



# FINANCIAL REPORT 2017



# Table of content

|  |           |
|--|-----------|
| <b>Consolidated annual report of the board of directors for 2017 to the shareholders of Telenet Group Holding NV</b> | <b>5</b>  |
| Definitions .....  | 6         |
| Important reporting changes .....  | 6         |
| <b>1 Information on the company</b>  | <b>9</b>  |
| 1.1 Overview .....   | 9         |
| 1.2 Video .....  | 9         |
| 1.3 Enhanced video .....   | 10        |
| 1.4 Broadband internet .....   | 10        |
| 1.5 Telephony .....  | 10        |
| 1.6 Business services .....  | 12        |
| 1.7 Network .....  | 12        |
| 1.8 Strategy .....   | 13        |
| <b>2 Discussion of the consolidated financial statements</b>   | <b>14</b> |
| 2.1 Revenue by service .....   | 14        |
| 2.2 Total expenses .....   | 15        |
| 2.3 Expenses by nature .....   | 15        |
| 2.4 Net finance expenses .....   | 17        |
| 2.5 Impairment on an investment in an equity accounted investee .....  | 16        |
| 2.6 Income taxes .....   | 16        |
| 2.7 Net income .....   | 17        |
| 2.8 Adjusted EBITDA .....  | 17        |
| 2.9 Cash flow and liquidity .....  | 18        |
| 2.10 Debt profile, cash balance and net leverage ratio .....   | 19        |
| 2.11 Capital expenditure .....   | 20        |
| <b>3 Risk factors</b>  | <b>22</b> |
| 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                                  | 25 |
| 7.1 Introduction .....  | 25 |
| 7.2 Labor .....   | 25 |
| 7.3 Environment .....   | 26 |
| 7.4 Human rights .....  | 27 |
| 7.5 Anti-corruption and bribery .....                         | 34 |
| 7.6 Non-financial indicators .....                            | 29 |
| 7.7 2018 Sustainability outlook .....                         | 30 |
| 8. Corporate governance statement                             | 34 |
| 8.1 Reference code .....                                      | 34 |
| 8.2 Regulatory developments and their impact on Telenet ..... | 34 |
| 8.3 Capital and shareholders .....                            | 35 |
| 8.4 Internal control and risk management systems .....        | 38 |
| 8.5 Board of directors .....                                  | 40 |
| 8.6 Daily management .....                                    | 49 |
| 8.7 Remuneration report .....                                 | 52 |
| 8.8 Audit of the company .....                                | 58 |

## **Telenet Group Holding NV consolidated financial statements** **60**

|  |    |
|--|----|
| 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, 2016

71

|      |   |     |
|------|---|-----|
| 5.1  | Reporting entity and basis of preparation .....             | 71  |
| 5.2  | Significant accounting policies .....                       | 72  |
| 5.3  | Risk management .....                                       | 83  |
| 5.4  | Property and equipment .....                                | 93  |
| 5.5  | Goodwill .....  | 94  |
| 5.6  | Other intangible assets .....                               | 95  |
| 5.7  | Investments in and loans to equity accounted investees..... | 96  |
| 5.8  | Trade receivables .....                                     | 98  |
| 5.9  | Other assets .....  | 99  |
| 5.10 | Inventories .....   | 100 |
| 5.11 | Cash and cash equivalents .....                             | 100 |
| 5.12 | Shareholders' equity .....                                  | 100 |
| 5.13 | Loans and borrowings .....                                  | 110 |
| 5.14 | Derivative financial instruments.....                       | 121 |
| 5.15 | Deferred taxes .....  | 124 |
| 5.16 | Other non-current liabilities .....                         | 128 |
| 5.17 | Employee benefit plans .....                                | 129 |
| 5.18 | Accrued expenses and other current liabilities .....        | 132 |
| 5.19 | Revenue .....   | 133 |
| 5.20 | Expenses by nature .....                                    | 134 |
| 5.21 | Finance income / expense .....                              | 135 |
| 5.22 | Income tax expense .....                                    | 136 |
| 5.23 | Earnings per share .....                                    | 137 |
| 5.24 | Acquisition of subsidiaries .....                           | 138 |
| 5.25 | Non cash investing and financing transactions .....         | 142 |
| 5.26 | Commitments and contingencies.....                          | 142 |
| 5.27 | Related parties .....                                       | 148 |
| 5.28 | Subsidiaries .....  | 150 |
| 5.29 | Subsequent events .....                                     | 152 |
| 5.30 | External audit .....  | 153 |

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

**158**

|      |   |     |
|------|---|-----|
| 1.   | Abridged non-consolidated balance sheet   | 159 |
| 2.   | Abridged non-consolidated income statement  | 160 |
| 3.   | Capital   | 161 |
| 4.   | Accounting policies   | 162 |
| 4.1  | General .....   | 162 |
| 4.2  | Specific accounting policies.....   | 162 |
| 5.   | Abridged annual report concerting the statutory annual accounts of Telenet Group Holding NV                                     | 163 |
| 5.1  | Comments on the balance sheet.....  | 163 |
| 5.2  | Comments on the income statement ....   | 166 |
| 5.3  | Information on research and development .....   | 167 |
| 5.4  | Risk factors .....  | 167 |
| 5.5  | Information about subsequent events ...   | 167 |
| 5.6  | Going concern .....   | 167 |
| 5.7  | Application of legal rules regarding conflicts of interest .....  | 167 |
| 5.8  | Branch offices of the Company .....   | 167 |
| 5.9  | Extraordinary activities and special assignments carried out by the auditor..   | 167 |
| 5.10 | Telenet hedging policy and the use of financial instruments.....  | 168 |
| 5.11 | Grant of discharge to the directors and statutory auditor .....   | 168 |
| 5.12 | Information required pursuant to article 34 of the Belgian Royal Decree of November 14, 2007 and the law of April 6, 2010 ..... | 168 |



## Consolidated annual report of the board of directors for 2017 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, 2017, 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, 2017, Telenet has adjusted its historical revenue and Adjusted EBITDA to (i) include the pre-acquisition revenue and Adjusted EBITDA of BASE (fully consolidated since February 11, 2016) and SFR Belux (fully consolidated since June 19, 2017) in its rebased amounts for the three and twelve months ended December 31, 2016 to the same extent that the revenue and Adjusted EBITDA of such entities are included in its results for the twelve months ended December 31, 2017 and (ii) 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 its results for the twelve months ended December 31, 2017. Telenet has reflected the revenue and operating profit of BASE and SFR Belux in its 2016 rebased amounts based on what Telenet believes to be the most reliable information that is currently available (generally pre-acquisition financial statements), as adjusted for the estimated effects of (i) any significant effects of acquisition accounting adjustments, (ii) any significant differences between its accounting policies and those of the acquired entities and (iii) other items Telenet deems appropriate. Telenet does not adjust pre-acquisition periods to eliminate non-recurring 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 its 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 its 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 its pro forma financial performance.
- (2) Under “**Choose Your Device**” contractual arrangements, which include separate contracts for the mobile handset and airtime, Telenet generally recognizes the full sales price for the mobile handset upon delivery as a component of other revenue, regardless of whether the sales price is received upfront or in installments. Revenue associated with the airtime services is recognized as mobile subscription revenue over the contractual term of the airtime services contract. Prior to the launch of “Choose Your Device” in July 2015, handsets were generally provided to customers on a subsidized basis. As a result, revenue associated with the handset was only recognized upfront to the extent of cash collected at the time of sale, and the monthly amounts collected for both the handset and airtime were included in mobile subscription revenue over the term of the contract. Handset costs associated with “Choose Your Device” handset revenue are expensed at the point of sale.
- (3) **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 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.
- (4) **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.
- (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. **Net covenant leverage** is calculated as per the 2017 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

**Reclassification of wholesale revenue:** As of January 1, 2017, Telenet changed the way it presents the revenue generated by its fixed and mobile wholesale partners. As of January 1, 2017, this revenue is accounted for under other revenue, whereas prior to that date Telenet's mobile wholesale revenue was presented under mobile telephony revenue. Telenet also applied this change retroactively to the year ended December 31, 2016.

