5) (CM) | 4 of (4) |
| Christiane Franck | 9 of (10) | 5 of (5) | |
| Charles H. Bracken | 8 of (10) | | 4 of (4) |
| Diederik Karsten | 7 of (10) | | |
| Manuel Kohnstamm | 6 of (10) | | |
| Jim Ryan* | 3 of (10) | | |
| Severina Pascu*** | 4 of (10) | 1 of (5) | |
| Amy Blair*** | 5 of (10) | | |
| Dana Strong** | 4 of (10) | | |
| Suzanne Schoettger¨** | 4 of (10) | 1 of (5) | |
| André Sarens (Observer) | 10 of (10) | 5 of (5) | |

CM: Chairman
* Mr. Jim Ryan resigned from the Board of Directors of Telenet Group Holding with effect from August 1, 2018.
** Ms. Suzanne Schoettger and Ms. Dana Strong resigned from the Board of Directors of Telenet Group Holding with effect as of the annual meeting of shareholders which took place on April 25, 2018. At the same time Ms. Schoettger stepped down as member of the Audit Committee and was replaced with Ms. Severina Pascu.
*** Ms. Severina Pascu and Ms. Amy Blair were appointed directors of Telenet Group Holding at the annual meeting of shareholders which took place on April 25, 2018. At the same time, Ms. Severina Pascu was appointed member of the Audit Committee.

## 8.5.6 Application of legal rules regarding conflicts of interest

During the meeting of the board of directors of February 12, 2018, article 523 of the Belgian Company Code was applied.

At the meeting of February 12, 2018, the board of directors discussed, amongst other items, the evaluation of the overall CEO compensation and merit, the contractual exercise limits set out in the CEO stock option plans, the Performance Share Plan 2015, and the ESPP2017 plan. The minutes of that meeting mention the following in this respect:

***"Prior to the reporting on the discussions held within the Remuneration and Nomination Committee meeting of February 7, 2018 and the deliberation and resolving on some of these items (in particular (i) the determination of bonus & merit for the CEO, and (ii) the determination of the achievement of the performance criteria under the CEO SOP 2015 option plan, Mr. John Porter (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 Companies Code.***

***Mr. John Porter declares that he will inform the Company's auditor on this conflict of interest. He then leaves the meeting for this specific agenda item. The Chairman also asks the other members of the Senior Leadership Team to leave the meeting with respect to the reporting of the Remuneration and Nomination Committee."***

The chairman of the Remuneration & Nomination committee reports on the discussions held on the determination of bonus & merit for the CEO within the meeting of the Remuneration & Nomination Committee meeting of February 7, 2018. The Committee decided:

- that the CEO will be awarded the maximum bonus of 150% of his annual remuneration, i.e. a bonus of 963,900 Euro;
- to advise the board of directors to approve this bonus amount for the CEO;
- that CEO objectives for the performance year 2018 need to be formulated and discussed with the CEO before the end of February 2018; and
- asks HR management to confirm at the next Remuneration and Nomination Committee meeting of 16 March 2018 that Deloitte has covered/ is covering all tax related aspects of the CEO's remuneration package.

After discussion and taking into account the recommendation of the Remuneration & Nomination Committee, the Board decides to confirm, approve and endorse, the extent necessary, the decisions of the Remuneration & Nomination Committee as set out above.

The chairman of the Remuneration & Nomination committee reports on the discussions held on the achievement of the performance criteria for the CEO SOP 2015 within the meeting of the Remuneration & Nomination Committee meeting of February 7, 2018. The Committee decided:

- that in accordance with the powers granted to the Committee under the relevant stock option plans in relation to the management of the plans and the determination of the achievement of the performance criteria, the Committee advises the board that the relevant performance target for the performance year 2017 has been achieved under the CEO SOP 2015.

After discussion and taking into account the advice of the Remuneration & Nomination Committee, the board decides to confirm, approve and

endorse, to the extent necessary, the achievement of the performance criteria under the CEO SOP 2015.

During the meeting of the board of directors of February 12, 2019, article 523 of the Belgian Company Code was applied.

At the meeting of February 12, 2019, the board of directors discussed, amongst other items, the determination of the bonus & merit for the CEO and the determination of the performance criteria under the Performance Share Plan 2016 for the SLT (including the CEO). The minutes of the meeting mention the following in this respect:

***"Prior to the reporting on the discussions held within the Remuneration and Nomination Committee of February 11, 2019 and the deliberation and resolving on some of these items in particular (i) the determination of bonus & merit for the CEO and (ii) the determination of the performance criteria under the Performance Share Plan 2016 for the SLT (including the CEO), Mr. John Porter (CEO and Managing Director) informs the Board that he has a (potential) conflict of interest regarding this decision in the meaning of Article 523 of the Belgian Companies Code.***

***Mr. John Porter declares that he will inform the Company's auditor on this conflict of interest. He then leaves the meeting for this specific agenda item. The Chairman also asks the other members of the Senior Leadership Team to leave the meeting with respect to the reporting of the Remuneration and Nomination Committee."***

The Chairman of the Remuneration & Nomination committee reports on the discussions held on the determination of bonus & merit fo the CEO within the meeting of the Remuneration & Nomination Committee of February 11, 2019. The Committee decided:

- unanimously decides that the CEO will be awarded the maximum bonus of 150% of his annual remuneration, i.e. a bonus of 938,385 Euro; and

- unanimously advises the board of directors to approve this bonus amount for the CEO.

After discussion and taking into account the recommendation of the Remuneration & Nomination Committee, the Board decides to confirm, approve and endorse, the extent necessary, the bonus and merit attributed to the CEO.

The chairman of the Remuneration & Nomination committee reports on the discussions held on the achievement of the performance criteria under the Performance Share Plan 2016 for the SLT (including the CEO) within the meeting of the Remuneration & Nomination Committee meeting of February 11, 2019. The Committee decided:

- that the results of 2018 have resulted in an (over)achievement of the performance criteria under the Performance Share Plan (199%);

- to advise the board of directors accordingly.

After discussion and taking into account the recommendation of the Remuneration & Nomination Committee, the Board ratifies and confirms the same.

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

The Company adopted a Dealing Code which intends to ensure that any persons who are in possession of inside information at any given time, do not misuse, and do not place themselves under suspicion of misusing inside information (e.g. by buying or selling shares or other securities of the Company on the basis of inside information) and to ensure that such persons maintain the confidentiality of such inside information and refrain from market manipulation. The legal basis for this Code is Regulation No 596/2014 on market abuse (the "**Market Abuse Regulation**"), together with its implementing regulations and ESMA and FSMA guidance.

The Company has ensured that the Dealing Code, together with supporting training materials, is made available to all employees, temporary staff, members of the boards of directors (or equivalent), managers, consultants and advisers of the Company and its subsidiaries. In addition, the Company organizes regular training sessions to persons that could potentially become in possession of inside information to further ensure compliance with the market abuse rules and regulations and the Dealing Code.

Furthermore, in accordance with the standing policies of the Company, information barriers are in place. These policies seek to ensure that confidential information which could potentially qualify as inside information is known only to persons who are:

a. directly involved in the relevant matter; or
b. responsible for determining whether an obligation to announce the information has arisen and/or determining whether such disclosure can be delayed.

Moreover, all persons to which any confidential information which could potentially qualify as inside information is disclosed in the normal course of exercise of employment, profession or duties are bound by a duty of confidentiality, whether on the basis of the law, regulations, a contract or otherwise.

Finally, any dealings in Company securities by persons discharging managerial responsibilities and persons closely associated, are reported as soon as possible to the FSMA, as well as to the General Counsel as compliance officer responsible for supervising compliance with the market abuse rules and regulations and the Dealing Code. The Company's Dealing Code was last revised on December 13, 2017.

## 8.6 Daily management

### 8.6.1 General

The CEO is responsible for the daily management of the Company. The CEO is assisted by the executive management ("**SLT**"), 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.

On April 1, 2013, Mr. John Porter was appointed as CEO of the Company. At December 31, 2018, five women were part of the Senior Leadership Team (see below for full composition of the SLT).

At December 31, 2018, the SLT was composed as follows:

| Name | Year of birth | Position |
|---|---|---|
| John Porter | 1957 | Chief Executive Officer |
| Erik Van den Enden | 1978 | Chief Financial Officer |
| Luc Machtelinckx | 1962 | Executive Vice President - General Counsel |
| Micha Berger | 1970 | Chief Technology Officer |
| Sam Lloyd | 1974 | Chief Information Officer |
| Patrick Vincent | 1963 | Chief Transformation Officer |
| Jeroen Bronselaer | 1978 | Senior Vice President Residential Marketing |
| Martine Tempels | 1961 | Senior Vice President Telenet Business |
| Claudia Poels | 1967 | Senior Vice President Human Resources |
| Dieter Nieuwdorp | 1975 | Senior Vice President Strategy & Corporate Development |
| Ann Caluwaerts | 1966 | Senior Vice President Corporate Affairs & Wholesale |
| Benedikte Paulissen | 1969 | Chief Customer Officer |

The Chief Executive Officer 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 28 February 2019.

### 8.6.2 Conflicts of interest

Pursuant to the Corporate Governance Charter, the members of the SLT 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 the Company. If such conflicts of interest would occur, the concerned member of the SLT 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 SLT and one or more companies of the Telenet Group should in any case take place at normal market conditions.

### 8.6.3 Biographies of the members of the SLT

The following paragraphs set out the biographical information of the current members of the SLT of the Company:

#### John Porter, Chief Executive Officer

John Porter is the Chief Executive Officer of Telenet. The company aims to be the leading provider of converged, connected entertainment and business solutions in Belgium. As CEO, Mr. Porter is responsible for the day-to-day operations. Prior to joining Telenet in 2013, he served as CEO of AUSTAR United Communications, at the time a Liberty Global subsidiary and an Australian public company that was a leading provider of subscription television and related products in regional Australia. He held this position until AUSTAR was acquired by Foxtel, a joint venture between News Corporation and Telstra, in May 2012. Mr. Porter led the growth of AUSTAR since inception, becoming its CEO at the time of its 1999 initial public offering. Previously, he served as the Chief Operating Officer for the Asia/Pacific region for a predecessor company of Liberty Global. From 1989 to 1994, Mr. Porter was President, Ohio Division, of Time Warner Communications. He started his career at Group W Broadcasting and Cable, as Director Government Relations before becoming General Manager of Westinghouse Cable Systems in Texas and Alabama. Mr. Porter serves as the Chairman of the board of Enero, a diversified marketing services company. He has a Bachelor of Arts from Kenyon College and also studied Political Economy at the University of Zagreb.

#### Erik Van den Enden, Chief Financial Officer

Erik Van den Enden, Telenet's Chief Financial Officer ("**CFO**") as of August 2018, has over 15 years financial experience in the fast moving consumer goods ("**FMCG**") and telecom sector. He has a broad background in financial management and has held key positions in M&A, strategic and financial planning, controlling, treasury and risk management.

Before joining Telenet, Erik worked at AB InBev as Vice-President "Finance Transformation and Carve-Outs" where he led the worldwide integration and transformation of SAB Miller's financial processes. He was also responsible for the follow-up of the synergy program related to the acquisition of SAB Miller. Prior to this role, Erik was the driving force behind the design and the implementation of a new strategy for AB InBev's European markets, which allowed the business to reconnect with revenue growth as of 2015.

Before he started at InBev in 2007, Erik worked for three years at Telenet as Interconnect Manager and Product Manager for internet and telephony. Erik Van den Enden holds a Master's degree in Electro-Technical Engineering (KU Leuven) and also obtained a Master's degree in General Management at the Vlerick Management School. He followed specialized business- and finance courses at Insead and Wharton University.

## 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.

## Micha Berger, Chief Technology Officer

Micha Berger joined the Telenet Group in July 2013 and as Chief Technology Officer ("**CTO**"), leading the Technology and Innovation Telenet team, he is responsible for Mobile and HFC Network Build and expansions, Network Operations for Telenet's HFC and Mobile services, Field Operations, Converged Fixed & Mobile Engineering and Innovations and to deliver Telenet services such as video platform, etc… Mr; Berger is driving several programs to remain the leading provider in superior connectivity with a converged fixed and mobile network. As of July 1, 2013, he also joined Telenet's SLT, reporting directly to the Company's CEO. Mr. Berger has worked for Liberty Global since 2006, initially managing the Engineering Department at UPC Nederland. As Vice President at Liberty Global since 2010, he has been responsible for Horizon Next Generation digital TV development and product roll-out. Before these endeavors, he gained his first experience in the cable industry at HOT Israel, where he was responsible amongst others for the development of the interactive digital service platform and the roll-out of video-on-demand.

## Sam Lloyd, Chief Information Officer

Sam Lloyd joined Telenet in February 2016 to run the IT function for the combined Telenet and Base group. This division is responsible for running all of the IT systems across Telenet and the newly acquired Base company covering all software and hardware - including Digital, AI, websites / Portals, Sales, CRM, Billing, OSS, middleware, BI, Big data and Enterprise / ERP. Responsibilities include all operational support of the systems estate, cyber security, all software development, and testing of all new releases and technology. Sam is also driving a number of major systems transformation programmes across Telenet to consolidate the estate post recent M&A activity and implement new technologies in Digital and AI supporting the companies digital first agenda. Prior to joining Telenet, Sam held the position of Director Development & Delivery at Virgin Media in the UK. Sam has more than 20 years experience in the IT sector running and developing IT environments across the Utilities and Telecoms industries.

## Patrick Vincent, Chief Transformation Officer

Patrick Vincent joined Telenet in September 2004 as Customer Service & Delivery Director. In 2007 he became EVP Sales & Customer operations . In 2013, Chief Customer Officer. Since 2015 he is Chief Transformation Officer, leading the integration of BASE and SFR, including guidance in terms of operating model, digital transformation and new ways of working. 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 the sales division and in 1998 was promoted to Commercial Director. From 2000 to 2004, he worked at Tech Data, an IT distribution & service company, as Sales Director for Belgium and Luxembourg, and in 2002 was promoted to the role of Country Manager for Belgium and Luxembourg.

## Jeroen Bronselaer, Senior Vice President Residential Marketing

Jeroen Bronselaer joined the Telenet Group in September 2010 and was at first responsible for the negotiations and relations with broadcasters and content suppliers. Later he took on broader roles managing Telenet's premium sport and movie channels and was named Vice President Product Entertainment, responsible for the entire entertainment product portfolio of Telenet. In September 2015, Jeroen joined the Senior Leadership Team as Senior Vice President Residential Marketing. Prior to joining the Telenet Group, Jeroen Bronselaer worked at the Flemish public broadcaster VRT, where he started out as a TV producer but quickly evolved into more business driven roles within the Media department of VRT. Jeroen Bronselaer holds a Master degree as Commercial Engineer and Post-graduate degree in Communication from the KU Leuven.

## Martine Tempels, Senior Vice President Telenet for Business

Martine Tempels joined the Telenet Group in January 2009. She is responsible for the Telenet Group's business-to-business division and joined the Senior Leadership Team in October 2010. Ms. Tempels started her career in the IT sector at NCR (AT&T) and moved to EDS in 1996 assuming responsibilities as Belux Business Unit Manager for the financial and commercial sector. In 2007, Ms. Tempels was appointed Application Service Executive for the Northern and Central Region EMEA. Ms. Tempels holds a Master in Business and Economics from Vrije Universiteit Brussel.

## 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 SLT as Senior Vice President Human Resources. Prior to joining the Telenet group, Ms. Poels worked since 1992 at EDS, where she gained extensive experience working within various human resources disciplines. In 2002, Ms. Poels was promoted to HR Director of the Belgian and Luxembourg entity, and in 2006 she became the HR Operations Director for Northern Europe. Ms. Poels holds a Master degree in Law from KULeuven and a DEA & DESS Degree in European Law from Université Nancy II (France).

## Dieter Nieuwdorp, Senior Vice President Strategy & Corporate Development

As of May 1, 2014, Dieter Nieuwdorp joined the SLT as Senior Vice President Strategy & Corporate Development. Besides the development of the general strategy of the company and the structuring of M&A transactions and other partnerships, his function also includes heading the Innovation Department and managing the CEO Office. Mr. Nieuwdorp joined Telenet in 2007 as Corporate Counsel and Corporate Secretary and became VP Corporate Counsel & Insurance in 2010. He started his career as a lawyer with Loeff Claeys Verbeke (later Allen & Overy) in 1998. Mr. Nieuwdorp holds a Master of Law degree from KULeuven and a LL.M from the University of Pennsylvania Law School.

### Ann Caluwaerts, Senior Vice President Corporate Affairs

Ann Caluwaerts, Chief Corporate Affairs, brings to the table over 25 years of experience in the global telecom as well as local media industry. Before she began working at Telenet, Ann gained experience at BT and Lernout & Hauspie Speech Products. She has extensive experience in strategic communications, regulatory affairs, strategy development, change management, stakeholder management as well as managing P&L's. Within Telenet, she is currently responsible for the wholesale division as well as the communications and regulatory department. Ann graduated as civil engineer electronics (KUL) and followed different courses at (a.o.) Insead, Londen Business School, Colombia University and Guberna. She regularly speaks at conferences and academic organizations.

### Benedikte Paulissen, Chief Customer Officer

Benedikte Paulissen studied Applied Economics at the KU Leuven and obtained a post-graduate degree in European law at the UCL. She also worked for Flanders Technology International, a non-profit organization established by the Flemish government to promote technology, innovation and science. In 1998, she switched to Telenet and worked at the communication department and the marketing division to promote Telenet to the general public. In 2004, she was made responsible for all direct sales channels, including telesales and sales via indirect sales channels, including own shops, dealers and Telenet Centres. From 2011 she was also responsible for all customer service activities.

# 8.7 Remuneration report

## 8.7.1 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 April 28, 2010, April 24, 2013, April 29, 2015, April 27, 2016 and April 26, 2017. The remuneration of the independent directors is as follows: A fixed annual remuneration of the chairman of the board of directors €120,000, an attendance fee for board meetings for the independent directors €3,500, but with a maximum of €24,500 per year, an attendance fee for the chairman of the Audit Committee for Audit Committee meetings at €4,000 per meeting, an attendance fee for the other independent directors participating in the Audit Committee at 3,000 per meeting, and an attendance fee for independent directors participating in the Remuneration & Nomination Committee at €2,000.

Furthermore, 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 CEO, the chairman of the board of directors and the directors appointed upon nomination of the Liberty Global Group, receive an annual fixed fee of €45,000 each. The directors appointed upon nomination of the Liberty Global Group, 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. The independent directors are awarded remuneration for (attending) committee meetings (see above). The observer to the board of directors of Telenet is paid in the same fashion as the independent directors of Telenet.

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 ended December 31, 2018, the aggregate remuneration of the members of the board of directors (including the observer) amounted to €481,000 for the Company (see table below for individual remuneration).

None of the directors (except the CEO of the Company) receives: variable remuneration within the meaning of the Law of April 6, 2010, and 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 paid for each member of the board of directors and the observer to the board for the year ended December 31, 2018 is set out in the table below.

| Name | Remuneration 2018 |
| --- | --- |
| Bert De Graeve (IDw Consult BVBA) (CCM) ** | €144,500 |
| John Porter | - |
| Christiane Franck ** | €69,500 |
| Jo Van Biesbroeck ( JoVB BVBA) ** | €69,500 |
| Charles H. Bracken | €26,000 |
| Diederik Karsten | €24,000 |
| Manuel Kohnstamm | €22,000 |
| Amy Blair | €18,000 |
| Severina Pascu | €16,000 |
| Jim Ryan | €12,000 |
| Dana Strong | €4,000 |
| Suzanne Schoettger | €6,000 |
| André Sarens */ ** | €69,500 |

CCM: Current Chairman - in function as of 30/04/2014

(*): Observer

(**) Remuneration not including Committee fees

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

## 8.7.2. Remuneration of Executive Management (Senior Leadership Team)

### 1. General remuneration principles

The determination and evolution of the Company'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 executed through HR tools like function classification, career paths, and external benchmarking. The Company's strategy aligns competitive pay with the interests of shareholders and other stakeholders, aiming for an optimal balance between offering competitive salaries and avoiding excessive remuneration, while maintaining focus on performance and results. This implies that the Company's policies are reviewed periodically and adapted where needed.

The Company strives for an optimal mix between the different components of the remuneration package, balancing elements of fixed pay and 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 the Company's employees can benefit from price concessions or additional benefits for Telenet products; and share ownership of the Company is encouraged via employee stock purchase plans and other long-term incentive plans. The Company's experience has shown 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 (ii) individual performance being in line with the company's competence and leadership model. Throughout the Company's remuneration policy, customer loyalty (measured by means of a Net Promotor Score ("**NPS**") - see further below) plays a pivotal role.

### 2. Remuneration principles for executive management (Senior Leadership Team)

#### 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 Senior Vice President Human Resources prepares a proposal for determining the remuneration principles and remuneration level of the members of the SLT (other than the CEO) for submission to the Remuneration & Nomination Committee. The Remuneration & Nomination Committee discusses (and possibly amends) the proposal and submits it for approval to the board of directors.

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

Each member of the SLT is remunerated by taking into account (i) his/her personal functioning and (ii) pre-agreed (company-wide and individual) targets. For the year ended December 31, 2018, 100% of management's bonuses (other than the CEO) depend on financial and operational targets, individual and departmental objectives will define a multiplier of the bonus. The functioning of each member of the SLT is assessed on the basis of the company's competence and leadership model.

Within the limits of the existing stock option plans approved by the general shareholders' meeting, the board of directors, upon recommendation of the Remuneration & Nomination Committee, can also grant stock options to the members of the SLT.

The Performance Share Plans 2018, 2016 and 2015 for members of the SLT contain a provision regarding "claw back" of variable remuneration granted in case of restatement of the Company's financial statements. None of the Company's other share-based compensation plans, including those with the CEO, have such "claw back" features.

In accordance with Belgian legislation and regulations, details of (transactions in) stock options and shares held by all members of the SLT (or persons related to them or entities fully controlled by them) are reported to the FSMA in Belgium.

In 2011, the variable remuneration of the CEO and the members of the SLT of the Company was reviewed in order to comply with the binding provisions of the Law of April 6, 2010 and the relevant principles of the Belgian Corporate Governance Code on executive remuneration. The general shareholders' meeting of April 27, 2011 and April 2014 approved these remuneration principles of the CEO and the other members of the SLT. The Company expects the remuneration principles of the members of the SLT of the Company for the next two financial years to be consistent with the current remuneration policy, but does expect a further differentiation in the long term incentive plans.

#### b) Remuneration principles for the CEO

The CEO's annual remuneration package consists of a fixed part, a variable part, and includes 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 bonus and salary proposal for approval by the board of directors. For 2018, the Remuneration & Nomination Committee proposed to the board of directors (i) to grant a cash bonus to the CEO for 2018 equal to €938,385; (ii) to determine his fixed compensation for 2018 to be €630,000 on an annual basis; (iii) to determine the maximum cash bonus for 2018 to be 150% of the 2018 annual fixed compensation.

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 2018), please see section 3.b) below.

#### c) Remuneration principles for the members of the SLT (excluding the CEO)

The annual remuneration of the members of the SLT (excluding the CEO) consists of a fixed salary (including holiday pay and thirteenth month),

a variable remuneration part, and includes premiums paid for group insurance and benefits in kind.

The agreements with the members of the SLT (excluding the CEO) 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 that allows for the consideration of prevailing market circumstances.

The variable cash remuneration depends on performance criteria relating to the respective financial year. With respect to the bonus for each member of the SLT (excluding the CEO) for performance year 2018, 100% was linked to the Company's financial and operational targets, an additional multiplier was linked to the individual evaluation score based on achieving the success of the individual and departmental objectives. Upon advice of the CEO, the Remuneration & Nomination Committee decides on the achievement of the performance criteria of each member of the SLT as leader of their department and as an individual.

For the year ended December 31, 2018, the board of directors approved to grant a total variable remuneration package to the CEO and the members of the SLT, composed of a cash bonus and performance shares.

In addition, the payout of the cash bonus to members of the SLT (excluding the CEO) will be linked to meeting certain predetermined performance criteria over a one-year period. When these performance criteria are met, the acquired cash bonus will be paid out in the year following the performance year. 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 SLT are eligible for share-based remuneration. For details on the share-based remuneration of the members of the SLT (including the share-based remuneration received in 2018), 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 and April 2014, in accordance with the provisions of the Law of April 6, 2010.

## 3. Remuneration CEO

### a) Cash-based remuneration

The Company's CEO was granted the following remuneration in the year ended December 31, 2018: (i) a fixed remuneration of €630,000, (ii) a variable remuneration of €938,385, and (iii) benefits in kind valued at €76,765.48. As mentioned in section 8.7.1, the CEO is not remunerated for the exercise of his mandate as director of the Company or any other Telenet companies.

The relative weight these components for the year ended December 31, 2018 was: (i) fixed remuneration 38.3%, (ii) variable remuneration 57%, and (iii) benefits in kind 4.7%.

This cash-based variable remuneration, together with the relevant part of the share-based variable remuneration under the CEO SOP 2014, CEO SOP 2014 ***bis,*** CEO SOP 2015, ESOP 2016, ESOP 2017 and ESOP 2018 (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 benefits in kind include insurances for medical costs, life and disability, a company car, school fees for his children and a travel allowance up to certain maximum annual amounts. The CEO further receives a price concession with respect to Telenet products and services he orders.

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

### b) Share-based remuneration

On November 8, 2013, the CEO received 185,000 stock options under the CEO Stock Option Plan 2014 ("**CEO SOP 2014**"). These stock options are of a contractual nature to acquire existing shares, giving the CEO the right to acquire existing shares of the Company, on a one to one basis.

The term of the stock options is seven years, such that all of the stock options granted under the CEO SOP 2014 have an expiration date of June 26, 2020. The stock options vested in two installments, on respectively June 26, 2016 and on March 1, 2017. All stock options that vested pursuant to the CEO SOP 2014 become exercisable during defined exercise periods following June 26, 2016.

The vesting of the stock options under the CEO SOP 2014 is contingent upon the achievement of certain (cumulative) performance criteria over a period of three years, including the achievement of a minimum level of Adjusted EBITDA. The Remuneration Committee, in consultation with the CEO, determined for each installment the performance criteria and the Remuneration Committee decided that these criteria were met. As the applicable (cumulative) performance criteria were achieved for 2014 and 2015, the first tranche of 138,750 stock options vested on June 26, 2016 while the second tranche of 46,250 stock option vested on March 1, 2017.

Upon a change of control over the Company, a de-listing of the Company or the start of a squeeze-out offer in relation to the shares of the Company, all stock options vest immediately and automatically.

The CEO shall consider the general interest of the Company when exercising Stock Options and/or selling the shares acquired upon the exercise of Stock Options.

On July 15, 2014, the CEO received 180,000 stock options under the CEO Stock Option Plan 2014 bis ("**CEO SOP 2014 bis**"). These stock options are options of a contractual nature to acquire existing shares, giving the CEO the right to acquire existing shares of the Company, on a one to one basis.

The term of the stock options is five years, such that all of the stock options granted under the CEO SOP 2014 bis have an expiration date of July 15, 2019. The stock options vested in three installments, on July 15, 2015, July 15, 2016 and July 15, 2017, respectively. All stock options that vested pursuant to the CEO SOP 2014 bis become exercisable during defined exercise periods as from July 15, 2017.

The vesting of the stock options under the CEO SOP 2014 bis is contingent upon the achievement of certain (cumulative) performance criteria over a period of three years, including the achievement of a minimum level of Adjusted EBITDA. The Remuneration Committee, in consultation with the CEO, determined for each installment the performance criteria, and the Remuneration Committee decided that these criteria were met. As the applicable (cumulative) performance criteria were achieved for 2014, 2015 and 2016, the first tranche of 45,000 stock options vested on July 15, 2015, the second tranche of 67,500 stock options vested on July 15, 2016 and the third tranche of 67,500 stock options vested on July 15, 2017.

Upon a change of control over the Company, a de-listing of the Company or the start of a squeeze-out offer in relation to the shares of the Company, all stock options vest immediately and automatically.

The CEO shall consider the general interest of the Company when exercising Stock Options and/or selling the shares acquired upon the exercise of Stock Options.

On March 13, 2015, the CEO received 180,000 stock options under the CEO Stock Option Plan 2015 ("**CEO SOP 2015**"). These stock options are options of a contractual nature to acquire existing shares, giving the CEO the right to acquire existing shares of the Company, on a one to one basis.

The term of the stock options is five years, such that all of the stock options granted under CEO SOP 2015 have an expiration date of of March 13, 2020. The stock options vest in three installments, on March 13, 2016, March 13, 2017 and March 13, 2018 respectively. All stock options that vest pursuant to the CEO SOP 2015 become exercisable during defined exercise periods as from March 13, 2018.

The vesting of the stock options under the CEO SOP 2015 is contingent upon the achievement of certain (cumulative) performance criteria over a period of three years, including the achievement of a minimum level of Operating Cash (under USGAAP). The Remuneration Committee, in consultation with the CEO, determined for each installment the performance criteria on February 10, 2015, and the Remuneration Committee decided that these criteria were met. As the applicable performance criteria were achieved for 2015, the first tranche of 55,000 stock options vested on March 13, 2016. On February 14, 2017, the Remuneration Committee decided that the applicable (cumulative) performance criteria for 2015 and 2016 have been achieved hence, the second tranche of 63,000 stock options vested on March 13, 2017. On February 7, 2018, the Remuneration Committee decided that the applicable (cumulative) performance criteria for 2015, 2016 and 2017 have been achieved hence, the third tranche of 62,000 stock options vested on March 13, 2018.

Upon a change of control over the Company, a de-listing of the Company or the start of a squeeze-out offer in relation to the shares of the Company, all stock options vest immediately and automatically.

The CEO shall consider the general interest of the Company when exercising Stock Options and/or selling the shares acquired upon the exercise of Stock Options.

On April 15, 2016 the CEO received 244, 209 stock options under the ESOP 2016 plan (see also 8.3.1). These stock options are options of a contractual nature to acquire existing shares, giving the CEO the right to acquire existing shares of the Company, on a one to one basis. The term of the stock options is five years, such that all of the stock options granted under the ESOP 2016 plan, have an expiration of April 15, 2021. The stock options vest in quarterly installments.

On June 8, 2017, the CEO received 177,680 stock options under the ESOP 2017 plan (see also 8.3.1). These stock options are options of a contractual nature to acquire existing shares, giving the CEO the right to acquire existing shares of the Company, on a one to one basis.
The term of the stock options is five years, such that all of the stock options granted under the ESOP 2017 plan, have an expiration date of June 8, 2022. The stock options vest in quarterly installments.

On June 6, 2018, the CEO received 204,942 stock options under the ESOP 2018 plan (see also 8.3.1). These stock options are options of a contractual nature to acquire existing shares, giving the CEO the right to acquire existing shares of the Company, on a one to one basis. The term of the stock options is five years, such that all of the stock options granted under the ESOP 2018 plan, have an expiration date of June 6, 2023. The stock options vest in quarterly installments.

During the year ended December 31, 2018, the beneficiary of the CEO Stock Option Plan 2014bis exercised 90,000 vested stock options of the respective plan, resulting in the delivery of a total of 90,000 own shares held by the Company.

As of December 31, 2018, Mr. Porter had been granted the following stock options:

| Name Plan | Number of stock options outstanding | Current Exercise price* | Vesting | Expiration date |
|---|---|---|---|---|
| **CEO SOP 2014** | | | | |
| first installment | 138,750 | €34.51 | June 26, 2016 | June 26, 2020 |
| second installment | 46,250 | €34.51 | March 1, 2017 | June 26, 2020 |
| **CEO SOP 2014 bis**** | | | | |
| first installment | — | €34.95 | July 15, 2015 | July 15, 2019 |
| second installment | 22,500 | €34.95 | July 15, 2016 | July 15, 2019 |
| third installment | 67,500 | €34.95 | July 15, 2017 | July 15, 2019 |
| **CEO SOP 2015** | | | | |
| first installment | 55,000 | €50.57 | March 13, 2016 | March 13, 2020 |
| second installment | 63,000 | €50.57 | March 13, 2017 | March 13, 2020 |
| third installment | 62,000 | €50.57 | March 13, 2018 | March 13, 2020 |
| **ESOP 2016** | | | | |
| | 244,209 | €40.36 | Quarterly | April 15, 2021 |
| **ESOP 2017** | | | | |
| | 177,680 | €51.60 | Quarterly | June 8, 2022 |
| **ESOP 2018** | | | | |
| | 204,942 | €37.91 | Quarterly | June 6, 2023 |

*Upon the payment of the extraordinary dividend on October 4, 2018, the Company adjusted all options to ensure that benefits granted to the option holders were not reduced. The number of options was increased and the exercise price was decreased. More details on the extraordinary dividend and respective adjustments can be found in note 5.12 to the consolidated financial statements.
** During the year ended December 31, 2018, the beneficiary of the CEO Stock Option Plan 2014bis exercised 90,000 vested stock options of the respective plan, resulting in the delivery of a total of 90,000 own shares held by the Company.

### c) Termination arrangements

The CEO has a termination arrangement in his contract with the Company, providing that in case of early termination, the CEO is entitled to a maximum total cash remuneration equal to 12 months remuneration.

## 4. Remuneration Senior Leadership Team

### a) Cash-based remuneration

For the year ended December 31, 2018, the aggregate remuneration paid to the other members of the SLT (excluding the CEO), amounted to €5,832,038. All members of the SLT (excluding the CEO) have an employment agreement with Telenet BVBA.

This amount is composed of the following elements (for all members jointly, excluding the CEO): (i) a fixed salary of €2,950,201, a variable salary of €2,275,662 (constituting 100% of the total cash bonus of 2018 and the vested performance shares), (iii) paid premiums for group insurance for an amount of €377,657 and (iv) benefits in kind valued at €228,519. All amounts are gross without employer's social security contributions.

The members of the SLT (excluding the CEO) 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 €263,649.

The benefits in kind include insurance for medical costs, a company car, representation allowance, luncheon vouchers and for some members housing and travel expenses. The members of the SLT (excluding the CEO) further receive a price reduction with respect to Telenet products or services they order. The members of the SLT receive no benefits in cash linked to a performance period of longer than one year.

### b) Share-based compensation

On February 7, 2018, the board of directors determined that the performance targets applicable to the 2015 Telenet Performance Shares were met, resulting in the vesting of these performance shares on June 18, 2018. On February 7, 2018 the Remuneration & Nomination Committee decided to settle the vested performance shares in shares of the Company. Following the decision of the Remuneration & Nomination Committee at total of 11,195 (net amount shares) were paid out.

An overview of the numbers of 2015 Telenet performance shares vested in favor of (current) members of the Senior Leadership Team can be found below:

| Name | Number of 2015 performance shares vested (gross amount) |
|---|---|
| Berger Micha | 3,013 |
| Caluwaerts Ann | 2,280 |
| Birgit Conix** | 2,989 |
| Kurup Veenod* | 3,013 |
| Machtelinckx Luc | 2,607 |
| Poels Claudia | 2,211 |
| Smidts Inge* | 2,514 |
| Tempels Martine | 2,202 |
| Benedikte Paulissen | 1,888 |
| Nieuwdorp Dieter | 2,109 |
| Vincent Patrick | 2,866 |

(*) Ms. Inge Smidts and Mr. Veenod Kurup left the Company in 2015, but are entitled to Performance Shares.
(**) Ms. Birgit Conix left the Company in 2018, but is entitled to Performance Shares.

On December 31, 2018, the current members of the SLT (excluding the CEO) held in aggregate 189,348 exercisable stock options under the ESOP 2014, 167,430 under the ESOP 2015, 230,382 under the ESOP 2016, 90,791 under the ESOP 2017 and 43,775 under the ESOP 2018. Each stock option can be exercised for one share. The vesting of these stock options occurs progressively (per quarter) over a period of four years. The stock options become exercisable after vesting.

During 2018, the members of the SLT also received stock options under the ESOP 2018/ESOP 2018 bis. An overview of the stock options granted to (and accepted by) the current members of the SLT (excluding the CEO) during 2018 can be found in the table below:

| Name | Grant | Number of stock options granted | Number of stock options accepted | Current Exercise price* |
|---|---|---|---|---|
| Berger Micha | ESOP 2018 | 68,314 | 15,000 | €37.91 |
| Bronselaer Jeroen | ESOP 2018 | 37,572 | 20,000 | €37.91 |
| Caluwaerts Ann | ESOP 2018 | 29,638 | 15,000 | €37.91 |
| Van den Enden Erik | ESOP 2018 bis | 53,781 | 53,781 | €44.62 |
| Lloyd Sam | ESOP 2018 | 29,638 | — | €37.91 |
| Machtelinckx Luc | ESOP 2018 | 29,638 | 15,000 | €37.91 |
| Nieuwdorp Dieter | ESOP 2018 | 29,638 | 29,638 | €37.91 |
| Paulissen Benedikte | ESOP 2018 | 37,572 | 20,000 | €37.91 |
| Poels Claudia | ESOP 2018 | 29,638 | 29,638 | €37.91 |
| Tempels Martine | ESOP 2018 | 37,572 | 30,000 | €37.91 |
| Vincent Patrick | ESOP 2018 | 37,572 | 20,000 | €37.91 |

*Upon the payment of the extraordinary dividend on October 4, 2018, the Company adjusted all options to ensure that benefits granted to the option holders were not reduced. The number of options was increased and the exercise price was decreased. More details on the extraordinary dividend and respective adjustments can be found in note 5.12 to the consolidated financial statements.

An overview of the stock options exercised by the members of the SLT (excluding the CEO) during 2018, while they were members of the SLT, can be found in the table below:

| Name | Number of stock options exercised | Current Exercise Price* | Plan |
|---|---|---|---|
| Berger Micha | 12,500 | 34.33 | ESOP 2013 |
| Bronselaer Jeroen | 150 | 34.33 | ESOP 2013 |
| | 11,267 | 40.18 | ESOP 2014 |
| Caluwaerts Ann | 15,000 | 40.18 | ESOP 2014 |
| Machtelinckx Luc | 15,000 | 40.18 | ESOP 2014 |
| Nieuwdorp Dieter | 2,000 | 34.33 | ESOP 2013 |
| Paulissen Benedikte | 1,250 | 34.33 | ESOP 2013 |
| | 11,267 | 40.18 | ESOP 2014 |
| Poels Claudia | 30,000 | 34.33 | ESOP 2013 |
| Tempels Martine | 26,000 | 40.18 | ESOP 2014 |
| Vincent Patrick | 2,500 | 34.33 | ESOP 2013 |
| | 19,436 | 40.18 | ESOP 2014 |
| | 17,307 | 40.36 | ESOP 2016 |

* Upon the payment of the extraordinary dividend on October 4, 2018, the Company adjusted all options to ensure that benefits granted to the option holders were not reduced. The number of options was increased and the exercise price was decreased. More details on the extraordinary dividend and respective adjustments can be found in note 5.12 to the consolidated financial statements.

### c) Termination arrangements

The employment agreements of some members of the SLT, all concluded before July 2009, contain termination arrangements providing for a notice period which can exceed twelve months in case of termination by Telenet BVBA (other than for cause):

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).

The employment agreement with Ms. Martine Tempels, concluded when she was not yet a member of the SLT (and before May 4, 2010, i.e. the date of entry into force of the Law of April 6, 2010), does contain specific provisions relating to early termination, although it does 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 her at the occasion of her appointment as member of the SLT.

The employment agreement with Mr. Dieter Nieuwdorp, and Ms. Benedikte Paulissen concluded when they were not yet members of the SLT (and before May 4, 2010, i.e. the date of entry into force of the Law of April 6, 2010) do not contain specific provisions relating to early termination.

The employment agreements with Mr. Patrick Vincent, Mr. Jeroen Bronselaer, Ms. Sam Lloyd and Ms. Claudia Poels do not contain specific provisions relating to early termination.

The agreements with Ms. Ann Caluwaerts and Mr. Micha Berger all concluded after May 4, 2010, contain clauses specifying that severance pay in the event of early termination shall not exceed the maximum amount foreseen by law.

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

## 8.8 Audit of the company

### 8.8.1 External audit by statutory auditors

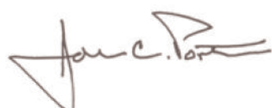
For details on the audit and non-audit fees paid to the auditor in the year ended December 31, 2018, we refer to note 5.31 to the consolidated financial statements of the Company.