**Reclassification of expenses related to truck rolls for customer premises equipment ("CPE"):** As of January 1, 2017, Telenet changed the way it presents the expenses incurred for CPE-related truck rolls. As of January 1, 2017, such expenses are recognized under network operating expenses, whereas before that date they were presented under professional services and outsourced labor. Telenet also applied this change retroactively to the year ended December 31, 2016.

# 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 69% 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 small and medium-sized companies ("SMEs") and large-sized businesses throughout Belgium and parts of Luxembourg.

At December 31, 2017, Telenet had approximately 2,190,400 customer relationships, which represented approximately 66% of the approximately 3,317,100 homes passed by its network. At December 31, 2017, approximately 2,031,300 customers subscribed to its video services, approximately 1,674,100 subscribed to its broadband internet services and approximately 1,302,600 subscribed to its fixed-line telephony services. Telenet also had approximately 2,288,600 mobile postpaid and approximately 515,200 mobile prepaid subscribers at of December 31, 2017. In addition, approximately 88% of its video subscribers had upgraded from basic video to enhanced video services. For the year ended December 31, 2017, Telenet's total revenue was €2,528.1 million, a 4% increase over the year ended December 31, 2016 and its Adjusted EBITDA was €1,209.9 million, an 8% increase over the year ended December 31, 2016.

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, 2017, approximately 67% of the nodes in the

Combined Network had been upgraded.

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, 2017, the ARPU per customer relationship reached €54.7, which was up €1.3 compared to the prior year.

## 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. At December 31, 2017, Telenet provided video services to approximately 2,031,300 subscribers, or 61% of homes passed by its network, including approximately 82,200 inorganic additions through the acquisition of Altice's former Belgian and Luxembourg cable operations ("Coditel Brabant" and "Coditel S.à r.l.", together "SFR Belux"), which was completed on June 19, 2017 (the "SFR Belux Acquisition"). 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.

At December 31, 2017, subscribers to total basic video services decreased by 68,400 as compared to December 31, 2016 on an organic basis as a result of the increased competitive environment, including the effects from regulated cable wholesale. The aforementioned organic loss rate excludes migrations to Telenet's enhanced video service and represents customers churning to competitors' platforms, such as other digital television, Over-the-Top ("OTT") services and satellite providers, or customers terminating their television service or having moved out

of Telenet's service footprint. Given the historical video penetration in its footprint, the limited expansion of the number of homes passed and strong competition in the domestic TV market, Telenet anticipates further churn of total video subscribers.

## 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, 2017, Telenet served approximately 1,786,600 enhanced video customers, including approximately 74,700 inorganic subscribers added through the SFR Belux Acquisition. Telenet's digitalization ratio, which measures the total base of enhanced video customers relative to Telenet's total video subscriber base, reached approximately 88% at December 31, 2017 compared to approximately 86% at December 31, 2016. 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.

At December 31, 2017, Telenet's subscription VOD packages "Play" and "Play More" had 399,800 customers, representing a 12% increase compared to December 31, 2016. This robust performance was driven by (i) an improvement in the linear viewing experience and the revamp of Telenet's premium entertainment platform "Play More", (ii) continued investments in promising local content through both co-productions with Telenet's co-owned commercial channels "VIER", "VIJF" and "ZES" as well as investment in certain proprietary content, and (iii) Telenet's exclusive partnership with HBO providing access to high-quality international content.

In addition to the premium pay television channels, Telenet also provides the broadest sports offerings within its footprint through "Play Sports", which combines domestic and foreign football with other major sport events including golf, Formula One racing, volleyball, basketball and hockey. Telenet also added the ATP World Tour Masters, a major tennis event, to its sports line-up. In May 2017, Telenet extended the non-exclusive broadcasting rights for the Jupiler Pro League for three seasons until the 2019-2020 season. In the second quarter of 2017, Telenet also gained the exclusive OTT rights, while local media company De Vijver Media, in which Telenet owns a 50% shareholding, holds the exclusive rights to the match summaries. At December 31, 2017, Telenet served 233,900 "Play Sports" customers, which was broadly unchanged compared to December 31, 2016. In January 2018, Telenet launched "Play Sports GO!", its OTT application, through which its pay television sports content has become available for all consumers across Telenet's cable footprint irrespective of them subscribing to any of its products. For both current and new "Play Sports" subscribers, the app is an integral part of their subscription, thus enriching their offer and viewing experience.

## 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 500 Mbps, respectively, and upload speeds of 20 and 50 Mbps, respectively. Through Telenet's €500.0 million five-year "Grote Netwerf" investment program, which kicked off in early 2015 and is expected to be completed mid-2019, Telenet aims to boost the capacity of its network from 600 MHz (at present) 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.

In March 2017, Telenet introduced "Flow", a suite of smart technologies, to ensure that customers can seamlessly access both fixed and mobile networks across all of their devices. As of December 31, 2017, 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 VOO, 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 the end of June 2017, Telenet boosted both the data upload and download speeds of its "Basic Internet" product. Priced at €27.8 per month (including 21% VAT) and providing a data download speed of 50 Mbps, Telenet's "Basic Internet" offer remains one of the most attractive entry packages both within a Belgian and a wider European context.

At December 31, 2017, Telenet served 1,674,100 broadband internet subscribers, up 5% year-on-year and including 60,100 inorganic subscribers added through the SFR Belux acquisition and equivalent to 50.5% of the homes passed by its HFC network. Telenet's annualized churn rate was impacted by the intensely competitive environment and reached 9.0% for the year ended December 31, 2017 as compared to 7.7% for the year ended December 31, 2016.

## 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 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.

Telenet served approximately 1,302,600 fixed-line telephony

subscribers at December 31, 2017 (+4% year-on-year), including approximately 48,100 inorganic additions from the acquisition of SFR Belux and equivalent to 39.3% of the homes passed by its network. As a result of the intensely competitive market environment and an overall declining market trend, annualized churn rate increased 160 basis points to 10.1% for the year ended December 31, 2017 compared to the year ended December 31, 2016.

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## 1.5.2 Mobile telephony

In February 2016, Telenet finalized the acquisition of Belgian mobile operator BASE Company. Telenet offers its mobile telephony services under both the "Telenet" and "BASE" brand names and has entered into several wholesale partnerships. In addition to BASE Company's mobile radio access network, 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"). Through its own BASE network and pursuant to the MVNO Arrangement, Telenet offers its cable customers mobile voice and data services, including 4G/LTE ("Long Term Evolution"). Through a partnership with Telenet, Nethys also uses the MVNO Arrangement to provide mobile services to its cable customers.

At the end of May 2016, Orange Belgium and Telenet reached an agreement setting the terms and conditions for the future termination of the MVNO Arrangement (the "MVNO Termination Agreement"). The MVNO Arrangement will run, and Telenet's mobile customers can continue to use Orange Belgium's network, until the end of 2018. Telenet committed to a minimum payment of €150.0 million (excluding VAT) over the 3-year period from 2016 to 2018. The actual amount paid by Telenet could exceed this minimum amount in the event there is higher network usage. Beyond 2018, an optional 6-month extension period has been agreed upon with a minimum amount of €15.0 million (excluding VAT) becoming payable if triggered. Through the MVNO Termination Agreement, all outstanding legal disputes between both companies, including the judicial recovery of invoices under the MVNO Arrangement, have been settled.

The rapid modernization of Telenet's acquired mobile network is an important synergy enabler, allowing Telenet to accelerate the onboarding of its Full MVNO customers to its own mobile network. At December 31, 2017, approximately 90% of its Full MVNO customers had been onboarded on the own mobile network. Telenet now aims for full completion by the end of the three months ending March 31, 2018 versus the initial plan by the end of 2018. As the accelerated onboarding will affect the contractual commitments under the MVNO Arrangement, Telenet incurred a €29.2 million non-cash restructuring charge in the three months ended September 30, 2017.

Telenet's active mobile subscriber base, which excludes subscribers under its commercial wholesale partnerships, totaled 2,803,800 SIMs at December 31, 2017, including 2,288,600 postpaid subscribers. The remaining 515,200 mobile subscribers receive prepaid services under the BASE brand and various branded reseller contracts. Compared to December 31, 2016, Telenet recorded a 6% decrease in the total number of active mobile subscribers as a result of the sale of its direct subsidiary Ortel Mobile to Lycamobile as of March 1, 2017 and the

impacts from the June 2017 mandatory prepaid registration. As such, a total of 157,900, 53,300 and 129,100 mobile SIMs have been removed from Telenet's subscriber count in Q1 2017, Q2 2017 and Q4 2017, respectively. For the year ended December 31, 2017, Telenet added approximately 177,500 net postpaid subscribers driven by the continued uptake of its all-in-one converged "WIGO" bundles and improved offers. At the end of September 2017, Telenet revamped the mobile line-up under the "BASE" brand by offering more flexible bundles adjusted to customers' needs so they can use the full capacity of their package, regardless of their appetite to use either more data, minutes or text messages.

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## 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 and Telenet Group (former BASE Company NV) are being considered as two separate networks, both with their own interconnection set-up. Telenet and Telenet Group'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 at the end of 2016 according to the most recent Annual Report 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 2017, Telenet incurred interconnection expenses of €224.1 million (€222.7 million for the year ended December 31, 2016) and reflected the acquisition of BASE in February 2016. For the year ended December 31, 2017, Telenet received interconnection revenue of €212.1 million (€201.8 million for the year ended December 31, 2016) and included BASE's interconnection revenue since the acquisition in February 2016. 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 and Telenet Group's interconnection practices are subject to comprehensive regulation by the BIPT. Mobile termination rates have been capped for each mobile network operator at €1.08 cents per minute starting January 2013 (while still taking into account inflation versus year of reference). Following the BIPT decision of May 26, 2017 on the relevant market for call termination on individual mobile

networks, termination rates have been set at €0.99 cent per minute as from 1 July 2017.

On August 25, 2016 the BIPT took a decision on the relevant market for call termination on a public fixed network, this decision, however, has been annulled by the Brussels Court of Appeal on March 15, 2017. As such, the fixed termination rates have been set back to those of the BIPT decision of March 2, 2012. On December 28, 2017 the BIPT published a new draft decision on the relevant market for call termination on individual fixed networks. Following the adoption of a bottom-up long-run incremental cost model, this will result in one single tariff - thus abolishing the set-up and duration as well as the peak and off peak principle - of €0.103 cents per minute. The BIPT has organized a public consultation on this draft decision which was open until February 16, 2018.

## 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. Telenet Business generated revenue of €134.2 million for the year ended December 31, 2017, up 10% compared to the year ended December 31, 2016. Telenet B2B revenue growth was primarily driven by higher security-related revenue and higher revenue from business connectivity solutions in the SME segment.

## 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 500 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 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, 2017, approximately 67% of the nodes in the Combined Network had been upgraded.

## 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.

Telenet seeks to continue to lead with respect to superior converged connectivity. Telenet's solid network infrastructure is the backbone of its services, allowing consumers to enjoy a seamless experience. Telenet's technology aims to be flawless on the go, at home and at the office, and on any device at any time. Telenet's converged fixed and mobile network is a key enabler in this context. Telenet's ambition is to provide a seamless, faster and more powerful connected experience to its customers. Having upgraded approximately 87% of its 2,800 macro sites at the end of December 31, 2017, having completed the roll-out of over 210 new mobile sites and having upgraded approximately 67% of the nodes in its core HFC network, both Telenet's mobile network (€250.0 million) and fixed network (€500.0 million) upgrade programs are well on track to be substantially completed by the middle of 2018 and 2019, respectively.

In addition, Telenet is committed to offering compelling entertainment content to its customers. At the end of December 2017, around 36% of Telenet's enhanced video customer base had subscribed to premium entertainment packages, showing the future growth potential in this segment. Not only does Telenet offer top international content, Telenet also plays an important role in local media production.

# 2. Discussion of the consolidated financial statements

## 2.1 Revenue by service

For the year ended December 31, 2017, Telenet generated revenue of €2,528.1 million, representing a 4% increase compared to the prior year when Telenet recorded revenue of €2,429.1 million. The reported revenue increase was primarily driven by inorganic movements such as a full twelve-month contribution from mobile operator BASE, whereas its FY 2016 results only included BASE's contribution since the February 11, 2016 acquisition date. In addition, Telenet's FY 2017 results reflected the acquisition of SFR Belux, Altice's former Belgian and Luxembourg cable operations, which Telenet acquired on June 19, 2017, contributing €31.9 million to revenue since the acquisition date. These inorganic movements were partially offset by the sale of Ortel to Lycamobile as per March 1, 2017 and the discontinuation of certain fixed legacy products at BASE. On a rebased basis, Telenet achieved 1% revenue growth for the year ended December 31, 2017 driven by (i) significantly higher wholesale revenue following the completion of the onboarding of the Lycamobile Full MVNO subscribers at the end of July 2017, (ii) higher cable subscription revenue and (iii) higher business services revenue. These factors were partially offset by (i) lower mobile telephony revenue, (ii) the impacts of certain regulatory headwinds and (iii) significantly lower revenue from the sale of handsets and customer premise equipment ("CPE").

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, 2017, Telenet video revenue amounted to €581.5 million, which was up 3% as compared to €565.5 million for the year ended December 31, 2016 and included the impacts from the SFR Belux acquisition. On a rebased basis, Telenet's video revenue for the year ended December 31, 2017 was broadly stable compared to the year ended December 31, 2016 as higher recurring set-top box rental fees and growth in Telenet's premium subscription VOD business were offset by a gradual decline in Telenet's total video subscriber base and slightly lower revenue from transactional VOD services.

### 2.1.2 Broadband internet

The revenue generated by Telenet's residential and small business broadband internet RGUs, including the contribution from the acquired SFR Belux business since the acquisition date, totaled €606.8 million for the year ended December 31, 2017 and was up 6% compared to the year ended December 31, 2016 when Telenet recorded broadband internet revenue of €571.5 million. On a rebased basis, Telenet's broadband internet revenue was up 5% year-on-year for the year ended December 31, 2017 driven by continued traction for Telenet's "WIGO" propositions and a robust performance in the business market, driving a favorable tier mix effect, and the benefit from the February 2017 price increase, partially offset by the 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, 2017, fixed-line telephony revenue decreased 1% to €239.6 million compared to €243.0 million for the year ended December 31, 2016. The favorable impacts from the SFR Belux acquisition and the aforementioned February 2017 price increase were more than offset by (i) a growing proportion of bundle discounts, (ii) a gradual decline in total fixed-line telephony RGU base as of Q2 2017 amidst the tough competitive environment and (iii) lower usage-related revenue. Excluding SFR Belux, the same factors resulted in a 3% decrease in Telenet's rebased fixed-line telephony revenue for the year ended December 31, 2017.

### 2.1.4 Mobile telephony

Mobile telephony revenue represents the subscription-based revenue generated by Telenet's mobile telephony subscribers and out-of-bundle revenue, but excludes both the interconnection revenue generated by these customers and revenue earned from handset sales and revenue recognized under Telenet's "Choose Your Device" programs which Telenet launched mid-2015. For the year ended December 31, 2017, Telenet generated mobile telephony revenue of €536.9 million, up €6.3 million compared to the year ended December 31, 2016. This 1% year-on-year revenue increase reflected the acquisition of BASE, which was

effective February 11, 2016. On a rebased basis, mobile telephony revenue decreased 3% year-on-year with continued healthy net postpaid subscriber growth being more than offset by (i) lower out-of-bundle revenue generated by 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 the 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.

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### 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) Telenet's carrier business and (iii) value-added services such as hosting and managed security. Revenue generated by business customers on all coax-related products is allocated to the cable subscription revenue lines and is not captured within Telenet Business, Telenet's business services division. Telenet Business generated revenue of €134.2 million for the year ended December 31, 2017, up 10% compared to the year ended December 31, 2016. Telenet B2B revenue growth was primarily driven by higher security-related revenue and higher revenue from business connectivity solutions in the SME segment. On a rebased basis, Telenet B2B business achieved a healthy 7% revenue growth, reflecting the same drivers as mentioned above.