### 8.8.2 Internal audit

For details on the internal audit function, we refer to note 8.4.2.5 of the corporate governance statement.

Brussels, March 14, 2019

On behalf of the board of directors



John Porter
Chief Executive Officer

Bert De Graeve
Chairman

# Telenet Group Holding NV consolidated financial statements

# 1. Consolidated statement of financial position

| *(in thousands of euro)* | Note | December 31, 2018 | December 31, 2017, restated (*) |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets:** | | | |
| Property and equipment | 5.4 | 2,237,456 | 2,149,571 |
| Goodwill | 5.5 | 1,830,181 | 1,795,985 |
| Other intangible assets | 5.6 | 729,899 | 778,385 |
| Deferred tax assets | 5.15 | 247,101 | 236,578 |
| Investments in and loans to equity accounted investees | 5.7.1 | 67,338 | 30,990 |
| Other investments | 5.7.2 | 5,013 | 4,107 |
| Derivative financial instruments | 5.14 | 5,989 | 7,766 |
| Trade receivables | 5.8.1 | 859 | 2,851 |
| Other non-current assets | 5.9.1 | 13,506 | 10,842 |
| **Total non-current assets** | | **5,137,342** | **5,017,075** |
| **Current assets:** | | | |
| Inventories | 5.10 | 28,012 | 21,519 |
| Trade receivables | 5.8.2 | 201,915 | 214,895 |
| Other current assets | 5.9.2 | 138,227 | 136,552 |
| Cash and cash equivalents | 5.11 | 88,160 | 39,053 |
| Derivative financial instruments | 5.14 | 62,825 | 41,569 |
| **Total current assets** | | **519,139** | **453,588** |
| **Total assets** | | **5,656,481** | **5,470,663** |

| *(in thousands of euro)* | Note | December 31, 2018 | December 31, 2017, restated (*) |
|---|---|---|---|

# Equity and liabilities

| | | | |
|---|---|---|---|
| **Equity:** | | | |
| Share capital | 5.12 | 12,799 | 12,799 |
| Share premium and other reserves | 5.12 | 799,929 | 987,077 |
| Retained losses | 5.12 | (2,444,610) | (2,101,949) |
| Remeasurements | 5.12 | (16,501) | (13,542) |
| **Total equity attributable to owners of the Company** | | **(1,648,383)** | **(1,115,615)** |
| Non-controlling interests | 5.12 | 22,877 | 21,855 |
| **Total equity** | | **(1,625,506)** | **(1,093,760)** |
| **Non-current liabilities:** | | | |
| Loans and borrowings | 5.13 | 5,161,029 | 4,462,211 |
| Derivative financial instruments | 5.14 | 211,297 | 311,291 |
| Deferred revenue | 5.19 | 2,869 | 1,051 |
| Deferred tax liabilities | 5.15 | 156,168 | 151,685 |
| Other non-current liabilities | 5.16 | 74,449 | 123,952 |
| **Total non-current liabilities** | | **5,605,812** | **5,050,190** |
| **Current liabilities:** | | | |
| Loans and borrowings | 5.13 | 504,128 | 361,695 |
| Trade payables | | 184,657 | 149,976 |
| Accrued expenses and other current liabilities | 5.18 | 535,262 | 616,793 |
| Deferred revenue | 5.19 | 104,340 | 102,315 |
| Derivative financial instruments | 5.14 | 64,283 | 21,784 |
| Current tax liability | 5.22 | 283,505 | 261,670 |
| **Total current liabilities** | | **1,676,175** | **1,514,233** |
| **Total liabilities** | | **7,281,987** | **6,564,423** |
| **Total equity and liabilities** | | **5,656,481** | **5,470,663** |

(*) We refer to note 5.1.6 ***Reporting change*s** and note 5.24.2 ***SFR Belux*** for detailed information regarding the impact of the finalization of the purchase price allocation ("**PPA**") of the SFR Belux acquisition. The Company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated (note 5.29).

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

# 2. Consolidated statement of profit or loss and other comprehensive income

| *(in thousands of euro, except per share data)* | | For the years ended December 31, | |
|---|---|---|---|
| | Note | **2018** | **2017 as restated (*)** |
| **Profit for the period** | | | |
| Revenue | (*) 5.19 | 2,534,836 | 2,521,104 |
| Cost of services provided | (*) 5.20 | (1,400,530) | (1,589,715) |
| **Gross profit** | | **1,134,306** | **931,389** |
| Selling, general and administrative expenses | 5.20 | (534,845) | (490,945) |
| **Operating profit** | | **599,461** | **440,444** |
| Finance income | | 112,185 | 246,463 |
| Net interest income and foreign exchange gain | 5.21 | 427 | 246,463 |
| Net gain on derivative financial instruments | 5.14 & 5.21 | 111,758 | — |
| Finance expense | | (375,533) | (543,932) |
| Net interest expense, foreign exchange loss and other finance expense | 5.21 | (350,943) | (224,875) |
| Net loss on derivative financial instruments | 5.14 & 5.21 | — | (243,066) |
| Loss on extinguishment of debt | 5.21 | (24,590) | (75,991) |
| **Net finance expenses** | 5.21 | **(263,348)** | **(297,469)** |
| Share in the profit of equity accounted investees | 5.7.1 | 1,446 | 3,332 |
| Reversal of impairment of investments in equity accounted investees | 5.7.1 | 22,746 | — |
| Gain on disposal of assets related to a joint venture | 5.7.1 | 10,500 | — |
| **Profit before income tax** | | **370,805** | **146,307** |
| Income tax expense | 5.22 | (118,605) | (34,816) |
| **Profit for the period** | | **252,200** | **111,491** |

(*) We refer to note 5.1.6 ***Reporting changes*** for detailed information regarding the reclassification of intercompany-related security revenue and the re-presentation of mobile telephony revenue generated by small and medium-sized ("**SME**") customers, as well as to note 5.24.2 ***SFR Belux*** for detailed information regarding the impact of the finalization of the PPA of the SFR Belux acquisition. The Company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated (note 5.29).

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

| *(in thousands of euro, except per share data)* | | For the years ended December 31, | |
|---|---|---|---|
| | Note | **2018** | **2017** |

## Other comprehensive income (loss) for the period, net of income tax

| **Items that will not be reclassified to profit or loss** | | | |
|---|---|---|---|
| Remeasurements of defined benefit liability/(asset) | 5.17 | (4,886) | 1,256 |
| Deferred tax | | 1,927 | — |
| **Other comprehensive income (loss) for the period, net of income tax** | | **(2,959)** | **1,256** |
| **Total comprehensive income for the period** | | **249,241** | **112,747** |
| **Profit (loss) attributable to:** | | **252,200** | **111,491** |
| Owners of the Company | | 253,381 | 109,925 |
| Non-controlling interests | | (1,181) | 1,566 |
| **Total comprehensive income (loss) for the period, attributable to:** | | **249,241** | **112,747** |
| Owners of the Company | | 250,422 | 111,181 |
| Non-controlling interests | | (1,181) | 1,566 |
| **Earnings per share** | | | |
| Basic earnings per share in € | 5.23 | 2.22 | 0.95 |
| Diluted earnings per share in € | 5.23 | 2.22 | 0.95 |

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

# 3. Consolidated statement of changes in shareholders' equity

| Attributable to equity holders of the Company | Note | Number of shares | Share capital | Share premium | Share-based payment reserve |
|---|---|---|---|---|---|
| *(in thousands of euro, except share data)* | | | | | |
| **January 1, 2018 as reported** | | **117,716,323** | **12,799** | **80,743** | **87,783** |
| **January 1, 2018 after impact of finalization PPA SFR Belux** | | **117,716,323** | **12,799** | **80,743** | **87,783** |
| Impact of change in accounting policies [1] | | — | — | — | — |
| Reclass legal reserves | | — | — | — | — |
| **January 1, 2018 restated** | | **117,716,323** | **12,799** | **80,743** | **87,783** |
| **Total comprehensive income for the period** | | | | | |
| Profit (loss) for the period | | — | — | — | — |
| Other comprehensive loss [2] | | — | — | — | — |
| **Total comprehensive income for the period** | | **—** | **—** | **—** | **—** |
| **Transactions with owners, recorded directly in equity** | | | | | |
| **Contributions by and distributions to owners of the Company** | | | | | |
| Recognition of share-based compensation | 5.12 | — | — | — | 16.769 |
| Own shares acquired | 5.12 | — | — | — | — |
| Proceeds received upon exercise of stock options | 5.12 | — | — | — | — |
| Dividend declared | 5.12 | — | — | — | — |
| Other | | — | — | — | — |
| **Total contribution by and distributions to owners of the Company** | | **—** | **—** | **—** | **16,769** |
| **Changes in ownership interests in subsidiaries** | | | | | |
| Capital contributions by NCI | | — | — | — | — |
| **Total transactions with owners of the Company** | | **—** | **—** | **—** | **16,769** |
| **December 31, 2018** | | **117,716,323** | **12,799** | **80,743** | **104,552** |

| Legal reserve | Reserve for own shares | Other reserves | Retained loss | Remeasurements | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| **99,346** | **(108,665)** | **827,870** | **(2,099,658)** | **(13,542)** | **(1,113,324)** | **21,855** | **(1,091,469)** |
| **99,346** | **(108,665)** | **827,870** | **(2,101,949)** | **(13,542)** | **(1,115,615)** | **21,855** | **(1,093,760)** |
| — | — | — | 8,622 | — | 8,622 | — | 8,622 |
| (34,548) | — | 34,548 | — | — | — | — | — |
| **64,798** | **(108,665)** | **862,418** | **(2,093,327)** | **(13,542)** | **(1,106,993)** | **21,855** | **(1,085,138)** |
| | | | | | | | |
| — | — | — | 253,381 | — | 253,381 | (1,181) | 252,200 |
| — | — | — | — | (2,959) | (2,959) | — | (2,959) |
| **—** | **—** | **—** | **253,381** | **(2,959)** | **250,422** | **(1,181)** | **249,241** |
| | | | | | | | |
| — | — | — | — | — | 16,769 | — | 16,769 |
| — | (228,060) | — | — | — | (228,060) | — | (228,060) |
| — | 24,240 | — | (5,655) | — | 18,585 | — | 18,585 |
| — | — | — | (599,099) | — | (599,099) | — | (599,099) |
| — | — | (97) | 90 | — | (7) | — | (7) |
| **—** | **(203,820)** | **(97)** | **(604,664)** | **—** | **(791,812)** | **—** | **(791,812)** |
| | | | | | | | |
| — | — | — | — | — | — | 2,203 | 2,203 |
| **—** | **(203,820)** | **(97)** | **(604,664)** | **—** | **(791,812)** | **2,203** | **(789,609)** |
| **64,798** | **(312,485)** | **862,321** | **(2,444,610)** | **(16,501)** | **(1,648,383)** | **22,877** | **(1,625,506)** |

[1] The Company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 5.29

[2] Remeasurements of defined benefit liability/(asset), net of taxes

| Attributable to equity holders of the Company | Note | Number of shares | Share capital | Share premium | Share-based payment reserve |
|---|---|---|---|---|---|
| *(in thousands of euro, except share data)* | | | | | |
| **January 1, 2017** | | **117,335,623** | **12,758** | **62,366** | **75,271** |
| **Total comprehensive income for the period** | | | | | |
| Profit for the period | | — | — | — | — |
| Other comprehensive income (loss) | | — | — | — | — |
| **Total comprehensive income for the period** | | **—** | **—** | **—** | **—** |
| **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 | 5.12 | — | — | — | — |
| Recognititon of share-based compensation | 5.12 | — | — | — | 12,512 |
| Cost of equity transactions | 5.12 | — | — | — | — |
| Own shares acquired | 5.12 | — | — | — | — |
| Issuance of share capital through Employee Share Purchase Plan | 5.12 | 380,700 | 41 | 18,377 | — |
| Proceeds received upon exercise of warrants and stock options | 5.12 | — | — | — | — |
| **Total contribution by and distributions to owners of the Company** | | **380,700** | **41** | **18,377** | **12,512** |
| **Changes in ownership interests in subsidiaries** | | | | | |
| Capital contributions by NCI | | — | — | — | — |
| **Total transactions with owners of the Company** | | **380,700** | **41** | **18,377** | **12,512** |
| **December 31, 2017** | | **117,716,323** | **12,799** | **80,743** | **87,783** |

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

| Legal reserve | Reserve for own shares | Other reserves | Retained loss | Remeasurements | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|
| **86,317** | **(85,767)** | **827,945** | **(2,190,107)** | **(14,798)** | **(1,226,015)** | **18,372** | **(1,207,643)** |
| | | | | | | | |
| — | — | — | 112,217 | — | 112,217 | 1,566 | 113,783 |
| — | — | — | — | 1,256 | 1,256 | — | 1,256 |
| **—** | **—** | **—** | **112,217** | **1,256** | **113,473** | **1,566** | **115,039** |
| | | | | | | | |
| | | | | | | | |
| 13,029 | — | — | (13,029) | — | — | — | — |
| — | — | — | — | — | 12,512 | — | 12,512 |
| — | 117 | (75) | — | — | 42 | — | 42 |
| — | (61,652) | — | — | — | (61,652) | — | (61,652) |
| — | — | — | — | — | 18,418 | | 18,418 |
| — | 38,637 | — | (8,739) | — | 29,898 | — | 29,898 |
| **13,029** | **(22,898)** | **(75)** | **(21,768)** | **—** | **(782)** | **—** | **(782)** |
| | | | | | | | |
| — | — | — | — | — | — | 1,917 | 1,917 |
| **13,029** | **(22,898)** | **(75)** | **(21,768)** | **—** | **(782)** | **1,917** | **1,135** |
| **99,346** | **(108,665)** | **827,870** | **(2,099,658)** | **(13,542)** | **(1,113,324)** | **21,855** | **(1,091,469)** |

# 4. Consolidated statement of cash flows

| (in thousands of euro) | | For the years ended December 31, | |
|---|---|---|---|
| | Note | 2018 | 2017 as restated (*) |

## Cash flows provided by operating activities:

| | Note | 2018 | 2017 as restated (*) |
|---|---|---|---|
| Profit for the period | | 252,200 | 111,491 |
| Adjustments for: | | | |
| Depreciation, amortization, impairment and restructuring | 5.20 | 709,041 | 751,465 |
| Gain on disposal of property and equipment and other intangible assets | 5.20 | (3,028) | (4,449) |
| Income tax expense | 5.22 | 118,605 | 34,816 |
| Increase (decrease) in allowance for bad debt | 5.8 | (1,416) | 853 |
| Gain on disposal of assets to a joint venture | 5.7.1 | (10,500) | — |
| Net interest income and foreign exchange gain | 5.21 | (427) | (246,463) |
| Net interest expense, foreign exchange loss and other finance expense | 5.21 | 350,943 | 224,875 |
| Net loss/gain on derivative financial instruments | 5.14 & 5.21 | (111,758) | 243,066 |
| Loss on extinguishment of debt | 5.21 | 24,590 | 75,991 |
| Share in the result of equity accounted investees | 5.7.1 | (1,446) | (3,332) |
| Reversal impairment of investments in equity accounted investees | 5.7.1 | (22,746) | — |
| Share based payments | 5.12 & 5.20 | 16,840 | 19,740 |
| Change in: | | | |
| Trade receivables | | 21,731 | (10,837) |
| Other assets | | 11,037 | 5,879 |
| Deferred revenue | | (1,646) | (6,028) |
| Trade payables | | 18,888 | (39,719) |
| Other liabilities | | (59,877) | (2,733) |
| Accrued expenses and other current liabilities | | 21,506 | 21,568 |
| Interest paid | 5.13.4 | (188,412) | (210,937) |
| Interest received | | 34,955 | 2,726 |
| Income taxes paid | | (103,513) | (136,341) |
| **Net cash provided by operating activities** | | **1,075,567** | **831,631** |

(*) we refer to note 5.24.2 ***SFR Belux*** for detailed information regarding the impact of the finalization of the PPA of the SFR Belux acquisition. The Company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated (note 5.29).

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

| *(in thousands of euro)* | | **For the years ended December 31,** | |
|---|---|---|---|
| | Note | **2018** | **2017** |

## Cash flows used in investing activities:

| | | | |
|---|---|---|---|
| Acquisitions of property and equipment | | (245,752) | (294,926) |
| Acquisitions of intangibles | | (157,945) | (185,044) |
| Acquisitions of other investments | 5.7.2 | — | (2,360) |
| Acquisitions of and loans to equity accounted investees | 5.7.1 | (2,816) | (260) |
| Acquisitions of subsidiaries, net of cash acquired | 5.24 | (62,513) | (367,329) |
| Proceeds from sale of property and equipment and other intangibles | | 2,637 | 8,882 |
| Acquisitions of broadcasting rights for resale purposes | | — | (5,209) |
| Proceeds from the sale of broadcasting rights for resale purposes | | — | 5,209 |
| **Net cash used in investing activities** | | **(466,389)** | **(841,037)** |

## Cash flows used in financing activities:

| | | | |
|---|---|---|---|
| Repayments of loans and borrowings | 5.13 | (694,396) | (998,665) |
| Proceeds from loans and borrowings | 5.13 | 1,009,496 | 1,055,009 |
| Payments of finance lease liabilities | | (45,161) | (40,317) |
| Payments for debt issuance costs | | (25,713) | (53,441) |
| Repurchase of own shares | 5.12 | (228,490) | (61,646) |
| Sale of own shares | 5.12 | 18,585 | 29,898 |
| Payments related to capital reductions and dividends | 5.12 | (598,910) | — |
| Proceeds from capital transactions with equity participants | | 4,518 | — |
| Proceeds from issuance of share capital through Employee Share Purchase Plan | 5.12 | — | 18,418 |
| **Net cash used in financing activities** | 5.13.4 | **(560,071)** | **(50,744)** |
| | | | |
| **Net increase (decrease) in cash and cash equivalents** | | **49,107** | **(60,150)** |
| Cash and cash equivalents: | | | |
| at January 1 | 5.11 | 39,053 | 99,203 |
| at December 31 | 5.11 | 88,160 | 39,053 |

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

# 5. Notes to the consolidated financial statements for the year ended December 31, 2018

## 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, its subsidiaries and other consolidated companies (hereafter collectively referred to as the "**Company**" or "**Telenet**"). Through its broadband network, the Company offers basic and enhanced video services, including pay television services, broadband internet and fixed-line 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 and parts of Luxembourg. The Company also offers mobile telephony services through its own mobile network.

On June 19, 2017, the Company acquired Altice's former Belgian and Luxembourg cable operations ("**Coditel Brabant**" and "**Coditel S.à r.l.**", together "**SFR Belux**"), which operates under the SFR brand and provides cable services to households and businesses in Brussels, Wallonia and Luxembourg and offers mobile telephony services in Belgium.

On May 1, 2018, the Company acquired **TelelinQ NV** and its subsidiaries (hereinafter referred to as "**Nextel**", which acts as a Belgian integrator and provides additional expertise to design, build and manage all-in-one solutions for businesses.

Telenet Group Holding NV and its principal operating subsidiaries are limited liability companies organized under Belgian law. Subsidiaries and structured financing entities ("**SEs**") 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 ("**EU IFRS**"). The financial statements have been prepared on the historical cost basis, except for certain financial instruments and the net assets acquired in a business combination, which are measured at fair value. The methods used to measure fair values are discussed further in note 5.3.6. 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 EU IFRS 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 5.3.6: Financial instruments: fair values
- note 5.4: Property and equipment
- note 5.5: Impairment testing of goodwill
- note 5.6: Other intangible assets
- note 5.7.1: Investments in and loans to equity accounted investees
- note 5.8: Trade receivables: doubtful debtors
- note 5.14: Derivative financial instruments
- note 5.15: Deferred taxes
- note 5.16: Other non-current liabilities - Asset Retirement obligations
- note 5.18: Accrued expenses and other current liabilities -

  - Liabilities for tax on sites

  - Restructuring liability SFR
- note 5.24: Acquisition of subsidiary - Purchase price allocation
- note 5.2.20: Forthcoming requirements - IFRS 16 Leases

A number of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Company uses market observable data to the extent available.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the fair value techniques, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For further information about the assumptions made in measuring fair values we refer to note 5.3.6 ***Financial Instruments: fair values*** and note 5.12.2 ***Employee share based compensation***.

## 5.1.5 Going Concern

The consolidated financial statements as of December 31, 2018 showed a negative consolidated equity amounting to €1,625.5 million, mainly as a result of the Company's historical shareholder disbursements policy, including various capital reductions.

The Company considers its most optimal equity structure on a consolidated level, based on a certain net leverage range as described in note 5.3.5, even in case of a negative equity on a consolidated level.

The board of directors has considered the Company's net equity position and has prepared the consolidated financial statements applying the accounting policies consistently on a going concern basis taking into account the following, amongst others:

- the forecasted earnings for the next year;

- a projected steadily strong positive cash flow for the next year;

- maturities of financial obligations as disclosed in note 5.3.3.

## 5.1.6 Reporting changes

**Adoption of IFRS 15:** As of January 1, 2018, Telenet has adopted IFRS 15 as mentioned in note 5.2.19 of this 2018 Annual Report. IFRS 15 has impacted certain of Telenet's previous revenue recognition policies, including the accounting for (i) time-limited discounts and free service periods provided to customers, (ii) certain up-front fees charged to customers and (iii) multiple element arrangements. Time-limited discounts and free service periods provided to customers did not result in a material impact upon adoption of IFRS 15. IFRS 15 has also changed the accounting policy for certain upfront costs directly associated with obtaining and fulfilling customer contracts. Under Telenet's previous policy, these costs were expensed as incurred unless the costs were in the scope of another accounting standard that allowed for capitalization. Under IFRS 15, the upfront costs that were previously expensed as incurred have been recognized as assets and amortized to other operating expenses over a period that is consistent with the transfer to the customers of the goods or services to which the assets relate. The adjusted policy for certain upfront costs did not result in a material impact upon adoption of IFRS 15. Application of IFRS 15 positively impacted revenue for the year ended December 31, 2018 related to 2018 handset offers and other hardware devices for an amount of €6.0 million. When taking into account the unwinding in 2018 of the contract assets recognized related to handset offers prior to 2018, the cumulative impact of IFRS 15 on revenues from handset offers amounted to -€3.7 million. With respect to installation and activation fees charged in 2018 to residential customers, the cumulative impact of IFRS 15 for the year ended December 31, 2018 amounted to -€3.2 million. The total cumulative impact on revenues of the aforementioned policy changes in accordance with IFRS 15 thus amounts to -€6.9 million as per December 31, 2018. Including the deferral of the upfront installation and activation fees charged to business customers, total impact amounts to -€7.6 million for the year ended December 31, 2018.

**Presentation of intercompany-related security revenue:** As of January 1, 2018, Telenet changed the way it presents revenue earned from its security business across the Liberty Global Group. As of January 1, 2018, Telenet presents this revenue on a net basis versus on a gross basis previously. This change did not impact Telenet's gross profit or Adjusted EBITDA. For comparability reasons, Telenet has represented its FY 2017 revenue with a total negative impact of €7.0 million.

**Presentation of accrued capital expenditures:** As of January 1, 2018, Telenet changed the way it presents its accrued capital expenditures in order to align with Telenet's internal capital allocation framework. Going forward, accrued capital expenditures will be reported across the following buckets: (i) customer premises equipment, (ii) network growth, (iii) product and services and (iv) maintenance and other. This representation did not affect Telenet's total level of accrued capital expenditures.

**Purchase price allocation for the SFR Belux acquisition:** The December 31, 2017 statement of financial position has been restated, reflecting the retrospective impact of the PPA for the SFR Belux acquisition, which was not yet available at year-end 2017. A step-up on property & equipment of €8.1 million was recorded, while an intangible asset was recognized amounting to €70.5 million, almost entirely consisting of the customer relationships. Together with the deferred tax impact of the above mentioned adjustments (€25.5 million), goodwill was reduced by €53.1 million. The depreciation and amortization expenses, as well as the deferred tax impact related to the period from the acquisition date (June 19, 2017) until December 31, 2017, amounted to €2.3 million and has been reflected in retained earnings of the December 31, 2017 restated statement of financial position.

**Presentation of mobile telephony revenue generated by SME customers:** As from 2018 onwards, Telenet changed the way it presents revenue earned through its mobile SME subscribers. Telenet presents

this revenue incremental (incl. interconnect revenue and carriage fees) under business services revenue versus under mobile telephony revenue (subscription and usage revenue) and under other revenue (interconnect revenue and carriage fees) previously. This change did not impact Telenet's gross profit and Adjusted EBITDA. For comparable reasons, Telenet has represented its FY 2017 results with a total negative impact on mobile telephony revenue of €28.5 million, and a total negative impact on other revenue of €6.1 million and a total positive impact on business services revenue of €34.6 million, respectively.

### 5.1.7 Approval by board of directors

These consolidated financial statements were authorized for issue by the board of directors on March 14, 2019.

## 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. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

#### Structured Entities

The Company has established SEs for financing purposes. The Company does not have any direct or indirect shareholdings in these entities. An SE is consolidated if, based on an evaluation of the substance of its relationship with the Company and the SE's risks and rewards, the Company concludes that it controls the SE.

#### Associates and joint ventures

The Company's interest in equity-accounted investees comprises interests in associates and joint ventures.

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method and are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of the equity-accounted investees, until the date on which significant influence or joint control ceases.

### 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 Senior Leadership Team ("**SLT**") and the board of directors.

The CEO, the SLT and the board of directors of Telenet manage the Company's telecommunication business, inclusive of the recent acquisitions of BASE, SFR Belux and Nextel, as a single operation, driven by the Company's fixed and mobile convergence strategy for both the residential and business markets which is demonstrated in the Company's all-in offer called "WIGO". They assess the Company's 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. For an overview of the Company's revenue by major category, we refer to note 5.19.

In respect of the Company's 50% investment in De Vijver Media NV, the Company determined that the De Vijver Media business is a separate operating segment that is not a reportable segment.

## 5.2.3 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When components of an item of property and equipment have different useful lives, they are accounted for as separate components of property and equipment. Cost includes expenditures that are 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 profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each component of property and equipment.

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

- Buildings and improvements: 10-33 years
- Network: 3-30 years
- Furniture, equipment and vehicles: 2-10 years

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

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 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 a component 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 component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of repairs and maintenance of property and equipment are recognized in the consolidated statement of profit or loss and other comprehensive income 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.

It is the Company's policy to remove an asset's gross cost and accumulated depreciation at the end of an asset's useful life if the asset is no longer used by the Company, except when the asset is classified as held for sale.

## 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: 10 to 20 years
- Customer relationships and supply contracts: 5 to 10 years
- Broadcasting rights: Life of the contractual right
- Software development costs: 3 to 4 years
- Out of market component on future lease obligations acquired as part of a business combination: 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 amortization during the first three months of the license period is based on the actual number of runs to reflect the pattern of consumption of the economic benefits embodied in the content rights. As the pattern of consumption of the future economic benefits for the remaining months of the license period can no longer be determined reliable, 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 profit or loss and other 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 mobile spectrum licenses acquired in a business combination is based on the market approach, using the price quote of the most recent relevant spectrum license auctions.

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.

It is the Company's policy to remove an asset's gross cost and accumulated amortization at the end of an asset's useful life if the asset is no longer used by the Company, except when the asset is classified as held for sale.

## 5.2.5 Impairment of financial and non-financial assets

### Financial assets

**Policy applicable from January 1, 2018 following the adoption of IFRS 9.**

The Company recognizes loss allowances for expected credit losses ("**ECLs**") on:

- financial assets measured at amortized cost;
- debt investments measured at fair value through other comprehensive income ("**OCI**") ("**FVOCI**");
- contract assets

The Company measures loss allowances for its trade receivables, unbilled revenue and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive.

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 90 days due ;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Applying the new ECL method as from January 1, 2018 onwards did not lead to a material impact and as a result, the Company did not restate its comparative financial information (see note 5.8.2).

The Company's interest in equity-accounted investees are assessed at each reporting date to determine whether there is objective evidence of impairment in line with IAS 28.

Objective evidence of impairment includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with IAS 36. An impairment loss is recognized in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

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

**Policy applicable before January 1, 2018**

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 profit or loss and other comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

The Company's interest in equity-accounted investees are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence of impairment includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

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**"). 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 profit or loss and other 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

Business combinations are accounted for using the acquisition method as of the acquisition date, which is the date on which control is transferred to the Company. An investor controls an investee when the investor is exposed to (has rights to) variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. Control requires power, exposure to variability of returns and a linkage between the two. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable.

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.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The cost of an investment in an equity-accounted investee comprises the

purchase price and other costs directly attributable to the acquisition 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. Goodwill arising in a business combination is allocated to the acquirer's cash generating units that are expected to benefit from the synergies of the business combination in which goodwill arose. This is irrespective of whether other assets or liabilities of the acquiree are assigned to those units. 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 will not be reversed in a subsequent period.

Costs that the Company incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

## 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.

## 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, trade and other payables, and investments and loans to equity accounted investees.

### Cash and cash equivalents

Cash and cash equivalents consist principally of cash at bank and money market funds with remaining maturities at acquisition of 3 months or less. Except for money market funds, which are recognized at fair value with changes through the statement of profit or loss and other comprehensive income, cash and cash equivalents are carried at amortized cost using the effective interest rate method, less any impairment losses.

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

### Trade receivables

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

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

### Loans and borrowings

Interest-bearing bank loans are recorded at the proceeds received, net of direct issuance costs. Finance charges, including premiums payable on settlement or redemption and direct issuance 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 less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method.

Deferred financing fees related to undrawn facilities are recognized as other non-current assets if it is probable that the facility will be drawn down.

In case of a modification or exchange of a debt instrument, a substantial modification is accounted for as an extinguishment. In order to determine if a modification is substantial, the Company compares the present value of the remaining cash flows of the old debt instrument to the present value of the cash flows on the modified instrument (including principal, interest, and other amounts paid to or received from the creditors). If the difference between these present values is greater than 10%, then the modification is deemed substantial. In such case, the associated unamortized deferred financing fees related to the old debt instrument are expensed as a loss on extinguishment of debt. If the exchange is not a substantial modification, then the remaining unamortized deferred financing fees of the old debt remain and are amortized over the term of the corresponding new debts, using the effective interest method. The modification or exchange of a debt instrument resulting in a new debt denominated in another currency is treated as a substantial modification.

### 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.

With certain suppliers a vendor financing program is entered into with a financial institution. Under such program, suppliers entering the system are paid by the bank earlier than their regular payment terms at a discount or at their regular payment terms without a discount while Telenet only has to pay the bank after 360 days. Consequently, the vendor financing liabilities are accounted for as current portion of loans and borrowings (note 5.13) on the balance sheet. With respect to the classification of vendor financing in the Company's consolidated statement of cash flows, the company records:

- for operational expense related invoices ("**OPEX**") the Company records cash outflows from operations and a corresponding cash inflow in financing activities when the expenses are incurred. When the Company pays the bank, the Company records financing cash outflows ;

- for capital expense related invoices ("**CAPEX**") cash used in financing activities upon payment of the short term debt by the Company to the bank after 360 days.

## 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.

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 profit or loss and other 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 profit or loss and other comprehensive income.

For cross currency and interest rate derivative contracts that are terminated prior to maturity, the cash paid or received upon termination that relates to future periods is classified as a financing activity in the consolidated statement of cash flows.

## Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance 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.

Until December 31, 2017, installation fees charged to residential customers were recognized as revenue by reference to the stage of completion of the installation. As installation ordinarily does not take long, installation fees were recognized generally as revenue on completion of the installation. Due to the specific characteristics of a business transaction, upfront installation fees charged to business customers are considered part of an integrated solution. The installation is not considered to have stand-alone value and revenue from installation fees charged to business customers is recognized on a straight-line basis as the ongoing services are provided, i.e. deferred and recognized over the term of the arrangement. As from January 1, 2018 onwards, such installation or other up-front fees are under IFRS 15 generally deferred and recognized as revenue over the contractual period, or longer if the up-front fee results in a material renewal right.

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 as such is determined that the Company controls the relating service before it is transferred to the customer.

Until December 31, 2017, the recognition criteria of revenue for multiple element arrangements were applied to the separately identifiable components of the transaction. A component within an arrangement is separated if it has stand-alone 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. The allocation of arrangement consideration to delivered items is limited to amounts of revenue that are not contingent on the Company's future performance. Whereas previously the revenue related to multiple element arrangements was generally recognized based on amounts billed to the customer, this revenue is, as from January 1, 2018 onwards under IFRS 15, generally recognized based on delivery of goods and/or services at their relative stand-alone selling prices.

Revenue from prepaid mobile phone cards is recognized at face value as deferred income at the time of sale and recognized in revenue upon usage of the call value.

Revenue from termination fees is recognized at the time of the contract cancellation, if and only if, collectibility of the fee is reasonably assured. If collectibility 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 switch to a lower tier service. Generally, the downgrade is not considered to be distinct 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.

Digital television customers may rent a set-top box from Telenet. When customers elect to change the type of set-top box that they rent from Telenet, they may be charged a swap fee. The swap to a different type of set-top box is not considered to be distinct to the customer and revenue from swap fees is recognized on a straight-line basis over the shorter period of (i) the expected remaining length of the customer relationship or (ii) the useful life of the set-top box.

Amounts billed for certain premium voice and SMS content are not presented as revenues but are netted against the corresponding expenses, because Telenet carries no legal responsibilities for the collection of these services and acts solely on behalf of the third-party content providers.

Revenue from mobile handset sales transactions, for which the customer entered into a consumer credit agreement with the Company and for which distinct service and payment obligations are applicable from those related to an airtime service contract, is recognized at the time of the sale of the handset as the customer takes full legal title to the handset. This revenue is recognized upon the sale of the handset, if and only if, collectibility of all monthly payments is reasonably assured.

Wholesale revenue earned under MVNO agreements is billed on a monthly basis and recognized in accordance with the usage of the services provided in accordance with the specifications as contractually agreed upon.

Interconnection revenue paid by other telecommunication operators for use of Telenet's network, as well as roaming revenue resulting from receiving or making calls abroad is recognized upon usage.

Revenue from reminder fees are considered to represent a distinct revenue stream and are therefore recognized as revenue.

## 5.2.10 Operating expenses

Operating expenses consist of interconnection and roaming costs, network operations, 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 direct labor costs. Copyright and license fees paid to the holders of those 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 and 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.

Certain municipalities and provinces levy local taxes on an annual basis on masts, pylons and antennas. These taxes do not qualify as income taxes and are recorded as operational taxes. Given the uncertainties surrounding the lawfulness, the Company continues to account for these as a risk in accordance with IAS 37. As the levy is triggered based on the pylons at the beginning of each fiscal year, a liability and the related expense are recognized in accordance with IFRIC 21 at the beginning of each year. Interest charges related to the non-payment of these taxes are recognized and recorded on a monthly basis.

## 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 to those affected. 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.

The obligation related to dismantling network sites is recognized as a tangible asset and a corresponding liability which is measured by using appropriate inflation and discount rates.

## 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.

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 profit or loss and other comprehensive income over the lease period. All other leases are classified as operating lease payments and recognized in the statement of profit or loss and other 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 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 profit or loss and other 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 and other post-employment benefit obligations

The Company provides both defined benefit and defined contribution plans to its employees, directors and certain members of management.

For defined contribution plans, the Company pays fixed contributions into a separate entity. The Company has no obligation to pay further amounts in case the plan assets are insufficient to pay all employee benefits relating to current and prior service. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

As a result of minimum guaranteed rates of return imposed by law, there is a risk that the Company has to pay additional contributions. Therefore, the Belgian defined contribution plans classify as defined benefit plans. Due to a change in legislation regarding the minimum guaranteed rates of return at the end of 2015, the Company accounts for its defined contribution plans as defined benefit plans as from 2016 onwards.

A defined benefit plan is a post-employment benefit plan that is not a defined contribution plan. For defined benefit pension plans, 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 based on the yield at the reporting date on high quality corporate bonds (average yield on AA corporate bonds in euro, benchmarked against the iBoxx € AA Corporates index) taking into account the duration of the Company's obligations.

For the defined contribution plans subject to minimum guaranteed rates of return, the defined benefit obligation is based on the higher of the contributions increased by the minimum guaranteed rates of return and the actual accumulated reserves (plans funded through a pension fund) or the paid-up insured benefits (insured plans). For plans whereby the contributions increase by age, the prospective benefits are attributed on a straight line basis over the employee's career.

The net defined benefit liability/(asset) recognized in the balance sheet corresponds to the difference between the defined benefit obligation and the fair value of the plan assets. In case of a surplus, the net defined benefit (asset) is limited to the present value of future economic benefits available in the form of a reduction in contributions or a cash refund.

For insured plans, the fair value of the insurance policies is based on the insurance reserves.

Remeasurements of the net defined benefit liability/(asset), which comprise actuarial gains and losses on the defined benefit obligation, the return on plan assets (excluding interest income) and changes in the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI.

The Company determines the net interest expense (income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense is recognized in profit or loss.

Past service cost resulting from plan amendments or curtailments is recognized immediately in profit or loss.

The Company also provides post-retirement health care benefits to certain employees. 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.

### Other long term employee benefit obligations

The Company provides long term service awards to its employees. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognized immediately in profit or loss.

### 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 share-based payments 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 profit or loss and other 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.

The Company also issues cash-settled share-based payments to certain employees which are measured at fair value and recognized as share-based payments expense, with a corresponding increase in long term and short term other liabilities, over the period that the employees become unconditionally entitled to the options.

### 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 or net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditures 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.

## 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 as disclosed in note 5.23.2.

## 5.2.17 Finance income and expenses

Finance income mainly comprises interest income on funds invested, changes in the fair value of financial instruments, net gains on financial instruments and foreign exchange gains. Interest income is recognized as it accrues in the statement of profit or loss and other comprehensive income, using the effective interest method.

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

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 customer 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 Changes in accounting policies

The following changes in accounting policies are reflected in the Company's consolidated financial statements as of and for the year ending December 31, 2018.

***Annual improvements to IFRSs 2014-2016 Cycle*** removes outdated exemptions for first-time adopters of IFRS under IFRS 1 and defines that under IAS 28 *Investments in Associates and Joint Ventures,* a venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The amendments have been adopted effective January 1, 2018. These improvements have no material impact on the consolidated financial statements.

***IFRS 9 Financial Instruments*** (effective for annual periods beginning on or after January 1, 2018) includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements, which align hedge accounting more closely with risk management. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. With respect to the provision for impairment of trade receivables, the Company applies under IFRS 9 a new forward looking impairment model based on an expected credit loss (ECL) model rather than the formerly applied actual credit loss model. At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. The Company adopted IFRS 9 effective January 1, 2018. IFRS 9 has no material impact on the consolidated financial statements. The Group has applied the exemption not to restate prior periods with respect to classification and measurement (including impairment). Accordingly, the information presented for 2017 has not been restated.

***IFRS 15 Revenue from Contracts with Customers*** requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Company adopted IFRS 15 effective January 1, 2018 using the cumulative effect transition method (see note 5.1.6 and note 5.29). The impacts of IFRS 15 are discussed below:

- When the Company enters into contracts to provide services to its customers, the Company often charges installation or other up-front fees. Under previous accounting rules, installation fees related to services provided over The Company's cable networks were recognized as revenue during the period in which the installation occurred to the extent these fees were equal to or less than direct selling costs. Under IFRS 15, these fees are generally deferred and recognized as revenue over the contractual period, or longer if the up-front fee results in a material renewal right.
- Under the previous revenue recognition guidance, revenue related to multiple element arrangements, which mainly concerns handsets, was generally recognized based on amounts billed to the customer. Under IFRS 15, revenue is generally recognized based on delivery of goods and/or services at their relative stand-alone selling prices. Handsets sold are considered distinct as the customer can benefit from the good on its own or with other readily available resources.

The above revenue recognition changes have offsetting impacts and both result in a relatively minor shift in the timing of revenue recognition.