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### 2.1.6 Other

Other revenue primarily includes (i) interconnection revenue from both Telenet's fixed-line and mobile telephony customers, (ii) mobile handset sales, including the revenue earned under Telenet's "Choose Your Device" programs, (iii) wholesale revenue generated through both Telenet's commercial and regulated wholesale businesses, (iv) product activation and installation fees and (v) set-top box sales revenue. Other revenue reached €429.1 million for the year ended December 31, 2017, up 8% compared to the year ended December 31, 2016 driven by the BASE acquisition as per February 11, 2016 and higher wholesale revenue as mentioned above, partially offset by lower revenue related to handset sales. On a rebased basis, other revenue grew 3% as lower revenue from handset sales and interconnection was more than offset by higher wholesale revenue.

## 2.2 Total expenses

For the year ended December 31, 2017, Telenet incurred total expenses of €2,078.5 million, representing an increase of 7% compared to the year ended December 31, 2016 when it incurred total expenses of €1,943.7 million. Telenet's total expenses for the year ended December 31, 2016 included a €6.0 million nonrecurring benefit following the settlement of Telenet's Full MVNO Agreement with Orange Belgium in Q2 2016 as well as €8.3 million of transformation costs linked to the BASE integration. Telenet's total expenses for the year ended December 31, 2017 included a €29.2 million restructuring charge linked to the accelerated onboarding of the Full MVNO customer base to Telenet's own mobile network as announced at the end of October last year. In

addition, Telenet total expenses for the year ended December 31, 2017 reflected (i) a full twelve-month contribution from BASE, (ii) the impact of the SFR Belux acquisition as of June 19, 2017 and (iii) the sale of Ortel as mentioned above. Total operating expenses represented approximately 82% of revenue for the year ended December 31, 2017 (the year ended December 31, 2016: approximately 80%).

On a rebased basis, total expenses for the year ended December 31, 2017 increased 2% as compared to the year ended December 31, 2016 as (i) substantially higher depreciation and amortization charges, (ii) the impact of the aforementioned restructuring charge, (iii) higher costs related to outsourced labor and professional services and (iv) increased network operating expenses were almost fully offset by (i) substantially lower indirect costs as a result of Telenet's continued focus on tight cost management, (ii) lower MVNO-related costs and costs related to handset sales and subsidies and (iii) lower staff-related expenses.

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### 2.2.1 Cost of services provided

Cost of services provided as a percentage of revenue represented approximately 63% of total revenue for the year ended December 31, 2017 (the year ended December 31, 2016: approximately 60%) and reflected the BASE and SFR Belux acquisitions.

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### 2.2.2 Selling, general and administrative expenses

Selling, general and administrative expenses represented approximately 19% of total revenue for the year ended December 31, 2017 (the year ended December 31, 2016: approximately 20%) and reflected the BASE and SFR Belux acquisitions.

## 2.3 Expenses by nature

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### 2.3.1 Network operating expenses

Telenet network operating expenses reached €181.4 million for the year ended December 31, 2017 compared to €162.8 million for the year ended December 31, 2016 (+11% year-on-year) and primarily reflected the effects of the BASE and SFR Belux acquisitions as mentioned above. On a rebased basis, network operating expenses increased 3% year-on-year for the year ended December 31, 2017 as higher license and maintenance fees and higher electricity costs more than offset the decrease in site-related taxes.

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### 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, (ii) handset sales and subsidies and (iii) programming and copyrights. For the year ended December 31, 2017, Telenet's direct costs were €593.0 million, representing a 2% decrease compared to

the year ended December 31, 2016 despite (i) the aforementioned inorganic impacts from the BASE and SFR Belux acquisitions, (ii) the sale of Ortel and (iii) a €6.0 million one-off favorable impact linked to the settlement of Telenet's Full-MNVO Agreement with Orange Belgium in Q2 2016. On a rebased basis, Telenet's direct costs for the year ended December 31, 2017 decreased €28.0 million, or 5%, compared to the year ended December 31, 2016 driven by (i) substantially lower costs related to handset sales and subsidies, (ii) lower MVNO-related costs linked to the accelerated onboarding of Telenet's Full MVNO customers and (iii) lower copyright expenses.

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### 2.3.3 Staff-related expenses

Staff-related expenses decreased €3.4 million to €255.0 million for the year ended December 31, 2017 and included a full twelve-month consolidation of BASE and the SFR Belux acquisition. On a rebased basis, staff-related expenses showed a €12.0 million, or 5%, decrease for the year ended December 31, 2017 driven by lower staffing levels and an increase in capitalized labor driven by the modernization of fixed and mobile infrastructures.

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### 2.3.4 Sales and marketing expenses

Sales and marketing expenses for the year ended December 31, 2017 slightly increased to €100.4 million compared to €97.7 million for the prior year despite the aforementioned inorganic impacts. On a rebased basis, Telenet's sales and marketing expenses for the year ended December 31, 2017 remained broadly stable as compared to the year ended December 31, 2016 despite a 15% increase in Q4 2017 as a result of Telenet's year-end marketing campaigns including its revamped "WIGO" line-up and the new BASE postpaid tariff portfolio.

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### 2.3.5 Outsourced labor and professional services

Costs related to outsourced labor and professional services were €43.2 million for the year ended December 31, 2017 compared to €30.9 million for the year ended December 31, 2016 which included €8.3 million integration and transformation costs related to the BASE acquisition. Excluding these integration costs, the underlying increase in Telenet's outsourced labor and professional services costs would have been higher and reflected the recent start of Telenet's IT improvement program which is expected to greatly drive digital capabilities going forward. On a rebased basis, costs related to outsourced labor and professional services increased €11.3 million for the the year ended December 31, 2017 on the back of higher outsourced labor costs and the aforementioned IT-related costs.

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### 2.3.6 Other indirect expenses

Our other indirect expenses reached €145.2 million for the year ended December 31, 2017, representing a 6% decrease compared to the prior

year period despite the aforementioned inorganic impacts. On a rebased basis, other indirect expenses for the year ended December 31, 2017 decreased 14% or €23.0 million, compared to the year ended December 31, 2016, mainly driven by Telenet's continued focus on managing overhead expenses.

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### 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 and restructuring charges, reached €737.9 million for the year ended December 31, 2017 compared to €611.6 million the year ended December 31, 2016. This increase primarily reflected the impact from recent acquisitions and higher depreciation expenses related to the start of the mobile network upgrade project as announced in August 2016, and IT platforms and systems. In addition, we incurred a €29.2 million non-cash restructuring charge in Q3 2017 linked to the accelerated onboarding of Telenet's Full MVNO customers as mentioned earlier.

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

## 2.4 Net finance expenses

For the year ended December 31, 2017, net finance expenses totaled €297.4 million compared to €369.9 million of net finance expenses incurred for the year ended December 31, 2016. A €243.0 million non-cash loss on derivatives and a €30.3 million higher non-cash loss on the extinguishment of debt following the early redemption of certain debt instruments during the year ended December 31, 2017 were more than offset by a €245.5 million non-cash foreign exchange gain on Telenet's outstanding USD-denominated debt and lower accrued interest expenses as a result of last year's successful refinancings through which Telenet managed to extend the average maturity of its debt and lowered its overall interest expenses. Consequently, Telenet net interest expense, foreign exchange loss and other finance expense decreased 32% from €330.7 million for the year ended December 31, 2016 to €224.9 million for the year ended December 31, 2017. For the year ended December 31, 2017, Telenet net interest income and foreign exchange gain was €246.5 million as compared to €0.4 million in the prior year and included the aforementioned non-cash foreign currency gain.

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

## 2.5 Impairment on an investment in an equity accounted investee

For the year ended December 31, 2016, Telenet took a €31.0 million impairment charge on an investment in an equity accounted investee following the re-assessment of their strategic long-range plan in 2016.

## 2.6 Income taxes

Telenet recorded income tax expense of €41.7 million for the year ended December 31, 2017 compared to income tax expense of €43.0 million for the year ended December 31, 2016, a decrease of 3% year-on-year.

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

## 2.7 Net income

Telenet realized a net profit of €113.8 million for the year ended December 31, 2017 compared to a net profit of €41.6 million for the year ended December 31, 2016 which was impacted by a €31.0 million impairment charge on an investment in an equity accounted investee following the re-assessment of their strategic long-range plan in Q4 2016. In addition, the 174% increase in net profit was primarily caused by the aforementioned €245.5 million non-cash foreign exchange gain and substantially lower accrued interest expenses, partially offset by a €243.0 million non-cash loss on derivatives. For the year ended December 31, 2017, Telenet achieved a net profit margin of 4.5% compared to a net profit margin of 1.7% for the year ended December 31, 2016.

## 2.8 Adjusted EBITDA

For the year ended December 31, 2017, Telenet realized Adjusted EBITDA of €1,209.9 million, up 8% compared to the year ended

December 31, 2016 when Telenet produced Adjusted EBITDA of €1,117.1 million. Telenet Adjusted EBITDA for the year ended December 31, 2017 included (i) a full-year contribution of BASE versus a partial contribution in 2016 from the February 11, 2016 acquisition date, (ii) the acquisition of SFR Belux as of June 19, 2017 contributing €17.9 million to Telenet's Adjusted EBITDA since the acquisition date and (iii) reflected the sale of Ortel as of March 1, 2017, as mentioned above. Telenet Adjusted EBITDA for the year ended December 31, 2016 included a €6.0 million nonrecurring favorable impact without which underlying Adjusted EBITDA growth would have been stronger. On a reported basis, Telenet Adjusted EBITDA margin reached 47.9% for the year ended December 31, 2017 compared to 46.0% for the year ended December 31, 2016. As such, it was able to fully absorb a higher proportion of lower-margin premium content revenue and mobile telephony revenue in its revenue mix, including BASE's contribution since the acquisition.

Compared to the year ended December 31, 2016, Telenet achieved robust rebased Adjusted EBITDA growth of 6% for the year ended December 31, 2017, resulting in a 240 basis points margin improvement year-on-year. Growth in Telenet rebased Adjusted EBITDA was supported by (i) substantially lower costs related to handset sales and subsidies relative to last year's promotional activity, (ii) lower MVNO-related costs as a result of the accelerated onboarding of Telenet's Full MVNO customers, (iii) lower integration and transformation costs linked to the BASE acquisition as compared to the year ended December 31, 2016 and (iv) tight cost control, including a continued focus on overhead and indirect expenses.

| <i>(in thousands of euro)</i>                               | <b>For the years ended December 31,</b> |                  |
|---|---|------------------|
|   | <b>2017</b>                             | <b>2016</b>      |
| <b>Profit for the period</b>                                | <b>113,783</b>                          | <b>41,569</b>    |
| Income tax expense  | 41,689                                  | 43,013           |
| Share of the result of equity accounted investees           | (3,332)                                 | (35)             |
| Impairment of an investment in an equity accounted investee | —                                       | 31,000           |
| Net finance expense   | 297,469                                 | 369,885          |
| Depreciation, amortization and impairment                   | 706,533                                 | 609,087          |
| <b>EBITDA</b>   | <b>1,156,142</b>                        | <b>1,094,519</b> |
| Share based compensation                                    | 19,740                                  | 11,655           |
| Operating charges related to acquisitions or divestitures   | 2,685                                   | 8,398            |
| Restructuring charges                                       | 31,318                                  | 2,525            |
| <b>Adjusted EBITDA</b>                                      | <b>1,209,885</b>                        | <b>1,117,097</b> |
| Adjusted EBITDA margin                                      | 47.9%                                   | 46.0%            |
| Net profit margin   | 4.5%                                    | 1.7%             |

## 2.9 Cash flow and liquidity

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

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### 2.9.1 Net cash from operating activities

For the year ended December 31, 2017, Telenet operations yielded €831.6 million of net cash compared to the €749.1 million it generated during the year ended December 31, 2016. The net cash from Telenet operating activities for the year ended December 31, 2017 reflected the inorganic impacts from the BASE and SFR Belux acquisitions and the sale of Ortel as of March 1, 2017 as mentioned above, while the net cash from Telenet operating activities for the year ended December 31, 2016 included a €23.5 million cash outflow following a favorable contract renegotiation and the payment of €18.7 million of ticking fees linked to the BASE acquisition. Excluding the latter two nonrecurring impacts, Telenet operations generated a healthy cash flow growth for the year ended December 31, 2017 as compared to the year ended December 31, 2016 driven by (i) robust underlying Adjusted EBITDA growth as mentioned above, (ii) €23.0 million lower cash interest expenses as a result of Telenet's recent refinancing transactions, partially offset by the cash interest expenses incurred on the SFR Belux acquisition financing and a growing proportion of short-term liabilities from Telenet vendor financing platform and (iii) an improved trend in its working capital, partially offset by €44.3 million higher cash taxes paid which included a €20.0 million cash tax prepayment as referred to below.

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### 2.9.4 Adjusted Free Cash Flow

For the year ended December 31, 2017, Telenet generated Adjusted Free Cash Flow of €381.8 million, which was up 44% compared to the year ended December 31, 2016 when its Adjusted Free Cash Flow was impacted by a nonrecurring €23.5 million cash outflow following a favorable contract renegotiation and the payment of €18.7 million of ticking fees linked to the BASE acquisition. Excluding the latter two impacts, the underlying growth in Telenet Adjusted Free Cash would have been lower. On top of robust Adjusted EBITDA growth and lower cash interest expenses, Telenet Adjusted Free Cash Flow for the year

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### 2.9.2 Net cash used in investing activities

The Company used €841.0 million of net cash in investing activities for the year ended December 31, 2017, including the acquisition of SFR Belux as of June 19, 2017 and cash payments for Telenet's capital expenditures, including cash payments for both the Jupiler Pro League and the UK Premier League football broadcasting rights. Telenet net cash used in investing activities for the year ended December 31, 2016 represented €1,660.2 million, including the acquisition of BASE as of February 11, 2016. In Q3 2016, Telenet implemented a vendor financing program through which it was able to extend its payment terms for certain suppliers to 360 days at an attractive all-in cost. During the year ended December 31, 2017, Telenet acquired €144.4 million of assets through capital-related vendor financing (the year ended December 31, 2016: €28.5 million), favorably impacting net cash used in investing activities for the equivalent amount. Please refer to Section 2.11 - *Capital expenditures* for detailed information about the underlying accrued capital expenditures.

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### 2.9.3 Net cash from financing activities

The net cash used in financing activities was €50.7 million for the year ended December 31, 2017 compared to €733.0 million of net cash from financing activities for the year ended December 31, 2016 when Telenet net cash from financing activities was impacted by debt borrowings related to the BASE acquisition in February 2016 and payments of respectively €10.7 million and €9.9 million linked to the early termination of certain derivative financial contracts and the call premium for the voluntary Senior Secured Notes repayment. The net cash used in financing activities for the year ended December 31, 2017 reflected the impacts from Telenet refinancing transactions in the second and fourth quarter of 2017 (see 2.10 - Debt profile) and continued additions to Telenet's vendor financing program which are recorded as short-term liabilities on its balance sheet. In addition, the Company incurred €34.3 million of financing-related fees for the year ended December 31, 2017 and a €19.1 million make-whole premium linked to the early redemption of Telenet's 6.25% €450.0 million Senior Secured Notes due 2022. In the year ended December 31, 2017, Telenet also spent €31.7 million on share repurchases under the Share Repurchase Program 2017, net of the sale of treasury shares following the exercise of certain stock options. The remainder of the net cash from financing activities primarily consisted of capital lease repayments and other financial payments.

ended December 31, 2017 was predominantly driven by increases in its vendor financing program which it started in Q3 2016. As a result, the Company was able to more than offset a €44.3 million headwind from higher cash taxes and the temporary negative trend in its working capital in Q4 2017.