IFRS 15 also impacts Telenet's accounting for certain upfront costs directly associated with obtaining and fulfilling customer contracts related to business customers. Under the Company's previous policy, these costs were expensed as incurred unless the costs were in the scope of another accounting standard that allowed for capitalization. Under IFRS 15, the upfront costs that were expensed as incurred are recognized as assets and amortized to other operating expenses over a period that is consistent with the transfer to the customers of the goods or services to which the assets relate, which we have generally interpreted to be the expected life of the customer relationship. The impact of the accounting change for these costs is dependent on numerous factors, including the number of new subscriber contracts added in any given period and was deemed immaterial. The adoption of this accounting change initially resulted in the deferral of operating and selling costs.

The financial impact of IFRS 15 on the opening balance sheet can be summarized as follows:

| | January 1, 2018 |
|---|---|
| | (in thousands of euro) |
| Current contract assets | 9,728 |
| Long term contract assets | 2,516 |
| Deferred tax liability | (3,622) |
| **Retained earnings** | **(8,622)** |

***Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*** issued on June 20, 2016, covers three accounting areas: the measurement of cash-settled share-based payments; the classification of share-based payments settled net of tax withholdings; and the accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments are effective for annual periods commencing on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively so that prior periods do not have to be restated. Retrospective, or early application is permitted if companies have the required information. These amendments have no material impact on the Group's consolidated financial statements.

***Transfers of property assets to/from, investment property (Amendments to IAS 40)*** issued on December 8, 2016, clarifies that a property asset is transferred to, or from, investment property when and only when there is an actual change in use. A change in management intention alone does not support a transfer. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. These amendments have no material impact on the Group's consolidated financial statements.

***IFRIC 22 Foreign currency transactions and Advance consideration*** issued on December 8, 2016, clarifies the transaction date to be used to determine the exchange rate for translating foreign currency transactions involving an advance payment or receipt. The interpretation is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. These amendments have no material impact on the Group's consolidated financial statements.

The adoption of these amendments did not have a material impact on the Company's financial position, statement of profit or loss and other comprehensive income or cash flows.

## 5.2.20 Forthcoming requirements

Standards, annual improvements, amendments and interpretations to existing standards that are not yet effective for the year ended December 31, 2018 and have not been early adopted by the Company.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2019, or later periods, but the Company has not early adopted them. The adoption of these standards, amendments and interpretations, except for IFRS 16, is not expected to have a material impact on the Company's financial result or financial position:

*IFRS 16 Leases (*Effective for annual periods beginning on or after January 1, 2019) makes a distinction between a service contract and a lease based on whether the contract conveys the right to control the use of an identified asset and introduces a single, on-balance sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases. The Company determined IFRS 16 applicable to the following categories of lease contracts: (i) site rentals, (ii) real estate, (iii) cars and (iv) dark fiber. Application of IFRS 16 involve a certain degree of judgement, more specifically with respect to the assessment of the applicable lease term and the assessment if any options to extend the lease term are to be considered 'reasonable certain' to be exercised or not. Specifically for the site rentals Telenet has determined that upon adoption the extension options are not to be 'reasonably certain' to be exercised and are not taken into account in the determination of the lease term.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

***i. Leases in which the Group is a lessee***

The Company will recognize new assets and liabilities for those leases classified as operating leases under previous accounting principles generally accepted under IFRS, being:

- Operating leases of site rentals
- Operating leases of real estate
- Operating leases of cars
- Operating leases of dark fiber

The nature of expenses related to those leases will change because the Company will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognized operating lease expense on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized.

In addition, the Company will no longer recognize provisions for operating leases that it assesses to be onerous as described. Instead, the Company will include the payments due under the lease in its lease liability.

No significant impact is expected for the Company's finance leases which are currently reported in conformity with IAS 17 Leases.

Based on the information currently available, the Company estimates that it will recognize additional right-of-use assets and lease liabilities of €170.0 million as at January 1, 2019. The Company does not expect the adoption of IFRS 16 to impact its ability to comply with the revised maximum leverage threshold loan covenant.

The Company has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Company has not finalized the testing and assessment of controls over its new IT systems; and

- the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

*ii. Leases in which the Group is a lessor*
No significant impact is expected for other leases in which the Group is a lessor.

*iii. Transition*
The Company will elect the modified retrospective approach and thus will record a cumulative effect adjustment to the opening balance of retained earnings as per January 1, 2019, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. The Company will not recognize right-of-use assets or lease liabilities for leases with a term of 12 months or less, as permitted by the short-term lease practical expedient in the standard. The Company generally does not plan to apply the practical expedient that permits a lessee to account for lease and non-lease components in a contract as a single lease component and, accordingly, the Company will continue to account for these components separately. In transition, the Company will apply the practical expedients that permit the Company not to reassess whether expired or existing contracts contain a lease under the new standard. In addition, the Company will not use hindsight during transition.

***Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*** issued on October 12, 2017, clarifies how companies should account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements. These amendments have been endorsed by the EU in February 2019.

***IFRIC 23 Uncertainty over Income Tax Treatments*** issued on June 7, 2017, clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. An entity is required to assume that a tax authority with the right to examine and challenge tax treatments will examine those treatments and have full knowledge of all related information. Detection risk is not considered in the recognition and measurement of uncertain tax treatments. The entity should measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty; either the most likely amount method or the expected value method. The interpretation is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements. This interpretation has been endorsed by the EU.

***IFRS 9 Prepayment Features with Negative Compensation*** Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier adoption permitted. These amendments have not yet been endorsed by the EU and have no impact on the consolidated financial statements of the Company.

***IAS 19: Plan Amendment, Curtailment or Settlement*** The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect on the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding the amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

***Annual improvements to IFRSs 2015-2017 Cycle,*** issued on December 12, 2017, covers the following minor amendments:

- IFRS 3 *Business Combinations*: the amendments clarify that a company remeasures its previously held interest in a joint operation when it obtains control of the business.

- IFRS 11 ***Joint Arrangements***: the amendments clarify that a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 ***Income Taxes***: the amendments clarify that a company accounts for all income tax consequences of dividend payments consistently with the transactions that generated the distributable profits - i.e. in profit or loss, OCI or equity.

- IAS 23 ***Borrowing Costs***: the amendments clarify that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

These amendments are effective for annual reporting periods beginning on or after January 1, 2019 with earlier application permitted.

These amendments are not expected to have a material impact on the Group's consolidated financial statements. These amendments have not yet been endorsed by the EU.

## 5.3 Risk management

### 5.3.1 General

The Company is exposed to various risks within the context of its normal business activities, which could have a material adverse impact on its business, prospects, results of operations and financial condition. Therefore, managing these risks is very important to the management of the Company. To support its growth and help management and the directors to deal with the challenges the Company faces, the Company has set up a risk management and internal control system. The purpose of the risk management and internal control framework is to enable the Company to meet its objectives. The most important components of this system are described in the Company's Corporate Governance Statement under 8.4 Internal control and risk management systems.

The Company conducts its business in a rapidly changing environment that gives rise to numerous risks and uncertainties that it cannot control. Please refer to 3 ***Risk factors*** for more detailed information.

Telenet is involved in a number of legal procedures risen in the normal course of operations, as Telenet operates within a highly competitive environment. Legal proceedings may arise in connection with such as intellectual property, advertising campaigns, product offerings and acquisition opportunities. Telenet discusses in note 5.26.1 certain procedures, which are still pending and to which the Company is involved. Outside the procedures described in note 5.26.1, Telenet does not expect the legal proceedings in which it is a party or by which it is threatened to have a material adverse effect on the activities or consolidated financial position. However, the Company notes that the outcome of legal proceedings can be extremely difficult to predict, and Telenet offers therefore no guarantees.

### 5.3.2 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 and parts of Luxembourg, and outstanding receivables towards Telenet Group's wholesale, interconnect and roaming partners. 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.

As for 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 assessment 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 and cash equivalents are placed with highly rated financial institutions and only highly rated money market funds are used.

#### Quantitative disclosures

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

| *(in thousands of euro)* | **December 31, 2018** | **December 31, 2017** |
|---|---|---|
| Cash and cash equivalents (including money market funds, certificates of deposits) | 88,160 | 39,053 |
| Trade receivables | 211,667 | 229,326 |
| Derivative financial instruments | 68,814 | 49,335 |
| Receivables from sale of sports broadcasting rights | 1,729 | 10,624 |
| Indemnification receivable pylon tax KPN | 18,292 | 4,687 |
| Prepaid content | 6,341 | 6,082 |
| Prepayments | 29,763 | 28,146 |
| Outstanding guarantees to third parties for own liabilities (cash paid) | 3,879 | 1,272 |
| Loans to equity accounted investees | 1,302 | 1,295 |
| **Total** | **429,947** | **369,820** |

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

### 5.3.3 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, new regulations 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 2018 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 expenditures, 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.

The Company believes that its cash flow from operations and its existing cash resources, together with available borrowings under the 2018 Amended Senior Credit Facility, will be sufficient to fund its currently anticipated working capital needs, capital expenditures and debt service requirements.

The 2018 Amended Senior Credit Facility is discussed in greater detail in note 5.13.1 of the consolidated financial statements of the Company.

The Company has implemented a policy on financial risk management, which has last been reviewed and approved by the Audit Committee in October 2017. 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 level of cash and cash equivalents is maintained in order to meet unforeseen cash expenses. A limit has also been set regarding the maximum amount that can be deposited and invested per banking counterparty. The Company's funding requirements and funding strategy are reviewed annually.

In addition, the Company has entered into a €25.0 million bank overdraft facility in order to allow for a more active cash management policy within the context of continued negative short-term interest rates. In December 2017, the Company also entered into a new short-term €20.0 million revolving credit facility with availability up to September 30, 2021. This new revolving credit facility can be used for general corporate purposes and carries a margin of 2.0% over EURIBOR (0% floor).

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, 2018 and 2017 were as follows:

| *Situation as per December 31, 2018* | Payments due by period | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in thousands of euro)* | | | | | | | |
| **Contractual obligations** | **Total** | **Less than 1 year** | **2 years** | **3 years** | **4 years** | **5 years** | **After 5 years** |
| Long term debt [(1) (3)] | 7,052,218 | 561,766 | 229,967 | 225,293 | 225,094 | 224,107 | 5,585,991 |
| Finance lease obligations [(1) (3)] | 551,736 | 72,401 | 67,784 | 64,147 | 64,040 | 53,816 | 229,548 |
| Operating lease obligations | 84,083 | 40,057 | 17,271 | 7,123 | 3,579 | 2,756 | 13,297 |
| Other contractual obligations [(2)] | 1,092,887 | 254,617 | 77,565 | 39,605 | 32,736 | 33,307 | 655,057 |
| Interest Rate Derivatives [(3)] | (229,604) | 3,601 | (35,543) | (35,515) | (35,740) | (41,483) | (84,924) |
| Foreign Exchange Derivatives | 42,667 | 42,667 | — | — | — | — | — |
| Accrued expenses and other current liabilities [(4)] | 456,183 | 456,183 | — | — | — | — | — |
| Trade payables | 184,657 | 184,657 | — | — | — | — | — |
| **Total contractual obligations** | **9,234,827** | **1,615,949** | **357,044** | **300,653** | **289,709** | **272,503** | **6,398,969** |

| *Situation as per December 31, 2017* | Payments due by period | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in thousands of euro)* | | | | | | | |
| **Contractual obligations** | **Total** | **Less than 1 year** | **2 years** | **3 years** | **4 years** | **5 years** | **After 5 years** |
| Long term debt [(1) (3)] | 6,110,846 | 431,181 | 178,245 | 192,949 | 191,379 | 191,485 | 4,925,607 |
| Finance lease obligations [(1) (3)] | 504,267 | 67,900 | 60,488 | 56,980 | 53,585 | 54,901 | 210,413 |
| Operating lease obligations | 187,551 | 51,314 | 38,720 | 32,328 | 20,442 | 15,203 | 29,544 |
| Other contractual obligations [(2)] | 1,392,800 | 379,795 | 178,369 | 64,885 | 35,563 | 34,657 | 699,531 |
| Interest Rate Derivatives [(3)] | (54,102) | (19,495) | 13,826 | (5,668) | (5,698) | (5,926) | (31,141) |
| Foreign Exchange Derivatives | 48,335 | 48,335 | — | — | — | — | — |
| Accrued expenses and other current liabilities [(4)] | 479,696 | 479,696 | — | — | — | — | — |
| Trade payables | 149,976 | 149,976 | — | — | — | — | — |
| **Total contractual obligations** | **8,819,369** | **1,588,702** | **469,648** | **341,474** | **295,271** | **290,320** | **5,833,954** |

1 Interest included.
2 Represents fixed minimum commitments under certain programming and purchase agreements, amounts associated with certain operating costs resulting from the Interkabel acquisition as well as commitments related to the 2G and 3G spectrum (note 5.6).
3 Contractual obligations with a floating interest rate are based on the rate outstanding as at December 31. The contractual obligations also reflect the euro value of nominal exchanges due at maturity of the Company's cross currency interest rates swaps.
4 Excluding compensation and employee benefits, VAT and withholding taxes.

### 5.3.4 Market risk

The Company is exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily 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. Approximately 3.0% (2017: approximately 6.0%) of the Company's costs of operations (primarily the costs of network hardware equipment, 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 manage 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.

In December 2017, the Company announced the successful pricing of €600.0 million 3.50% and USD 1.0 billion 5.50% Senior Secured Fixed Rate Notes due 2028 (the "**Notes**"). The Notes were issued at par by Telenet Financing Luxembourg Notes S.à r.l. (the "**Issuer**"), a wholly-owned financing company incorporated by Telenet International Finance S.à. r.l. ("**Telenet International Finance**") to issue Notes in the international debt markets. The Notes will mature on March 1, 2028 and carry a fixed coupon of 3.50% and 5.50%, for the €-denominated Notes and USD-denominated Notes, respectively, due on a semi-annual basis as of mid-January 2018.

The proceeds of the Notes were on-lent by the Issuer to Telenet International Finance as additional facilities ("**Facility AJ**" and "**Facility AK**") under Telenet's existing 2018 Amended Senior Credit Facility (the "Senior Credit Facility"). The Notes are the obligations of the Issuer alone and are not guaranteed by Telenet Group Holding NV, Telenet Group BVBA, Telenet BVBA or any of their subsidiaries. The Notes, however, indirectly benefit from the guarantee and security package granted by such entities under the Senior Credit Facility through the Issuer's rights as a lender under the Facility AJ and AK.

In addition, the Company announced the successful syndication of a new €730.0 million Term Loan facility ("**Facility AM**") and a new USD 1.3 billion Term Loan facility ("**Facility AL**"), due respectively on December 15, 2027 and March 1, 2026. Facility AL carries a margin of 2.50% over LIBOR with a 0% floor and was issued at par. Facility AM carries a margin of 2.75% over EURIBOR with a 0% floor and was issued at par.

The Company used the net proceeds from these four new facilities to entirely prepay the following credit facilities under its Senior Credit Facility: (i) Facility AH (€1.33 billion due March 2026, EURIBOR +3.00%, 0% floor); and (ii) Facility AI (USD 2.3 billion due June 2025, LIBOR + 2.75%, 0% floor). Through this transaction, the Company has succeeded in extending the average tenor of its debt maturities from 8.1 years at the end of September 2017 to 9.4 years post-refinancing at attractive rates, while ensuring increased covenant flexibility going forward. The Company faces no debt maturities prior to August 2024 and as of December 31, 2017, has full access to €445.0 million of undrawn commitments under its revolving credit facilities with certain availabilities up to June 30, 2023.

The outstanding forward foreign exchange derivatives as of December 31, 2018 and 2017, are disclosed in more detail in note 5.14 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 limits its exposure to floating interest rates through the use of derivative instruments.

The risk is managed by maintaining an appropriate mix of cross-currency interest rate swap contracts, interest rate cap contracts, interest rate collar contracts.

The Company implemented a policy on financial risk management, which has been reviewed and approved by the Audit Committee in October 2017. With respect to interest rate risk, the key objectives can be summarized as:

- only long term interest exposures (+ 1 year) are managed;
- all derivative instruments used are designated to actual interest exposures and are authorized under the policy.

As referred to above, the outstanding interest rate derivatives as of December 31, 2018 and 2017, are disclosed in more detail in note 5.14 to the consolidated financial statements of the Company.

Under the 2018 Amended Senior Credit Facility, there is a 0% floor. As a result, if EURIBOR is below zero, then EURIBOR is deemed to be zero. The same mechanism applies to the Company's USD-denominated exposure.

## Quantitative disclosures

### Interest rate sensitivity testing

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

A change of 25 basis points in interest rates at the reporting date would have changed the fair values of the Company's interest rate derivatives as set out in the table below:

| *(in thousands of euro)* | 2018 | | 2017 | |
|---|---|---|---|---|
| | +0.25% | -0.25% | +0.25% | -0.25% |
| **Changes in fair value** | | | | |
| Swaps | 52,764 | (52,764) | 47,089 | (47,089) |
| Collars | — | — | — | — |
| **Total** | **52,764** | **(52,764)** | **47,089** | **(47,089)** |

The following table summarizes the Company's obligations regarding interest payments 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, 2018** | **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** |
| 2018 Amended SCF Term Loan AN | 52,878 | 99,029 | 98,759 | 98,759 | 99,300 | 304,934 |
| 2018 Amended SCF Term Loan AO | 22,600 | 23,888 | 23,823 | 23,823 | 23,953 | 105,212 |
| Interest Derivatives | (336) | (42,624) | (42,560) | (42,789) | (48,597) | (101,127) |
| **Total** | **75,142** | **80,293** | **80,022** | **79,793** | **74,656** | **309,019** |

| **Situation as per December 31, 2018** | **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** |
| 2018 Amended SCF Term Loan AN | 47,593 | 89,818 | 89,573 | 89,573 | 90,064 | 276,572 |
| 2018 Amended SCF Term Loan AO | 22,539 | 23,765 | 23,700 | 23,700 | 23,830 | 104,668 |
| Interest Derivatives | 7,299 | (28,661) | (28,634) | (28,855) | (34,600) | (68,786) |
| **Total** | **77,431** | **84,922** | **84,639** | **84,418** | **79,294** | **312,454** |

| **Situation as per December 31, 2017** | **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** |
| 2017 Amended SCF Term Loan AE | 47,244 | 28,180 | 49,537 | 49,402 | 49,402 | 179,470 |
| 2017 Amended SCF Term Loan AF | 12,324 | 20,298 | 20,410 | 20,354 | 20,354 | 110,357 |
| Interest Derivatives | (22,989) | 10,396 | (10,167) | (10,185) | (10,414) | (45,055) |
| **Total** | **36,579** | **58,874** | **59,780** | **59,571** | **59,342** | **244,772** |

| **Situation as per December 31, 2017** | **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** |
| 2017 Amended SCF Term Loan AE | 42,213 | 25,026 | 44,040 | 43,920 | 43,920 | 159,555 |
| 2017 Amended SCF Term Loan AF | 12,324 | 20,298 | 20,410 | 20,354 | 20,354 | 110,357 |
| Interest Derivatives | (16,269) | 17,241 | (959) | (1,003) | (1,232) | (18,445) |
| **Total** | **38,268** | **62,565** | **63,491** | **63,271** | **63,042** | **251,467** |

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not the Company's earnings or cash flows. Due to the recent refinancing, the Company does not have any obligation to redeem fixed rate debt prior to maturity until December 31, 2027 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.

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

### Foreign currency sensitivity testing

The following table details the Company's sensitivity to a 10% increase and decrease of the relevant foreign exchange rate. The Company utilizes 10% as the sensitivity rate when reporting foreign currency risk internally as it represents management's assessment of a 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) and the Company's USD-denominated debt. As described under 5.3.4 ***Market risk - Qualitative disclosures on foreign exchange risk***, the Company's USD-denominated debt is hedged through cross-currency interest rate swaps. This offsets part of the foreign currency sensitivity on the Company's Term Loan AN and its USD 1.0 billion Senior Secured Notes due 2028 as outlined in the table below based on the hedged position (if any).

| **December 31, 2018** | | | | | | |
|---|---|---|---|---|---|---|
| | **Foreign currency** | **Amount in foreign currency** | **10% increase** | | **10% decrease** | |
| Trade payables | USD | 7,113 | (690) | On profit or loss | 565 | On profit or loss |
| USD 1.0 billion Senior Secured Notes due 2028 (Term Loan AJ) | USD | 1,000,000 | (97,028) | On profit or loss | 79,386 | On profit or loss |
| 2018 Amended SCF - Term Loan AN | USD | 2,075,000 | (201,332) | On profit or loss | 164,726 | On profit or loss |

| **December 31, 2017** | | | | | | |
|---|---|---|---|---|---|---|
| | **Foreign currency** | **Amount in foreign currency** | **10% increase** | | **10% decrease** | |
| Trade payables | USD | 8,142 | (753) | On profit or loss | 616 | On profit or loss |
| USD 1.0 billion Senior Secured Notes due 2028 | USD | 1,000,000 | (92,427) | On profit or loss | 75,622 | On profit or loss |
| 2017 Amended SCF Term Loan AL | USD | 1,300,000 | (120,155) | On profit or loss | 98,309 | On profit or loss |

## 5.3.5 Capital Risk

The Company manages its capital to ensure that the Company and its subsidiaries will be able to continue as a going concern in order to provide sustainable and attractive 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.

At the December 2018 Capital Markets Day, Telenet reconfirmed its leverage framework, maintained at 3.5x to 4.5x net total leverage. In absence of any material acquisitions and/or significant changes in Telenet's business or regulatory environment, Telenet intends to stay around the 4.0x mid-point through an attractive and sustainable level of shareholder disbursements. At December 31, 2018, Telenet's net total leverage ratio reached 4.1x versus 3.9x at December 31, 2017. The anticipated step-up in Telenet's net leverage ratio was fully attributable to the €598.9 million Telenet paid out of the €600.0 million gross extraordinary dividend to Telenet's shareholders in early October 2018. In addition, Telenet spent €209.9 million on share repurchases during the year ended December 31, 2018 as part of the aforementioned €300.0 million Share Repurchase Program 2018bis. On a pro forma basis, reflecting the impact of the new IFRS 16 lease accounting standard, applicable as of early January 2019, Telenet's net total leverage would have remained broadly unchanged at 4.1x.

Telenet's net covenant leverage, as calculated under the 2018 Amended Senior Credit Facility and which includes certain unrealized M&A-related cost synergies and excludes both lease-related liabilities and vendor financing-related short-term liabilities, reached 3.4x at December 31, 2018 (December 31, 2017: 3.2x) and mainly reflected the same impacts as mentioned above. Telenet's current net covenant leverage ratio is significantly below the springing maintenance covenant of 6.0x and the incurrence test of 4.5x net senior leverage.

## 5.3.6 Financial instruments: fair values

### Carrying amount versus fair value

The fair values of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position and their levels in the fair value hierarchy are summarized in the table below. The fair value measurements are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation

techniques. Accounts receivable, accounts payable, as well as other assets and liabilities are not included in fair value table as their carrying amount approximates their fair value.

| *December 31, 2018* | Note | Carrying amount | Fair value | | |
|---|---|---|---|---|---|
| *(in thousands of euro)* | | | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | |
| **Financial assets carried at fair value** | | | | | |
| Money market funds | 5.11 | 53,200 | 53,200 | 53,200 | — | — |
| Derivative financial assets | 5.14 | 68,814 | 68,814 | — | 68,814 | — |
| **Total financial assets carried at fair value** | | **122,014** | **122,014** | **53,200** | **68,814** | **—** |
| **Financial liabilities** | | | | | | |
| **Financial liabilities carried at fair value** | | | | | | |
| Derivative financial liabilities | 5.14 | (275,580) | (275,580) | — | (275,580) | — |
| **Total financial liabilities carried at fair value** | | **(275,580)** | **(275,580)** | **—** | **(275,580)** | **—** |
| **Financial liabilities carried at amortized cost** | | | | | | |
| Loans, borrowings and finance lease liabilities (including accrued interest excluding deferred financing fees) | 5.13 | | | | | |
| - 2018 Amended Senior Credit Facility | | 2,748,113 | 2,646,085 | — | 2,646,085 | — |
| - Senior Secured Fixed Rate Notes | | 1,992,091 | 1,893,883 | 1,893,883 | — | — |
| - Nextel Credit Facility | | 3,027 | 2,938 | — | 2,938 | — |
| - Overdraft facility | | 38 | 38 | — | 38 | — |
| - Global Handset Finco Ltd Loan | | 12,740 | 12,740 | — | 12,740 | — |
| - SFR network right of use | | 4,108 | 4,063 | — | 4,063 | — |
| - Vendor financing | | 359,046 | 359,046 | — | 359,046 | — |
| - Finance lease obligations | | 416,085 | 373,858 | — | 373,858 | — |
| - Clientele fee > 20 years | | 124,660 | 119,290 | — | 119,290 | — |
| - Mobile Spectrum 2G & 3G | | 23,753 | 21,826 | — | 21,826 | — |
| **Total financial liabilities carried at amortized cost** | | **5,683,661** | **5,433,767** | **1,893,883** | **3,539,884** | **—** |

| December 31, 2017 | Note | Carrying amount | Fair value | | | |
|---|---|---|---|---|---|---|
| (in thousands of euro) | | | | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | | |
| **Financial assets carried at fair value** | | | | | | |
| Money market funds | 5.11 | 11,000 | 11,000 | 11,000 | — | — |
| Derivative financial assets | 5.14 | 49,335 | 49,335 | — | 49.335 | — |
| **Total financial assets carried at fair value** | | **60,335** | **60,335** | **11,000** | **49.335** | **—** |
| **Financial liabilities** | | | | | | |
| **Financial liabilities carried at fair value** | | | | | | |
| Derivative financial liabilities | 5.14 | 333,075 | 333,075 | — | 333,075 | — |
| **Total financial liabilities carried at fair value** | | **333,075** | **333,075** | **—** | **333,075** | **—** |
| **Financial liabilities carried at amortized cost** | | | | | | |
| Loans, borrowings and finance lease liabilities (including accrued interest excluding deferred financing fees) | 5.13 | | | | | |
| - 2017 Amended Senior Credit Facility | | 1,816,050 | 1,825,471 | — | 1,825,471 | — |
| - Senior Secured Fixed Rate Notes | | 2,234,409 | 2,300,861 | 2,300,861 | — | — |
| - Revolving Credit Facility | | 8 | 8 | — | 8 | — |
| - Overdraft facility | | 31 | 31 | — | 31 | — |
| - Global Handset Finco Ltd Loan | | 12,740 | 12,740 | — | 12,740 | — |
| - SFR network right of use | | 4,236 | 4,236 | — | 4,236 | — |
| - Vendor financing | | 262,605 | 262,605 | — | 262,605 | — |
| - Finance lease obligations | | 383,159 | 347,923 | — | 347,923 | — |
| - Clientele fee > 20 years | | 114,972 | 112,450 | — | 112,450 | — |
| - 3G Mobile Spectrum | | 16,280 | 14,684 | — | 14,684 | — |
| **Total financial liabilities carried at amortized cost** | | **4,844,490** | **4,881,009** | **2,300,861** | **2,580,148** | **—** |

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring level 2 fair values, as well as the significant unobservable inputs used.

## Financial instruments measured at fair value

| Type | Valuation technique | Unobservable inputs | Inter-relationship between unobservable inputs and fair value measurements |
|---|---|---|---|
| Interest rate derivatives | Discounted cash flows: the fair value of the cross-currency and 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. | The credit risk of both the Company and the respective counterparties to the instruments. | The estimated fair value would increase (decrease) if:<br>- the credit risk of the company were lower (higher)<br>- the credit risk of the countercompany were higher (lower). |
| Foreign exchange forwards and embedded derivatives | Discounted cash flows: 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. | Not applicable. | Not applicable. |

## Financial instruments not measured at fair value

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurements |
|---|---|---|---|
| Loans, borrowings and finance lease liabilities:<br>- 2018 Amended Senior Credit Facility<br>- Overdraft facilities | Market comparison technique: The fair values are based on broker quotes. The brokers providing the quotes are among the most active in the trading of the Senior Credit Facility, and regularly provide quotes to the market. No adjustments to this pricing are needed. | Not applicable. | Not applicable. |
| Loans, borrowings and finance lease liabilities:<br>- Global Handset Finco Ltd Loan<br>- SFR network right of use<br>- Vendor financing<br>- Finance lease obligations<br>- 2G & 3G Mobile spectrum<br>- Nextel credit facility<br>- Clientele fee > 20 years | Discounted cash flows. | Discount rate. | The estimated fair value would increase (decrease) if:<br>- the discount rate were lower (higher). |

During the year ended December 31, 2018, no financial assets or liabilities measured at fair value have been transferred between the levels of the fair value hierarchy.

## 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, 2017** | | **149,663** | **3,178,343** | **144,049** | **55,279** | **3,527,334** |
| Additions | | 5,715 | 152,189 | 318,989 | 7,158 | 484,051 |
| Acquisition of SFR | 5.24 | 323 | 82,466 | — | 746 | 83,535 |
| Transfers | | 9,795 | 316,006 | (350,911) | 25,110 | — |
| Asset retirement obligation | | — | 2,296 | — | — | 2,296 |
| Disposals | | (3,248) | (9,325) | — | (917) | (13,490) |
| Write off of fully depreciated assets | | — | (289,317) | — | (4,536) | (293,853) |
| **At December 31, 2017, as reported** | | **162,248** | **3,432,658** | **112,127** | **82,840** | **3,789,873** |
| Acquisition of SFR BeLux - PPA | 5.24 | (68) | 8,262 | — | (47) | 8,147 |
| **At December 31, 2017, as restated** | | **162,180** | **3,440,920** | **112,127** | **82,793** | **3,798,020** |
| Additions | | 11,896 | 333,213 | 129,140 | 9,574 | 483,823 |
| Acquisition of Nextel | 5.24 | 7,873 | — | — | 4,917 | 12,790 |
| Carve out Unit-T | 5.7.1 | (263) | (3,347) | — | (1,442) | (5,052) |
| Transfers | | — | 63,266 | (63,266) | — | — |
| Asset retirement obligation | | — | 428 | — | — | 428 |
| Disposals | | — | (6,248) | — | (97) | (6,345) |
| Write off of fully depreciated assets | | (5,146) | (372,140) | — | (5,858) | (383,144) |
| **At December 31, 2018** | | **176,540** | **3,456,092** | **178,001** | **89,887** | **3,900,520** |
| **Accumulated Depreciation** | | | | | | |
| **At January 1, 2017** | | **60,686** | **1,389,550** | **—** | **30,274** | **1,480,510** |
| Depreciation charge for the year | | 17,010 | 443,185 | — | 10,057 | 470,252 |
| Disposals | | (3,196) | (9,307) | — | (864) | (13,367) |
| Write off of fully depreciated assets | | — | (289,317) | — | (4,536) | (293,853) |
| **At December 31, 2017, as reported** | | **74,500** | **1,534,111** | **—** | **34,931** | **1,643,542** |
| Acquisition of SFR Belux - amortization charge PPA | 5.24 | — | 4,907 | — | — | 4,907 |
| **At December 31, 2017, as restated** | | **74,500** | **1,539,018** | **—** | **34,931** | **1,648,449** |
| Depreciation charge for the year | | 14,113 | 385,005 | — | 7,038 | 406,156 |
| Acquisition of SFR | 5.24 | — | 13 | — | — | 13 |
| Carve out Unit-T | 5.7.1 | (32) | (2,531) | — | (431) | (2,994) |
| Disposals | | — | (5,319) | — | (97) | (5,416) |
| Write off of fully depreciated assets | | (5,146) | (372,634) | — | (5,364) | (383,144) |
| **At December 31, 2018** | | **83,435** | **1,543,552** | **—** | **36,077** | **1,663,064** |
| **Carrying Amount** | | | | | | |
| At December 31, 2018 | | 93,105 | 1,912,540 | 178,001 | 53,810 | 2,237,456 |
| At December 31, 2017, as restated | | 87,680 | 1,901,902 | 112,127 | 47,862 | 2,149,571 |
| **Carrying Amount of Finance Leases included in Property and Equipment** | | | | | | |
| At December 31, 2018 | | 16,103 | 341,043 | — | 9,611 | 366,757 |
| At December 31, 2017, as restated | | 18,760 | 319,884 | — | 5,813 | 344,457 |

Accrued capital expenditures for property and equipment reached €483.8 million for the year ended December 31, 2018, (€484.1 million for the year ended December 31, 2017) representing the following additions:

- accrued capital expenditures for both the broadband and the mobile network growth and upgrades for an amount of €398.0 million (2017: €295.7 million);
- capital expenditures for customer installations for an amount of €43.9 million (2017: €67.6 million);
- refurbishments and replacements of network equipment for an amount of €0 million (2017: €96.8 million); and
- set-top box related capital expenditures for an amount of €41.9 million (2017: €24.0 million).

Construction in progress essentially relates to investments into our network and Customer Premises Equipment.

For the year ended December 31, 2018, the Company removed €383.1 million of gross cost and accumulated depreciation related to fully depreciated assets which are no longer used by the Company. (€293.9 million for the year ended December 31, 2017).

The Company recognized a gain on disposal of assets of €3.0 million for the year ended December 31, 2018 (€4.5 million for the year ended December 31, 2017), mainly attributable to modems and set-up boxes €0.9 million (€1.0 million for the year ended December 31, 2017) , the sale of scrap material €2.1 million (€1.7 million for the year ended December 31, 2017).

The Company assesses 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. In the third quarter of 2016, the Company started a modernization project of the mobile network whereby certain radio equipment will be replaced by new(er) generation radio equipment. This project was finalized during the first quarter of 2018. A total net book value of €197.0 million related to such assets was to be removed from the network during the project and the Company started accelerated depreciation in order to reduce their net book value to zero by the first quarter of 2018. The Company thus recorded €25.0 million accelerated depreciations in 2018 (2017: €94.4 million) (note 5.20).

For further information regarding finance lease obligations, we refer to note 5.13.6 to the consolidated financial statements of the Company.

For further information regarding assets pledged as security, we refer to note 5.13.5.

## 5.5 Goodwill

The total amount of goodwill as of December 31, 2018 amounted to €1,830.2 million (December 31, 2017: €1,796.0 million as restated). The increase of €34.2 million was attributable to the combined effect of the acquisition of Nextel (€71.0 million) and the goodwill impairment on Coditel S.à.r.l. (€36.8 million).

| | *(in thousands of euro)* |
|---|---|
| **January 1, 2017** | **1,540,946** |
| Acquisition of subsidiaries - SFR Belux | 307,497 |
| **December 31, 2017 as reported** | **1,848,443** |
| Purchase Price Allocation - SFR Belux | (52,458) |
| **December 31, 2017 as restated** | **1,795,985** |
| Acquisition of subsidiaries - Nextel | 70,976 |
| Impairment Coditel S.à.r.l. (SFR Luxemburg) | (36,780) |
| **December 31, 2018** | **1,830,181** |

For detailed information regarding the acquisitions of SFR Belux and Nextel, as well as regarding the purchase price allocation for SFR Belux, we refer to note 5.24.

The Company performed its annual reviews for impairment during the fourth quarter of 2018 and 2017. Upon completion of the transfer of the Telenet mobile customers to its own BASE network in the first half of 2018, the fixed to mobile conversion and the SFR Brabant restructuring with respect to the network and the products offered, Telenet, BASE and SFR Brabant are considered to be one single cash generating unit. Upon the acquisition of SFR Belux and Nextel, the Company has identified three cash-generating units, being (i) Telenet (excluding SFR Lux and Nextel), (ii) SFR Lux and (iii) Nextel. Goodwill arising in a business combination is allocated to the acquirer's cash generating units that are expected to benefit from the synergies of the business combination in which goodwill arose. This is irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Based on analysis of a synergy report and the valuation report used for the purchase price allocation, management concluded that the goodwill arising from the BASE acquisition represents synergies (primarily MVNO savings) that will be realized by Telenet. The provisional goodwill arising from the Nextel acquisition of €71.0 million has not yet been allocated since the purchase price allocation related to this acquisition is not yet completed.

The recoverable amount of the cash generating unit Telenet was based on its value in use and was determined by discounting the future cash flows to be generated from its continuing use (Discounted Cash Flow method, "**DCF**"). The value in use of the cash generating unit Telenet for the year ended December 31, 2018 was determined in a similar manner to the year ended December 31, 2017.

The key assumptions for the value in use calculations used to determine the recoverable amount of the Telenet cash generating unit are those regarding the discount rates and expected changes to selling prices, product offerings, direct costs, EBITDA margins and terminal growth rates. The discount rate used is a pre-tax measure estimated based on past experience, and industry average weighted cost of capital. Changes in selling practices and direct costs are based on past practices and expectations of future changes in the market. The calculation uses cash flow projections based on financial budgets approved by management, the Company's Long-Range Plan through 2022, and a pre-tax discount rate of 8.7% (7.9% for the year ended December 31, 2017) 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; and
- 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 research and observations with respect to e.g. inflation, changes in the remuneration index, evolutions of the number of households, connection points, etc.; and
- internal market expectations based on trend reports, the current state of important negotiations, etc.

For the year ended December 31, 2018, cash flows beyond the four-year period have been extrapolated using a negative growth rate of 2%, based on historical data and macro-economic conditions. 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 DCF 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 Telenet 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, 2018.

The business relating to SFR Luxemburg (together with Coditel Brabant referred to as SFR Belux) is considered as separate cash-generating unit as it generates largely independent cash flows. Consequently, the associated goodwill relating to this CGU of €59.4 million was tested for impairment on a stand-alone CGU-basis. The business was acquired on June 13, 2017 but throughout 2018 it was faced with a declining customer base and market share due to lower business focus and low investment levels compared to the initial business plan. In the course of the last quarter of 2018, the Company agreed upon several remediation actions including specific investments in the network and rebranding that are aimed at providing the business with an opportunity to return to growth. These actions have been reflected in an updated business plan for the period 2019-2022. Based on the value-in-use calculation taking into account the expected cash flows as determined in the new business plan which were discounted at a pre-tax weighted average cost of capital of 10.8%, the recoverable amount of the business as per December 31, 2018 was estimated at €45.7 million, compared to a carrying amount of the CGU of €82.5 million. The applied WACC included an additional forecasting risk (alpha-factor) to take into account the risk of successfully regaining the lost market share which has been included in the business plan. As a consequence, the Company recognized a goodwill impairment charge of €36.8 million at year-end 2018 (see note 5.20).