| <i>(in thousands of euro)</i>   | For the years ended December 31, |                |
|---|----------------------------------|----------------|
|   | 2017                             | 2016           |
| Net cash provided by operating activities   | 831,631                          | 749,099        |
| Cash payments for direct acquisition and divestiture costs                                      | 3,433                            | 9,635          |
| Expenses financed by an intermediary  | 107,733                          | 6,154          |
| Purchases of property and equipment   | (294,926)                        | (303,429)      |
| Purchases of intangibles, net of proceeds from sale of other intangibles                        | (185,044)                        | (178,583)      |
| Principal payments on amounts financed by vendors and intermediaries                            | (61,000)                         | —              |
| Principal payments on capital leases (excluding network-related leases assumed in acquisitions) | (1,800)                          | (1,800)        |
| Principal payments on post acquisition additions to network leases                              | (18,082)                         | (15,300)       |
| <b>Adjusted Free Cash Flow</b>  | <b>381,945</b>                   | <b>265,776</b> |

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

### 2.10.1 Debt profile

As of December 31, 2017, Telenet carried a total debt balance (including accrued interest) of €4,823.9 million, of which €2,211.8 million principal amount is related to the Senior Secured Fixed Rate Notes with maturities ranging from 2024 through 2028 and €1,811.4 million principal amount is owed under Telenet's 2017 Amended Senior Credit Facility. Telenet total debt balance at December 31, 2017 also included €262.6 million of short-term debt related to Telenet's vendor financing program and €16.3 million for the outstanding portion of the 3G mobile spectrum including accrued interest. The remainder primarily represents the capital lease obligations associated with the Interkabel Acquisition.

In April 2017, the Company successfully syndicated and priced a new €1.33 billion Term Loan facility ("Facility AH") due on March 31, 2026 and a new USD 1.8 billion Term Loan facility ("Facility AI") due on June 30, 2025. Facility AH carries a margin of 3.0% over EURIBOR with a 0% floor and was issued at 99.75% of par. Facility AI carries a margin of 2.75% over LIBOR with a 0% floor and was issued at 99.75% of par. The net proceeds of these issuances were used in May 2017 to entirely prepay the following credit facilities under Telenet's 2015 Amended Senior Credit Facility: (i) Facility AE (€1.6 billion due January 2025, EURIBOR +3.25%, 0% floor), and (ii) Facility AF (USD 1.5 billion due January 2025, LIBOR + 3.00%, 0% floor).

In May 2017, Telenet successfully issued an additional USD 500.0 million Term Loan ("Facility AI2"). Facility AI2 carries the same characteristics as the initial Facility AI which was issued on April 4, 2017. As such, Facility AI2 carries (i) a margin of 2.75% over LIBOR, (ii) a 0% floor and (iii) a maturity of June 30, 2025. Term Loan AI2 was issued at par and has been merged into the initial Facility AI. The net proceeds were used mid-June 2017 to prepay the 6.25% €450.0 million Senior Secured Notes due August 2022. Through the two aforementioned transactions, Telenet succeeded in extending the average tenor of Telenet's debt maturities at attractive market conditions, while locking in long-term attractive interest rates.

In June 2017, the Company drew €210.0 million under Telenet's revolving credit facilities to partially fund the acquisition of SFR Belux of which €120.0 million under Telenet's RCF Z and the remaining €90.0

million under its longer-dated RCF AG. In Q3 and Q4 2017, Telenet used its excess cash balance to fully repay the drawn commitments under the aforementioned revolving credit facilities, while it also cancelled the freed commitments under Telenet's short-dated RCF Z.

In December 2017, Telenet successfully 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. On the back of strong investor demand, Telenet was able to significantly upsize both the €-denominated and USD-denominated Notes from the €500.0 million and USD 750.0 million initial size, as such successfully tapping the USD high-yield market for the first time. In addition, it successfully syndicated 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 net proceeds from these four new facilities 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). Through this transaction, Telenet succeeded in extending the average tenor of Telenet's debt maturities from 8.1 years pre-refinancing to 9.4 years post-refinancing at attractive rates, while ensuring increased covenant flexibility going forward.

In December 2017, the Company also entered into a new three-year €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 of the group and carries a margin of 2.0% over EURIBOR (0% floor).

Telenet 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 Telenet's revolving credit facilities with certain availabilities up to June 30, 2023.

### 2.10.2 Debt overview and payment schedules

For an overview of the Company's debt instruments and payment schedule at December 31, 2017, we refer to note 5.13.3 to the consolidated financial statements of the Company.

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### 2.10.3 Cash balance and availability of funds

At December 31, 2017, Telenet held €39.1 million of cash and cash equivalents compared to €99.2 million at December 31, 2016. 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. The marked decrease in its cash balance compared to December 31, 2016 was primarily due to the June 2017 acquisition of SFR Belux for which it drew €210.0 million under Telenet's revolving credit facilities and settled the remainder through available cash and cash equivalents. By the beginning of the fourth quarter of 2017, the Company had used its excess cash balance to fully repay the drawn commitments under its revolving credit facilities. In addition, Telenet incurred €34.3 million of financing-related fees for the year ended December 31, 2017 and a €19.1 million make-whole premium linked to the early redemption of its 6.25% €450.0 million Senior Secured Notes due 2022. Finally, Telenet also spent €31.7 million on share repurchases within the framework of Telenet's Share Repurchase Program 2017, net of the sale of treasury shares. At December 31, 2017, Telenet had access to €445.0 million of available commitments under its revolving credit facilities, subject to compliance with the covenants mentioned below.

For further information, we refer to note 5.11 to the consolidated financial statements of the Company.

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### 2.10.4 Net leverage ratio

The outstanding balance of Telenet's consolidated total borrowings and total cash and cash equivalents - as defined under Telenet's 2017 Amended Senior Credit Facility ("net covenant leverage") - resulted in a Net Total Debt to Consolidated Annualized EBITDA ratio of 3.2x at December 31, 2017 (December 31, 2016: 3.5x). As per Telenet's 2017 Amended Senior Credit Facility, the Consolidated Annualized EBITDA includes certain unrealized OPEX synergies with regards to both the BASE and SFR Belux acquisitions, while Net Total Debt excludes both lease-related liabilities and vendor financing-related short-term liabilities. 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. Excluding the aforementioned unrealized OPEX synergies and including all other short-term and long-term liabilities on Telenet's balance sheet, net total leverage ratio as per December 31, 2017 reached 3.9x.

## 2.11 Capital expenditures

Accrued capital expenditures reached €729.2 million for the year ended December 31, 2017, representing approximately 29% of Telenet revenue versus approximately 26% for the year ended December 31, 2016. Telenet's accrued capital expenditures for the year ended December 31, 2016 reflected the recognition of the non-exclusive Jupiler Pro League broadcasting rights for the previous 2016-2017 season and the extension of the exclusive UK Premier League broadcasting rights for three seasons as of the 2016-2017 season. Telenet's accrued capital expenditures for the year ended December 31, 2017 reflected the renewal of the non-exclusive Jupiler Pro League broadcasting rights for three seasons as of the current 2017-2018 season. Under EU IFRS, these broadcasting rights have been capitalized

as intangible assets and will be amortized on a pro-rata basis as the season progresses. Excluding football broadcasting rights in both periods, underlying accrued capital expenditures as a proportion of revenue represented approximately 25% and approximately 22% for the year ended December 31, 2017 and the year ended December 31, 2016, respectively.

Set-top box related capital expenditures for the year ended December 31, 2017 represented €24.0 million, which marked a modest 3% decrease compared to the year ended December 31, 2016 driven by lower enhanced video subscriber growth on a gross basis and higher churn due to the intensely competitive environment. For the year ended December 31, 2017, set-top box related capital expenditures represented approximately 4% of total accrued capital expenditures, excluding the aforementioned recognition of the Belgian football broadcasting rights.

Capital expenditures for customer installations totaled €67.7 million for the year ended December 31, 2017, or approximately 11% of total accrued capital expenditures excluding the recognition of the Belgian football broadcasting rights, as compared to €73.3 million in the year ended December 31, 2016. The 8% year-on-year decrease in customer installations capital expenditures reflected lower gross sales for advanced fixed services of enhanced video, broadband internet and fixed-line telephony compared to last year and increased efficiencies in Telenet's install processes.

The vast majority of Telenet's capital expenditures continue to be geared towards targeted investments in both its fixed and mobile infrastructures, aimed at building the converged network of the future and allowing us to advance MVNO-related synergies by onboarding Telenet's Full MVNO subscribers to the Telenet mobile network. At the end of December 2017, the Company had modernized approximately 87% of its macro sites and was able to onboard approximately 90% of its Full MVNO customers to the Telenet mobile network with a firm commitment to complete the onboarding by the end of Q1 2018. Accrued capital expenditures for network growth and upgrades amounted to €295.7 million for the year ended December 31, 2017, and represented approximately 47% of total accrued capital expenditures, excluding the recognition of the Belgian football broadcasting rights.

The remainder of Telenet's accrued capital expenditures included refurbishments and replacements of network equipment, sports content acquisition costs, and recurring investments in Telenet's IT platform and systems. These reached €341.9 million for the year ended December 31, 2017 compared to €278.1 million for the year ended December 31, 2016 and were impacted by the recognition of the Jupiler Pro League broadcasting rights in Q3 2017. The above implies that approximately 62% of Telenet's accrued capital expenditures for the year ended December 31, 2017 were scalable and subscriber growth related, excluding the recognition of the Belgian football broadcasting rights. Telenet will continue to closely monitor its capital expenditures in order to make sure that they drive incremental returns.

## 2.12 Shareholder remuneration

The board of directors has decided to redefine the Company's leverage framework, maintained at 3.5x to 4.5x Net Total Debt to Consolidated Annualized EBITDA. Going forward, the newly defined leverage framework will be based on net total leverage as opposed to net covenant leverage currently. At 3.9x net total leverage at December 31, 2017, the Company remains within the mid-point of the range.

Given the Company's strong delivery towards its 2015-2018 rebased Adjusted EBITDA outlook, the board of directors acknowledges the Company's potential deleveraging profile. The board of directors has considered different forms of shareholder remuneration in view of the Company's results for the year ended December 31, 2017, balance sheet and leverage framework, but has for now not decided on any other form of distribution with the exception of the Share Repurchase Program 2018 as mentioned below. The board of directors will continue to assess potential shareholder distributions throughout the course of the year, as mentioned above.

Currently, the board of directors has 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 may 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 will be 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.

# 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 our business, product, foreign currency and finance strategies in 2018, subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, the maturity of our markets, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated changes in our revenue, costs or growth rates, our liquidity, credit risks, foreign currency risks, target leverage levels, our future projected contractual commitments and cash flows and other information and statements that are not historical fact. Where, in any forward-looking statement, we express 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 we operate, 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 we 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 and SFR, or that we expect 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 ability of suppliers and vendors (including Telenet's third-party wireless network providers under Telenet's mobile virtual network operator (MVNO) arrangements) to timely deliver quality products, equipment, software, services and access;
- 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 we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- 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 5.29 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 the Internet of Things (IoT). Chinese ZTE, Telenet's partner for the roll-out and upgrade of the BASE network, is the innovation centre's most important infrastructure partner.

## 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. The program is built on four pillars according to the GRI Standard: (i) Digital Society, (ii) Amazing Customer Experience, (iii) Great Workplace and (iv) Responsible Business Practices. For more information on the Company's sustainability framework, material issues, results and activities, please refer to the sustainability section of the Telenet corporate website.

The Telenet Sustainability Report 2017, to be released in June 2018, will provide insights in the Company's programmatic approach to sustainable development with focus on the progress made during the year ended December 31, 2017. 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

Our 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 we address 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 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 2017

Telenet is a Company in full transformation, following the recent acquisitions of BASE Company in 2016 and SFR Belux in 2017. 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. It is the aim to build a fully integrated HR practice by 2018. 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.

Ensuring the wellbeing of employees in times of change is essential for Telenet. The 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.

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 2017, Telenet strengthened 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. As far as the recruitment policy is concerned, Telenet became a preferred partner of WannaWork, a job platform that works on creating better opportunities on the labor market for millennials with a multi-cultural background or coming out of vulnerable social environments. Telenet also continued its commitment to Youthstart, an international organization which unlocks the potential of unemployed youngsters by strengthening their entrepreneurial skills, and to BeCode, a professional training program that aims to cultivate web developer and designer skills of young underprivileged people in Brussels. As part of its diversity policy, Telenet is committed at creating internship and job opportunities for Youthstart and BeCode graduates.

## 7.3 Environment

Our 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 customer premise equipment ("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 we address 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, 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 2017

Telenet's transformation process following the recent acquisitions of BASE Company and SFR Belux also 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 - are being expanded to include the BASE mobile network across Belgium and the SFR fixed network in Brussels, la Botte du Hainaut and Luxembourg. Taking into account the changes in Telenet's scope and network infrastructure, Telenet is establishing new environmental targets for the year 2025, which we will publish in the Sustainability Report 2017.

The Company has taken various initiatives in 2017 to address its key environmental priorities. A free cooling project was completed that allows 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 has further worked on the development of a new generation of set-top boxes with significantly lower energy demand. These new models are expected to be deployed in the course of 2018 and 2019.

Telenet also continues to work on reducing greenhouse gas emissions. A specific initiative in 2017 was the introduction of compressed natural gas vehicles to the fleet of technical and personal vehicles, with lower NOx emissions compared to traditional fuels.

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 330 tons of waste in 2017. 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. Furthermore, the Telenet fixed and mobile network upgrade projects initiated in previous years are expected to improve the energy efficiency of Telenet's networks in the long term but are causing temporarily increased quantities of hazardous waste in the short term. This waste was reused and recycled as much as possible.

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 our network infrastructure service coverage.

## 7.4 Human rights

### Our 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 our 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 we address 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 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 expects 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 2017

In 2017, attention was placed on obtaining clearance for the Telenet Customer Data Policy by the Belgian Privacy Commission. The Telenet Customer Data Policy was amended in the autumn of 2016 in view of the launch of a targeted advertising test case on the SBS TV channels. The launch of this targeted advertising test case stirred up the public debate about the necessity of transparent privacy policies and led to an inquiry by the Belgian Privacy Commission on the Telenet Customer Data Policy in general, and its compliance with the EU General Data Protection Regulation ("GDPR") in particular.

The GDPR, a regulation intended to strengthen and unify data protection for all individuals within the European Union, will come into effect in May 2018. Telenet engaged in a constructive dialog with the Privacy Commission and incorporated their recommendations in the Customer Data Policy ensuring it is fully compliant with the GDPR.

More information on Telenet's approach to privacy and data security can be found on the sustainability section of the Telenet corporate website.

As far as the outcomes of Telenet's annual supplier assessment through the EcoVadis platform are concerned, they will be collected and issued in spring 2018 and will be reported in detail in the Telenet Sustainability Report 2017 to be issued in June 2018.

## 7.5 Anti-corruption and bribery

### Our 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 we address 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 2017

Early 2017, Telenet was caught in a public debate on the nature and role of its Advisory Board. Initially created in 2007, the Advisory Board aimed at guaranteeing involvement of the mixed intermunicipalities after these entities sold the majority of their shares in Telenet.

In 2011, the role of the Advisory Board was redefined to advise the Telenet management on socio-economic, political and media challenges the company faces. The members of the Advisory Board - most of them were also active in the Belgian political scene - committed to refrain from providing advice in relation to issues they were actively involved in as part of their political mandate. Since 2015, the Advisory Board had de facto evolved towards bilateral contacts between its members and the Telenet management.

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 will continue to engage with corporate stakeholders - including public authorities - through consultation and dialog. Telenet has therefore decided in 2017 to dissolve its Advisory Board. In that perspective, Telenet has established a stakeholder engagement charter with a number of principles that ensure the Company develops lasting, trusted relationships with its corporate stakeholders in an open and transparent way.