## 5.6 Other intangible assets

| (in thousands of euro) | Note | Network user rights | Trade name | Software | Customer relation-ships | Broad-casting rights | Other | Subtotal | Broad-casting rights for resale purposes | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| **At January 1, 2017** | | **261,089** | **157,448** | **636,162** | **314,304** | **109,568** | **21,125** | **1,499,696** | **—** | **1,499,696** |
| Additions | | — | — | 123,503 | — | 121,941 | — | 245,444 | 4,510 | 249,954 |
| Acquisition of SFR | 5.24 | — | — | 1,946 | — | — | — | 1,946 | — | 1,946 |
| Disposals | | — | (1,005) | (5,426) | (2,500) | — | — | (8,931) | (4,510) | (13,441) |
| Capitalization of borrowing costs | | — | — | 953 | — | — | — | 953 | — | 953 |
| Write-off of fully amortized assets | | — | — | (21,813) | — | (44,095) | — | (65,908) | — | (65,908) |
| Transfers | | — | — | 16 | — | 2,179 | (2,128) | 67 | — | 67 |
| **At December 31, 2017, as reported** | | **261,089** | **156,443** | **735,341** | **311,804** | **189,593** | **18,997** | **1,673,267** | **—** | **1,673,267** |
| Acquisition of SFR Belux - PPA | | — | — | — | 70,000 | — | 473 | 70,473 | — | 70,473 |
| **At December 31, 2017, as restated** | | **261,089** | **156,443** | **735,341** | **381,804** | **189,593** | **19,470** | **1,743,740** | **—** | **1,743,740** |
| Additions | | 33,482 | — | 152,771 | — | 17,107 | — | 203,360 | — | 203,360 |
| Write-off of fully amortized assets | | — | (514) | (165,931) | (195,026) | (22,329) | — | (383,800) | — | (383,800) |
| **At December 31, 2018** | | **294,571** | **155,929** | **722,181** | **186,778** | **184,371** | **19,470** | **1,563,300** | **—** | **1,563,300** |
| **Accumulated Amortization** | | | | | | | | | | |
| **At January 1, 2017** | | **70,298** | **123,225** | **358,010** | **202,578** | **32,724** | **3,686** | **790,521** | **—** | **790,521** |
| Amortization charge of the year | | 44,736 | 1,365 | 100,573 | 31,589 | 65,131 | 350 | 243,744 | — | 243,744 |
| Disposals | | — | 209 | (5,037) | (2,499) | — | — | (7,327) | — | (7,327) |
| Write-off of fully amortized assets | | — | — | (21,813) | — | (44,095) | — | (65,908) | — | (65,908) |
| Transfers | | — | — | 15 | — | 2,178 | (2,126) | 67 | — | 67 |
| **At December 31, 2017, as reported** | | **115,034** | **124,799** | **431,748** | **231,668** | **55,938** | **1,910** | **961,097** | **—** | **961,097** |
| Acquisition of SFR Belux - amortization charge PPA | | — | — | — | 4,258 | — | — | 4,258 | — | 4,258 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **At December 31, 2017, as restated** | **115,034** | **124,799** | **431,748** | **235,926** | **55,938** | **1,910** | **965,355** | **—** | **965,355** |
| Amortization charge of the year | 34,968 | 1,750 | 111,381 | 33,387 | 69,893 | 467 | 251,846 | — | 251,846 |
| Write-off of fully amortized assets | — | (514) | (165,931) | (195,026) | (22,329) | — | (383,800) | — | (383,800) |
| **At December 31, 2018** | **150,002** | **126,035** | **377,198** | **74,287** | **103,502** | **2,377** | **833,401** | **—** | **833,401** |
| **Carrying Amount** | | | | | | | | | |
| At December 31, 2018 | 144,569 | 29,894 | 344,983 | 112,491 | 80,869 | 17,093 | 729,899 | — | 729,899 |
| At December 31, 2017, as restated | 146,055 | 31,644 | 303,593 | 145,878 | 133,655 | 17,560 | 778,385 | — | 778,385 |

The Company's intangible assets other than goodwill each have finite lives and are comprised primarily of network user rights (mainly the 2G and 3G mobile spectrum licenses), trade name, software development and acquisition costs, customer relationships, broadcasting rights, out of market component of future leases and contracts with suppliers.

At the occasion of the SFR Belux acquisition in June 2017, the Company acquired intangible assets for an amount of €72.4 million, consisting essentially of identified customer relationships (€70.0 million). For more information on the purchase price allocation, we refer to note 5.24.

The Company assesses the estimated useful lives of its finite-lived intangible assets each reporting period to determine whether events or circumstances warrant a revision of these estimated useful lives.

Following a tendering procedure, the Company acquired in July 2017 the non-exclusive broadcasting rights of the Belgian football championship for three seasons starting July 2017. The rights related to the three seasons (2017-2018, 2018-2019 and 2019-2020) met the recognition criteria for intangible assets upon acquisition, which mainly explains the 2017 additions of the broadcasting rights.

The main additions of 2018 with respect to software (€152.8 million) consist essentially of: investments into the IT mobile business (€28.7 million), Telenet's new ERP system (€23.0 million), a new OTC application (€21.0 million), residential marketing (€15.1 million), Infrastructure & support (€12.5 million), Internal IT projects (€8.5 million), residential sales & care (€6.0 million), Telenet business (€4.2 million) and other IT related systems and applications. In 2018, the Company extended its license regarding its 2G mobile spectrum until March 15, 2021. The acquired license was capitalized for an amount of €33.5 million.

The write-off of fully amortized assets in 2018 consisted mainly of: (i) customer relationships (€195.0 million, (ii) fully amortized software (infrastructure and projects) (€165.9 million) and (iii) the broadcasting rights related to 2018 (€22.3 million).

On March 1, 2017, the Company disposed of its investment in Ortel Mobile NV resulting in the disposal of the tradename with a net book value of €1.0 million. The disposal of Ortel Mobile NV and its underlying assets resulted in a loss of €1.0 million. The Company disposed of customer lists related to its prepaid branded reseller customer base for an amount of €1.9 million, resulting in a loss on disposal of €1.3 million.

For information regarding finance leases of intangible assets, see note 5.13.6 to the consolidated financial statements of the Company.

## 5.7 Investments in and loans to equity accounted investees and other investments

### 5.7.1 Investments in and loans to equity accounted investees

The following table shows the components of the Company's investments in equity accounted investees:

| *(in thousands of euro)* | De Vijver Media NV | Other | Total |
|---|---|---|---|
| **Investments in Associates** | | | |
| **At January 1, 2018** | **28,362** | **2,204** | **30,566** |
| Additions | — | 12,149 | 12,149 |
| Reversal of impairment of investments in equity accounted investees | 22,746 | — | 22,746 |
| **At December 31, 2018** | **51,108** | **14,353** | **65,461** |
| **Share in the result of Associates** | | | |
| **At January 1, 2018** | **(496)** | **(375)** | **(871)** |
| Share in the result | 1,637 | (191) | 1,446 |
| **At December 31, 2018** | **1,141** | **(566)** | **575** |
| **Loans granted to Associates** | | | |
| **At January 1, 2018** | **—** | **1,295** | **1,295** |
| New loans granted | — | 7 | 7 |
| Accrued interest | — | | — |
| **At December 31, 2018** | **—** | **1,302** | **1,302** |
| **Carrying Amount** | | | |
| At December 31, 2018 | 52,249 | 15,089 | 67,338 |
| At January 1, 2018 | 27,866 | 3,124 | 30,990 |

**De Vijver Media**

In February 2015, the Company acquired, through a combination of share purchases (€26.0 million) and share subscription (€32.0 million), 50% of the capital of De Vijver Media NV ("**DVM**"), a Belgian media company active in free-to-air broadcasting and content production (through its production company "Woestijnvis"). The remaining 50% of the shares of De Vijver Media is held by Waterman & Waterman (the holding company of Wouter Vandenhaute and Erik Watté) and Mediahuis NV (a Belgian print and online media group). On March 7, 2018, Telenet entered into an agreement with the two other shareholders of De Vijver Media NV to sell their respective stakes of 30% and 20% to Telenet, which will become the sole shareholder. This transaction is subject to approval by the competent competition authorities, which is expected in April 2019.

The 50% investment in De Vijver Media qualifies as a joint venture and is accounted for using the equity method. The initial carrying amount of the investment was €59.0 million, and included €1.0 million directly attributable transaction costs.

During the year ended December 31, 2018, the Company recognized its €1.6 million share in the net profit of De Vijver Media (December 31, 2017: €3.7 million share in net profit).

At the end of 2016, the Company concluded that there was objective evidence of impairment of the investment it held in De Vijver Media. Based on the financial projections as foreseen in the at that time existing three-year plan, the Company recognized in the last quarter of 2016 an impairment charge of €31.0 million in accordance with the guidance in IAS 36. Based on the improved profitability of De Vijver Media in the course of 2018, as well as the updated and improved projections included in the updated business plan, the Company concluded that there was an indication that the impairment of this investment might no longer exist or had decreased. Accordingly, the recoverable amount of the investment was reassessed as per year-end 2018. Based on a value-in-use calculation taking into account the expected cash flows included in the updated business plan, which were discounted at a weighted average cost of capital of 8.6%, the recoverable amount of the investment was estimated at €52.2 million compared to a carrying amount of the equity accounted investee of €29.5 million before the reversal of the previously recognized impairment, resulting in a reversal as of December 31, 2018 of the previously recognized impairment amounting to €22.7 million.

The following table summarizes the financial information of De Vijver Media NV as included in its own financial statements, adjusted for fair value adjustments at acquisition, impairment losses and differences in accounting policies.

The table also reconciles the summarized financial information to the carrying amount of the Company's interest in De Vijver Media NV.

The remaining goodwill mainly relates to future advertising revenues to be realized and future revenues related to new formats.

| (in thousands of euro) | 2018 | 2017 |
|---|---|---|
| **Net assets** | | |
| Non-current assets | 104,936 | 110,758 |
| Current assets | 76,130 | 77,539 |
| Non-current liabilities | (72,174) | (73,260) |
| Current liabilities | (68,988) | (78,407) |
| **Net assets (100%)** | **39,904** | **36,630** |
| **Group's share of the net assets (50%)** | | |
| Group's share of the net assets (50%) | 19,952 | 18,315 |
| Goodwill | 32,297 | 9,551 |
| **Carrying amount of interest in joint venture** | **52,249** | **27,866** |
| **Profit and total comprehensive income** | | |
| Revenue | 132,605 | 124,653 |
| Depreciation and amortisation | (4,728) | (4,770) |
| Interest expense | (2,517) | (2,476) |
| | | |
| **Profit for the period** | **3,274** | **7,424** |
| **Total comprehensive profit (100%)** | **3,274** | **7,424** |
| **Group's share of the total comprehensive income (50%)** | **1,637** | **3,712** |

**Unit-T**

On April 26, 2018 Telenet BVBA and Solutions 30 Group, a leading provider in Europe of solutions for new technologies, signed an agreement to form a new joint venture ("**Unit-T**") which will provide field services (including installation, repair and maintenance) to Telenet and potentially other Telecommunication companies in the market. The new JV was formed on July 1, 2018 by consolidating Telenet's field service business and Janssens Field Services ("**JFS**") which is a business held by the JV-partner Solutions 30. JFS provides services and logistics in Telecom, Security, Utilities and ICT markets and has been one of Telenet's field service providers.

The contribution of both parties consisted of the following:

- Telenet contributed its field service business consisting of 300 full time employees and certain assets & liabilities relating to this business with a cumulative negative net book value of €10.3 million which is compensated by a similar amount of cash that was to be contributed to the JV to end up with a net transfer of zero net book value;
- Solutions 30 contributes 100% of JFS to the new JV (after carve out of the business that did not relate to the field service provided to Telenet).

As compensation for the contribution Telenet received an equity stake of 30% in the JV (vs. 70% for Solutions 30's contribution) which was valued by an external expert at €10.5 million and resulted in a gain on disposal for a similar amount (as the net book value of the assets/liabilities transferred were zero).

**Recneps NV**

On March 30, 2017, Telenet Group Holding NV took a 10% stake in the share capital of Recneps NV, an existing company previously incorporated by 1105 NV ("**Eleven Five**"). Telenet contributed €0.3 million in cash and in return received 10% of the shares of the company. In October 2017, the Company contributed another €0.3 million in cash, thus increasing its stake in Recneps NV to 19%. On October 18, the Company participated in the capital increase and contributed another €1.3 million in cash, increasing its participation to 31.17%.

## 5.7.2 Other investments

**Connectify**

On August 10, 2018, Telenet acquired a minority interest in Connectify NV, an ICT business integrator, by participating in a capital increase of this company through a contribution in cash of €0.6 million (11.8% interest).

**Belgian Mobile ID**

In June 2016, Telenet Group took a participation of €1.8 million in Belgian Mobile ID NV (f.k.a. Belgian Mobile Wallet NV). Belgian Mobile Wallet NV launched a Belgian standard for payments via smartphones in spring 2014 allowing consumers to use their smartphones in the future to pay for goods and services, exchange coupons, or use their customer cards. The Company's stake in the share capital was increased during 2017 with €1.5 million as part of a capital increase. During 2018, the Company contributed another €0.9 million to the capital increase bringing its participation to €4.2 million (or a 15% stake).

**Imec.istart Fund**

On March 15, 2017, Telenet Group Holding NV took an 8% stake in the share capital of Imec.istart Fund for €0.2 million. This Fund was incorporated to invest in pre-seed and seed stage opportunities in privately held technology companies which are selected for the imec.istart program and which have a potential for significant value creation in fast growing market segments in or outside of the territory of the European Union.

## 5.8 Trade receivables

### 5.8.1 Non-current

| *(in thousands of euro)* | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Trade receivables | 859 | 2,851 |
| **Trade receivables, net** | **859** | **2,851** |

Non-current trade receivables comprise Installment sales relating to the long-term receivables on handset financing contracts with external customers.

### 5.8.2 Current

| *(in thousands of euro)* | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Trade receivables | 210,808 | 226,475 |
| Less: allowance for bad debt | (8,893) | (11,580) |
| **Trade receivables, net** | **201,915** | **214,895** |

At December 31, 2018 and 2017, respectively, the aging of the Company'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, 2018 | 135,370 | 41,970 | 5,695 | 2,321 | 5,481 | 19,971 | 210,808 |
| December 31, 2017 | 154,505 | 42,897 | 4,465 | 3,612 | 2,644 | 18,352 | 226,475 |

All invoices related to residential customers are due within 20 days. Invoices related to BASE residential mobile customers are due within 8 to 12 days. For other clients, the payment due date is set at 30 or 60 days. At December 31, 2018, a total amount of €34.8 million (2017: €72.0 million) was past due.

Until December 31, 2017, the Company applied an incurred credit loss model in order to determine its valuation allowances on its doubtful trade receivables. Outstanding trade receivables past due for more than 120 days were considered as potentially impaired and were subject to detailed analysis at the customer level. A provision for impairment of trade receivables was established based upon objective evidence that the Company was not be able to collect the amounts. Significant financial difficulties of the debtor, defaults in payments, and other adverse debtor circumstances were considered indicators that the trade receivable was impaired. As from January 1, 2018 onwards, the Company recognized loss allowances for ECLs in conformity with IFRS 9. Based on the necessary and appropriate underlying aging documentation of the outstanding receivables, and the history of amounts written off to profit and loss related to the respective billing periods, the Company determined an actual loss rate which was used as expected credit loss and which is applied on the aging buckets of its outstanding receivables. Applying the new ECL method on the outstanding trade receivables, unbilled revenue and contract assets did not lead to a material impact on the bad debt provision and as a result, the Company did not restate its comparative financial information.

At December 31, 2018 current and non-current receivables related to handset sales with a customer credit agreement amount to €15.3 million (2017: €9.5 million) and €0.9 million (2017: €2.9 million), respectively.

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.

Unbilled revenues relate to unconditional rights to receivables and are not to be considered contract assets. These unbilled revenues are presented as other assets (see note 5.9.2).

The following table shows the development of the provision for impairment of trade receivables:

| *(in thousands of euro)* | **December 31, 2018** | **December 31, 2017** |
|---|---|---|
| Provision for impairment of trade receivables at the beginning of the year | (11,580) | (9,659) |
| Nextel acquisition | (68) | — |
| SFR acquisition | 1,340 | (1,339) |
| Additions | (5,117) | (8,306) |
| Reductions and write-offs | 6,532 | 7,724 |
| **Provision for impairment of trade receivables at the end of the year** | **(8,893)** | **(11,580)** |

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 profit or loss and other comprehensive income. The Company does not hold any receivables in foreign currency. In application of IFRS 9, the Company recognizes loss allowances for expected credit losses on its trade receivables, unbilled revenue and contract assets.

## 5.9 Other assets

### 5.9.1 Non-current

| *(in thousands of euro)* | Note | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Outstanding guarantees to third parties for own liabilities (cash paid) | | 3,879 | 1,272 |
| Deferred financing fees | | 2,979 | 3,641 |
| Contract assets | 5.29 | 1,375 | — |
| Receivables from sale of sports broadcasting rights | | 503 | 1,838 |
| Funding of post retirement obligation | 5.17 | 1,310 | 1,357 |
| Other | | 3,460 | 2,734 |
| **Other non-current assets** | | **13,506** | **10,842** |

The Company presents the deferred financing fees related to undrawn Term Loans and Revolving Credit Facilities as other non-current assets. At year end's 2018 and 2017 the Revolving Credit Facility AG was undrawn. The outstanding guarantees consists of amounts paid towards third parties for the Company's liabilities as at December 31, 2018.

### 5.9.2 Current

| *(in thousands of euro)* | Note | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Recoverable withholding taxes | | 381 | 296 |
| Prepaid content | | 6,341 | 6,082 |
| Prepayments | | 29,763 | 28,146 |
| Unbilled revenue | | 70,627 | 86,649 |
| Receivables from sale of sports broadcasting rights | | 1,226 | 8,786 |
| Indemnification receivable from acquisitions | 5.26 | 18,292 | 4,687 |
| Contract assets | 5.29 | 7,177 | — |
| Settlement receivables | | 502 | 188 |
| Other | | 3,918 | 1,718 |
| **Other current assets** | | **138,227** | **136,552** |

Unbilled revenue generally represents 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 and thus relate to unconditional rights to receivables and are not to be considered contract assets.

Receivable from the sale of sports broadcasting rights decreased by €7.6 million following the lower receivables for sub-licensing of the Jupiler Pro League Belgian soccer and the Premier League UK soccer rights.

Indemnification receivables from acquisitions increased by €13.6 million due to: (i) an increase in the receivable on KPN related to pylon taxes (€8.4 million) and (ii) a new receivable on the former shareholders of SFR Belux (€5.2 million).

The contract assets amounting to €7.2 million relates to the recognised revenue to which Telenet expects to be entitled under the new adopted IFRS 15 standard and is mainly related to accrued revenue related to multiple element arrangements. The Company has adopted IFRS 15 effective January 1, 2018 using the cumulative effect transition method and therefore the comparative information has not been restated.

## 5.10 Inventories

For the year ended December 31, 2018, inventories amounted to €28.0 million (2017: €21.5 million) consisting of mobile handsets, tablets, wireless modems, powerline adaptors and other DTV materials.

The net book value of inventories also includes inventory impairments to reduce the carrying values to the net realizable value. These inventory impairments amounted to €0.7 million and €0.6 million for the years ended December 31, 2018 and 2017, respectively.

For the year ended December 31, 2018, Telenet and BASE recognized €63.9 million (2017: €86.6 million) and €22.5 million (2017: €20.2 million), respectively inventory as "costs related to sold inventory".

## 5.11 Cash and cash equivalents

| *(in thousands of euro)* | **December 31, 2018** | **December 31, 2017** |
|---|---|---|
| Cash at bank and on hand | 34,960 | 28,053 |
| Money market funds | 53,200 | 11,000 |
| **Total cash and cash equivalents** | **88,160** | **39,053** |

At December 31, 2018, the Company held €88.2 million of cash and cash equivalents.

To minimize the concentration of counterparty risk, the Company's cash equivalents and AAA-rated money market funds are placed with highly rated European and US financial institutions. Compared to December 31, 2017, the Company's cash balance increased by €49.1 million which is primarily due to:

- an improvement of net cash from operating activities (€1,075.6 million for the year ended December 31, 2018 compared to €831.6 million for the year ended December 31, 2017) ;
- lower net cash used in investing activities (€466.4 million for the year ended December 31, 2018 compared to €841.0 million for the year ended December 31, 2017, which was impacted by the SFR Belux acquisition in 2017) ; and
- a significant increase in net cash used in financing activities (€560.1 million for the year ended December 31, 2018 compared to €50.7 million for the year ended December 31, 2017), mainly as a result of the payment of the extraordinary dividend in October 2018 and the share repurchase program throughout the year ended December 31, 2018.

On December 31, 2018, the Money Market funds with a daily liquidity had a weighted average interest rate of -0.36% (December 31, 2017: -0.38%) and represented 60% of the total consolidated cash (December 31, 2017: 28%). The investments of Telenet's cash and cash equivalents at December 31, 2018 and 2017 were in compliance with the Company's Risk Management policies.

At December 31, 2018 and 2017, the Company had access to €445.0 million liquidity:

- €400.0 million of available commitment under Revolving Credit Facility AG
- €20.0 million of available commitment under Revolving Credit Facility

subject to compliance with certain covenants and €25.0 million available under the banking overdraft facility.

## 5.12 Shareholders' equity

### 5.12.1 Shareholders' equity

On December 31, 2018, Telenet Group Holding NV had the following shares issued, all without par value and all of which are treated as one class in the earnings per share calculation:

117,716,323 ordinary shares (2017: 117,716,323 shares), including:

- 94,843 Liquidation Dispreference Shares (2017: 94,843 shares), held by Interkabel and Binan Investments B.V. (a subsidiary of Liberty Global Plc), 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 (2017: 30 shares) held by the financing intermunicipalities. The financing intermunicipalities, currently holding the Golden Shares are: IFIGGA, FINEA, FINGEM, IKA, FINILEK, FINIWO and FIGGA. These 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, 2018, the Company's share capital amounted to €12.8 million (2017: €12.8 million). At the extraordinary meeting of shareholders of April 26, 2017, the powers of the board of directors in connection with the authorized capital were renewed (maximum amount of €5.0 million).

#### Own shares

**Share Repurchase Program 2018**

In February 2018, the board of directors authorized a share buy-back program of up to €75.0 million (the "**Share Repurchase Program 2018**"), effective as of February 13, 2018. Under this program, Telenet could acquire from time to time its common stock, for a maximum of 1.1 million shares or a maximum consideration of €75.0 million, up to December 31, 2018. The share repurchases are conducted under the terms and conditions approved by the extraordinary general

shareholders' meeting of the Company of April 30, 2014 and will be used to cover the outstanding obligations under the Company's share option plans. On June 25, 2018, this program was terminated and replaced by the Share Repurchase Program 2018bis. Under the Share Repurchase Program 2018, 526,637 shares have been repurchased for a total consideration of €28.9 million.

**Share Repurchase Program 2018bis**

On June 25, 2018, the Company announced the initiation of a €300 million share repurchase program (the "**Share Repurchase Program 2018bis**"). This program replaced the Share Repurchase Program 2018. Under the Share Repurchase Program 2018bis, Telenet may repurchase from time to time up to 7.5 million shares for a maximum consideration of €300 million until June 28, 2019. Telenet will fund this program with its existing and future cash balances as well as available untapped liquidity under its revolving credit facilities. For the period between April 30, 2019 and June 28, 2019, the execution of the remainder of the Share Repurchase Program 2018bis is subject to renewal of the share buy-back authorization by the shareholders' meeting. Under this program, 4,427,060 shares were repurchased in 2018 for a total consideration of €199.0 million.

**Own shares**

As of December 31, 2018, the Company held 6,604,564 own shares. During the twelve months ended December 31, 2018, the Company acquired 4,953,697 own shares under the Share Repurchase Program 2018 and 2018bis for a total amount of €228.1 million.

In 2017, a total of 1,100,000 shares were repurchased for a total amount of €61.7 million under a similar Share Repurchase Program 2017.

Stock options exercised during the twelve months ended December 31, 2018 resulted in the delivery of 482,420 own shares by the Company to the stock option holders. As part of the Performance Share Plan 2015 and hiring bonus being settled in own shares, the Company delivered in total another 15,645 shares to the beneficiaries involved. The cash received at the occasion of the exercise of the options amounted to €18.6 million. As the cost of all own shares delivered amounted to €24.2 million, the Company realized a loss of €5.6 million.

## 5.12.2 Employee share based compensation

### Employee Stock Option Plan 2013

On April 22, 2013, the board of directors approved a general stock option plan for the employees, for a total number of 1,200,000 stock options on existing shares, under the condition of approval and within the limits of the authorized capital as approved by the general shareholders' meeting of April 24, 2013 (the "**Employee Stock Option Plan 2013**" or "**ESOP 2013**"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

In 2013, the board of directors authorized two grants under this plan ("**ESOP 2013 primo**" and "**ESOP 2013 bis**") to certain beneficiaries.

The vesting of these stock options occurs per quarter and over 4 years, with a vesting of 10% of the total stock options granted during each of the first 4 quarters and a vesting of 5% of the total stock options granted during each of the 12 following quarters.

During 2018, beneficiaries of the ESOP 2013 plan exercised a total of 168,111 stock options, resulting in the delivery of a total of 168,111 own shares held by the Company. As of June 29, 2018, there were no more stock options outstanding under the ESOP 2013 plan.

### Employee Stock Option Plan 2014

On December 5, 2014, the board of directors approved a general stock option plan for the employees, for a total number of 830,500 stock options on existing shares, under the condition of approval and within the limits of the authorized capital as approved by the general shareholders' meeting of April 24, 2013 (the "**Employee Stock Option Plan 2014**" or "**ESOP 2014**"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

On December 12, 2014, the board of directors authorized a grant under this plan to certain beneficiaries. On January 31, 2015, a total of 766,500 stock options were accepted.

The vesting of these stock options occurs per quarter and over 4 years, with a vesting of 10% of the total stock options granted during each of the first 4 quarters and a vesting of 5% of the total stock options granted during each of the 12 following quarters.

During 2018, beneficiaries of the ESOP 2014 plan exercised a total of 203,576 stock options, resulting in the delivery of a total of 203,576 own shares held by the Company.

### Employee Stock Option Plan 2015

On October 27, 2015, the board of directors approved a general stock option plan for the employees for a total number of 873,000 stock options on existing shares, under the condition of approval and within the limits of the authorized capital as approved by the general shareholders' meeting of April 29, 2015 (the "**Employee Stock Option Plan 2015**" or "**ESOP 2015**"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

On November 2, 2015, the board of directors authorized a grant under this plan to certain beneficiaries. On December 15, 2015, a total of 402,350 stock options were accepted.

The vesting of these stock options occurs per quarter and over 4 years, with a vesting of 10% of the total stock options granted during each of the first 4 quarters and a vesting of 5% of the total stock options granted during each of the 12 following quarters.

No stock options under the ESOP 2015 plan were exercised during the twelve months ended at December 31, 2018.

## Specific Performance based Stock Option Plan 2015 bis

On July 24, 2015, the board of directors approved a specific performance based stock option plan for a selected employee for a total number of 18,750 stock options on existing shares (the "**Specific Performance based Stock Option Plan 2015 bis**" or "**SSOP 2015 bis**"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

The grant of these 18,750 stock options, with an exercise price of €48.83 per option, was offered to the selected beneficiary on December 28, 2015, who accepted this offer on January 15, 2016.

The vesting of the stock options under the Performance based ESOP 2015 bis is contingent upon the achievement of certain performance criteria over a period of three years in a first tranche of 75% or 14,055 options and a second tranche of the remaining 25% or 4,693 stock options.

Any stock options that vest under the Performance based ESOP 2015 bis become exercisable during defined exercise periods following December 28, 2018 for the first tranche and February 11, 2019 for the second tranche and have an expiration date of December 28, 2020.

The Remuneration and Nomination Committee of February 7, 2018 decided that in respect of the first tranche 8,097 stock options vested which became exercisable as from December 28, 2018. On February 11, 2019, the Remuneration and Nomination Committee decided that the second tranche vested at 100% and thus the 4,695 underlying stock options became exercisable. In addition, the Committee determined that with respect to the first tranche which partially vested in February 2018 (8,097 stock options), an additional 4,685 stock options vested on February 11, 2019.

No stock options under the SSOP 2015 bis plan were exercised during the twelve months ended at December 31, 2018.

## Employee Stock Option Plan 2016

On March 22, 2016, the board of directors approved a general stock option plan for the Company's Senior Leadership Team, one other manager and the CEO for a total number of 741,806 stock options on existing shares, under the condition of approval and within the limits of the authorized capital as approved by the general shareholders' meeting of April 29, 2015 (the "**Employee Stock Option Plan 2016**" or "**ESOP 2016**"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

On April 14, 2016, the board of directors authorized a grant under this plan to certain beneficiaries. On June 14, 2016, a total of 695,631 stock options were accepted.

The vesting of these stock options occurs per quarter and over 4 years, with a vesting of 10% of the total stock options granted during each of the first 4 quarters and a vesting of 5% of the total stock options granted during each of the 12 following quarters.

During 2018, beneficiaries of the ESOP 2016 plan exercised a total of 17,307 stock options, resulting in the delivery of a total of 17,307 own shares held by the Company.

## Employee Stock Option Plan 2016 bis

On October 25, 2016, the board of directors approved a new general stock option plan for the employees for a total number of 467,000 stock options on existing shares, under the condition of approval and within the limits of the authorized capital as approved by the general shareholders' meeting of April 29, 2015 (the "**Employee Stock Option Plan 2016 bis**" or "**ESOP 2016 bis**"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

On November 7, 2016, the board of directors authorized a grant under this plan to certain beneficiaries. On January 6, 2017, a total of 359,000 stock options were accepted.

The vesting of these stock options occurs per quarter and over 4 years, with a vesting of 10% of the total stock options granted during each of the first 4 quarters and a vesting of 5% of the total stock options granted during each of the 12 following quarters.

During 2018, beneficiaries of the ESOP 2016 bis plan exercised a total of 2,750 stock options, resulting in the delivery of a total of 2,750 own shares held by the Company.

## Employee Stock Option Plan 2017

On March 20, 2017, the board of directors approved Telenet's General Stock Option Plan 2017 for the Company's Senior Leadership, one other manager and the Company's CEO for a total number of 553,292 stock options on existing shares (the "**Employee Stock Option Plan 2017**" or "**ESOP 2017**"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

The grant of these 553,292 stock options, with an exercise price of €58,14 per stock option, occurred on June 8, 2017. On June 30, 2017 a total of 403,266 stock options were accepted.

The vesting of the stock options under the ESOP 2017 occurs quarterly over a period of 4 years, with a vesting of 10% of the total stock options granted during each of the first 4 quarters and a vesting of 5% of the total stock options granted during each of the 12 following quarters.

No stock options under the ESOP 2017 were exercised during the twelve months ended at December 31, 2018.

## Employee Stock Option Plan 2017 bis

On July 31, 2017, the board of directors approved a new general stock option plan for the employees for a total number of 753.109 stock options on existing shares, under the condition of approval and within the limits of the authorized capital as approved by the general shareholders' meeting of April 26, 2017 (the "**Employee Stock Option Plan 2017bis**" or "**ESOP 2017bis**"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

On September 25, 2017, the board of directors authorized a grant under this plan to certain beneficiaries. On November 24, 2017, a total of 413,664 stock options, with an exercise price of €55.59 per stock option, were accepted.

The vesting of these stock options occurs per quarter and over 4 years with a vesting of 10% of the total stock options granted during each of the first 4 quarters and a vesting of 5% during each of the following quarters.

No stock options under the ESOP 2017 bis were exercised during the twelve months ended at December 31, 2018.

## Employee Stock Option Plan 2018

On March 19, 2018, the board of directors approved Telenet's General Stock Option Plan 2018 for the Company's Senior Leadership, the Company's CEO and certain employees for a total number of 1,402,903 stock options on existing shares (the "**Employee Stock Option Plan 2018**" or"**ESOP 2018**"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

The grant of these 1,402,903 stock options, with an exercise price of €42,72 per stock option, occurred on June 6, 2018. On June 30, 2018, a total of 604,021 stock options were accepted. While the CEO, who had time till August 1 2018, accepted the 204,942 granted options in full on August 1, 2018.

The vesting of the stock options under the ESOP 2018 occurs quarterly over a period of 4 years, with a vesting of 10% of the total stock options granted during each of the first 4 quarters and a vesting of 5% of the total stock options granted during each of the 12 following quarters.

During 2018, beneficiaries of the ESOP 2018 plan exercised a total of 676 stock options, resulting in the delivery of a total of 676 own shares held by the Company.

## Employee Stock Option Plan 2018 bis

On October 30, 2018, the board of directors approved a new general stock option plan for the new chief financial officer for a total number of 53,781 stock options on existing shares, under the condition of approval and within the limits of the authorized capital as approved by the general shareholders' meeting of April 26, 2017 (the "**Employee Stock Option Plan 2018bis**" or "**ESOP 2018bis**"). These were offered to the beneficiary on November 2, 2018. Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company. On December 12, 2018, a total of 53,781 stock options, with an exercise price of €44.62 per stock option were accepted.

The vesting of these stock options occurs per quarter and over 4 years with a vesting of 10% of the total stock options granted during each of the first 4 quarters and a vesting of 5% during each of the following quarters.

No stock options under the ESOP 2018 bis were exercised during the twelve months ended at December 31, 2018.

## CEO Stock Option Plan 2013

On April 22, 2013, the board of directors approved a specific stock option plan for the Company's CEO for a total number of 200,000 options on existing shares (the "**CEO Stock Option Plan 2013**" or "**CEO SOP 2013**"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company. On April 24, 2013, the extraordinary shareholders' meeting of the Company approved upfront certain terms and conditions of the CEO Stock Option Plan 2013.

The grant of these 200,000 stock options, with an exercise price of €34.33 per option, was effectively made to the CEO on July 4, 2013, who accepted this offer on October 2, 2013.

The vesting of the stock options under the CEO SOP 2013 was contingent upon the achievement of certain (cumulative) performance criteria over a period of three years, including the achievement of a minimum level of adjusted EBITDA. As the performance criteria related to 2013, 2014 and 2015 were met, the Remuneration Committee determined that all 200,000 stock options were vested. During 2017, the beneficiary of the CEO Stock Option Plan 2013 exercised all of the 200,000 vested stock options, resulting in the delivery of a total of 200,000 own shares held by the Company. As of November 17, 2017, there were no more stock options outstanding under the CEO Stock Option Plan 2013.

## CEO Stock Option Plan 2014

On November 8, 2013, the board of directors approved a specific stock option plan for the Company's CEO for a total number of 185,000 options on existing shares (the "**CEO Stock Option Plan 2014**" or "**CEO SOP 2014**"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

The grant of these 185,000 stock options, with an exercise price of €38.88 per stock option, was effectively made to the CEO on November 8, 2013 and was accepted on February 5, 2014.

The vesting of the stock options under the CEO SOP 2014 is contingent upon the achievement of certain (cumulative) performance criteria over a period of three years, including the achievement of a minimum level of Adjusted EBITDA. The Remuneration Committee, in consultation with the CEO, has determined for each installment the performance criteria and it is the Remuneration Committee that will decide whether these criteria have been met. As the applicable (cumulative) performance criteria have been achieved for 2014 and 2015, the first tranche of 138,750 stock options vested on June 26, 2016 while the second tranche of 46,250 stock option vested on March 1, 2017.

Any stock options that vest under the CEO SOP 2014 become exercisable during defined exercise periods following June 26, 2016. All options under the CEO SOP 2014 have an expiration date of June 26, 2020.

No stock options under the CEO SOP 2014 were exercised during the twelve months ended at December 31, 2018.

## CEO Stock Option Plan 2014 bis

On June 26, 2014, the board of directors approved a specific stock option plan for the Company's CEO for a total number of 180,000 options on existing shares (the "**CEO Stock Option Plan 2014 bis**" or "**CEO SOP 2014 bis**"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

The grant of these 180,000 stock options, with an exercise price of €39.38 per stock option, was effectively made to the CEO on July 15, 2014, who accepted this offer on September 13, 2014.

The vesting of the stock options under the CEO SOP 2014 bis is contingent upon the achievement of certain (cumulative) performance criteria over a period of three years, including the achievement of a minimum level of Adjusted EBITDA. The Remuneration Committee, in consultation with the CEO, has determined for each installment the performance criteria on June 26, 2014, and it is the Remuneration Committee that will decide whether these criteria have been met. As the applicable (cumulative) performance criteria were achieved for 2014, 2015 and 2016, the first tranche of 45,000 stock options vested on July 15, 2015, the second tranche of 67,500 stock options vested on July 15, 2016 and the third tranche of 67,500 stock options vested on July 15, 2017.

Any stock options that vest under the CEO SOP 2014 bis become exercisable during defined exercise periods following July 15, 2017. All options under the CEO SOP 2014 bis have an expiration date of July 15, 2019.

90,000 stock options under the CEO SOP 2014 bis were exercised during the twelve months ended at December 31, 2018, resulting in the delivery of a total of 90,000 own shares held by the Company.

## CEO Stock Option Plan 2015

On February 10, 2015, the board of directors approved a specific stock option plan for the Company's CEO for a total number of 180,000 options on existing shares (the "**CEO Stock Option Plan 2015**" or "**CEO SOP 2015**"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

The grant of these 180,000 stock options with an exercise price of €50.57 per stock option, was effectively made to the CEO on March 13, 2015, who accepted this offer on 11 May 2015.

The vesting of the stock options under the CEO SOP 2015 is contingent upon the achievement of certain (cumulative) performance criteria over a period of three years, including the achievement of a minimum level of Operating Cash (under USGAAP). The Remuneration Committee, in consultation with the CEO, determined for each installment the performance criteria on February 10, 2015, and it is the Remuneration Committee that will decide whether these criteria have been met. As the applicable performance criteria were achieved for 2015, the first tranche of 55,000 stock options vested on March 13, 2016. On February 14, 2017, the Remuneration Committee decided that the applicable (cumulative) performance criteria for 2015 and 2016 have been achieved hence, the second tranche of 63,000 stock options vested on March 13, 2017. On February 7, 2018, the Remuneration Committee decided that the applicable (cumulative) performance criteria for 2015, 2016 and 2017 have been achieved hence, the third tranche of 62,000 stock options vested on March 13, 2018.

Any stock options that vest under the CEO SOP 2015 become exercisable during defined exercise periods following March 13, 2018 and have an expiration date of March 13, 2020.

No stock options under the CEO SOP 2015 were exercised during the twelve months ended at December 31, 2018.

The details regarding the stock option plans issued by the Company are summarized in the table below:

| | Issuance of stock options | | | Stock options granted | | | |
|---|---|---|---|---|---|---|---|
| **Stock Option Plan** | **Date approved by the board of directors** | **Total number of stock options issued** | **Name of the grant** | **Date offered** | **Number of stock options offered** | **Number of stock options accepted** | **Beneficiaries** |
| CEO Stock Option Plan 2014 | November 8, 2013 | 185,000 | CEO SOP 2014 | November 8, 2013 | 185,000 | 185,000 | CEO |
| CEO Stock Option Plan 2014 bis | June 26, 2014 | 180,000 | CEO SOP 2014 bis | July 15, 2014 | 180,000 | 180,000 | CEO |
| Employee Stock Option Plan 2014 | December 5, 2014 | 830,500 | ESOP 2014 | December 12, 2014 | 830,500 | 766,500 | certain employees |
| CEO Stock Option Plan 2015 | February 10, 2015 | 180,000 | CEO SOP 2015 | March 13, 2015 | 180,000 | 180,000 | CEO |
| Employee Stock Option Plan 2015 | October 27, 2015 | 873,000 | ESOP 2015 | November 2, 2015 | 873,000 | 402,350 | certain employees |
| Specific Performance based Stock Option Plan 2015 bis | July 24, 2015 | 18,750 | SSOP 2015 bis | December 28, 2015 | 18,750 | 18,750 | certain employee |
| Employee Stock Option Plan 2016 | April 15, 2016 | 741,806 | ESOP 2016 | March 22, 2016 | 741,806 | 695,631 | CEO and certain employees |
| Employee Stock Option Plan 2016 bis | October 25, 2016 | 467,000 | ESOP 2016 bis | November 7, 2016 | 467,000 | 359,000 | certain employees |
| ESOP 2017 Stock Options | March 20, 2017 | 553,292 | ESOP 2017 | June 8, 2017 | 553,292 | 403,266 | CEO and certain employees |
| ESOP 2017 bis Stock Options | July 31, 2017 | 753,109 | ESOP 2017 bis | September 25, 2017 | 753,109 | 413,664 | certain employees |
| ESOP 2018 Stock Options | March 19, 2018 | 1,402,903 | ESOP 2018 | June 6, 2018 | 1,197,961 | 604,021 | certain employees |
| | | | CEO ESOP 2018 | June 6, 2018 | 204,942 | 204,942 | CEO |
| ESOP 2018 bis Stock Options | October 30, 2018 | 53,781 | ESOP 2018 bis | November 2, 2018 | 53,781 | 53,781 | certain employee |

For accounting purposes, the grant dates of all of the above mentioned grants were defined as the date the beneficiaries accepted the offer, except for the CEO SOP 2014bis, the CEO SOP 2015 and the Specific Performance based Stock Option Plan 2015 bis, due to applicable discretion by the Remuneration & Nomination Committee to determine the performance criteria of the plan. As long as the grant date for these latter plans is deemed not to be achieved, the fair value of the options is re-measured periodically until the discretion clause is removed.

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 (for accounting purposes) | Fair value at grant date (in euro) | Share price at grant date (in euro) | Exercise price (in euro) | | Expected volatility | Expected option life | Expected dividends | Risk-free interest rate |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Initially | Adjusted | | | | |
| ESOP 2014 Stock Options | January 31, 2015 | 8.54 - 10.57 | 49.21 | 45.27 | 40.18 | 20.9% - 22.1% | 4.3 years | 0.0% | -0.01% - 0.00% |
| ESOP 2015 Stock Options | December 15, 2015 | 4.58 - 6.63 | 46.89 | 50.87 | 45.15 | 20.7% - 21.8% | 4.3 years | 0.0% | -0.25% - -0.01% |
| CEO SOP 2014 Stock Options | February 5, 2014 | 12.12 | 44.13 | 38.88 | 34.51 | 22.3% | 5.0 years | 0.0% | 1.05% |
| " | March 11, 2014 | 12.31 | 45.64 | 38.88 | 34.51 | 22.2% | 5.2 years | 0.0% | 1.06% |
| CEO SOP 2014 bis Stock | February 10, 2015 | 13.41 | 49.32 | 39.38 | 34.95 | 21.8% | 3.9 years | 0.0% | 0.02 % |
| " | February 9, 2016 | 7.86 | 42.52 | 39.38 | 34.95 | 23.6% | 2.7 years | 0.0% | (0.3)% |
| " | February 14, 2017 | 11.89 | 49.90 | 39.38 | 34.95 | 22.8% | 1.7 years | 0.0% | (0.51)% |
| CEO SOP 2015 Stock Options | February 9, 2016 | 4.31 | 42.52 | 50.57 | 44.88 | 23.0% | 3.4 years | 0.0% | -0.24% |
| " | February 14, 2017 | 6.39 | 49.90 | 50.57 | 44.88 | 22.5% | 2.4 years | 0.0% | -0.45% |
| " | February 8, 2018 | 10.56 | 59.10 | 50.57 | 44.88 | 21.2% | 1.4 years | 0.0% | -0.41% |
| SSOP 2015 bis Stock Options | February 8, 2018 | 11.88 | 59.10 | 48.83 | 43.34 | 17.4% | 2.2 years | 0.0% | -0.30% |
| " | February 8, 2018 | 11.88 | 59.10 | 48.83 | 43.34 | 17.4% | 2.2 years | 0.0% | -0.30% |
| " | December 31, 2018 (*) | 3.85 (*) | 40.60 (*) | 48.83 | 43.34 | 31.5% (*) | 1.4 years (*) | 3.5% (*) | -0.47% (*) |
| ESOP 2016 Stock Options | June 14, 2016 | 3.40 - 4.99 | 39.46 | 45.48 | 40.36 | 21.5% - 23.3% | 4.3 years | 0.0% | -0.44% - -0.33% |
| ESOP 2016 bis Stock Options | January 6, 2017 | 10.01 - 11.53 | 52.85 | 46.97 | 41.68 | 21.3% - 23.9% | 4.3 years | 0.0% | -0.60% - -0.39% |
| ESOP 2017 Stock Options | June 30, 2017 | 5.81 - 8.33 | 55.15 | 58.14 | 51.60 | 21.0% - 22.7% | 4.3 years | 0.0% | -0.46% - -0.23% |
| ESOP 2017 bis Stock Options | November 24, 2017 | 8.84 - 11.28 | 58.99 | 55.59 | 49.34 | 20.3% - 22.1% | 4.3 years | 0.0% | -0.56% - -0.36% |
| ESOP 2018 Stock Options | June 30, 2018 | 4.01 - 5.99 | 40.00 | 42.72 | 37.91 | 20.7% - 22.4% | 4.3 years | 0.0% | -0.54% - -0.37% |
| CEO ESOP 2018 Stock Options | August 1, 2018 | 7.70 - 9.03 | 43.9 | 42.72 | 37.91 | 23.3% - 24.3% | 4.4 years | 0.0% | -0.48% - -0.20% |
| ESOP 2018 bis Stock Options | December 12, 2018 | 2.29 - 3.01 | 39.70 | 44.62 | — | 24.6% - 25.6% | 4.3 years | 5.2% | -0.45% - -0.16% |

* The board of directors has significant discretion to allow a deviation of 5% on the determined absolute performance criteria. As a result, grant date is not achieved from accounting perspective and therefore is re-measured periodically until the discretion clause is removed. The assumptions included in the table above reflect the fair value calculation based on grant dates as per December 31, 2018.

## Effect of the extraordinary dividend payment on the outstanding options

The extraordinary shareholders meeting of September 26, 2018 approved a dividend of €5.30/share, which represented a total dividend to be distributed of €599.1 million. Upon the payment of the €5.30 extraordinary dividend on October 4, 2018, the Company adjusted all its stock options to ensure that the benefits granted to the option 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 (or extraordinary dividend) 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 2 business days before the date on which the extraordinary dividend is paid (payment date).

**Extraordinary dividend**

| | Coupon n° | Cum date | Payment date | Dividend amount per share (in euro) | Adjustment factor |
|---|---|---|---|---|---|
| Extraordinary dividend 2018 | 8.00 | October 2, 2018 | October 4, 2018 | 5.30 | 0.887521 |

As a result of the 2018 adjustment, fair values of the stock options before and after the extraordinary dividend payment remained the same for all option holders resulting in no additional compensation expense. The aforementioned modifications to the different stock option plans can be summarized as follows:

| | | Outstanding number of stock options | | | Exercise price of the stock options (in euro) | | |
|---|---|---|---|---|---|---|---|
| Extraordinary dividend Stock Option Plan | | before dividend payment | after dividend payment | Adjustment | before dividend payment | after dividend payment | Adjustment |
| ESOP 2014 | | 582,850 | 656,711 | 73,861 | 45.27 | 40.18 | (5.09) |
| ESOP 2015 | | 364,475 | 410,667 | 46,192 | 50.87 | 45.15 | (5.72) |
| ESOP 2016 | | 619,597 | 698,123 | 78,526 | 45.48 | 40.36 | (5.12) |
| ESOP 2016bis | | 322,295 | 363,132 | 40,837 | 46.97 | 41.68 | (5.29) |
| ESOP 2017 | | 376,614 | 424,344 | 47,730 | 58.14 | 51.60 | (6.54) |
| ESOP 2017bis | | 409,464 | 461,356 | 51,892 | 55.59 | 49.34 | (6.25) |
| ESOP 2018 | | 808,963 | 911,488 | 102,525 | 42.72 | 37.91 | (4.81) |
| | | | | | | | |
| CEO SOP 2014 | tranche 1 | 138,750 | 156,334 | 17,584 | 38.88 | 34.51 | (4.37) |
| | tranche 2 | 46,250 | 52,111 | 5,861 | 38.88 | 34.51 | (4.37) |
| CEO SOP 2014 bis | tranche 1 | 0 | 0 | 0 | 0 | 0 | — |
| | tranche 2 | 22,500 | 25,352 | 2,852 | 39.38 | 34.95 | (4.43) |
| | tranche 3 | 67,500 | 76,055 | 8,555 | 39.38 | 34.95 | (4.43) |
| CEO SOP 2015 | tranche 1 | 55,000 | 61,970 | 6,970 | 50.57 | 44.88 | (5.69) |
| | tranche 2 | 63,000 | 70,984 | 7,984 | 50.57 | 44.88 | (5.69) |
| | tranche 3 | 62,000 | 69,857 | 7,857 | 50.57 | 44.88 | (5.69) |
| SSOP 2015 bis | tranche 1 | 0 | 0 | 0 | 0 | 0 | — |
| | tranche 2 | 8,097 | 9,123 | 1,026 | 48.83 | 43.34 | (5.49) |
| | tranche 3 | 4,695 | 5,290 | 595 | 48.83 | 43.34 | (5.49) |

As the modification was decided upon on October 17, 2018 but with application of an adjustment factor as per October 2, 2018, the fair value of the total award before and after the transaction are not exactly the same for the option holders and as a consequence, this modification did lead to an incremental compensation cost. The total incremental compensation cost amounts to €15.0 million, of which €10.3 million related to already vested options and thus was recognized immediately in the current year's stock compensation cost. The remaining €4.7 million will be recognized upon the future vestings of the underlying awards.

## All plans

A summary of the activity in the Company's stock option and warrant plans for the years ended December 31, 2018, and 2017 is as follows:

| | Outstanding Options and Warrants | |
|---|---|---|
| | Number of Options and Warrants | Average Exercise Prices (in euro) |
| **January 1, 2017** | **3,190,979** | **42.98** |
| **Granted** | | |
| Employee Stock Option Plan 2016bis | 361,000 | 46.97 |
| Employee Stock Option Plan 2017 | 403,266 | 58.14 |
| Employee Stock Option Plan 2017bis | 413,664 | 55.59 |
| **Exercised** | | |
| Stock Option Plan 2013 (primo/bis) stock options exercised | (415,987) | 36.75 |
| Stock Option Plan 2014 stock options exercised | (92,750) | 45.27 |
| Stock Option Plan 2015 stock options exercised | (22,225) | 50.87 |
| Stock Option Plan 2016 stock options exercised | (51,610) | 45.48 |
| Stock Option Plan 2016bis options exercised | (20,755) | 46.97 |
| CEO SOP 2013 options exercised | (200,000) | 34.33 |
| **Forfeited** | | |
| Stock Option Plan 2014 stock options forfeited | (5,700) | 45.27 |
| Stock Option Plan 2015 stock options forfeited | (5,475) | 50.87 |
| Stock Option Plan 2016 bis stock options forfeited | (4,200) | 45.48 |
| **December 31, 2017** | **3,550,207** | **47.98** |
| **Granted** | | |
| Employee Stock Option Plan 2018 | 808,963 | 42.72 |
| Employee Stock Option Plan 2018 bis | 53,781 | 44.62 |
| **Additional issued upon plan amendment** | | |
| Additional Stock Option Plan 2014 stock options issued upon plan amendment | 73,861 | 5.09 |
| Additional Stock Option Plan 2015 stock options issued upon plan amendment | 46,192 | 5.72 |
| Additional Stock Option Plan 2016 stock options issued upon plan amendment | 78,526 | 5.12 |
| Additional Stock Option Plan 2016 bis stock options issued upon plan amendment | 40,837 | 5.28 |
| Additional Stock Option Plan 2017 stock options issued upon plan amendment | 47,730 | 6.54 |
| Additional Stock Option Plan 2017 bis stock options issued upon plan amendment | 51,892 | 6.25 |
| Additional Stock Option Plan 2018 stock options issued upon plan amendment | 102,525 | 4.81 |
| Additional CEO Stock Option Plan 2014 stock options issued upon plan amendment | 23,445 | 4.37 |
| Additional CEO Stock Option Plan 2014 bis stock options issued upon plan amendment | 11,407 | 4.43 |
| Additional CEO Stock Option Plan 2015 stock options issued upon plan amendment | 22,811 | 5.69 |
| Additional Specific Performance based Stock Option Plan 2015 bis stock options issued upon plan amendment | 1,621 | 5.49 |
| **Exercised** | | |
| Stock Option Plan 2013 primo stock options exercised | (167,611) | 34.33 |
| Stock Option Plan 2013 bis stock options exercised | (500) | 36.75 |
| Stock Option Plan 2014 stock options exercised | (203,576) | 41.23 |
| Stock Option Plan 2016 stock options exercised | (17,307) | 40.36 |
| Stock Option Plan 2016 bis options exercised | (2,750) | 46.97 |
| Stock Option Plan 2018 options exercised | (676) | 37.91 |
| CEO Stock Option Plan 2014 bis options exercised | (90,000) | 39.38 |
| **Forfeited** | | |
| Stock Option Plan 2014 stock options forfeited | (24,400) | 45.27 |
| Stock Option Plan 2015 stock options forfeited | (9,240) | 49.96 |
| Stock Option Plan 2016 stock options forfeited | (24,424) | 45.48 |
| Stock Option Plan 2016 bis stock options forfeited | (13,056) | 45.33 |
| Stock Option Plan 2017 stock options forfeited | (26,652) | 58.14 |

| | | |
|---|---|---|
| Stock Option Plan 2017 bis stock options forfeited | (11,316) | 51.66 |
| Stock Option Plan 2018 bis stock options forfeited | (2,254) | 37.91 |
| Specific Performance based Stock Option Plan 2015 bis stock options forfeited | (5,958) | 48.83 |
| **December 31, 2018** | **4,314,078** | **41.69** |

The stock options in the table below were exercised resulting in the receipt of payments of €18.6 million during the year ended December 31, 2018. The ESOP 2013, ESOP 2013 bis, ESOP 2014, ESOP 2016, ESOP 2016 bis and ESOP 2018 were exchanged on a one-for-one basis for existing ordinary shares of the Company. Stock options exercised during the year ended December 31, 2017 resulted in the receipt of €29.9 million.

| Class of options | Number of options exercised | Exercise date | Exercise price at exercise date (in euro) | Share price at exercise date (in euro) |
|---|---|---|---|---|
| **ESOP 2013 primo stock options** | 36,700 | First Quarter | 34.33 | 52.10 |
| | 130,911 | Second Quarter | 34.33 | 41.10 |
| **ESOP 2013 bis stock options** | 500 | Second Quarter | 36.75 | 40.00 |
| **ESOP 2014 stock options** | 3,400 | First Quarter | 45.27 | 54.14 |
| | 2,400 | Second Quarter | 45.27 | 49.03 |
| | 36,050 | Third Quarter | 45.27 | 48.21 |
| | 161,726 | Fourth Quarter | 40.18 | 44.23 |
| **ESOP 2016 stock options** | 17,307 | Fourth Quarter | 40.36 | 44.34 |
| **ESOP 2016 bis stock options** | 2,750 | Third Quarter | 46.97 | 47.90 |
| **ESOP 2018 stock options** | 676 | Fourth Quarter | 37.91 | 43.30 |
| **CEO SOP 2014 bis stock options** | 90,000 | Third Quarter | 39.38 | 47.36 |
| **Total** | **482,420** | | | |

The following table summarizes information about stock options outstanding and exercisable as of December 31, 2018:

| Class of options | Number of options outstanding | Number of options exercisable | Weighted average remaining contractual life | Current exercise prices (in euro) |
|---|---|---|---|---|
| ESOP 2014 stock options | 494,985 | 494,985 | 11 months | 40.18 |
| ESOP 2015 stock options | 411,602 | 332,205 | 22 months | 45.15 |
| ESOP 2015 bis stock options | 14,413 | 9,123 | 24 months | 43.34 |
| ESOP 2016 stock options | 680,816 | 466,273 | 27 months | 40.36 |
| ESOP 2016 bis stock options | 358,676 | 212,644 | 34 months | 41.68 |
| ESOP 2017 stock options | 424,344 | 222,177 | 41 months | 51.60 |
| ESOP 2017 bis stock options | 454,240 | 208,628 | 45 months | 49.34 |
| ESOP 2018 stock options | 908,558 | 181,592 | 53 months | 37.91 |
| ESOP 2018 bis stock options | 53,781 | — | 58 months | 44.62 |
| CEO SOP 2014 stock options | 208,445 | 208,445 | 18 months | 34.51 |
| CEO SOP 2014 bis stock options | 101,407 | 101,407 | 6 months | 34.95 |
| CEO SOP 2015 stock options | 202,811 | 202,811 | 14 months | 44.88 |
| **Total outstanding** | **4,314,078** | | | |

Total compensation expense associated with the Company's option and warrant plans amounted to €16.3 million in 2018 (2017: €8.3 million) and are reflected in equity.

## Performance shares

In May 2014, Telenet granted its Senior Leadership Team members (other than its chief executive officer) and one other manager a total of 27,694 performance shares (the "**2014 Telenet Performance Shares**"). The performance target applicable to the 2014 Telenet Performance Shares is the achievement of an Adjusted EBITDA CAGR, when comparing the Adjusted EBITDA during the period started as of January 1, 2014 and ending on December 31, 2016 to the Adjusted EBITDA for the period started on January 1, 2013 and ended on December 31, 2013. A performance range of 75% to 150% of the target Adjusted EBITDA CAGR would generally result in award recipients earning 50% to 150% of their 2014 Telenet Performance Shares, subject to reduction or forfeiture based on individual performance and service requirements. On February 14, 2017, the Remuneration & Nomination Committee and the Board of Directors decided that the performance criteria for the 2014 Telenet Performance Shares have been achieved, and as a consequence, the earned 2014 Telenet Performance Shares will vest at 62.37% on May 22, 2017. Any compensation costs attributable to the 2014 Telenet Performance Shares are recognized over the requisite service period of the awards and will be included in compensation expense in Telenet's consolidated statement of profit or loss and other comprehensive income. This particular performance share plan was paid out in cash in 2017 for an amount of €0.4 million.

Notwithstanding the fact that the Company's Performance Share Plans state that the settlement of the plans is executed by delivering shares, the Remuneration and Nomination Committee, in its sole discretion, elected in the past to pay cash instead of delivering only Shares. As a result of this past practice of cash settlements, the Company recognizes its share based compensation expense in relation to all performance share plans as a liability.

In June 2015, Telenet granted its Senior Leadership Team members (other than its chief executive officer) and one other manager a total of 26,104 performance shares (the "**2015 Telenet Performance Shares**"). The performance target applicable to the 2015 Telenet Performance Shares is the achievement of an Operating Cash Flow CAGR (under USGAAP), when comparing the Operating Cash Flow during the period started as of January 1, 2015 and ending on December 31, 2017 to the Operating Cash Flow for the period started on January 1, 2014 and ended on December 31, 2014. A performance range of 75% to 150% of the target Operating Cash Flow CAGR would generally result in award recipients earning 50% to 150% of their 2015 Telenet Performance Shares, subject to reduction or forfeiture based on individual performance and service requirements. The earned 2015 Telenet Performance Shares will vest on June 18, 2018. Any compensation costs attributable to the 2015 Telenet Performance Shares are recognized over the requisite service period of the awards and will be included in compensation expense in Telenet's consolidated statement of profit or loss and other comprehensive income.

On February 7, 2018, the Remuneration and Nomination Committee decided that the performance criteria for the 2015 Telenet Performance Shares have been over-achieved, and as a consequence, the earned 2015 Telenet Performance Shares vested at 115.80% on June 18, 2018. Whereas all past settlements of the Performance Share Plans occurred in cash, the Performance Share Plan 2015 was settled by delivering 12,218 own shares of the Company. As this was the first time the Company settled this particular plan by delivering shares, this was not yet considered to be a historical track record of equity settlements nor a change in the Company's stated intent of settling the awards. As a consequence, the two outstanding performance share plans (being the PSP 2016 and PSP 2018 plans) are still qualified as cash-settled plans for which a corresponding liability has been recognized.

On April 15, 2016, the Company granted its Senior Leadership Team members (including its chief executive officer) and one other manager a total of 119,842 performance shares (the "**2016 Telenet Performance Shares**"). The performance target applicable to the 2016 Telenet Performance Shares is the achievement of an Operating Cash Flow CAGR (under USGAAP), when comparing the Operating Cash Flow during the period started as of January 1, 2016 and ending on December 31, 2018 to the Operating Cash Flow for the period started on January 1, 2015 and ended on December 31, 2015. A performance range of 75% to 160% of the target Operating Cash Flow CAGR would generally result in award recipients earning 75% to 300% of their 2016 Telenet

Performance Shares, subject to reduction or forfeiture based on individual performance and service requirements. The earned 2016 Telenet Performance Shares will vest on April 15, 2019. Any compensation costs attributable to the 2016 Telenet Performance Shares are recognized over the requisite service period of the awards and will be included in compensation expense in Telenet's consolidated statement of profit or loss and other comprehensive income. On February 11, 2019, the Remuneration and Nomination Committee decided that the performance criteria for the 2016 Telenet Performance Shares was over-achieved, and therefore, the earned 2016 Telenet Performance Shares will vest at 199% on April 15, 2019.

In 2017, the Company did not grant its Senior Leadership Team any performance shares.

On November 5, 2018, the Company granted its Senior Leadership Team members (including its chief executive officer) and one other manager a total of 60,082 performance shares (the "**2018 Telenet Performance Shares**"). The performance target applicable to the 2018 Telenet Performance Shares is the achievement of an Operating Cash Flow CAGR (under USGAAP), when comparing the Operating Cash Flow during the period started as of January 1, 2018 and ending on December 31, 2020 to the Operating Cash Flow for the period started on January 1, 2017 and ended on December 31, 2017. A performance range of 75% to 129% of the target Operating Cash Flow CAGR would generally result in award recipients earning 75% to 200% of their 2016 Telenet Performance Shares, subject to reduction or forfeiture based on individual performance and service requirements. The earned 2018 Telenet Performance Shares will vest on November 5, 2021. Any compensation costs attributable to the 2018 Telenet Performance Shares are recognized over the requisite service period of the awards and will be included in compensation expense in Telenet's consolidated statement of profit or loss and other comprehensive income.

In 2018, Telenet recognized €1.2 million of compensation expense in respect of the Telenet Performance Shares plans (2017: €7.2 million) which are reflected on the balance sheet as long term, respectively short term liabilities (note 5.16 and 5.18).

### 5.12.3 Employee share purchase plan 2017

In 2017, the board of directors approved the issuance of a new Employee Share Purchase Plan (the "**Employee Share Purchase Plan 2017**" or "**ESPP 2017**") within the limits of the authorized capital as approved by the extraordinary shareholder's meeting of April 26, 2017, for a maximum amount of €5.0 million (excluding share premium). In September 2017, the board of directors offered to all of Telenet's employees the opportunity to purchase new shares of the Company under the terms of the ESPP 2017 at a discount of 16.67% to the average share purchase price over the 20 business day period following September 27, 2017. Based on the average share price of €58.05 during this 20 business day period, the shares were offered to the personnel at a subscription price of €48.38. As the shares were fully vested at the time of the transaction, the Company recognized €4.2 million as compensation expense in 2017 for the 380,700 shares that were purchased.

## 5.13 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 risks, including interest rate and liquidity risk, see note 5.3.

The balances of loans and borrowings specified below include accrued interest as of December 31, 2018 and 2017.

| *(in thousands of euro)* | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **2018 Amended Senior Credit Facility:** | | |
| Revolving Credit Facility AG | 477 | 477 |
| Term Loan AL | — | 1,084,235 |
| Term Loan AM | — | 731,338 |
| Term Loan AN | 1,807,703 | — |
| Term Loan AO | 939,933 | — |
| **Senior Secured Fixed Rate Notes:** | | |
| €250 million Senior Secured Notes due 2024 | — | 256,375 |
| €530 million Senior Secured Notes due 2027 | 487,723 | 541,914 |
| USD1000 million Senior Secured Notes due 2028 | 894,902 | 834,720 |
| €600 million Senior Secured Notes due 2028 | 609,466 | 601,400 |
| Revolving Credit Facility | — | 8 |
| Nextel Credit Facility | 3,027 | — |
| Overdraft Facility | 38 | 31 |
| Global Handset Finco Ltd Loan | 12,740 | 12,740 |
| SFR network right of use | 4,108 | 4,236 |
| Vendor financing | 359,046 | 262,605 |
| Finance lease obligations | 416,085 | 383,159 |
| 2G & 3G Mobile Spectrum | 23,753 | 16,280 |
| Clientele fee > 20 years | 124,660 | 114,972 |
| | **5,683,661** | **4,844,490** |
| Less: deferred financing fees | (18,504) | (20,584) |
| | **5,665,157** | **4,823,906** |
| Less: current portion | (504,128) | (361,695) |
| **Total non-current loans and borrowings** | **5,161,029** | **4,462,211** |

As of December 31, 2018 and 2017, all loans and borrowings were denominated in euro except for Term Loan AN and the USD 1,000 million Senior Secured Notes due 2028, which are denominated in USD. Fixed interest rates applied to 41.38% of the total loans and borrowings at December 31, 2018 (December 31, 2017: 61.39%). The weighted average interest rates at December 31, 2018, were 3.73% on fixed rate loans (December 31, 2017: 4.81%) and 3.46% on floating rate loans (December 31, 2017: 3.48%).

### 5.13.1 2018 Amended Senior Credit Facility

Throughout the year ended December 31, 2018, the Company modified the 2010 Senior Credit Facility including, amongst others, changes to certain guarantees and covenants.

In March 2018, Telenet used part of its cash and cash equivalents to prepay 10% of Facility AB, of which the lender is Telenet Finance VI Luxembourg S.C.A. ("**TFLVI**"). TFLVI used the proceeds from the prepayment of 10% of Facility AB to redeem 10% of the original aggregate principal amount of its 4.875% €530.0 million Senior Secured Notes due July 2027.

In March 2018, Telenet issued a USD 300.0 million Term Loan ("**Facility AL2**") at par, under which Telenet Financing USD LLC is the borrowing entity. Facility AL2 carried the same characteristics as the initial Facility AL, which was issued on December 1, 2017. In April 2018, Telenet Financing USD LLC borrowed the full USD 300.0 million under Facility AL2 and on-lent the net proceeds of this issuance to Telenet International Finance S.à r.l., which used such proceeds, together with existing cash, to prepay Facility V, of which the lender is Telenet Finance V Luxembourg S.C.A. ("**TFLV**"). TFLV used the proceeds from the prepayment of Facility V to redeem in full its 6.75% €250.0 million Senior Secured Notes due August 2024.

In May 2018, Telenet issued a new €730.0 million Term Loan Facility ("**Facility AO**"), under which Telenet International Finance S.à r.l. is the borrowing entity. Facility AO carries a reduced margin of 2.50% over EURIBOR with a 0% floor, matures on December 15, 2027 and was issued at 99.875% of par. Through Telenet Financing USD LLC, Telenet issued a new USD 1.6 billion Term Loan facility ("**Facility AN**") with a modestly improved maturity of August 15, 2026. Facility AN carries a reduced margin of 2.25% over LIBOR with a 0% floor and was issued at 99.875% of par. Telenet used the net proceeds from these new facilities in June 2018 to entirely prepay the following credit facilities under the 2018 Amended Senior Credit Facility: (i) Facility AM (€730.0 million due December 2027, EURIBOR +2.75%, 0% floor); and (ii) Facility AL (USD 1.6 billion due March 2026, LIBOR + 2.50%, 0% floor).

In August 2018, Telenet successfully issued and priced an additional USD 475.0 million Term Loan ("**Facility AN2**") and an additional €205.0 million Term Loan ("**Facility AO2**"). Facility AN2, under which Telenet Financing USD LLC is the borrowing entity, carries the same characteristics as the initial Facility AN, which was issued on May 24, 2018. As such, Facility AN2 carries (i) a margin of 2.25% over LIBOR, (ii) a 0% LIBOR floor and (iii) a maturity of August 15, 2026. Facility AN2 was issued at 98.5% of par. Facility AO2, under which Telenet International Finance S.à r.l. is the borrowing entity, carries the same characteristics as the initial Facility AO, which was issued on May 25, 2018. As such, Facility AO2 carries (i) a margin of 2.50% over EURIBOR, (ii) a 0% EURIBOR floor and (iii) a maturity of December 15, 2027. Facility AO2 was issued at 98.0% of par. The net proceeds of these two issuances, together with excess cash and cash equivalents, have been used in early October to pay €598.9 million of the €600.0 million gross extraordinary gross dividend.

### 5.13.2 Senior Secured Notes

#### Issuance of €530.0 million Senior Secured Fixed Rate Notes due 2027

Telenet Finance VI Luxembourg S.C.A. (further referred to as "**TFL VI**") was incorporated on August 14, 2012 under the laws of the Grand Duchy of Luxembourg as a structured finance entity company for the primary purpose of facilitating the offering of Senior Secured Notes.

On July 21, 2015 TFL VI entered into a Global Note offering (the "**Senior Secured Notes due 2027**"). TFL VI was incorporated as a corporate partnership limited by shares and is owned for 99.99% by a charitable trust and 0.01% by Telenet Finance VI Luxembourg S.à r.l., a company independent from the Telenet Group.

TFL VI is an SE, incorporated on specific request of the Company. Although the Company does not have any direct or indirect shareholdings in this entity, this SE is considered to be controlled by the Company given the substance of its relationship. Therefore, TFL VI is included in the consolidated financial statements of the Company.

In July 2015, TFL VI issued €530.0 million 4.875% Senior Secured Fixed Rate Notes due 2027. The net proceeds of this issuance were used in August 2015 to prepay €500.0 million of Senior Secured Notes due 2020. This resulted in a loss on extinguishment of debt amounting to €30.8 million consisting of unamortized deferred financing fees related to the €500.0 million Senior Secured Notes due 2016 of €30.8 million and a make whole premium of €23.1 million

The interest rate on the Senior Secured Fixed Rate Notes due 2027 is 4.875% annually and accrued interest is paid semi-annually on January 15 and July 15. The final maturity of these Senior Secured Notes is July 15, 2027.

The bond was issued below par (98.55%) but the difference between the discount and the par value was paid by the underwriters resulting in nominal proceeds of €530.0 million.

#### Issuance of USD 1.0 billion Senior Secured Fixed Rate Notes due 2028 and €600 million Senior Secured Notes due 2028

In December 2017, Telenet issued €600.0 million and USD 1.0 billion Senior Secured Fixed Rate Notes due 2028 at par. The Notes will mature on March 1, 2028 and carry a fixed coupon of 3.50% and 5.50%, for the €-denominated Notes and USD-denominated Notes, respectively, due on a semi-annual basis as of mid-January 2018. The net proceeds from these Notes and the new Term Loan AL and Term Loan AM were used to entirely prepay the following credit facilities under its Senior Credit Facility: (i) Facility AH (€1.33 billion due March 2026, EURIBOR +3.00%, 0% floor); and (ii) Facility AI (USD 2.3 billion due June 2025, LIBOR + 2.75%, 0% floor).

As a result of the 2017 refinancing transactions, the Company recognized a loss on extinguishment of debt amounting to €76.0 million (note 5.13) consisting of (i) unamortized deferred financing fees related to Term Loan Facilities AE, AF, AH, AI and U for a total amount of €49.1

million, (ii) new financing fees relating to Term Loans AH, AI, AL and AM amounting to €7.4 million, (iii) an early termination fee related to Facility U for €19.1 million cash paid at June 30, 2017, and (iv) unamortized deferred financing fees related to Revolving Credit Facility Z amounting to €0.4 million.

### 5.13.3 Repayment schedule

Aggregate future principal payments on the total borrowings under all of the Company's loans and borrowings other than finance leases, vendor financing, 2G and 3G spectrum, the SFR network right of use liability, the Clientele fee > 20 years and the global handset financing loans as of December 31, 2018 and 2017 are shown in the following table:

| *(in thousands of euro)* | Total Facility as per | Drawn amount | Undrawn amount | Maturity Date | Interest rate | Interest payments due |
|---|---|---|---|---|---|---|
| **December 31, 2018** | | | | | | |
| **2018 Amended Senior Credit Facility:** | | | | | | |
| Term Loan AO | 935,000 | 935,000 | — | December 15, 2027 | Floating \| 6-month Euribor (0% floor) + 2.50% | Semi-annually (Jan. and Jul.) |
| Term Loan AN (USD 2.075 billion) | 1,811,990 | 1,811,990 | — | August 15, 2026 | Floating \| USD Libor 6-month (0% floor)+ 2.25% | Semi-annually (Jan. and Jul.) |
| Revolving Credit Facility (Facility AG) | 400,000 | — | 400,000 | June 30, 2023 | Floating \| 1-month Euribor (0% floor)+ 2.75% | Monthly |
| **Revolving Credit Facility:** | | | | | | |
| Revolving Credit Facility | 20,000 | — | 20,000 | September 30, 2021 | Floating \| 1-month EURIBOR (0% floor) + 2.00% | Monthly |
| **BNP Overdraft Facility** | | | | | | |
| BNP Overdraft Facility | 25,000 | — | 25,000 | December 31, 2019 | Floating \| 1-month EURIBOR (0% floor) + 1.60% | Not applicable |
| **Senior Secured Fixed Rate Notes:** | | | | | | |
| USD 1.0 billion Senior Secured Notes due 2028 (Term Loan AJ) | 873,248 | 873,248 | — | March 1, 2028 | Fixed \| 5.50% | Semi-annually (Jan. and Jul.) |
| €600 million Senior Secured Notes due 2028 (Term Loan AK) | 600,000 | 600,000 | — | March 1, 2028 | Fixed \| 3.50% | Semi-annually (Jan. and Jul.) |
| €530 million Senior Secured Notes due 2027 (Term Loan AB) | 477,000 | 477,000 | — | July 15, 2027 | Fixed \| 4.875% | Semi-annually (Jan. and Jul.) |
| **Total notional amount** | **5,142,238** | **4,697,238** | **445,000** | | | |

| *(in thousands of euro)* | Total Facility as per | Drawn amount | Undrawn amount | Maturity Date | Interest rate | Interest payments due |
|---|---|---|---|---|---|---|
| **December 31, 2017** | | | | | | |
| **2017 Amended Senior Credit Facility:** | | | | | | |
| Term Loan AM | 730,000 | 730,000 | — | December 15, 2027 | Floating \| 6-month Euribor (0% floor) + 2.75% | Semi-annually (Jan. and Jul.) |
| Term Loan AL (USD 1.3 billion) | 1,081,396 | 1,081,396 | — | March 1, 2026 | Floating \| Libor 6-month (0% floor)+ 2.50% | Semi-annually (Jan. and Jul.) |
| Revolving Credit Facility (Facility AG) | 400,000 | — | 400,000 | June 30, 2023 | Floating \| 1-month Euribor (0% floor)+ 2.75% | Monthly |
| **Revolving Credit Facility:** | | | | | | |
| Revolving Credit Facility | 20,000 | — | 20,000 | September 30, 2021 | Floating \| 1-month Euribor (0% floor) + 2.00% | Monthly |
| **BNP Overdraft Facility** | | | | | | |
| BNP Overdraft Facility | 25,000 | — | 25,000 | December 31, 2018 | Floating \| 1-month Euribor + 1.60% | Not applicable |
| **Senior Secured Fixed Rate Notes** | | | | | | |
| USD 1.0 billion Senior Secured Notes due 2028 (Term Loan AJ) | 831,842 | 831,842 | — | March 1, 2028 | Fixed \| 5.50% | Semi-annually (Jan. and Jul.) |
| €600 million Senior Secured Notes due 2028 (Term Loan AK) | 600,000 | 600,000 | — | March 1, 2028 | Fixed \| 3.50% | Semi-annually (Jan. and Jul.) |
| €250 million Senior Secured Notes due 2024 (Term Loan V) | 250,000 | 250,000 | — | August 15, 2024 | Fixed \| 6.75% | Semi-annually (Feb. and Aug.) |
| €530 million Senior Secured Notes due 2027 (Term Loan AB) | 530,000 | 530,000 | — | July 15, 2027 | Fixed \| 4.875% | Semi-annually (Jan. and Jul.) |
| **Total notional amount** | **4,468,238** | **4,023,238** | **445,000** | | | |

### 5.13.4 Reconciliation of movements of liabilities to cash flows used in financing activities

The following table summarizes the movements of liabilities and shareholders' equity to cash flows used in financing activities for the year ended December 31, 2018:

| (in thousands of euro) | 2018 Amended Senior Credit Facility | Senior Secured Fixed Rate Notes | Vendor Financing | Finance lease obligations | Other loans & borrowings | Deferred financing fees | Total changes from financing cash flows |
|---|---|---|---|---|---|---|---|
| **At January 1, 2018** | **1,816,050** | **2,234,409** | **262,605** | **383,159** | **148,259** | **(20,584)** | |
| **Changes from financing cash flows** | | | | | | | |
| Repayments of loans and borrowings | — | (303,000) | (358,452) | — | (32,944) | — | (694,396) |
| Proceeds from loans and borrowings | 850,113 | — | 159,383 | — | — | — | 1,009,496 |
| Payments of finance lease liabilities | — | — | — | (45,161) | — | — | (45,161) |
| Payments for debt issuance costs | — | — | — | — | — | (25,713) | (25,713) |
| **Total changes from financing cash flows** | **850,113** | **(303,000)** | **(199,069)** | **(45,161)** | **(32,944)** | **(25,713)** | **244,226** |
| **The effect from changes in foreign exchange rate** | **74,565** | **41,405** | **—** | **—** | **—** | **—** | |
| **The effect from acquisition of Nextel** | **—** | **—** | **—** | **7,791** | **5,370** | **—** | |
| **Liability related other changes** | | | | | | | |
| New finance leases and new vendor financing | — | — | 260,569 | 73,213 | — | — | |
| New 2G mobile spectrum financing | — | — | — | — | 33,482 | — | |
| Non cash settlement VAT | — | — | 32,887 | — | — | — | |
| Loss on extinguishment and modification of debt (Note 5.13.2) | — | — | — | — | — | 25,590 | |
| Interest expense | 86,847 | 95,645 | 7,931 | 26,653 | 10,534 | — | |
| Interest paid | (77,482) | (75,546) | (6,533) | (26,645) | (2,207) | — | |
| Other | (800) | (822) | (742) | (2,888) | 6,013 | 2,204 | |
| **Total liability related other charges** | **8,565** | **19,277** | **294,112** | **70,333** | **47,822** | **27,794** | |
| **At December 31, 2018** | **2,749,293** | **1,992,091** | **357,648** | **416,122** | **168,507** | **(18,503)** | |

| (in thousands of euro) | Share capital | Share premium | Equity-based compensa tion reserve | Reserve for own shares | Retained loss | Non-controlling interest | Total changes from financing cash flows |
|---|---|---|---|---|---|---|---|
| **At January 1, 2018 as reported** | **12,799** | **80,743** | **87,783** | **(108,665)** | **(2,099,658)** | **21,855** | |
| **At January 1, 2018 as represented** | **12,799** | **80,743** | **87,783** | **(108,665)** | **(2,101,949)** | **21,855** | |
| **Impact of change in accounting policies** | — | — | — | — | 8,622 | — | |
| **At January 1, 2018 restated** | **12,799** | **80,743** | **87,783** | **(108,665)** | **(2,093,327)** | **21,855** | |
| **Changes from financing cash flows** | | | | | | | |
| Repurchase of own shares | — | — | — | (228,060) | — | — | (228,060) |
| Sale of own shares | — | — | — | 24,240 | (5,655) | — | 18,585 |
| Payments related to capital reductions and dividends | — | — | — | — | (598,910) | — | (598,910) |
| Proceeds from capital transactions with equity participants | — | — | — | — | — | 4,518 | 4,518 |
| Other | — | — | — | — | — | (429) | (429) |
| **Total changes from financing cash flows** | **—** | **—** | **—** | **(203,821)** | **(604,565)** | **4,089** | **(804,297)** |
| **Total equity related other charges** | **—** | **—** | **16,770** | **—** | **253,282** | **(3,067)** | |

| At December 31, 2018 | 12,799 | 80,743 | 104,553 | (312,486) | (2,444,610) | 22,877 | |
|---|---|---|---|---|---|---|---|
| Total changes from financing cash flows | | | | | | | (560,071) |

## 5.13.5 Guarantees and covenants

### 2018 Amended Senior Credit Facility

As at 31 December 2018, Telenet BVBA, Telenet Group BVBA, Telenet International Finance S.à r.l. and Telenet Financing USD LLC guaranteed (and continue to guarantee) the obligations of each of Telenet BVBA, Telenet Group BVBA, Telenet International Finance S.à r.l. and Telenet Financing USD LLC under the 2018 Amended Senior Credit Facility, to the extent permitted by law and subject to any applicable guarantee limitations.

In addition, security has been granted under the 2018 Amended Senior Credit Facility by Telenet Group Holding NV, Telenet Group BVBA and Telenet International Finance S.à r.l.

A substantial part of the security interests over the assets of the Telenet Group have been released on October 30, 2018.

The remaining security interests include:

- pledges of all shares of Telenet BVBA, Telenet Group BVBA, Telenet International Finance S.à r.l. and Telenet Financing USD LLC; and
- pledge of receivables owed to Telenet Group Holding NV by Finance Center Telenet S.à r.l. under a subordinated shareholder loan and all receivables owed by other group members to Telenet Group Holding NV under future subordinated shareholder loans.

As of December 31, 2018, the Company was in compliance with all of its financial covenants.

In respect of the obligations under the notes issued by Telenet Finance VI Luxembourg S.C.A., security has been granted to the trustee under the notes on behalf of itself and the holders of the notes over:

- all of the issued ordinary shares of Telenet Finance VI Luxembourg S.C.A.;
- all of the issued shares of Telenet Finance VI S.à r.l. (Telenet Finance VI Luxembourg S.C.A.'s general partner);
- all of Telenet Finance VI Luxembourg S.C.A.'s rights, title and interest under the 2018 Amended Senior Credit Facility, the intercreditor agreement dated October 10, 2007 (as amended and restated from time to time and most recently on August 10, 2017), the additional facility AB accession agreement and the additional facility VI accession agreement pursuant to which Telenet Finance VI Luxembourg S.C.A. has become a lender under the 2018 Amended Senior Credit Facility;
- all of Telenet Finance VI 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 VI Luxembourg S.C.A.'s bank account.

Telenet International Finance S.à r.l.'s payment obligations under the fee letter and the service agreement are guaranteed by Telenet BVBA to Telenet Finance VI Luxembourg S.C.A.

In respect of the obligations under the notes issued by Telenet Finance Luxembourg Notes S.à r.l., security has been granted to the trustee under the notes on behalf of itself and the holders of the notes over:

- all of Telenet Finance Luxembourg Notes S.à r.l.'s rights, title and interest under the finance documents described in the 2018 Amended Senior Credit Facility, the intercreditor agreement dated October 10, 2007 (as amended and restated from time to time and most recently on 10 August 2017), the additional facility AJ accession agreement and the additional facility AK accession agreement pursuant to which Telenet Finance Luxembourg Notes S.à r.l. has become a lender under the 2018 Amended Senior Credit Facility;
- all of Telenet Finance Luxembourg Notes S.à r.l.'s rights, title and interest under the fee letters and the service agreement related to the notes issuances; and
- all sums of money held from time to time in Telenet Finance Luxembourg Notes S.à r.l.'s bank account.

The payment obligations of Telenet International Finance S.à r.l. under the fee letters and the service agreement are guaranteed by Telenet Group BVBA to Telenet Finance VI Luxembourg S.C.A.

### Other guarantees and security

Telenet BVBA financed the construction and further expansion of the property located at Liersesteenweg 4, 2800 Mechelen by entering into various real estate leasing arrangements (***onroerende leasingsovereenkomsten***) with KBC Bank NV and Belfius Leasing Services NV, in the framework of which it has granted building rights (recht van opstal) to such parties. To further secure the construction and real estate leasing arrangements with KBC Bank NV and Belfius Leasing Services NV, Telenet BVBA has also granted non-exercised mortgages and mortgage mandates to KBC Bank NV and Belfius Leasing Services NV.

## 5.13.6 Finance lease obligations

Finance lease liabilities are payable as follows:

| *(in thousands of euro)* | Future minimum lease payments | | Interest | | Present value of future minimum lease payments | |
|---|---|---|---|---|---|---|
| | December 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 |
| Within one year | 72,401 | 67,899 | 23,945 | 21,690 | 48,456 | 46,209 |
| In the second to fifth year, inclusive | 249,787 | 225,952 | 67,524 | 62,752 | 182,263 | 163,200 |
| Thereafter | 229,548 | 210,413 | 45,497 | 39,438 | 184,051 | 170,975 |
| **Total minimum lease payments** | **551,736** | **504,264** | **136,966** | **123,880** | **414,770** | **380,384** |

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, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 |
| Buildings | 12,828 | 15,287 | 1,345 | 2,005 | 11,483 | 13,282 |
| Canon | 524,194 | 482,288 | 134,727 | 121,006 | 389,467 | 361,282 |
| Cars | 9,509 | 6,689 | 837 | 869 | 8,672 | 5,820 |
| Nextel ICT equipment | 5,205 | — | 57 | — | 5,148 | — |
| **Total minimum lease payments** | **551,736** | **504,264** | **136,966** | **123,880** | **414,770** | **380,384** |

## Canon, Clientele and Annuity agreements

In 1996, the Company acquired the exclusive rights to offer point-to-point services including broadband internet and telephony services, as well as the rights 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 were 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 28 years remained at the end of 2018). 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. The full access rights acquired under the Canon, Clientele and Annuity agreements are recorded as property and equipment (network) as from October 2008 onwards (see note 5.4).

On the additional rights of use on the Telenet PICs Network, acquired under the Canon agreement, a contractual interest rate was agreed upon which was favorable in comparison with the market interest rate at that moment. Therefore, this favorable component on the initial Canon lease was separated in the purchase price allocation and recognized as a debit to the liability of the underlying existing Canon Lease. The favorable Out of Market component on the future Canon leases acquired as part of the business combination was recognized as network user rights under other intangible assets (see note 5.6).

For the year ended December 31, 2018, the average effective borrowing rate for the three above mentioned fees was 6.18% (2017: 6.23%).

The Clientele fees payable beyond 20 years are recognized as a non-lease related debt.

As per December 31, 2018 and 2017, the outstanding liabilities related to the Interkabel agreements, as well as the net book value of the intangible asset can be summarized as follows:

| *(in thousands of euro)* | **December 31, 2018** | **December 31, 2017** |
|---|---|---|
| Outstanding lease debt Annuity / Clientele / Canon | | |
| Annuity agreement | 5,004 | 7,447 |
| Clientele agreement | — | 5,849 |
| Canon agreement | 385,537 | 348,635 |
| Out of Market Component on initial Canon leases acquired as part of a business combination | (1,149) | (1,865) |
| | **389,392** | **360,066** |
| Outstanding non-lease related Clientele debt | | |
| Clientele fee > 20 years | 124,693 | 114,972 |
| Intangible asset related to Canon agreement | | |
| Out of Market Component on future Canon leases acquired as part of a business combination | 16,715 | 17,087 |

## Other leases

The Company leases certain assets under finance leases including buildings and certain vehicles with average lease terms of 20 and 3 to 5 years, respectively.

For the year ended December 31, 2018, the average effective borrowing rate was 3.65% (2017: 4.11%). All leases are on a fixed repayment schedule and no arrangements include contingent rental payments. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

## 5.13.7 3G and 2G mobile spectrum

Following an auction launched in March 2011 by the BIPT, Telenet Tecteo BidCo NV, a subsidiary of the Company in which the Walloon cable operator Tecteo SCRL holds a 25% stake, acquired the fourth 3G mobile spectrum license in Belgium. For the years ended December 31, 2018 and 2017, the average effective borrowing rate for the 3G mobile spectrum was 2.00%. In 2018, the Company also extended its existing 2G mobile spectrum until March 15, 2021 (see note 5.6). The average effective borrowing rate with respect to the renewed 2G mobile spectrum for the year ended December 31, 2018 amounted to 2.00%.

## 5.13.8 Global Handset Finco Loan

On December 4, 2015 Telenet Finance BVBA borrowed €12.7 million from Global Handset Finco Limited to fund its handset financing activity through the "Global Handset Finco Loan" which was initially due December 4, 2017, but was extended till December 4, 2018, where it was again extended one year to December 4, 2019. On February 28, 2019, the Global Handset Finco Loan was repaid in full including accrued interests.

## 5.13.9 Vendor Financing

In the third quarter of 2016, the Company entered into a vendor financing program with a financial institution. Under such program, suppliers entering the system are paid by the bank earlier than their regular payment terms at a discount or at their regular payment terms without a discount while Telenet has 360 days to pay the bank. Consequently, the vendor financing liabilities are accounted for as loans and borrowings on the balance sheet.

For the year ended December 31, 2018, the outstanding liabilities with respect to vendor financing (€359.0 million; 2017: €262.6 million) consist of:

- €179.3 million capex related invoices (December 31, 2017: €131.3 million),
- €176.0 million operational expense related invoices (December 31, 2017: €130.4 million), and
- €3.7 million accrued interest (December 31, 2017: €0.9 million).

During the year ended December 31, 2018, the Company repaid €233.4 million of capex related invoices (2017: €41.6 million) and €125.0 million of opex related invoices (2017: €19.5 million).

As a result of the capex-related vendor financing, the Company's net cash used in investing activities was favorably impacted for the equivalent amount. Upon payment of the short term debt by Telenet to the bank after 360 days, the Company will record cash used in financing activities.

For opex related invoices the Company records cash outflows from operations and a corresponding cash inflow in financing activities when the expenses are incurred. When the Company pays the bank, the Company records financing cash outflows.

## 5.14 Derivative financial instruments

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

As of December 31, 2018 and 2017, the outstanding forward foreign exchange derivatives were as follows:

| *(in thousands of euro)* | **December 31, 2018** | **December 31, 2017** |
|---|---|---|
| **Forward Purchase Contracts** | | |
| Notional amount in US dollar | 51,800 | 48,335 |
| Weighted average strike price (US dollar per euro) | 1.214 | 1.142 |
| Maturity | From January to November 2019 | From January to November 2018 |

The Company entered into several cross currency interest rates swaps (CCIRS) to hedge the Foreign exchange exposure of the USD Term loan AL nominal repayment and to transform the USD payable floating rate into a Euro payable fixed rate.

As of December 31, 2018 and 2017, the outstanding interest rate derivatives and cross currency interest rates swaps ("**CCIRS**") as follows:

| *(in thousands of euro)* | **December 31, 2018** | **December 31, 2017** |
|---|---|---|
| **Interest Rate Swaps EUR** | | |
| **Section 1: Paying EUR floating rate / Receiving EUR fixed rate** | | |
| Notional amount | 125,000 | 125,000 |
| Average pay interest rate | EURIBOR 6M | EURIBOR 6M |
| Average receive interest rate | 0.14% | 0.14% |
| Maturity | 2022 | 2022 |
| | | |
| Notional amount | 475,000 | 475,000 |
| Average pay interest rate | 2.17% | 2.17% |
| Average receive interest rate | EURIBOR 6M | EURIBOR 6M |
| Maturity | 2022 | 2022 |
| | | |
| Notional amount | 1,032,000 | 1,032,000 |
| Average pay interest rate | EURIBOR 3M / EURIBOR 6M | EURIBOR 3M / EURIBOR 6M |
| Average receive interest rate | 0.08% | 0.08% |
| Maturity | 2023 | 2023 |
| | | |
| Notional amount | 270,000 | 270,000 |
| Average pay interest rate | EURIBOR 3M | EURIBOR 3M |
| Average receive interest rate | 0.34% | 0.34% |
| Maturity | 2025 | 2025 |
| | | |
| **Section 2: Paying EUR fixed rate / Receiving EUR fixed rate** | | |
| Notional amount | 1,684,776 | 1,682,000 |
| Average pay interest rate | 0.71% | 0.70% |
| Average receive interest rate | EURIBOR 3M / EURIBOR 6M | EURIBOR 3M / EURIBOR 6M |
| Maturity | 2025 | 2023 |
| | | |
| Notional amount | 650,000 | 650,000 |
| Average pay interest rate | 1.17% | 1.17% |

| | | |
|---|---|---|
| Average receive interest rate | EURIBOR 3M / EURIBOR 6M | EURIBOR 3M / EURIBOR 6M |
| Maturity (1) | 2025 | 2025 |
| | | |
| Notional amount | 350,000 | 350,000 |
| Average pay interest rate | 1.23% | 1.23% |
| Average receive interest rate | EURIBOR 6M | EURIBOR 6M |
| Maturity (1) | 2026 | 2026 |
| | | |
| Notional amount | 205,000 | |
| Average pay interest rate | 0.87% | |
| Average receive interest rate | EURIBOR 6M | |
| Maturity | 2027 | |
| | | |
| **Basis Swaps USD** | | |
| Notional amount | 1,600,000 | 1,300,000 |
| Average pay interest rate | USD 6M + 2.38% | USD 6M + 2.41% |
| Average receive interest rate | USD 1M + 2.50% | USD 1M + 2.50% |
| Maturity | 2019 | 2019 |
| | | |
| Notional amount | 2,075,000 | |
| Average pay interest rate | USD 6M + 2.10% | |
| Average receive interest rate | USD 1M + 2.25% | |
| Maturity | 2019 | |
| | | |
| **Cross currency interest rate swap** | | |
| **Section 1: Receiving USD floating rate / Paying EUR fixed rate** | | |
| Notional amount USD | 1,300,000 | 1,300,000 |
| Average receive interest rate | USD 6M + 2.50% | USD 6M + 2.50% |
| Notional amount EUR | 1,184,879 | 1,184,879 |
| Average pay interest rate | 2.95% | 2.95% |
| Maturity | 2025 | 2025 |
| | | |
| Notional amount USD | 300,000 | |
| Average receive interest rate | USD 6M + 2.5% | |
| Notional amount EUR | 246,359 | |
| Average pay interest rate | 3.33% | |
| Maturity | 2026 | |
| | | |
| Notional amount USD | 475,000 | |
| Average receive interest rate | USD 6M + 2.25% | |
| Notional amount EUR | 409,546 | |
| Average pay interest rate | 3.01% | |
| Maturity | 2026 | |
| **Section 2: Receiving USD fixed rate / Paying EUR fixed rate** | | |
| Notional amount USD | 595,000 | 595,000 |
| Average receive interest rate | 5.50% | 5.50% |
| Notional amount EUR | 520,059 | 520,059 |
| Average pay interest rate | 3.21% | 3.21% |
| Maturity | 2024 | 2024 |
| | | |
| Notional amount USD | 405,000 | 405,000 |
| Average receive interest rate | 5.50% | 5.50% |

| | | |
|---|---:|---:|
| Notional amount EUR | 362,711 | 362,711 |
| Average pay interest rate | 3.37% | 3.37% |
| Maturity | 2025 | 2025 |
| | | |
| Notional amount USD | 595,000 | 595,000 |
| Average receive interest rate | 5.50% | 5.50% |
| Notional amount EUR | 520,059 | 520,059 |
| Average pay interest rate | 4.62% | 4.62% |
| Maturity (2) | 2025 | 2025 |
| | | |
| Notional amount USD | 1,300,000 | |
| Average receive interest rate | 0.25% | |
| Notional amount EUR | 1,184,879 | |
| Average pay interest rate | 0.23% | |
| Maturity | 2025 | |
| | | |
| Notional amount USD | 300,000 | |
| Average receive interest rate | 0.25% | |
| Notional amount EUR | 246,359 | |
| Average pay interest rate | 0.23% | |
| Maturity | 2026 | |

(1) Forward starting contract with effective date 2023.
(2) Forward starting contract with effective date 2024.

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, 2018 | December 31, 2017 |
|---|---|---|
| Current assets | 62,825 | 41,569 |
| Non-current assets | 5,989 | 7,766 |
| Current liabilities | (64,283) | (21,784) |
| Non-current liabilities | (211,297) | (311,291) |
| | **(206,766)** | **(283,740)** |
| Interest rate derivatives | (133,724) | (91,230) |
| Cross currency interest rate swaps | (75,094) | (189,793) |
| Foreign exchange forwards | 2,061 | (2,761) |
| Embedded derivatives | (9) | 44 |
| | **(206,766)** | **(283,740)** |

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

| *(in thousands of euro)* | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **Early termination of derivative financial instruments (note 5.21)** | **—** | **(422)** |
| **Change in fair value (note 5.21)** | | |
| Cross currency interest rate swaps | 114,699 | (254,198) |
| Interest rate derivatives | (42,494) | 13,728 |
| Foreign exchange forwards | 4,822 | (5,596) |
| Embedded derivatives | (53) | 121 |
| Total change in fair value | **76,974** | **(245,945)** |
| | | |
| **Realized result on derivatives** | | |
| Cross currency interest rate swaps | 16,094 | 16,129 |
| Interest rate derivatives | 20,684 | (13,301) |
| Foreign exchange forwards | (1,994) | 473 |
| Total realized result on derivatives | **34,784** | **3,301** |
| | | |
| **Net gain (loss) on derivative financial instruments** | **111,758** | **(243,066)** |

## 5.15 Deferred taxes

Telenet Group Holding NV and its consolidated subsidiaries each file separate tax returns, except for Telenet International Finance S.à r.l., Finance Center Telenet S.à r.l. and Telenet Luxembourg Finance Center S.à r.l, which form a Luxembourg fiscal unity, 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, except for Telenet International Finance S.à r.l., Finance Center Telenet S.à r.l. and Telenet Luxembourg Finance Center S.à r.l.. These assets and liabilities are combined in the accompanying consolidated financial statements.

As announced in 2017, the Belgian Federal Government substantially enacted a reform of the Belgian corporate income tax. Main reform is the change in corporate income tax rate, where the rate of 33.99% (33% plus a 3% crisis surtax) applicable until financial year 2017, is lowered to 29.58% (29% plus a 2% crisis surtax) in 2018 and 2019, and to 25% (without extra crisis surtax) as from 2020.

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

| *(in thousands of euro)* | December 31, 2017, as reported | Impact of finalization PPA SFR Belux | December 31, 2017, as restated | IFRS 15 impact | Nextel acquisition | (Charged) credited to the statement of profit or loss and other comprehensive income | December 31, 2018 |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | | | |
| Financial instruments | 73,803 | — | 73,803 | — | — | (25,896) | 47,907 |
| Lease obligation | 82 | — | 82 | — | — | 850 | 932 |
| Provisions | 13,477 | — | 13,477 | — | — | (7,534) | 5,942 |
| Receivables | 430 | — | 430 | — | — | 2,323 | 2,753 |
| Tax loss carry-forwards | 202,760 | — | 202,760 | — | — | 6,380 | 209,140 |
| Other | 31,139 | — | 31,139 | — | — | (15,663) | 15,476 |
| **Total Deferred tax assets** | **321,691** | **—** | **321,691** | **—** | **—** | **(39,540)** | **282,151** |
| **Deferred tax liabilities:** | | | | | | | |
| Property and equipment | (81,280) | (740) | (82,020) | — | — | (816) | (82,836) |
| Goodwill | (29,058) | — | (29,058) | — | — | 11,679 | (17,379) |
| Intangible assets | (51,358) | (18,548) | (69,906) | — | — | 30,876 | (39,030) |
| Receivables | (266) | — | (266) | — | — | 167 | (98) |
| Deferred financing fees | (13,132) | — | (13,132) | — | — | 7,881 | (5,251) |
| Other | (42,416) | — | (42,416) | (3,584) | 968 | (1,591) | (46,624) |
| **Total Deferred tax liabilities** | **(217,510)** | **(19,288)** | **(236,798)** | **(3,584)** | **968** | **48,196** | **(191,218)** |

| *(in thousands of euro)* | Statement of profit or loss and other comprehensive income | Statement of financial position |
|---|---|---|
| Deferred tax assets | (39,540) | 282,151 |
| Deferred tax liabilities | 48,196 | (191,218) |
| | **8,656** | **90,933** |
| **Statement of profit or loss and comprehensive income (see Note 5.22)** | | |
| Deferred tax expense in profit or loss (see note 5.22) | (6,729) | |
| Deferred tax expense in OCI | (1,927) | |
| **Total deferred tax expense** | **(8,656)** | |
| Current tax expense (see Note 5.22) | 125,334 | |
| **Total Comprehensive Income** | **116,678** | |
| Less: Deferred tax expense in OCI | 1,927 | |
| **Total profit or loss** | **118,605** | |
| **Balance Sheet** | | |
| Deferred tax assets | | 247,101 |
| Deferred tax liabilities | | (191) |
| | | **90,933** |

As of December 31, 2018, Telenet Group Holding NV and its subsidiaries had available combined cumulative tax loss carry forwards of €1,326.0 million (2017: €1,311.0 million). Under current Belgian and Luxembourg 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. 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 €123.9 million (2017: €128.4 million) in respect of losses amounting to €508.8 million (2017: €513.0 million) that can be carried forward against future taxable income because it is not considered more likely than not that these net deferred tax assets will be utilized in future years.

| *(in thousands of euro)* | Statement of profit or loss and other comprehensive income, 2017 as reported | Statement of financial position, 2017 as reported | Statement of profit or loss and other comprehensive income, 2017 as restated | Statement of financial position, 2017 as restated |
|---|---|---|---|---|
| Deferred tax assets | 81,023 | 321,691 | 81,023 | 321,691 |
| Deferred tax liabilities | 53,980 | (217,510) | 60,853 | (236,798) |
| | **135,003** | **104,181** | **141,876** | **84,893** |
| **Statement of profit & loss and comprehensive income (see Note 5.22)** | | | | |
| Deferred tax expense in profit or loss (see Note 5.22) | (135,003) | | (141,876) | |
| Total deferred tax expense | (135,003) | | (141,876) | |
| Current tax expense (see Note 5.22) | 176,692 | | 176,692 | |
| Total Comprehensive Income | 41,689 | | 34,816 | |
| Total profit or loss | 41,689 | | 34,816 | |
| **Balance Sheet** | | | | |
| Deferred tax assets | | 236,578 | | 236,578 |
| Deferred tax liabilities | | (132,397) | | (151,685) |
| | | **104,181** | | **84,893** |

## 5.16 Other non-current liabilities

| *(in thousands of euro)* | Note | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Employee benefit obligations | 5.17 | 18,815 | 22,616 |
| Other personnel related obligations | | 257 | 689 |
| Long service awards | 5.17 | 6,604 | 7,805 |
| Interkabel out of market opex | | 16,504 | 15,762 |
| Asset retirement obligations | | 10,717 | 10,524 |
| Liabilities regarding sports broadcasting rights | 5.6 | 5,510 | 47,425 |
| Restructuring liability Norkring | | 8,273 | 9,852 |
| Liabilities regarding pylon taxes | | 1,390 | 3,473 |
| Acquisition related liabilities | 5.24 | 4,677 | — |
| Other | | 1,702 | 5,806 |
| **Total Other non-current liabilities** | | **74,449** | **123,952** |

Total non-current and current liabilities regarding sports broadcasting rights amounted to €5.5 million and €46.4 million, respectively (see note 5.18) at December 31, 2018 (2017: €47.4 million and €60.9 million, respectively). The decrease of the non-current liability regarding sport rights with €41.9 million is mainly explained by the reclass to short term liabilities for the soccer rights related to the Jupiler Pro League and the Premier League UK soccer.

At the end of 2013, the Company decided to discontinue the provision of DTT services which occurred in the six months ended June 30, 2014. Following this decision, the Company determined that its obligations under the DTT capacity agreement with Norkring België NV constituted an onerous contract and recognized accordingly a provision measured as the net present value of the remaining payments due under this DTT capacity agreement related to the so called "MUX 2 and MUX 3 capacity". As a result of the amendment to the DTT capacity agreement signed in 2016 whereby the Company waived its exclusive rights on the "MUX 1 capacity", the previously recognized lease liability related to this capacity did not longer qualify as a lease liability and was consequently represented as and added to the existing restructuring liability. The restructuring liability was re-measured at end of December 2015 reflecting the net present value of the remaining re-negotiated payments due under the contract. The remaining non-current and current liabilities related to the capacity of the 3 non-exclusive MUXes thus amounted to respectively €8.3 million and €2.3 million at December 31, 2018 (2017: respectively €9.9 million and €2.3 million) (note 5.18).

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 reflects an unfavorable out of market element. In the Interkabel acquisition, this out of market element was recorded at fair value. The underlying liability at December 31, 2018 amounted to €16.5 million (2017: €15.8 million).

The asset retirement obligation consists of liabilities regarding the costs of dismantling sites and restoring them into its original state. The increase versus the end of 2017 is related to the increased number of sites in 2018.

The acquisition related payables relate to the Nextel acquisition (note 5.24).

## 5.17 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:

| *(in thousands of euro)* | Note | December 31, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|---|
| | | **Total employee benefit plan** | **of which Defined benefit pension plans** | **of which Other post retirement plans** | **Total employee benefit plans** | **of which Defined benefit pension plans** | **of which Other post retirement plans** |
| Defined benefit pension plans | | 7,679 | 7,679 | — | 6,814 | 6,814 | — |
| Defined contribution plans | | 11,137 | — | 11,137 | 15,802 | — | 15,802 |
| **Total LT employee benefit obligations** | 5.16 | **18,815** | **7,679** | **11,137** | **22,616** | **6,814** | **15,802** |
| **Total LT service awards** | 5.16 | **6,604** | **—** | **—** | **7,805** | **—** | **—** |
| Defined benefit pension plans | | (1,310) | (1,310) | — | (1,357) | (1,357) | — |
| Defined contribution plans | | — | — | — | — | — | — |
| **Total LT asset related to funding of employee benefit obligations** | | **(1,310)** | **(1,310)** | **—** | **(1,357)** | **(1,357)** | **—** |
| **Total employee benefit plans liability** | | **24,109** | **6,369** | **11,137** | **29,064** | **5,457** | **15,802** |

### Long service awards

The Company has also recognized a liability of €6.6 million at December 31, 2018 (2017: €7.8 million) for long service awards, which have the form of jubilee benefits.

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

The majority of Telenet's employees participate in a defined contribution plan reclassified to defined benefit plan funded through the pension fund IBP Telenet OFP. The contributions are based on the employee's salary. This plan represents 59% of the total benefit obligations with respect to Telenet's pension plans at December 31, 2018.

Telenet Group (formerly known as BASE) employees also benefit from a defined contribution pension plan funded through a group insurance, whereby the insurance company guarantees a minimum interest rate on the contributions. The contributions are based on the employee's salary.

By law, employers are required to provide average minimum guaranteed rates of return over the employee's career with the Company. As from January 1, 2016 onwards, the minimum rate is annually recalculated based on the average yield of 10-year government bonds, with a minimum of 1.75% and a maximum of 3.75%. For 2018, the minimum guaranteed rate of return was equal to 1.75% (same for 2017). For the main plan funded through the pension fund, the annually recalculated minimum rate of return is used to increase the minimum reserves during the year, while for the main insured plans, each minimum rate of return applies to the contributions paid during the year up to the employee's date of leaving.

Hence, there is a risk that the Company may have to pay additional contributions related to past service. Any such additional contributions will depend on the actual investment returns as well as the future evolution of the minimum guaranteed rates of return. Therefore, the defined contribution plans are classified as defined benefit plans. The application of defined benefit accounting had no impact on Telenet's main plan funded through the Company's pension fund as the benefit obligations were equal to the plan assets at both December 31, 2017 and December 31, 2018.

The Company's pension fund is actively managed by two independent asset management firms. The investment strategy is based on a balanced neutral risk profile with a long-term investment horizon. The pension fund's performance is monitored and analyzed on a monthly basis by the pension fund's in-house investment specialist and discussed and reviewed on a quarterly basis by the pension fund's board of directors.

Former Electrabel (ICS) employees, were covered by a defined benefit pension plan which provided benefits based the final salary and years of service. The plan was closed for future accrual and modified into a cash balance pension plan during 2018. In the context of this plan amendment, a transfer of assets and liabilities took place with respect to former Electrabel service, and the existing plan assets were transferred from an insurance company to the pension fund IBP Telenet OFP. For future service, those employees participate in Telenet's defined contribution plan.

A closed group of former Coditel employees as well as a limited group of other employees, are covered by defined benefit plans funded through group insurances, whereby the insurance companies guarantee minimum interest rates on the contributions. The pension plans are subject to a minimum funding requirement, which is based on the vested reserves to which the plan participants are entitled in case of leaving. As the defined benefit pension plan applicable to former Coditel

employees is overfunded, no more contributions are paid to this plan. The portion of the surplus recognized as a net asset corresponds to the economic advantage available in the form of a reduction in future contributions.

Telenet also provides post-retirement health care benefits and early retirement benefits to former Electrabel (ICS) employees. These obligations, which represent 8% of the total benefit obligations, are financed directly by the Company.

All these plans expose the Company to various risks such as interest rate risk (a decrease of bond yields will increase the benefit obligations), investment risk (a lower return on plan assets will decrease the funded status), longevity risk (an increase in life expectancy will increase the benefit obligations for the post-retirement health care plan) and inflation risk (higher than expected salary increases or medical cost increases will increase the benefit obligations). For the pension plans, the longevity risk is limited because the pension benefits are normally paid out in the form of a lump sum.

The defined benefit obligation, the fair value of the plan assets and the net defined benefit liability/(asset) reconcile as follows:

| *(in thousands of euro)* | Defined Benefit Obligation | | Fair value of plan assets | | Asset ceiling | | Net defined benefit liability (asset) | |
|---|---|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| **At January 1** | **135,734** | **124,115** | **(120,808)** | **(100,519)** | **6,333** | **—** | **21,259** | **23,596** |
| **Components of defined benefit cost included in profit or loss** | | | | | | | | |
| Current service cost (incl. administration costs) | 10,384 | 9,251 | — | — | — | — | 10,384 | 9,251 |
| Past service cost | 396 | — | — | — | — | — | 396 | — |
| Interest cost / (income) | 2,334 | 2,223 | (2,068) | (1,898) | 109 | 52 | 375 | 377 |
| | **13,114** | **11,474** | **(2,068)** | **(1,898)** | **109** | **52** | **11,155** | **9,628** |
| **Components of defined benefit cost included in OCI** | | | | | | | | |
| **Remeasurements** | | | | | | | | |
| Actuarial loss (gain) arising from: | | | | | | | | |
| Changes to demographic assumptions | 833 | — | — | — | — | — | 833 | — |
| Changes to financial assumptions | (2,633) | — | — | — | — | — | (2,633) | — |
| Experience adjustments | 3,399 | (2,476) | — | — | — | — | 3,399 | (2,476) |
| Return on plan assets excluding interest income | — | — | 3,109 | 1,212 | — | — | 3,109 | 1,212 |
| Change in asset ceiling | — | — | — | — | (75) | 77 | (75) | 77 |
| | **1,599** | **(2,476)** | **3,109** | **1,212** | **(75)** | **77** | **4,633** | **(1,187)** |
| **Other** | | | | | | | | |
| Contributions paid by the employee | 2,068 | 2,063 | (2,068) | (2,063) | — | — | — | — |
| Contributions paid by the employer (incl. taxes) | — | — | (14,555) | (8,917) | — | — | (14,555) | (8,917) |
| Benefits paid (incl. taxes) | (6,489) | (2,434) | 6,150 | 1,954 | — | — | (339) | (480) |
| Transfers (1) | 9,439 | — | (9,439) | — | — | — | — | — |
| Business combination / divestitures | (16,648) | 2,992 | 12,000 | (10,577) | — | 6,204 | (4,648) | (1,381) |
| | **(11,630)** | **2,621** | **(7,912)** | **(19,603)** | **—** | **6,204** | **(19,542)** | **(10,778)** |
| **At December 31** | **138,817** | **135,734** | **(127,679)** | **(120,808)** | **6,367** | **6,333** | **17,505** | **21,259** |

| **Represented by:** | **2018** | **2017** |
|---|---|---|
| Defined benefit pension plans | 6,369 | 5,457 |
| Other post-retirement plans | 11,136 | 15,802 |
| **Total** | **17,505** | **21,259** |

(1) Transfer of plan assets & Defined Benefit Obligation from Eandis to Telenet prior to transfer of the plan to Unit-T.

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

| **Actuarial assumptions at December 31** | | | | |
|---|---|---|---|---|
| | **Defined Benefit Pension Plans** | | **Other post-retirement plans** | |
| | **2018** | **2017** | **2018** | **2017** |
| Discount rate | 1.75% | 1.75% | 1.75% | 1.75% |
| Rate of compensation increase | 3.11% | 2.93% | 2.75% | 2.75% |
| Underlying inflation rate | 1.75% | 1.75% | 1.75% | 1.75% |
| Increase of medical benefits | —% | —% | 3.00% | 4.00% |
| Mortality tables | IA\|BE -1 year | IA\|BE | IA\|BE -1 year | IA\|BE |

The following table shows a sensitivity analysis for the key assumptions:

| **Sensitivity analysis** | | | |
|---|---|---|---|
| *(in %)* | **Change** | **Change in Defined Benefit Obligation** | |
| | **(-) / (+)** | **decrease (-)** | **increase (+)** |
| Discount rate | 0.25% | 4.00 % | (3.90)% |
| Rate of compensation increase | 0.25% | (0.70)% | 0.70 % |
| Increase of medical benefits | 0.25% | (1.00)% | 1.00 % |
| Mortality tables | 1 year | (1.10)% | 1.10 % |

The sensitivity analysis reflects the impact of a change in one assumption while keeping all other assumptions constant. In practice, this is unlikely to be the case as some assumptions may be correlated.

The weighted average duration of the benefit obligations equals 17 years.

The plan assets consist of:

| **Defined Benefit Pension Plans** | | |
|---|---|---|
| | **2018** | **2017** |
| Bonds | 30% | 26% |
| Equities | 35% | 31% |
| Insurance policies | 27% | 36% |
| Other | 8% | 7% |
| **Total** | 100% | 100% |

All investments of the Company's pension fund are quoted securities.

The plan assets do not include any direct investments in shares issued by Telenet or property occupied by Telenet.

The fair value of the insurance policies corresponds to the sum of the insurance reserves and the assets in the financing funds.

The contributions towards defined benefit plans for the year ending December 31, 2019 (including the defined contribution plans accounted for as defined benefit plans) are estimated at €7.8 million.

## 5.18 Accrued expenses and other current liabilities

| *(in thousands of euro)* | Note | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Customer deposits | | 21,261 | 23,209 |
| Compensation and employee benefits | | 68,173 | 80,175 |
| VAT and withholding taxes | | 17,718 | 26,170 |
| Dividend payable to shareholders | | 1,172 | 982 |
| Accrued programming fees | | 48,810 | 55,774 |
| Accrued capital expenditures | | 62,573 | 86,565 |
| Accrued other liabilities - invoices to receive regarding: | | | |
| Goods received and services performed | | 47,939 | 51,411 |
| Professional fees | | 15,930 | 18,768 |
| Warehouse items received | | 11,624 | 9,241 |
| Interconnect | | 19,556 | 33,757 |
| Advertising, marketing and public relations | | 3,907 | 3,943 |
| Infrastructure | | 18,077 | 10,284 |
| Facilities | | 7,717 | 7,078 |
| Opex | | 29,859 | 40,559 |
| Credit notes to issue | | 22,925 | 18,763 |
| Restructuring liability MVNO | | — | 29,314 |
| Accrued stock compensation | | 8,889 | 1,438 |
| Non-income tax contingencies (IFRS 3) | 5.24 | 5,200 | 5,933 |
| Liabilities regarding pylon taxes | 5.26 | 38,108 | 20,499 |
| Accrued deferred financing costs | | — | 1,247 |
| Accounts receivable with credit balance | | 18,837 | 19,077 |
| Restructuring liability Norkring | 5.16 | 2,250 | 2,250 |
| Restructuring SFR | | 5,614 | — |
| Restructuring liability other | | 909 | 757 |
| Liabilities regarding sports broadcasting rights | | 46,390 | 60,851 |
| Accrued commissions | | 4,196 | 4,595 |
| Other current liabilities | | 7,628 | 4,153 |
| **Total Accrued expenses and other current liabilities** | | **535,262** | **616,793** |

Compared to December 31, 2017, total accrued expenses and other current liabilities decreased by €81.5 million to €535.3 million as of December 31, 2018.

The accrued capital expenditures decreased by €24.0 million to €62.6 million as per December 31, 2018 while the accrued other liabilities related to invoices to receive decreased by €20.4 million. Overall, these accruals were exceptionally high as at December 31, 2017 due to the black-out period before the go live of a new ERP system in the beginning of January 2018. This was also reflected in the lower outstanding trade payables at year-end 2017 (€150.0 million) compared to December 31, 2018 (€184.7 million). Compensation and employee benefits decreased by €12.0 million mainly due to pre-payments made at year-end 2018 for social security. Compared to December 31, 2017, VAT and withholding taxes decreased by €8.5 million due to higher prepayments and lower VAT due in 2018.

The decrease in liabilities related to sports broadcasting rights (€14.5 million) is primarily explained by (i) the settlement of the liability regarding the 2017-2018 season of the Jupiler Pro League Belgian soccer and the Premier League UK soccer partially offset with (ii) the reclass of the long-term to short-term liability with respect to the Jupiler Pro League and the Premier League US soccer season 2019-2020.

In 2017, the Company recorded a €29.3 million non-cash restructuring charge linked to the accelerated onboarding of its Full MVNO customer base to its own mobile network. In the course of 2018, the Company fully completed the transition of the customer base to its own network and settled its resulting shortfall on the contractual commitments under the Full MVNO Agreement with Orange Belgium. In 2018, an amount of €5.6 million was accrued for with respect to the SFR restructuring program, including a collective dismissal and closure.

As at December 31, 2018, accrued stock compensation amounted to €8.9 million. This represents the liability with respect to the performance share plan 2016, which will vest in 2019 (note 5.12.2).

The accrued liabilities with respect to pylon taxes increased by €17.6 million following the outcome of recent court cases in combination with the pylon taxes levied for the year 2018.

## 5.19 Revenue

The Company's revenue is comprised of the following:

| *(in thousands of euro)* | For the years ended December 31, | | |
|---|---|---|---|
| | **2018** | **2017 as represented (*)** | **2017 as reported** |
| Subscription revenue | | | |
| Video | 582,432 | 581,562 | 581,562 |
| Broadband internet | 628,365 | 606,773 | 606,773 |
| Fixed-line telephony | 232,935 | 239,571 | 239,571 |
| **Cable Subscription revenue** | **1,443,732** | **1,427,906** | **1,427,906** |
| Mobile telephony | 459,726 | 508,463 | 536,928 |
| **Total Subscription revenue** | **1,903,458** | **1,936,369** | **1,964,834** |
| Business services | 193,228 | 163,172 | 134,190 |
| Other | 438,150 | 421,563 | 429,064 |
| **Total Revenue** | **2,534,836** | **2,521,104** | **2,528,088** |

(*) We refer to note 5.1.6 ***Reporting changes*** for detailed information regarding the reclassification of intercompany-related security revenue and the re-presentation of mobile telephony revenue generated by SME customers.

For the year ended December 31, 2018, Telenet generated revenue of €2,534.8 million, which was up 1% versus €2,521.1 million for the year ended December 31, 2017. The reported revenue movements were predominantly attributable to acquisitions including (i) a full year revenue contribution from SFR Belux as opposed to only a partial contribution to Telenet's revenue for the year ended December 31, 2017 since the June 19, 2017 acquisition date and (ii) a seven-month contribution from the local ICT integrator Nextel, which Telenet acquired on May 31, 2018. These acquisitions boosted Telenet's revenue for the year ended December 31, 2018 by €15.5 million and €32.1 million, respectively, as opposed to for the year ended December 31, 2017. Telenet's reported revenue growth for the year ended December 31, 2018 was negatively impacted by (i) the sale of its direct subsidiary Ortel to Lycamobile as per March 1, 2017, (ii) the discontinuation of certain fixed legacy products at BASE, (iii) the sale of JIM Mobile and Mobile Vikings to MEDIALAAN and (iv) the impact of the new IFRS 15 accounting framework, which the Company adopted as of January 1, 2018.

The revenue streams that are recognized 'at a point in time' are very limited (mainly hardware sales) and have not changed as a result of the application of IFRS 15.

Revenue for the year ended December 31, 2018 also reflected (i) substantially lower handset sales as compared to the year ended December 31, 2017 on the back of generally prolonged smartphone replacement cycles in the consumer segment, (ii) continued competitive and regulatory headwinds and (iii) lower usage-related revenue amidst the continued success of Telenet's upgraded flat-fee "WIGO" quad-play bundles, including higher mobile data allowances. These headwinds were only partially offset by (i) a substantially larger contribution from Telenet's regulated and commercial wholesale businesses, (ii) the favorable impact of the July 2018 price adjustments and (iii) continued growth in the small business segment.

The Company also had deferred revenue as follows:

| *(in thousands of euro)* | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Subscription revenue | | |
| Video | 20,939 | 23,220 |
| Broadband internet | 20,258 | 19,286 |
| Fixed-line telephony | 13,266 | 12,176 |
| **Cable Subscription revenue** | **54,463** | **54,682** |
| Mobile telephony | 23,295 | 24,449 |
| **Total Subscription revenue** | **77,758** | **79,131** |
| Business services | 18,684 | 17,136 |
| Other | 2,640 | 7,099 |
| **Total Deferred Subscription Revenue** | **99,082** | **103,366** |
| **Other contract liabilities (IFRS 15)** | **8,127** | — |
| **Total Deferred Revenue** | **107,209** | **103,366** |

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 profit or loss and other comprehensive income on a straight-line basis over the related service period.

The contract liabilities amounting to €8.1 million relate to the charged installation and/or other upfront fees which are deferred under IFRS 15 and recognized as revenue over the contractual period, or longer if the upfront fee results in a material renewal right. The Company has adopted IFRS 15 effective January 1, 2018 using the cumulative effect transition method and therefor the comparative information has not been restated.

## 5.20 Expenses by nature

| *(in thousands of euro)* | Note | For the years ended December 31, | | |
|---|---|---|---|---|
| | | **2018** | **2017 as represented (*)** | **2017 as reported** |
| Network operating expenses | | 191,986 | 181,433 | 181,433 |
| Direct costs (programming, copyrights, interconnect and other) | | 505,940 | 586,022 | 593,006 |
| Staff-related expenses | | 252,326 | 254,986 | 254,986 |
| Sales and marketing expenses | | 90,398 | 100,412 | 100,412 |
| Outsourced labor and Professional services | | 32,161 | 43,167 | 43,167 |
| Other indirect expenses | | 137,906 | 145,199 | 145,199 |
| **Operating expenses** | | **1,210,717** | **1,311,219** | **1,318,203** |
| | | | | |
| Restructuring expenses | | 11,648 | 31,318 | 31,318 |
| Operating charges related to acquisitions or divestitures | | 4,387 | 2,685 | 2,685 |
| Share-based payments granted to directors and employees | 5.12 | 17,462 | 19,740 | 19,740 |
| Depreciation | 5.4 | 406,156 | 475,159 | 470,252 |
| Amortization | 5.6 | 181,953 | 182,871 | 178,613 |
| Amortization of broadcasting rights | 5.6 | 69,893 | 65,131 | 65,131 |
| Post measurement period adjustments related to business acquisitions | | (3,204) | — | — |
| Impairment of long-lived assets - goodwill | 5.5 | 36,780 | — | — |
| Impairment of long-lived assets - other intangible assets | | — | (3,014) | (3,014) |
| Impairment of long-lived assets - property and equipment | | 2,611 | — | — |
| Gain on disposal of property and equipment | 5.4 | (3,028) | (4,449) | (4,449) |
| **Non-cash and other items** | | **724,658** | **769,441** | **760,276** |
| | | | | |
| **Total costs and expenses** | | **1,935,375** | **2,080,660** | **2,078,479** |

(*) We refer to note 5.1.6 ***Reporting changes*** for detailed information regarding the reclassification of intercompany-related security revenue and to note 5.24.2 ***SFR Belux*** for detailed information regarding the impact of the finalization of the PPA of the SFR Belux acquisition.

For the year ended December 31, 2018, Telenet incurred total expenses of €1,935.4 million representing a decrease of 7% compared to the year ended December 31, 2017 as represented. when it incurred total expenses of €2,080.7 million. Total expenses for the year ended December 31, 2018 reflected certain inorganic movements as mentioned above (see note 5.19) as well as a €36.8 million impairment loss on Telenet's Luxembourg cable operations, while total expenses for the year ended December 31, 2017 included a €29.2 million non-cash restructuring charge predominantly linked to the accelerated onboarding of Telenet's Full MVNO customer base to its own mobile network. Total expenses represented approximately 76% of revenue for the year ended December 31, 2018 (for the year ended December 31, 2017 as represented: approximately 83%).

Network operating expenses reached €192.0 million for the year ended December 31, 2018 compared to €181.4 million for the year ended December 31, 2017 and reflected the aforementioned inorganic impacts. In the third quarter of 2018, Telenet completed the transfer of its network field services to Unit-T, in which the Company has taken a 30% shareholding. Through this joint venture, Telenet will be able to share in the benefits of the growing market of field services in areas such as new digital technologies and IoT. This transaction resulted in higher network operating expenses, while at the same time favorably impacted the staff-related expenses as its field engineers and their related costs have been transferred to this new company.

Direct costs include all of Telenet direct expenses such as (i) costs related to interconnection, including MVNO-related costs, (ii) programming and copyrights and (iii) handset sales and subsidies. For the year ended December 31, 2018, direct costs were €505.9 million, representing a 14% decrease compared to the year ended December 31, 2017 as represented despite the aforementioned inorganic impacts. This was driven by substantially lower MVNO-related costs and lower costs related to handset sales and subsidies relative to the year ended December 31, 2017.

Staff-related expenses for the year ended December 31, 2018 remained broadly stable compared to the year ended December 31, 2017 despite the aforementioned inorganic impacts and the negative cost impact of the approximately 2% mandatory wage indexation since January last year.

Relative to the year ended December 31, 2017, sales and marketing expenses for the year ended December 31, 2018 decreased €10.0 million, or 10%, to €90.4 million due to timing variances and phasing in some of Telenet marketing campaigns.

Costs related to outsourced labor and professional services were €32.2 million for the year ended December 31, 2018, compared to €43.2 million for the year ended December 31, 2017, demonstrating Telenet's ability to carefully control its overall external spending levels.

Other indirect expenses reached €137.9 million for the year ended December 31, 2018 , representing a 5% decrease compared to the year ended December 31, 2017 despite the aforementioned inorganic impacts. This was mainly driven by Telenet's continued focus on managing overhead expenses.

Depreciation and amortization, including impairment of long-lived assets, loss (gain) on disposal of subsidiaries and restructuring charges, reached €706.0 million for the year ended December 31, 2018 compared to €747.0 million for the year ended December 31, 2017 as represented when Telenet incurred higher depreciation expenses related to the modernization of both fixed and mobile infrastructures and higher restructuring charges as a result of the accelerated onboarding of its Full MVNO customers to the own mobile network. Telenet incurred a €36.8 million impairment loss on its Luxembourg cable operations at year-end 2018.

## 5.21 Finance income / expense

| | | For the years ended December 31, | |
|---|---|---|---|
| *(in thousands of euro)* | Note | **2018** | **2017** |
| **Recognized in the statement of profit or loss and comprehensive income** | | | |
| **Finance income** | | | |
| **Net interest income and foreign exchange gain** | | | |
| Interest income on bank deposits and commercial paper | | 393 | 567 |
| Interest income on receivables | | 34 | 363 |
| Net foreign exchange gain | | — | 245,533 |
| | | **427** | **246,463** |
| **Net gain on derivative financial instruments** | | | |
| Change in fair value | 5.14 | 111,758 | — |
| | | **111,758** | **—** |
| **Finance expense** | | | |
| **Net interest expense, foreign exchange loss and other finance expense** | | | |
| Interest expense on financial liabilities measured at amortized cost, and other finance expense | | (233,757) | (220,170) |
| Amortization of financing cost | | (2,034) | (4,705) |
| Net foreign exchange loss | | (115,152) | — |
| | | **(350,943)** | **(224,875)** |
| **Net loss on derivative financial instruments** | | | |
| Early termination of derivative financial instruments | 5.14 | — | (422) |
| Change in fair value | 5.14 | — | (245,945) |
| Realized result | 5.14 | — | 3,301 |
| | | **—** | **(243,066)** |
| **Loss on extinguishment of debt** | 5.13 | **(24,590)** | **(75,991)** |
| **Net finance expenses** | | **(263,348)** | **(297,469)** |

For the year ended December 31, 2018, net finance expense totaled €263.3 million compared to €297.4 million of net finance expense incurred for the year ended December 31, 2017. For the year ended December 31, 2018, finance income was €112.2 million and included a €111.8 million non-cash gain on Telenet's derivatives. Compared to the year ended December 31, 2017, finance income decreased 54% as the year ended December 31, 2017 included the aforementioned non-cash foreign exchange gain. Net interest expense, foreign exchange loss and other finance expense increased 56% from €224.9 million for the year ended December 31, 2017 to €350.9 million for the year ended December 31, 2018 and mainly reflected a €115.2 million non-cash foreign exchange loss on Telenet's outstanding USD-denominated debt included in the Company's 2018 results. Finance expenses for the year ended December 31, 2018 also included a €24.6 million loss on extinguishment of debt following the refinancing of Telenet's EUR and USD-denominated Term Loans (see note 5.13 for more information).

## 5.22 Income tax expense

| *(in thousands of euro)* | For the years ended December 31, | |
|---|---|---|
| | **2018** | **2017, as restated** |
| Current tax expense | 125,334 | 176,692 |
| Deferred tax expense (note 5.15) | (6,729) | (141,876) |
| **Income tax expense** | **118,605** | **34,816** |
| **Effective Tax Rate** | **31.99%** | **23.80%** |

The effective tax rate was 31.99% for the year ended December 31, 2018 (23.80% for the year ended December 31, 2017). The tax expenses as shown above have been calculated in conformity with Belgian and international tax laws.

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

| *(in thousands of euro)* | For the years ended December 31, | |
|---|---|---|
| | **2018** | **2017, as restated** |
| **Profit before tax** | **370,805** | **146,307** |
| Income tax expense at the Belgian statutory rate of 29.58% (2018) and 33.99% (2017) | 109,684 | 49,730 |
| Income not taxable | (18,194) | (25,830) |
| Expenses not deductible for tax purposes (incl. prior year adjustments) | 21,816 | 16,294 |
| Notional interest deduction | (5) | (26) |
| Benefit of the investment deduction | (3,823) | (3,853) |
| Utilization of previously unrecognized tax losses | (117) | (1,751) |
| Tax losses and temporary differences for which no deferred tax asset was recognized | — | 4,286 |
| Expiration of tax losses | – | 925 |
| Adjustments recognized in the current year in relation to the filings for prior years | 1,055 | (2,019) |
| Impact of different tax rates in Luxembourg | (69) | (5,901) |
| Impact of change enacted tax rate Luxembourg | — | (40) |
| Impact of change enacted tax rate Belgium | (209) | (858) |
| Penalty for insufficient prepayments | 8,467 | 3,859 |
| **Tax expense for the year** | **118,605** | **34,816** |

The tax cost for the change in tax losses and temporary differences for which no deferred tax asset is recognized amounted to €0.0 million for the year ended December 31, 2018. For the year ended December 31, 2017, this cost amounted to €4.3 million and consisted of positions resulting in a deferred tax asset which was nevertheless not recognized as it was not deemed probable that taxable profit will be available against which the unused tax losses can be utilized in future years.

## 5.23 Earnings per share

### 5.23.1 Basic

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

| (in thousands of euro, except share and per share data) | For the years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Net profit attributable to the equity holders of the Company | 253,381 | 109,925 (*) |
| Weighted average number of ordinary shares | 114,022,603 | 115,424,079 |
| **Weighted average number of shares used in the calculation of basic earnings per share** | **114,022,603** | **115,424,079** |
| Basic earnings per share in € | 2.22 | 0.95 (*) |

(*) As restated

### 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.

For the year ended December 31, 2018, the Company had the following outstanding options:

- ESOP 2014 stock options
- ESOP 2015 stock options
- ESOP 2015bis stock options
- CEO SOP 2014 stock options
- CEO SOP 2014bis stock options
- CEO SOP 2015 stock options
- ESOP 2016 stock options
- ESOP 2016bis stock options
- ESOP 2017 stock options
- ESOP 2017bis stock options
- ESOP 2018 stock options
- ESOP 2018bis stock options

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 and result in diluted earnings per share of €2.22 (2017: €0.95).

## 5.24 Acquisition and disposal of subsidiaries

### 5.24.1 Nextel

On May 31, 2018, pursuant to a definitive agreement and following regulatory approval, Telenet acquired 100% of the shares of TelelinQ NV with subsidiaries Nextel NV, Nextel Telecom Solutions NV and TelelinQ D&F NV for a cash purchase price of €77.2 million (the "Nextel" acquisition). Total consideration net of cash acquired amounts to €68.2 million. Taken into account the deferred payments, the Company transferred a total cash amount of €62.5 million. Nextel is a Belgian integrator working for large companies, SMEs, healthcare institutions, non-profit organizations and public authorities. Nextel has offices in Wommelgem and Zaventem, and employs 340 people. The acquisition of Nextel strengthens Telenet's capabilities to offer integrated services and all-in-one solutions to medium-sized and large companies.

In 2018, the Company incurred acquisition-related costs of €0.2 million on legal fees and due diligence costs. These have been included in ‘Selling, general and administrative expenses’.

Telenet accounts for the Nextel acquisition using the acquisition method of accounting, whereby the total purchase price is allocated to the acquired identifiable net assets of Nextel based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. As of December 31, 2018, the Company was still in process of executing a detailed allocation of the total purchase price. The preliminary opening balance sheet is therefore subject to adjustment based on the Company's assessment of the fair values of the acquired identifiable assets and liabilities. The items with the highest likelihood of changing upon the valuation process include goodwill, intangible assets associated with customer relationships and income taxes.

A summary of the purchase price and the provisional identifiable assets acquired and liabilities assumed for the Nextel acquisition at the acquisition date is presented in the following table:

| (in thousands of euro) | IFRS opening balance sheet | Fair value adjustments | Fair value of identifiable net assets |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets:** | | | |
| Property and equipment | 12,790 | — | 12,790 |
| Goodwill | 70,976 | (70,976) | — |
| Other intangible assets | — | — | — |
| Other assets | 5 | — | 5 |
| **Total non-current assets** | **83,771** | **(70,976)** | **12,795** |
| **Current assets:** | | | |
| Inventories | 4,431 | — | 4,431 |
| Trade receivables | 7,220 | — | 7,220 |
| Other current assets | 2,468 | — | 2,468 |
| Cash and cash equivalents | 9,055 | — | 9,055 |
| **Total current assets** | **23,174** | **—** | **23,174** |
| **Total assets acquired** | **106,945** | **(70,976)** | **35,969** |
| **Liabilities** | | | |
| **Non-current liabilities:** | | | |
| Loans and borrowings | (9,026) | — | (9,026) |
| Deferred tax liabilities | 968 | — | 968 |
| Other liabilities | (3,407) | — | (3,407) |
| **Total non-current liabilities** | **(11,465)** | **—** | **(11,465)** |
| **Current liabilities:** | | | |
| Loans and borrowings | (4,276) | — | (4,276) |
| Trade payables | (2,566) | — | (2,566) |
| Accrued expenses and other current liabilities | (5,905) | — | (5,905) |
| Deferred revenue | (5,488) | — | (5,488) |
| Current tax liability | — | — | — |
| **Total current liabilities** | **(18,235)** | **—** | **(18,235)** |
| **Total liabilities assumed** | **(29,700)** | **—** | **(29,700)** |
| **Fair value of identifiable net assets acquired** | | | **6,269** |
| **Total consideration transferred** | | | **77,245** |
| **Provisional goodwill arising from the acquisition** | | | **70,976** |

The accounting of the acquisition will be revised based on the ongoing purchase price allocation which will be completed within one year of the date of acquisition.

In the period from May 31, 2018 through December 31, 2018, Nextel contributed revenue of €32.1 million and a profit of €0.6 million to the Company's results. If the acquisition had occurred on January 1, 2018, management estimates that consolidated revenue would have been €2,556.5 million, and consolidated operating result for the period would have been €600.7 million.

In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2018.

## 5.24.2 SFR Belux

On June 19, 2017, pursuant to a definitive agreement and following regulatory approval, Telenet acquired 100% of the shares of Coditel Brabant SPRL for a cash purchase price of €369.0 million (the "**SFR Belux**" acquisition).

The Company accounted for the SFR Belux acquisition using the acquisition method of accounting, whereby the total purchase price is allocated to the acquired identifiable net assets of Coditel based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. As of December 31, 2017, the Company was still in the process of executing a detailed allocation of the total purchase price and reported a preliminary opening balance sheet, subject to adjustment based on the assessment of the fair values of the acquired identifiable assets and liabilities. As per June 18, 2018, the purchase price allocation was finalized. The fair value adjustment on property and equipment (€29.7 million) mainly relates to the acquired cable network of SFR. The €70.5 million step-up recognized on other intangible assets almost entirely relates to the customer relationships. The SFR brand was not part of the acquisition and will be terminated in Belgium and Luxembourg by the end of 2019 at the latest. The deferred tax adjustment resulting from the purchase price allocations amounts to €31.8 million and is reported under non-current deferred tax liabilities. The adjustment to the fair value and the remaining useful lives of property and equipment and the customer relationships, has resulted in additional depreciation (€4.9 million, see note 5.4) and amortization (€4.3 million, see note 5.6) expense and reduced deferred tax expense (€6.9 million) recognized for the period between the acquisition date and December 31, 2017, for which the comparative period 2017 has been adjusted.

A summary of the purchase price and the identifiable assets and liabilities acquired for the SFR Belux acquisition at the acquisition date is presented in the following table:

| (in thousands of euro) | Preliminary IFRS opening balance sheet | opening balance sheet adjustments | Final IFRS opening balance sheet | Fair value adjustments | Fair value of identifiable net assets |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets:** | | | | | |
| Property and equipment | 83,535 | (21,548) | 61,987 | 29,694 | 91,681 |
| Goodwill | 52,417 | (52,458) | (41) | 41 | — |
| Other intangible assets | 1,946 | — | 1,946 | 70,473 | 72,419 |
| Other assets | 1,563 | (77) | 1,486 | — | 1,486 |
| **Total non-current assets** | **139,461** | **(74,083)** | **65,378** | **100,208** | **165,586** |
| **Current assets:** | | | | | |
| Inventories | — | — | — | — | — |
| Trade receivables | 9,962 | 126 | 10,088 | — | 10,088 |
| Other current assets | 1,918 | 71 | 1,989 | — | 1,989 |
| Cash and cash equivalents | 1,651 | — | 1,651 | — | 1,651 |
| **Total current assets** | **13,531** | **197** | **13,728** | **—** | **13,728** |
| **Total assets acquired** | **152,992** | **(73,886)** | **79,106** | **100,208** | **179,314** |
| **Liabilities** | | | | | |
| **Non-current liabilities:** | | | | | |
| Loans and borrowings | 4,102 | — | 4,102 | — | 4,102 |
| Deferred tax liabilities | 581 | (2,896) | (2,315) | 31,786 | 29,471 |
| Other liabilities | 245 | (229) | 16 | | 16 |
| **Total non-current liabilities** | **4,928** | **(3,125)** | **1,803** | **31,786** | **33,589** |
| **Current liabilities:** | | | | | |
| Loans and borrowings | 160 | — | 160 | — | 160 |
| Trade payables | 8,654 | — | 8,654 | — | 8,654 |
| Accrued expenses and other current liabilities | 14,891 | (2,380) | 12,511 | — | 12,511 |
| Deferred revenue | 10,459 | — | 10,459 | — | 10,459 |
| **Total current liabilities** | **34,164** | **(2,380)** | **31,784** | **—** | **31,784** |
| **Total liabilities assumed** | **39,092** | **(5,505)** | **33,587** | **31,786** | **65,373** |
| **Fair value of identifiable net assets acquired** | | | | | **113,941** |
| **Total consideration transferred** | | | | | **368,980** |
| **Final goodwill arising from the acquisition** | | | | | **255,039** |

### 5.24.3 Ortel Mobile NV

On February 10, 2017, Telenet Group BVBA sold all shares of its MVNO subsidiary Ortel Mobile NV to LycaMobileBelgium Limited. The agreed upon transfer date of the shares was March 1, 2017.

The consideration received consisted of (1) the purchase price of 1 EUR, (2) the cash and cash equivalents of Ortel Mobile NV on the transfer date amounting to €1.7 million, (3) a discount of €1.7 million on future MVNO services to settle prepaid credits and (4) the agreement for the provision of full MVNO services under the Amended MVNO agreement. Telenet determined that the net assets of Ortel Mobile NV on March 1, 2017 amounted to €2.1 million. Telenet recorded a net loss on disposal of €2.1 million.

## 5.25 Non cash investing and financing transactions

| *(in thousands of euro)* | For the years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Acquisition of property and equipment in exchange for finance lease obligations | 77,329 | 61,413 |
| Acquisition of property and equipment in exchange for vendor financing obligations | 218,814 | 144,410 |
| Non-cash borrowings/repayments of debt | 2,100,076 | 2,696,867 |
| Acquisition of sports broadcasting rights in exchange for investing obligations | 1,784 | 105,007 |

## 5.26 Commitments and contingencies

### 5.26.1 Pending litigations

#### Interkabel Acquisition

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, Proximus NV/SA ("Proximus"), the incumbent telecommunications operator in Belgium, instituted several proceedings seeking to block implementation of these agreements. Proximus 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 Proximus in the summary proceedings, which ruling was overturned by the Court of Appeal of Antwerp in June 2008. Proximus brought this appeal judgment before the Belgian Supreme Court (Hof van Cassatie / Cour de Cassation), 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 Proximus' request for the rescission of the agreement-in-principle and the 2008 PICs Agreement. On June 12, 2009, Proximus appealed this judgment with the Court of Appeal of Antwerp. In this appeal, Proximus also sought compensation for damages. While these proceedings were suspended indefinitely, other proceedings were initiated, which resulted in a ruling by the Belgian Council of State in May 2014 annulling (i) the decision of the PICs not to organize a public market consultation and (ii) the decision from the PICs' board of directors to approve the 2008 PICs Agreement. In December 2015, Proximus resumed the civil proceedings pending with the Court of Appeal of Antwerp seeking to have the 2008 PICs Agreement annulled and claiming damages of €1.4 billion. On December 18, 2017, the Court of Appeal of Antwerp rejected Proximus' claim in its entirety.

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 annulment of the 2008 PICs Agreement and/or to an obligation of Telenet to pay compensation for damages, subject to the relevant provisions of the 2008 PICs Agreement, which stipulate that Telenet is responsible for damages in excess of €20.0 million. There can be no assurances that the ultimate resolution of this matter will not have a material adverse impact on Telenet's results of operations, cash flows or financial position (although Telenet does not expect this to be the case). No amounts have been accrued by us with respect to this matter as the likelihood of loss is not considered to be probable.

#### Litigation regarding cable access

In June 2018, the Belgisch Instituut voor Post en Telecommunicatie and the regional regulators for the media sectors (together, the Belgium Regulatory Authorities) adopted a new decision finding that Telenet has significant market power in the wholesale broadband market (the 2018 Decision). The 2018 Decision imposes on Telenet the obligations to (i) provide third-party operators with access to the digital television platform (including basic digital video and analog video) and (ii) make available to third-party operators a bitstream offer of broadband internet access (including fixed-line telephony as an option). Unlike prior decisions, the 2018 Decision no longer applies "retail minus" pricing on Telenet; however, as of August 1, 2018, this decision imposes a 17% reduction in monthly wholesale cable resale access prices for an interim period. The Belgium Regulatory Authorities will replace these interim prices with "reasonable access tariffs" around mid-2019.

The 2018 Decision aims to, and in its application, may strengthen Telenet's competitors by granting them resale access to Telenet's network to offer competing products and services notwithstanding Telenet's substantial historical financial outlays in developing the infrastructure. In addition, any resale 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 the extent that competitors take advantage of the resale access afforded to Telenet's network, the rates that Telenet receives for such access and other competitive factors or market developments. Telenet considers the 2018 Decision to be inconsistent with the principle of technology-neutral regulation and the European Single Market Strategy to stimulate further investments in broadband networks. Telenet has challenged the 2018 Decision in the Brussels Court of Appeal and has also initiated an action in the European Court of Justice against the European Commission's decision not to challenge the 2018 Decision. The timing and outcome of each of these actions is uncertain.

## Orange request for access to Coditel's network

On February 11, 2016, Orange Belgium SA ("Orange") made an official request for access to the cable network of Coditel, which was acquired by Telenet Group on June 19, 2017. On February 19, 2016, Orange transferred a sum of €600,000 to Coditel as required to launch the six-month implementation period to put in place the necessary measures to give Orange access to the cable network pursuant to the July 2011 Decision. In principle, the implementation period ended on August 19, 2016. As Orange had not yet obtained effective access to Coditel's network in December 2016, Orange brought a claim for damages against Coditel on December 29, 2016 in front of the French-speaking Commercial Court of Brussels. Orange claimed to have suffered a loss of €8,973 per day of delay. On January 16, 2017, Orange also initiated interim proceedings, but these have in the meantime been withdrawn.

The proceedings in front of the French-speaking Commercial Court of Brussels are still ongoing. Coditel considers that Orange has in the meantime obtained effective access to Coditel's cable network.

## Cable ownership related legal proceedings

The municipality of Sint-Lambrechts-Woluwe granted the right to operate the cable network on its territory to WoluTV ASBL ("WoluTV") in 1971. Telenet provided a number of technical services to WoluTV in accordance with agreements dated February 11, 1998 (analog television) and September 3, 2007 (digital television). Telenet and WoluTV also concluded two agreements on May 7 and September 3, 2007 respectively, pursuant to which Telenet provided, in its own name and for its own account, internet and telephony services on the municipality's cable network. On December 16, 2014, WoluTV terminated the agreements with Telenet with effect on December 31, 2015.

The agreements terminated by WoluTV provide that WoluTV must compensate Telenet for all costs, damages and losses as a consequence of termination of the agreements. WoluTV has disputed that this clause is valid under Belgian law and has therefore refused to designate an expert to determine the amount of the compensation owed to Telenet. Telenet brought a claim against WoluTV before the Commercial Court of Brussels on November 10, 2015, whereby Telenet requested provisional compensation of €1 million (increased with interest), and that the Court appoint an expert to determine the compensation owed by WoluTV. The Commercial Court of Brussels issued a judgement on November 16, 2018 and found that the disputed clause was invalid and dismissed Telenet's claim for compensation. Telenet has decided not to lodge appeal.

Separately, on April 28, 2015, the municipality of Sint-Lambrechts-Woluwe decided to sell its cable network. On June 29, 2015, the municipality awarded the purchase contract to Coditel Brabant SPRL (SFR) ("Coditel") for €18 million. Telenet, who had also submitted an offer to purchase the cable network, brought an action for annulment of the municipality's decision before the Council of State. Telenet has withdrawn its action for annulment in view of the acquisition of Coditel

## Copyright related legal proceedings

The issue of copyrights and neighboring rights to be paid for the distribution of television has during the last two decades given rise to a number of litigations. Already in 1994, 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") was involved in discussions with various copyrights collecting agencies regarding the fees to be paid to the latter for the analogue broadcasting of various television programs. 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 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", later renamed to "Playright") 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.

After the roll-out of digital television, Telenet in 2006 started a judicial procedure against a number of collecting agencies. This procedure is related to a discussion between Telenet and these collecting agencies about the legal qualification of (i) simulcast (i.e. channels distributed both in analogue and in digital quality), (ii) direct injection (i.e. channels delivered to the distributor over a non-publicly accessible transmission channel) and (iii) all rights included contracts (i.e. contracts in which broadcasters engage to deliver their signals and programs after having cleared all rights necessary for the communication to the public over the distributor's networks).

On April 12, 2011, the Court of First Instance of Mechelen rendered a positive judgment in the procedure against Sabam, Agicoa, Uradex and other collecting agencies, and as part of which procedure several collecting 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 collecting agencies. The collecting agencies lodged an appeal (see below).

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 (a) fees for a period from January 1, 2005 until December 31, 2010 for Telenet's basic digital television package, and (b) fee advances for the first semester of 2011 for Telenet's basic and optional digital television packages. The claims mainly related to (i) direct injection and (ii) all-rights-included contracts. Sabam's claim was based on arguments substantially similar to those rejected by the Court of First Instance in Mechelen on April 12, 2011. As discussed below, Sabam has asked the Commercial Court of Antwerp to withdraw these claims as Sabam has filed similar claims in the pending proceedings before the Brussels Court of Appeal. 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 for Telenet in this procedure. Sabam lodged an appeal. On June 27, 2012, the Court of Appeal of Antwerp confirmed this judgment and dismissed the claim in summary proceedings of Sabam.

In the case of the appeal against the judgment of April 12, 2011 of the Court of First Instance of Mechelen, the Court of Appeal of Antwerp rendered an intermediate ruling on February 4, 2013. The Court of Appeal rejected the claims of the collecting societies with regard to simulcasting and confirmed that direct injection is a single copyright relevant operation (royalties should therefore be paid only once). The case was re-opened to allow the collecting societies to provide further proof of their actual claims. On January 20, 2014 and on May 5, 2014, respectively, Numéricable (previously Coditel) and Telenet appealed this intermediate ruling before the Supreme Court mainly because of the incorrect qualification of the fees to be paid for the communication to the public as if it would be "retransmission" rights. The Supreme Court has issued its judgment in this matter on September 30, 2016. The Supreme Court accepted the argument of Telenet that direct injection only involves a single communication to the public and therefore cannot constitute "retransmission" as this requires two communications to the public. The Supreme Court has referred the case to the Court of Appeal of Brussels, where the case has been activated upon request of Sabam. In the context of these proceedings Sabam now has filed a counterclaim for copyrights due as from 2005 to 2016 (all claims combined), withdrawing its claims that were pending before the Antwerp Commercial Court. The trial date has been scheduled on 23, 24 and 30 September 2019. The parties agreed that at trial first the legal principles will be dealt with. The concrete application of these principles will be the subject of a new round of trial briefs and a separate hearing. A final judgment can be expected in 2020 unless the matter is referred to the Court of Justice of the European Union, as requested by the collecting societies. Coditel had reached a settlement with the collecting societies before, and has already withdrawn its appeal.

The law of November 25, 2018 confirms that, except in cases whereby the distributor is a mere technical provider of the broadcaster, direct injection constitutes one communication to the public, which is however performed by both the broadcaster and the distributor (which are both liable for their respective contributions to such communication). The new law furthermore imposes transparency in relation to copyright payments and levies. The preparatory work of the law provides that broadcasters and distributors can make contractual arrangements in relation to the clearance and payment of the right for direct injection, and confirms as well that double payments and 'anomalies' shall be avoided. The law enters into force on 1 July 2019 and does not apply retroactively (although the collecting societies allege that the law merely provides a clarification of existing situation and therefore should apply to direct injection that is the subject of the pending procedure before the Court of Appeal of Brussels).

Telenet does not expect the ultimate resolution of this matter to have a material impact on its results of operations or financial condition.

## Cyclocross

In 2015, Telenet acquired exclusive broadcasting rights with regard to the UCI Worldcup cyclocross races and the Superprestige cyclocross races. On September 16, 2015, Proximus filed a complaint with the Belgian Competition Authority ("BCA"). In the complaint, Proximus alleges that cyclocross broadcasting rights are premium rights and that the acquisition by Telenet of exclusive broadcasting rights on UCI Worldcup races and Superprestige races, without a competitive bidding process, forecloses competing TV-distributors. At the same time, Proximus filed a request for interim measures regarding the Superprestige races.

On November 5, 2015, the BCA partially granted the request for interim measures by giving two alternatives concerning the Superprestige races. Telenet and the organizers of the Superprestige races could either (i) waive the exclusivity and grant sublicenses, or (ii) organize a competitive bidding process. Telenet filed an appeal against the BCA's interim measures decision with the Brussels Court of Appeal. Telenet's appeal was however dismissed on September 7, 2016.

Telenet and the organizers of the Superprestige agreed to waive the exclusivity of the Superprestige broadcasting rights and Proximus obtained a non-exclusive license from the organizers as from season 2016/2017. Furthermore, Telenet voluntarily granted a sublicense to Proximus in respect of the UCI World Cup races.

The BCA's investigation on the merits regarding Proximus' complaint is still ongoing.

## Pylon taxes

Since the second half of the 1990s, certain municipalities (mainly in the Brussels-Capital and Walloon Regions), provinces and the Walloon Region have levied local taxes, on an annual basis, on pylons, masts and/ or antennas dedicated to mobile telecom services located on their territory, on the basis of various municipal, provincial and regional regulations. These taxes have systematically been contested by Telenet Group BVBA (formerly BASE Company NV) ("Telenet Group") before the Courts on various grounds.

In particular, Telenet Group has argued that such tax regulations are discriminatory because they apply only to pylons, masts and antennas dedicated to mobile telecom services and not to comparable equipment used for other purposes (whether telecom-related or not). Telenet believes that there is no objective and reasonable justification for such differentiated tax treatment. Telenet is therefore of the view that the contested tax regulations violate the general non-discrimination principle. The Courts have in a number of instances accepted this argument (for example the positive judgments of the Supreme Court of September 25, 2015 and December 20, 2018)), although the Court of Appeal of Brussels has also rejected the discrimination argument in other cases (for example in procedures involving Proximus, Orange Belgium and the commune of Schaarbeek and a procedure involving Telenet Group and the province of Brabant Wallon). There are also several procedures pending before the Supreme Court to clarify the scope of the non-discrimination argument.

Telenet Group also takes the view that some of the contested tax regulations violate its property right. The Brussels Court of First Instance has accepted this argument on December 7, 2018 in a case involving Orange Belgium and the commune of Uccle. There was also a question as to whether article 98 §2 of the Belgian law of March 21, 1991 on the reform of certain public economic companies (the "1991 Law") prohibits municipalities from taxing the economic activity of telecom operators on their territories through the presence (whether on public or private domain) of mobile telephone pylons, masts or antennas dedicated to this activity. The Belgian Constitutional Court held on December 15, 2011 that this was not the case. That interpretation was confirmed by the Belgian Supreme Court in its judgments of March 30, 2012.

In the case between Telenet Group and the City of Mons, the European Court of Justice ruled on October 6, 2015 that the municipal tax on GSM pylons levied by the City of Mons, as disputed by Telenet Group, does not fall within the scope of Article 13 of Directive 2002/20/EC of the European Parliament and of the Council of March 7, 2002 on the authorization of electronic communications networks and services (the "Authorization Directive") and is therefore not prohibited on the basis of Article 13 of the Authorization Directive

By Decree of December 11, 2013 (the "2014 Walloon Decree"), the Walloon Region implemented an annual tax on masts, pylons and antennas for mobile operators with effect of January 1, 2014. Under this Decree, all municipal taxes on pylons, masts and antennas in the Walloon Region have been abolished. The Decree does however allow municipalities to levy surcharges. The tax amounts to EUR 8,000 per 'site'. Under the Decree all users of 'sites' are jointly liable towards the Walloon Region for the tax related to shared sites. On December 12, 2014, a Walloon Decree was adopted that maintains this tax for 2015 and subsequent years, with the same scope and tax payable (EUR 8,000 per 'site', subject to indexation as of 2015) (the "2015 Walloon Decree"). The three Belgian mobile network operators brought a request for annulment of these Decrees before the Constitutional Court.

On July 16, 2015, the Constitutional Court annulled the 2014 Walloon Decree, but decided to maintain its effects. By judgment of May 25, 2016, the Constitutional Court also annulled the 2015 Walloon Decree, without maintaining its effects. On December 22, 2016, Telenet and the other mobile operators concluded a settlement with the Walloon Region. In addition to payment of a settlement fee to end the dispute related with the 2014 Walloon Decree, this settlement also includes an undertaking from the Walloon Region not to levy any taxes on telecom infrastructure and a commitment for Telenet to invest EUR 20 million until 2019 on top of the investments already planned in the Walloon Region.

Telenet intends to continue challenging any local tax regulations applicable to its mobile telecom equipment. As per December 31, 2018, Telenet has recognised a provision of 39,498 kEUR in this respect. Telenet and the KPN Group have moreover agreed on certain recourse arrangements in respect of certain (pre-2015) pylon taxes in their sale and purchase agreement with respect to BASE Company NV. It can however not be excluded that other taxes on telecom equipment will in the future be imposed, which may have a significant negative financial impact on Telenet.

### Lucerne

Between May and November 2018, Lucerne Capital, a shareholder of Telenet Group Holding NV reporting a 3.01% shareholding, has expressed, through often public correspondence and messaging certain policy proposals towards Telenet Group Holding NV, as well as made certain allegations aimed at Telenet's directors, CEO and majority shareholder, Liberty Global plc. Such proposals and allegations have also been accompanied by the (attempted) exercise by Lucerne of certain shareholder rights in the context of Telenet Group Holding NV's 26 September 2018 shareholder meeting. On 12 November 2018, Lucerne Capital Management LP served a writ of summons on Telenet Group Holding NV, requesting the Commercial Court to appoint an expert to investigate certain matters in relation to governance, information exchange and related party transactions, in accordance with article 168 of the Belgian Companies Code. Article 168 of the Belgian Companies Code requires the claimant (Lucerne) to prove - among others- grave indications that the interest of the company is prejudiced or may be prejudiced. Telenet Group Holding NV's Board has consistently engaged with Lucerne Capital in a constructive manner and denies any allegations of wrongdoing, and maintains that the claim to appoint an expert as referred to above is not admissible and without merit in a case such as Telenet.

## 5.26.2 Other contingent liabilities

### Regulation regarding signal integrity

In July 2013, the Flemish Parliament adopted legislation imposing strict integrity of broadcasting signals on distributors and the requirement that distributors must request authorization from broadcasters when they contemplate offering, among other things, program recordings through an electronic program guide. The impetus for this legislation were the broadcasters' arguments that the high penetration of personal video recorders ("PVRs") in the Flemish market have resulted in viewers fast-forwarding large volumes of advertisements, which resulted in a decrease in the revenues of broadcasters. The legislation requires broadcasters and distributors to find a commercial solution. If this fails, the legislation provides for a mediation procedure, which, if unsuccessful, can be followed by civil litigation.

There is a risk that this legislation will negatively impact Telenet's ability to launch new innovative applications and increase Telenet's financial contribution to broadcasters. The current distribution agreements with SBS, VRT and MEDIALAAN entered into in 2014 allow Telenet to distribute the broadcasters' signal in an unaltered manner. The relevant broadcasters have given Telenet the right to offer their customers a "slightly delayed viewing" and a PVR functionality. Telenet is required to pay a higher fee for each customer using "slightly delayed viewing" or network PVR.

### Other liabilities

In addition to the foregoing items, Telenet has contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) issues involving VAT and wage, property and other tax issues, (iii) disputes over certain contracts and (iv) disputes over programming, copyright fees and alleged patent infringements. While Telenet generally expects that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts Telenet has accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on Telenet's results of operations or cash flows in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, the Company cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavorable outcomes.

## 5.26.3 Operating leases

The Company leases facilities, vehicles and equipment under cancellable and non-cancellable operating leases. The following schedule details, at December 31, 2018 and 2017, the future minimum lease payments under cancellable and non-cancellable operating leases:

| *(thousands of euro)* | **December 31, 2018** | **December 31, 2017** |
|---|---|---|
| Within one year | 40,057 | 51,314 |
| In the second to fifth year, inclusive | 33,064 | 106,693 |
| Thereafter | 10,963 | 29,544 |
| **Total minimum lease payments** | **84,084** | **187,551** |
| **Minimum lease payments recognized as an expense in the year** | **43,267** | **45,105** |

The Company's operating leases as at December 31, 2018 and December 31, 2017 did not contain any material contingent rentals. The average remaining non-cancellable duration of the Company's operating leases amounts to 1.6 years.

## 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 2018 and 2017. Related parties further include transactions with Pebble Media NV, Doccle CVBA and Doccle.Up NV, Idealabs Telenet Fund NV, Recneps NV, Unit-T NV and De Vijver 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, 2018** | **December 31, 2017** |
|---|---|---|
| **Trade receivables** | | |
| Liberty Global Consortium (parent) | 5,873 | 12,130 |
| Associates | 10,407 | 271 |
| **Trade payables and accrued trade liabilities** | | |
| Liberty Global Consortium (parent) | 10,127 | 9,901 |
| Associates | 12,476 | 1,811 |
| **Loans and borrowings payable** | | |
| Liberty Global Consortium (parent) | 12,740 | 12,740 |
| **Loans and borrowings receivable** | | |
| Associates | 1,302 | 240 |
| **Property and equipment** | | |
| Liberty Global Consortium (parent) | 4,085 | 13,262 |

The transactions with the entities of the Liberty Global Consortium mainly consisted of the purchase of certain property and equipment and other services within the normal course of business from Liberty Global Services B.V.

## 5.27.2 Statement of profit or loss and other comprehensive income

| *(in thousands of euro)* | For the years ended December 31 | |
|---|---|---|
| | **2018** | **2017, as restated** |
| **Revenue** | | |
| Liberty Global Consortium (parent) | 1,574 | 2,707 |
| Associates | 6,447 | 2,383 |
| **Gain on disposal of assets to Unit-T** | | |
| Associates | 10,500 | — |
| **Operating expenses** | | |
| Liberty Global Consortium (parent) [1] | (5,704) | (966) |
| Associates | 39,658 | 18,876 |

[1] Includes recharged expenses for an amount of €12.1 million in 2018.

The increase in operating expenses from associates amounted to €20.8 million and is mainly related to Unit-T (€12.8 million), the new joint venture which was formed on July 1, 2018 and which provides field services (including installation, repair and maintenance) to Telenet. The remaining increase was related to De Vijver Media.

## 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, | |
|---|---|---|
| | **2018** | **2017** |
| Salaries and other short-term employee benefits | 7,393 | 7,640 |
| Post-employment benefits | 540 | 638 |
| Share-based payments (compensation cost recognized) | 10,759 | 8,841 |
| | **18,692** | **17,119** |

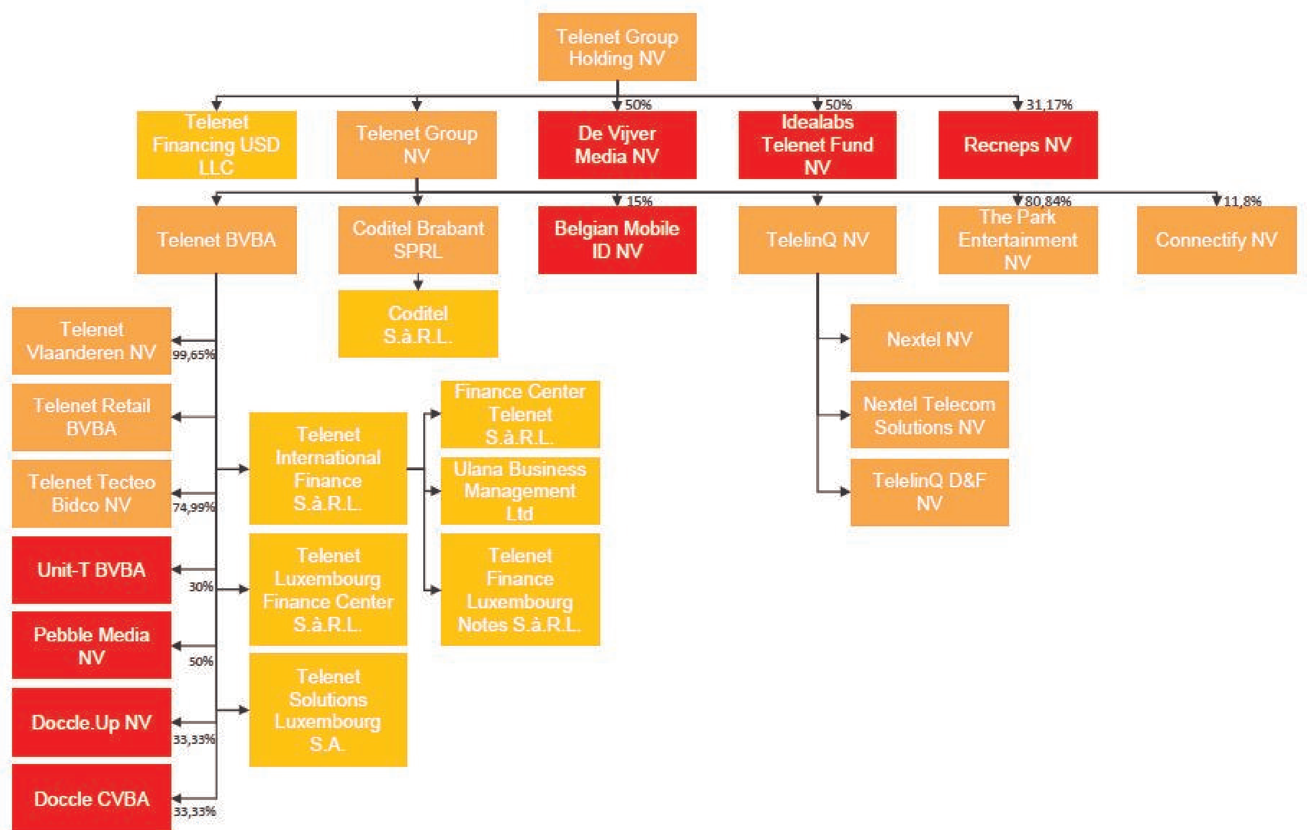
## 5.28 Subsidiaries

### 5.28.1 Subsidiaries

Details of the Company's subsidiaries as of December 31, 2018 are as follows:

| Company | National number/ Trade Register number | Registered office | % Held | Consolidation Method |
|---|---|---|---|---|
| Telenet Group Holding NV | 0477.702.333 | Neerveldstraat 105, 1200 Sint-Lambrechts-Woluwe, Belgium | — | Parent company |
| Telenet Group NV | 0462.925.669 | Neerveldstraat 105, 1200 Sint-Lambrechts-Woluwe, Belgium | 100% | Fully consolidated |
| Telenet BVBA | 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 |
| Coditel Brabant SPRL | 0403.107.452 | Rue des deux Eglises 26, 1000 Brussels, Belgium | 100% | Fully consolidated |
| Telenet Retail BVBA | 0813.219.195 | Liersesteenweg 4, 2800 Mechelen, Belgium | 100% | Fully consolidated |
| TELENET TECTEO BIDCO NV | 0835.821.779 | Liersesteenweg 4, 2800 Mechelen, Belgium | 74.99% | Fully consolidated |
| TelelinQ NV | 0463.524.495 | Koralenhoeve 15, 2160 Wommelgem, Belgium | 100% | Fully consolidated |
| Nextel NV | 0424.980.061 | Koralenhoeve 15, 2160 Wommelgem, Belgium | 100% | Fully consolidated |
| Nextel Telecom Solutions NV | 0810.358.190 | Lozenberg 9, 1932 Sint-Stevens-Woluwe, Belgium | 100% | Fully consolidated |
| TelelinQ D&F NV | 0447.617.584 | Koralenhoeve 15, 2160 Wommelgem, Belgium | 100% | Fully consolidated |
| The Park Entertainment NV | 0695.802.081 | Neerveldstraat 105, 1200 Sint-Lambrechts-Woluwe, Belgium | 100% | Fully consolidated |
| Coditel S.à r.l. | B-112.067 | 283, route d'Arlon, L-8011 Strassen, Luxembourg | 100% | Fully consolidated |
| Telenet Solutions Luxembourg S.A. | B-73.305 | 89, rue de Pafebruch, L-8308 Capellen, Luxembourg | 100% | Fully consolidated |
| Telenet International Finance S.à r.l. | B-155.066 | 89, rue de Pafebruch, L-8308 Capellen, Luxembourg | 100% | Fully consolidated |
| Telenet Luxembourg Finance Center S.à r.l. | B-155.088 | 89, rue de Pafebruch, L-8308 Capellen, Luxembourg | 100% | Fully consolidated |
| Finance Center Telenet S.à r.l. | B-165.944 | 89, rue de Pafebruch, L-8308 Capellen, Luxembourg | 100% | Fully consolidated |
| Ulana Business Management Ltd. | 536635 | Building P2, Eastpoint Business Park, Clontarf, Dublin 3, Ireland | 100% | Fully consolidated |
| Telenet Financing USD LLC | N/A | 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, United States of America | 100% | Fully consolidated |
| Telenet Finance Luxembourg Notes S.à r.l. | B-219.682 | 89, rue de Pafebruch, L-8308, Luxembourg | 100% | Fully consolidated |

The group chart as of December 31, 2018 was as follows:



## 5.28.2 Other consolidated companies

| Company | Trade Register Number | Address | % Held | Consolidation Method |
|---|---|---|---|---|
| Telenet Finance VI Luxembourg S.C.A. [1] | RCS B.171.030 | 89, rue de Pafebruch, L-8308 Capellen, Luxembourg | 0% | Fully consolidated |
| Telenet Finance BVBA [2] | 0628.452.013 | Liersesteenweg 4, 2800 Mechelen, Belgium | 0% | Fully consolidated |

(1) Telenet Finance VI Luxembourg S.C.A. was incorporated on August 14, 2012 as a structured finance entity ("SE") for the primary purpose of facilitating the offering of one or more High Yield Bonds. 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 VI Luxembourg and 0.01% by Telenet Finance VI S.à.r.l., a 100% affiliate of this Stichting. The Indenture relating to the High Yield Bond offering(s) will prohibit the Issuer from engaging in any activities other than certain limited activities permitted. The SE set up for the issuance of High Yield Bond(s) is designed to operate in a predetermined way so that no entity has explicit decision-making authority over the SE'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. It has been determined that the Company has power over the SE, exposure or rights to variable returns from its involvement with the SE and ability to use its power to affect those returns and therefore concluded upon that Telenet Group Holding should consolidate the SE created to issue the High Yield Bond(s).

(2) Telenet Finance BVBA. was incorporated on March 27, 2015 as a financing company ("finco") for the primary purpose of to offer handset financing directly to the customers. This entity was incorporated at the request of the Telenet Group under Belgian law and is owned 99% by Global Handset Finco Limited and 1% by Lynx Europe 2 Limited. It has been determined that the Company has power over the Finco exposure or rights to variable returns from its involvement with the Finco and ability to use its power to affect those returns and therefore concluded upon that Telenet Group Holding should consolidate the Finco created to operate the handset financing for the Telenet Group. Telenet Finance ceased offering loans in 2018. Pending loan agreements will be managed by Telenet Finance until their end date.

# 5.29 Impact of adopting IFRS 15

As of January 1, 2018, Telenet has adopted IFRS 15 as mentioned in note 5.1.6 Reporting changes - Adoption of IFRS 15 and note 5.2.19 Changes in accounting policies - IFRS 15 Revenue from Contracts with Customers. IFRS 15 has impacted certain of Telenet's previous revenue recognition policies, including the accounting for (i) time-limited discounts and free service periods provided to its customers, (ii) certain up-front fees charged to its customers and (iii) multiple element arrangements. Time-limited discounts and free service periods provided to its customers did not result in a material impact upon adoption of IFRS 15.

IFRS 15 has also changed the accounting policy for certain upfront costs directly associated with obtaining and fulfilling customer contracts. Under the previous policy, these costs were expensed as incurred unless the costs were in the scope of another accounting topic that allowed for capitalization. Under IFRS 15, the upfront costs that were previously expensed as incurred have been recognized as assets and amortized to other operating expenses over a period that is consistent with the transfer to the customers of the goods or services to which the assets relate.

Application of IFRS 15 positively impacted revenue of 2018 related to 2018 handset offers and other hardware devices for an amount of €6.0 million. When taking into account the unwinding in 2018 of the contract assets recognized related to handset and other hardware offers prior to 2018, the cumulative impact of IFRS 15 on revenues from handset and other hardware offers amounted to -€3.7 million. With respect to installation and activation fees charged in 2018 to residential customers, the cumulative impact with respect to revenues in 2018 of IFRS 15 amounted to -€3.2 million. The total cumulative impact with respect to revenues of the aforementioned policy changes in accordance with IFRS 15 thus amounts to -€6.9 million as per December 31, 2018. Including the deferral of the upfront installation and activation fees charged to business customers, total impact amounts to -€7.6 million for the year ended December 31, 2018.

| *(in thousands of euro)* | December 31, 2018 | Adjustments | December 31, 2018 without adoption of IFRS 15 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets:** | | | |
| Property and equipment | 2,237,456 | — | 2,237,456 |
| Goodwill | 1,830,181 | — | 1,830,181 |
| Other intangible assets | 729,899 | — | 729,899 |
| Deferred tax assets | 247,101 | | 247,101 |
| Investments in and loans to equity accounted investees | 67,338 | — | 67,338 |
| Other investments | 5,013 | — | 5,013 |
| Derivative financial instruments | 5,989 | — | 5,989 |
| Trade receivables | 859 | — | 859 |
| Other non-current assets | 13,506 | (1,375) | 12,131 |
| **Total non-current assets** | **5,137,342** | **(1,375)** | **5,135,967** |
| **Current assets:** | | | |
| Inventories | 28,012 | — | 28,012 |
| Trade receivables | 201,915 | — | 201,915 |
| Other current assets | 138,227 | (7,177) | 131,050 |
| Cash and cash equivalents | 88,160 | — | 88,160 |
| Derivative financial instruments | 62,825 | — | 62,825 |
| **Total current assets** | **519,139** | **(7,177)** | **511,962** |
| **Total assets** | **5,656,481** | **(8,552)** | **5,647,929** |

| *(in thousands of euro)* | December 31, 2018 | Adjustments | December 31, 2018 without adoption of IFRS 15 |
|---|---|---|---|

## Equity and liabilities

| | | | |
|---|---|---|---|
| **Equity:** | | | |
| Share capital | 12,799 | — | 12,799 |
| Share premium and other reserves | 799,929 | — | 799,929 |
| Retained loss | (2,444,610) | (3,135) | (2,447,745) |
| Remeasurements | (16,501) | — | (16,501) |
| **Total equity attributable to owners of the Company** | **(1,648,383)** | **(3,135)** | **(1,651,518)** |
| Non-controlling interests | 22,877 | — | 22,877 |
| **Total equity** | **(1,625,506)** | **(3,135)** | **(1,628,641)** |
| **Non-current liabilities:** | | | |
| Loans and borrowings | 5,161,029 | — | 5,161,029 |
| Derivative financial instruments | 211,297 | — | 211,297 |
| Deferred revenue | 2,869 | (1,315) | 1,554 |
| Deferred tax liabilities | 156,168 | (1,365) | 154,803 |
| Other non-current liabilities | 74,449 | — | 74,449 |
| **Total non-current liabilities** | **5,605,812** | **(2,680)** | **5,603,132** |
| **Current liabilities:** | | | |
| Loans and borrowings | 504,128 | — | 504,128 |
| Trade payables | 184,657 | — | 184,657 |
| Accrued expenses and other current liabilities | 535,262 | — | 535,262 |
| Deferred revenue | 104,340 | (2,622) | 101,718 |
| Derivative financial instruments | 64,283 | — | 64,283 |
| Current tax liability | 283,505 | (115) | 283,390 |
| **Total current liabilities** | **1,676,175** | **(2,737)** | **1,673,438** |
| **Total liabilities** | **7,281,987** | **(5,417)** | **7,276,570** |
| **Total equity and liabilities** | **5,656,481** | **(8,552)** | **5,647,929** |

*(in thousands of euro)*

| | December 31, 2018 | Adjustments | December 31, 2018 without adoption |
|---|---|---|---|
| **Profit/(Loss) for the period** | | | |
| Revenue | 2,534,836 | 7,629 | 2,542,465 |
| Cost of services provided | (1,400,530) | — | (1,400,530) |
| **Gross profit** | **1,134,306** | **7,629** | **1,141,935** |
| Selling, general and administrative expenses | (534,845) | — | (534,845) |
| **Operating profit** | **599,461** | **7,629** | **607,090** |
| Finance income | 112,185 | — | 112,185 |
| Net interest income and foreign exchange gain | 427 | — | 427 |
| Net gain on derivative financial instruments | 111,758 | — | 111,758 |
| Finance expense | (375,533) | — | (375,533) |
| Net interest expense, foreign exchange loss and other finance expense | (350,943) | — | (350,943) |
| Loss on extinguishment of debt | (24,590) | — | (24,590) |
| **Net finance expenses** | **(263,348)** | **—** | **(263,348)** |
| Share in the profit of equity accounted investees | 1,446 | — | 1,446 |
| Reversal of impairment of investments in equity accounted investees | 22,746 | — | 22,746 |
| Gain on disposal of assets related to discontinued operations | 10,500 | — | 10,500 |
| **Profit before income tax** | **370,805** | **7,629** | **378,434** |
| Income tax expense | (118,605) | (2,257) | (120,862) |
| **Profit for the period** | **252,200** | **5,372** | **257,572** |

*(in thousands of euro)*

| Consolidated statement of cash flows | 2018 | Adjustments | 2018 without adoption of IFRS 15 |
|---|---|---|---|

## Cash flows provided by operating activities:

| | 2018 | Adjustments | 2018 without adoption of IFRS 15 |
|---|---|---|---|
| Profit for the period | 252,200 | — | 252,200 |
| Adjustments for: | | | |
| Depreciation, amortization, impairment and restructuring | 709,041 | — | 709,041 |
| Gain on disposal of property and equipment and other intangible assets | (3,028) | — | (3,028) |
| Income tax expense | 118,605 | | 118,605 |
| Increase (decrease) in allowance for bad debt | (1,416) | — | (1,416) |
| Gain on disposal of assets related to discontinued operations | (10,500) | — | (10,500) |
| Net interest income and foreign exchange gain | (427) | — | (427) |
| Net interest expense, foreign exchange loss and other finance expense | 350,943 | — | 350,943 |
| Net loss/gain on derivative financial instruments | (111,758) | — | (111,758) |
| Loss on extinguishment of debt | 24,590 | — | — |
| Share in the result of equity accounted investees | (1,446) | — | (1,446) |
| Reversal impairment of investments in equity accounted investees | (22,746) | — | (22,746) |
| Share based payments | 16,840 | — | 16,840 |
| Change in: | | — | — |
| Trade receivables | 21,731 | — | 21,731 |
| Other assets | 11,037 | 3,692 | 14,729 |
| Deferred revenue | (1,646) | 3,937 | 2,291 |
| Trade payables | 18,888 | — | 18,888 |
| Other liabilities | (59,877) | — | (59,877) |
| Accrued expenses and other current liabilities | 21,506 | (7,629) | 13,877 |
| Interest paid | (188,412) | — | (188,412) |
| Interest received | 34,955 | — | 34,955 |
| Income taxes paid | (103,513) | — | (103,513) |
| **Net cash provided by operating activities** | **1,075,567** | **—** | **1,075,567** |

| *(in thousands of euro)* | 2018 | Adjustments | 2018 without adoption of IFRS 15 |
|---|---|---|---|
| **Cash flows used in investing activities:** | | | |
| Acquisitions of property and equipment | (245,752) | — | (245,752) |
| Acquisitions of intangibles | (157,945) | — | (157,945) |
| Acquisitions of and loans to equity accounted investees | (2,816) | — | (2,816) |
| Acquisitions of subsidiaries, net of cash acquired | (62,513) | — | (62,513) |
| Proceeds from sale of property and equipment and other intangibles | 2,637 | — | 2,637 |
| **Net cash used in investing activities** | **(466,389)** | **—** | **(466,389)** |
| **Cash flows used in financing activities:** | | | |
| Repayments of loans and borrowings | (694,396) | — | (694,396) |
| Proceeds from loans and borrowings | 1,009,496 | — | 1,009,496 |
| Payments of finance lease liabilities | (45,161) | — | (45,161) |
| Payments for debt issuance costs | (25,713) | — | (25,713) |
| Repurchase of own shares | (228,490) | — | (228,490) |
| Sale of own shares | 18,585 | — | 18,585 |
| Payments related to capital reductions and dividends | (598,910) | — | (598,910) |
| Proceeds from capital transactions with equity participants | 4,518 | — | 4,518 |
| **Net cash used in financing activities** | **(560,071)** | **—** | **(560,071)** |
| | | | |
| **Net decrease in cash and cash equivalents** | **49,107** | **—** | **49,107** |
| Cash and cash equivalents: | | | |
| at January 1 | 39,053 | — | 39,053 |
| at December 31 | 88,160 | — | 88,160 |

## 5.30 Subsequent events

**Resignation of Diederik Karsten as Director**

At the meeting of the board of directors of February 12, 2019, Mr. Diederik Karsten announced that he will resign as director of the Company effective February 15, 2019.

Upon advice of the Remuneration & Nomination Committee, the board of directors will present the appointment of Mr. Enrique Rodriguez as director of the Company, as announced following the meeting of the board of directors on March 14, 2019 as proposal for approval to the general shareholders' meeting.

## 5.31 External audit

The general shareholders' meeting of April 26, 2017 appointed KPMG Bedrijfsrevisoren CVBA ("KPMG") as statutory auditor of the Company for a period of three years. KPMG has appointed Mr. Filip De Bock as permanent representative.

Base fees for auditing the annual (consolidated) financial statements of Telenet Group Holding NV and its 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 2018, in relation to services provided by KPMG Bedrijfsrevisoren, amounted to EUR 1,483,250 (2017: EUR 1,374,570), which was composed of audit services for the annual financial statements of EUR 1,342,500 (2017: EUR 1,214,570) and audit related services of EUR 140,750 (2017: EUR 160,000). Audit related services mainly related to services in connection with attestation reports required by Belgian Company Law as well as other ad hoc attestation and assurance reports.

Audit and audit related fees for 2018 in relation to services provided by other offices in the KPMG network amounted to EUR 0 (2017: EUR 148,300), which was composed of audit services for the annual financial statements.

# Statutory auditor's report to the general meeting of Telenet Group Holding NV on the consolidated financial statements as of and for the year ended 31 December 2018

In the context of the statutory audit of the consolidated financial statements of Telenet Group Holding NV ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the consolidated financial statements for the year ended 31 December 2018, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of 26 April 2017, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 31 December 2019. We have performed the statutory audit of the consolidated financial statements of Telenet Group Holding NV for eleven consecutive financial years.

**Report on the audit of the consolidated financial statements**

***Unqualified opinion***

We have audited the consolidated financial statements of the Group as of and for the year ended 31 December 2018, 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 financial statements comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, changes in 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 5.656.481 and the consolidated statement of profit or loss and other comprehensive income shows a profit for the year of EUR'000 252.200 and a total comprehensive income for the year of EUR'000 249.241.

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and financial position as at 31 December 2018 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.

***Basis for our unqualified opinion***

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the consolidated financial statements" section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Capitalization of network related property and equipment*

We refer to notes 5.2.3 'Property and equipment' and 5.4 'Property and equipment' of the consolidated financial statements.

- *Description*

In 2018, the Group capitalized a total of EUR 484 million of property and equipment, including fixed and mobile network upgrades and customer installations.

Capitalization of costs is an area of judgment by management, in particular in determining whether internal and external network engineering and customer installations costs meet the capitalization criteria. These judgments can have an important impact on certain key performance indicators that the Group discloses as part of its financial reporting and outlook, such as EBITDA, and consequently, pressures may exist to deliver expected results. Additionally, certain underlying processes with respect to specific elements of cost capitalization, such as capitalized labor, are by nature more prone to potential manipulation including management override of controls via manual journal entries.

Due to the relative size of the Group's network related property and equipment in the consolidated statement of financial position and the aforementioned pressures and opportunities for fraud with respect to the proper application of the capitalization criteria, we considered this a key audit matter.

- *Our audit procedures*

Our audit procedures included, amongst others:

- Evaluating the design and testing the operating effectiveness of key controls around the network related property and equipment cycle, including controls over whether internal and external fixed and mobile network upgrade and customer installations costs meet the capitalization criteria, as well as controls with respect to the review and approval of manual journal entries;

- Testing a sample of costs capitalized during the year. For each item selected, obtaining the relevant underlying documents and assessing whether the nature of costs incurred met the criteria for capitalization under the Group's accounting policies. For the capitalized costs relating to the processes for which a risk of fraud was identified, selecting additional specific items or otherwise extending the sample;

- Performing ratio analysis over the capital expenditure for external and internal network engineering and customer installations. For external works, we have set an expectation of total capital expenditure based on the historical trend. For internal works, we have set an expectation of total capital expenditure based on the historical average payroll expense capitalized versus total payroll expense of the period;

- Testing manual journal entries impacting the capitalization of costs with characteristics that make them susceptible to fraud.

*Uncertain tax positions*

We refer to note 5.2.13 'income taxes', 5.15 'deferred taxes' and 5.22 'income tax expense' of the consolidated financial statements.

- *Description*

As set out in note 5.15 to the consolidated financial statements, the Group primarily operates in Belgium and Luxembourg. The Group is required to understand tax laws applicable in each jurisdiction and appropriately apply these to each individual company's tax calculation.

We considered the accounting for uncertain tax positions a key audit matter because of the complexity associated with tax structures in place within the Group and the fact that the laws and regulations relevant to such structures may be subject to interpretation, including by taxation authorities.

The recognition and measurement of current or deferred tax assets or liabilities when there is uncertainty over income tax treatments requires management to exercise significant judgment, including in the determination of whether it is probable that a taxation authority will accept an uncertain tax treatment.

- *Our audit procedures*

We performed the following procedures, amongst others:

- We developed an understanding of the nature of the Group's tax structures and of the key tax positions across the Group, and inspected relevant correspondence with the competent taxation authorities;

- We read the expert opinions of the Group's tax advisors in respect of significant uncertain tax positions. With the assistance of our tax specialists, we evaluated the key judgments made by the Group's tax advisors and by management, including with respect to the probability that a taxation authority would accept an uncertain tax treatment, and with respect to the recognition and measurement of the current or deferred tax assets or liabilities related to such uncertain tax positions;

- We assessed the external expert's qualifications, experience and expertise and considered their objectivity;

- For significant current and/or deferred tax balances and for the Group's tax position as a whole, we assessed the current and deferred tax accounting position by *inter alia* agreeing key inputs to supporting documentation;

- We assessed the reasonableness and technical feasibility of the Group's tax planning in relation to the recovery of significant deferred tax assets by amongst other, comparing the forecasted taxable profit with historical data and budgets approved by the board of directors, and assessing management's technical analysis when relevant;

- We assessed the appropriateness of the Group's disclosures in respect of current and deferred taxes, which are included in notes 5.15 and 5.22 to the consolidated financial statements.

*Accounting for the acquisition of SFR Belux*

We refer to note 5.2.6 'acquisition accounting and goodwill' and note 5.24.2 'SFR Belux' of the consolidated financial statements.

- *Description*

In 2018 the Group finalized the accounting, including the purchase price allocation, for its acquisition on June 19, 2017 of 100% of the shares of Coditel Brabant SPRL for a total consideration of EUR 369 million (the "SFR Belux" acquisition).

Goodwill arising from the SFR Belux acquisition represented the excess of the consideration paid over the fair value of the identifiable net assets and amounted to EUR 255 million, which is significant to the Group's consolidated financial statements for the year ended 31 December 2018.

The fair values of the identifiable assets and liabilities acquired in the acquisition were assessed by management based on valuation assessments prepared by external experts, which required the exercise of significant judgment and estimation.

We identified the accounting for the SFR Belux acquisition as a key audit matter because of the significant impact on the consolidated financial statements and because the determination of the fair value of assets acquired and liabilities assumed can be inherently subjective and requires significant judgment and estimation which increases the risk of error.

- *Our audit procedures*

Our procedures to assess the accounting for the SFR Belux acquisition included the following:

- Reading the shares purchase agreements and any other supporting documentation, and evaluating management's determination that the transaction constitutes a business combination, and its assessment of the total consideration transferred, including any contingent features;

- Obtaining and inspecting the valuation assessment prepared by the external valuation experts engaged by management and on which management's assessment of the fair values of the assets acquired and liabilities assumed were based;
- Assessing the external experts' qualifications, experience and expertise and considering their objectivity;
- With the assistance of our valuation specialists, assessing the valuation methodologies used by management's external valuation experts with reference to industry standards and the requirements of the applicable accounting standards;
- Engaging our valuation specialists to assist us in challenging the key assumptions used in the assessment of the fair value of the identifiable assets and liabilities, including the assumptions relating to future revenue growth rates, future capital expenditure and the weighted average cost of capital;
- Assessing the Group's disclosures in the consolidated financial statements in respect of the acquisition with reference to the requirements of the applicable accounting standards.

***Board of directors' responsibilities for the preparation of the consolidated financial statements***

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view 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 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.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

***Statutory auditor's responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit 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;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;
- Conclude on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

**Other legal and regulatory requirements**

***Responsibilities of the Board of Directors***

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements.

***Statutory auditor's responsibilities***

In the context of our mandate and in accordance with the Belgian standard (revised in 2018) which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements and to report on these matters.

***Aspects concerning the board of directors' annual report on the consolidated financial statements***

Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements contains material misstatements, that is information incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

The non-financial information required by article 119 §2 of the Companies' Code has been included in the board of directors' annual report on the consolidated financial statements. The Company has prepared this non-financial information based on the Global Reporting Initiative ("GRI") standards. In accordance with art 148 §1,5° of the Belgian Companies' Code, we do not comment on whether this non-financial information has been prepared in accordance with the mentioned GRI standards.

***Information about the independence***

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our audit firm remained independent of the Group during the term of our mandate.

- The fees for the additional engagements which are compatible with the statutory audit referred to in article 134 of the Companies' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

***Other aspect***

- This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Antwerp, 20 March 2019
KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
Reprented by

Filip De Bock
Réviseur d'Entreprises / Bedrijfsrevisor

# 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, 2018. The second part of the auditor's report includes specific additional paragraphs in accordance with article 523 of the Belgian Company Code (conflict of interest reported by a member 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)* | For the years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| **Assets** | | |
| **Non-current assets:** | | |
| Financial assets | 5,172,712 | 5,212,289 |
| **Total non-current assets** | **5,172,712** | **5,212,289** |
| **Current assets:** | | |
| Amounts receivable within 1 year | 39,020 | 27,276 |
| Other investments and deposits | 312,485 | 108,665 |
| Cash at bank and in hand | 4,498 | 2,791 |
| Deferred charges and accrued income | 614 | 436 |
| **Total current assets** | **356,617** | **139,168** |
| **Total assets** | **5,529,329** | **5,351,457** |

| *(in thousands of euro)* | For the years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| **Equity and Liabilities** | | |
| **Equity:** | | |
| Capital | 12,799 | 12,799 |
| Share premium | 80,697 | 80,697 |
| Reserves | 380,328 | 176,507 |
| Profit to be carried forward | 4,262,766 | 5,052,599 |
| **Total equity** | **4,736,590** | **5,322,602** |
| **Liabilities:** | | |
| Provisions | 23,976 | 15,101 |
| Amounts payable after more than 1 year | 174,014 | 6,701 |
| Amounts payable within 1 year | 594,728 | 6,817 |
| Accrued charges and deferred income | 21 | 236 |
| **Total liabilities** | **792,739** | **28,855** |
| **Total Equity and Liabilities** | **5,529,329** | **5,351,457** |

# 2. Abridged non-consolidated income statement

| *(in thousands of euro)* | For the years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Operating Income | 14,923 | 10,847 |
| Operating expenses | (12,690) | (4,899) |
| **Operating profit / (loss)** | **2,233** | **5,948** |
| Finance income | 33,503 | 2,767 |
| Finance expenses | (22,501) | (10,070) |
| Taxes | (148) | — |
| **Profit/(loss) to be appropriated** | **13,087** | **(1,355)** |

# 3. Capital

| | 2018 | |
|---|---|---|
| | *(in thousands of euro)* | *(number of shares)* |
| **Issued capital** | | |
| **January 1, 2018** | **12,799** | **117,716,323** |
| | | |
| | | |
| | | |
| **December 31, 2018** | **12,799** | **117,716,323** |
| **Composition of the capital** | | |
| Dispreference shares | 10 | 94,843 |
| Golden shares | — | 30 |
| Ordinary shares without nominal value | 12,789 | 117,621,450 |

# 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

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 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 which are expensed 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

Investments amounted to €5,171.9 million (2017: €5,212.3 million) and consisted of:

| *(in euro)* | For the years ended December 31, | |
|---|---:|---:|
| | **2018** | **2017** |
| **Investees** | | |
| Telenet Vlaanderen NV | 249,438 | 249,438 |
| Telenet Group BVBA | 5,116,633,655 | 5,116,633,655 |
| De Vijver Media NV | 52,249,052 | 24,154,434 |
| Idealabs Telenet Fund NV | 633,747 | 633,747 |
| Imec.istart Fund | 250,000 | 250,000 |
| Recneps NV | 1,850,001 | 600,001 |
| Telenet Retail BVBA | 38,062 | 38,062 |
| T-VGAS NV | 10 | 10 |
| **Investees** | **5,171,903,965** | **5,142,559,347** |
| **Amounts receivables from affiliated companies** | | |
| Finance Center Telenet sarl | — | 68,971,584 |
| Doccle cvba | 320,000 | 320,000 |
| Idealabs Telenet Fund NV | 487,830 | 437,830 |
| **Amounts receivables from affiliated companies** | **807,830** | **69,729,414** |
| **Non-current financial assets** | **5,172,711,795** | **5,212,288,761** |

### 5.1.2 Amounts receivable within one year

In accordance with advice CBN 2012/3 with respect to the accounting treatment of stock option plans, the Company recognized a provision amounting to €24.0 million (2017: €15.1 million) related to the expected future loss on own shares when the stock options are expected to be exercised. This cost was recharged to Telenet BVBA and Telenet Group BVBA, the entities in which the beneficiaries are employed and all personnel expenses are incurred. The total outstanding receivable on Telenet BVBA and Telenet Group BVBA as per December 31, 2018 amounted to respectively €38.4 million and €0.5 million (2017: respectively €26.7 and €0.4 million).

### 5.1.3 Other investments, deposits and cash

The investments as reported at year-end 2018 for an amount of €312.5 million consisted integrally of own shares. The own shares are held by the Company to cover the Company's obligations under existing stock option plans. There are no dividend rights for these shares for as long as they remain in possession of the Company. In 2018, the Company delivered 498,065 own shares in exchange for stock options exercised and the settlement of the Company's Performance Share Plan 2015 (2017: 803,327 shares).

### 5.1.4 Capital

No changes occured in the capital of the Company during financial year 2017.

### 5.1.5 Share premium

No changes occured in this section of the annual accounts.

### 5.1.6 Reserves

Total reserves at year-end 2018 amounted to €380.3 million (2017: €176.5 million).

| *(in euro)* | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **Reserves** | | |
| Legal reserve | 64,798,289 | 64,798,289 |
| Reserves unavailable for distribution | | |
| - for own shares | 312,485,342 | 108,664,555 |
| - other | — | — |
| Untaxed reserves | 3,044,394 | 3,044,394 |
| **Reserves** | **380,328,025** | **176,507,238** |

As a result of the Share Buy Back Program 2018, launched in February 2018 and the Share Buy Back Program 2018bis, launched in June 2018, the reserves unavailable for distribution have been increased with the same amount as the shares acquired.

The untaxed reserves of €3.0 million relate to the capital reduction of €3.25 as decided upon by the general meeting of shareholders in April 2012 on 648,584 own shares that were held on the payment date, being August 31, 2012. The €2.1 million was not paid out, but added back to the Company's equity as untaxed reserves. The remaining €0.9 million consists of the right to the 2012 dividend and capital reduction of €3.25 and €1.0, respectively) related to the 220,352 own shares held with respect to the obligation under the Company's stock option plans. As this right was cancelled in 2013, the corresponding amount €0.9 million is recognized as untaxed reserves.

### 5.1.7 Provisions

In accordance with advice CBN 2012/3 with respect to the accounting treatment of stock option plans, the Company accounted for a provision amounting to €24.0 million (2017: €15.1 million) related to the expected future loss on own shares when the stock options are expected to be exercised.

### 5.1.8 Amounts payable after more than one year

Total amounts payable after more than one year consisted of a loan from Telenet International Finance S.à r.l entered into in 2018 with an total amount of €750.3 million of which €174.0 million is due after more then one year and €576.3 million within one year. (2017: 6.7 million). The additional funds received as proceeds under this loan have been used to finance the extraordinary dividend payment of €599.1 million and to fund the Share Buy Back program.

### 5.1.9 Amounts payable within one year

Amounts payable within one year amounted to €594.7 million compared to €6.8 million at year-end 2017 and can be detailed as follows:

| *(in euro)* | For the years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| **Amounts payable within one year** | | |
| Trade debts | 13,709,517 | 764,002 |
| Taxes, remuneration and social security | 3,578,881 | 3,975,981 |
| Lening Telenet International Finance S.à r.l | 576,264,622 | — |
| Other amounts payable | 1,175,389 | 2,076,399 |
| **Amounts payable within one year** | **594,728,409** | **6,816,382** |

Trade debt amounted to €13.8 million (compared to €0.8 million as of December 31, 2017) and consist almost entirely of invoices to receive from Telenet International Finance S.à r.l related to recharges of fees on debt facilities.

The taxes, remuneration and social security outstanding as of December 31, 2018 amounted to €3.6 million (2017: €4.0 million) and consisted primarily of the social security charges related to performance shares which are payable upon vesting of the underlying performance shares amounting to €2.6  million (2017: €3.0 million).

The Company received a loan from Telenet International Finance S. à r.l in order to finance the extraordinary dividend payment and to and the Share Buy Back programs. of which the short term portion amount is €576,3 million.

The other amounts payable for an amount of €1.2 million (2017: €2.1 million) consisted of the 2018 dividend as well as past dividends and capital reductions payable, but which were as of December 31, 2018 not yet claimed.

### 5.1.10 Accrued charges and deferred income

Accrued charges and deferred income within one year amounted to €0.02 million (2017: €0.2 million) and consisted of accrued interests on the loan from Telenet International Finance.

## 5.2 Comments on the income statement

The income statement showed a gain of €13,086,466.48 for the financial year ended December 31, 2018 (versus a loss of €1,354,474.53 in 2017). Net operating profit for the year amounted to €2,233,838.43 (compared to a profit of €5,948,427.24 in 2017).

Operating income mainly amounted to €14.9 million and consisted mainly of recharges to Telenet BVBA and Telenet Group BVBA. The operating expenses increased from €4.9 million to €12.7 million for the 12 months ended December 31, 2018 mainly attributable to an increase of the provision related to the expected future loss on own shares when the stock options are expected to be exercised.

The Financial income amounted to €33.5 million for the year ended December 31, 2018 (2017: €2.8 million) and consisted of:

| *(in euro)* | **For the years ended December 31,** | |
|---|---|---|
| | **2018** | **2017** |
| **Finance income** | | |
| Financial income from current assets | 5,407,926 | 2,767,301 |
| Reversal of impairment De Vijver Media NV | 28,094,618 | — |
| Non recurring financial income | — | — |
| | | |
| **Finance income** | **33,502,544** | **2,767,301** |

The financial income from current assets consisted of the interest on the intercompany loan to Finance Center Telenet.

Based on the improved profitability of De Vijver Media in the course of 2018, as well as the updated and improved projections included in the updated business plan, the Company concluded that there was an indication that the impairment of this investment might no longer exist or had decreased. Accordingly, the recoverable amount of the investment was reassessed as per year-end 2018. Based on a value-in-use calculation taking into account the expected cash flows included in the updated business plan, which were discounted at a weighted average cost of capital of 8.6%, the recoverable amount of the investment was estimated at €52.2 million compared to a carrying amount of the equity accounted investee of €24.2 million, resulting in a reversal as of December 31, 2018 of the previously recognized impairment amounting to €28.1 million.

Finance expense amounted to €22.5 million for the year ended December 31, 2018 compared to €10.1 million in the prior year and consists of:

| *(in euro)* | For the years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| **Finance expense** | | |
| Interest charges | | |
| - Bank | 477,993 | 2,051 |
| - Telenet International Finance S.à r.l. | 3,341,068 | 1,261,977 |
| Sale of treasury shares | 5,653,928 | 8,740,588 |
| Amortization of financing cost | 12,894,204 | — |
| Other finance expense | 134,331 | 65,589 |
| **Finance expense** | **22,501,524** | **10,070,205** |

The Company proposes to the general shareholders' meeting to:

- bring forward the profit brought forward at the prior year-end amounting to €5,052,598,703.27, resulting in a profit available for appropriation amounting to €5,065,685,169.75 at December 31, 2018;
- allocate an amount of €203,820,787.35 to the reserves unavailable for distribution for own shares.

The special shareholders' meeting of September 26, 2018 decided upon the payment of an extraordinary dividend amounting to €599,099,078.60.

As a result, the profit to be carried forward amounted to €4,262,765,303.80 as of December 31, 2018.

## 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 carried 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 carried 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 deliver strong operating results.

As of December 31, 2018, the Company carried a total debt balance (including accrued interest) of €5,665.1 million, of which €1,950.2 million principal amount is related to the Senior Secured Fixed Rate Notes with maturities ranging from July 2027 through March 2028 and €2,747.0 million principal amount is owed under Telenet's 2018 Amended Senior Credit Facility with maturities ranging from August 2026 through December 2027. Telenet's total debt balance at December 31, 2018 also included €359.0 million of short-term debt related to Telenet's vendor financing program (including accrued interest) and €23.8 million for the outstanding portion of the 2G and 3G mobile spectrum licenses. The remainder primarily represents the capital lease obligations associated with the Interkabel Acquisition.

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 accounts, 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 office 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 24, 2019 to grant discharge to the directors and the statutory auditors of their responsibilities assumed in the financial year 2018.

## 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.

## 5.13 Non-financial information

We refer to the consolidated annual report of the board of directors.

Brussels, March 14, 2019

On behalf of the board of directors

| John Porter | Bert De Graeve |
|---|---|
| Chief Executive Officer | Chairman |

## Notes

**Corporate Communications**
T. 015 33 30 00 - www.telenet.be

**Responsible editor**
Telenet, Rob Goyens
Neerveldstraat 105, 1200 Brussels