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

| For the years ended December 31,   |  |  |         |         |
|------------------------------------|--|--|---------|---------|
| GRI Standard                       | Metric   |  | 2017    | 2016    |
| <b>Labor</b>                       |  |  |         |         |
|                                    | Employees  | Headcount, year end  | 3,364   | 3,290   |
|                                    | <b>Employees by contract type</b>  |  |         |         |
|                                    | Permanent contracts  | Headcount, year end  | 3,313   | 3,261   |
|                                    | Temporary contracts  | Headcount, year end  | 51      | 29      |
|                                    | <b>Employees by contract type</b>  |  |         |         |
| 102-8                              | Full time  | Headcount, year end  | 2,775   | 2,714   |
|                                    | Part time  | Headcount, year end  | 589     | 576     |
| 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 | 358     | 336     |
| 403-2                              | Work-related fatalities  | #  | —       | —       |
|                                    | Percentage of individuals within the organization's governance bodies  |  |         |         |
|                                    | <b>Board of Directors</b>  |  |         |         |
|                                    | Men  | %, year end  | 70      | 70      |
|                                    | Women  | %, year end  | 30      | 30      |
|                                    | <b>Senior Leadership Team</b>  |  |         |         |
| 405-1                              | Men  | %, year end  | 50      | 50      |
|                                    | Women  | %, year end  | 50      | 50      |
| <b>Environment</b>                 |  |  |         |         |
| 302-1                              | Total energy consumption within the organization   | mWh  | 220,823 | 221,849 |
| 305-1                              | Direct (Scope 1) GHG emissions   | Metric tons CO <sub>2</sub> e  | 8,625   | 9,091   |
| 305-2                              | Energy indirect (Scope 2) GHG emissions - market-based   | Metric tons CO <sub>2</sub> e  | 7,709   | 3,243   |
| 305-2                              | Energy indirect (Scope 2) GHG emissions - location-based   | Metric tons CO <sub>2</sub> e  | 42,776  | 42,513  |
| 305-3                              | Other indirect (Scope 3) GHG emissions   | Metric tons CO <sub>2</sub> e  | 5,211   | 5,681   |
|                                    | Carbon credits   | Metric tons CO <sub>2</sub> e  |         |         |
| <b>Human Rights</b>                |  |  |         |         |
| 412-1                              | Total percentage of operations that have been subject to human rights reviews or human rights impact assessments | %  | 100     | 100     |
| <b>Anti-Corruption and Bribery</b> |  |  |         |         |
| 205-3                              | Confirmed incidents of corruption  | #  | —       | —       |

\* Final environmental data will be reported in Telenet's Sustainability Report 2017, to be released in June 2018. This report will also contain

more elaborate GRI Standards disclosures. Telenet's Board of Directors consists of 75% men and 25% women.

## 7.7 2018 sustainability outlook

In 2018, Telenet will continue its active policies and execution towards sustainable growth.

In the day to day management of the company's sustainability program, the Company will focus on the further integration 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 developing a unified compensation and benefits plan for all employees, in close consultation with the social partners. In autumn 2018, Telenet will conduct an employee wellbeing survey, which will touch for the first time all employees in the fully integrated company. This survey is aimed at identifying psycho-social risks at work, both on an individual and organizational level.

Telenet is currently in the process of developing new environmental targets to be published later this year, as part of the detailed Telenet Sustainability Report 2017. Furthermore, the Company will continue its investments in the fixed and mobile infrastructures and in the development of more efficient products, resulting in the introduction of the new generation of set-top boxes in the course of 2018 and 2019.

In terms of human rights, Telenet will focus on the implementation of the GDPR guidelines across all its operations ensuring full compliance. The anti-corruption and bribery procedures will be continued in 2018.

Detailed information about the 2017 sustainability results and the 2018 sustainable development plans will become available in Telenet's Sustainability Report 2017, to be released in June 2018.

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, 2017.

## 8.1 Reference code

The Corporate Governance Charter of the Company has most recently been updated on February 14, 2017, 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 (<http://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 Belgian Institute for Postal and Telecommunications Services (the "BIPT"), the Belgian telecoms regulator, 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 BIPT in 2016, BIPT issued a new draft decision in 2017 that proposes a wholesale tariff of €0.103 cents per minute, subject to public comment.

Although no determination has been made on whether Telenet, as a mobile network operator, has Significant Market Power on the market for call termination on individual mobile networks, its rates have been affected by rate limitations implemented by BIPT. As of January 1, 2013, mobile termination rates have been set by BIPT at €1.08 cents per minute. In May 2017, 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 decision as having Significant Market Power by BIPT. In the decision, 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, 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 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 to 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 will be 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 proposed a finding of significant market power of Telenet in the wholesale broadband market. Proposed obligations include (1) providing third-party operators with access to the digital television platform (including basic digital video and analog video) and (2) making available to third-party operators a bitstream offer of broadband internet access (including fixed voice as an option). The 2017 Draft Decision is expected to be submitted to the European Commission in the first quarter of 2018. Telenet considers the 2017 Draft Decision to be

inconsistent with the principle of technology-neutral regulation and the European Single Market Strategy to stimulate further investments in broadband networks.

The 2011 Decision and the 2017 Draft Decision aim 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 (1) limit the bandwidth available to Telenet to provide new or expanded products and services to the customers served by its network and (2) 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.

## 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, 2017 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, 2016, can be consulted in Telenet's 2016 Annual Report.

On March 20, 2017, 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 2017" below) and (ii) performance shares (no performance shares were granted in 2017).

On March 20, 2017, the board of directors approved Telenet's General Stock Option Plan 2017 for the Company's Senior Leadership Team, one other manager and the CEO for a total number of 553,292 stock options on existing shares ("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.

On July 31, 2017, the board of directors approved a new general stock option plan for employees, for a total number of 753,109 stock options

on existing shares (the "ESOP 2017 bis"), to be granted to selected participants (excluding Senior Leadership Team as they were granted "ESOP 2017" see above) under the ESOP 2017 bis. Each of these stock options gives the right to acquire one existing share of the Company under the terms and conditions of the ESOP 2017 bis. 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. The board of directors or the Remuneration & Nomination Committee can grant the stock options to selected beneficiaries. On September 25, 2017, the board of directors authorized a grant under ESOP 2017 bis to certain beneficiaries. More details on the outstanding stock options under the ESOP 2017 bis can be found in note 5.12.2 to the consolidated financial statements of the Company.

In 2017, the Company did not grant performance shares to its Senior Leadership Team members and its CEO.

More details on previous performance share grants, issued before December 31, 2016, to the SLT and the CEO can be consulted in Telenet's 2016 Annual Report.

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

The following capital movement took place in the year ended December 31, 2017:

- On November 30, 2017, pursuant to the ESPP and within the framework of the authorized capital, the share capital was increased by €41,392.71 through the issuance of 380,700 new shares, all fully paid up. An amount of €18,376,881.57 was recorded as issue premium.

### 8.3.3 Shareholders

#### Important movements in shareholdings

#### **Transparency declarations**

In the course of the year ended December 31, 2017, the Company received the following transparency declarations:

On June 22, 2017, Telenet received a transparency notification from Ameriprise Financial, Inc. in accordance with Article 6 and 18 of the Law of May 2, 2007. This transparency notification shows that following the acquisition by Threadneedle Asset Management Limited of shares holding voting rights in Telenet on June 9, 2017, Threadneedle Asset Management Limited now holds 3.04% of the voting rights of Telenet. Threadneedle Asset Management Limited has therefore exceeded the 3% threshold.

On August 18, 2017, 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 19, 2016 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 18, 2017 does not report any change in the Telenet shareholding of Binan Investments B.V. since the notification of August 19, 2016.

On August 23, 2017, Telenet received a transparency notification from Norges Bank in accordance with Articles 6 and 18 of the Law of May 2, 2007. This transparency notification shows that following the acquisition by Norges Bank of shares holding voting rights in Telenet on August 22, 2017, Norges Bank now holds 3.02% of the voting rights of Telenet. Norges Bank has therefore exceeded the 3% threshold.

On August 28, 2017, Telenet received a transparency notification from Norges Bank in accordance with Articles 6 and 18 of the Law of May 2, 2007. This transparency notification shows that following the disposal by Norges Bank of shares holding voting rights in Telenet on August 25, 2017, Norges Bank now holds 2.97% of the voting rights of Telenet. Norges Bank has therefore fallen below the 3% threshold.

On September 7, 2017, Telenet received a transparency notification from Norges Bank in accordance with Articles 6 and 18 of the Law of May 2, 2007. This transparency notification shows that following the acquisition by Norges Bank of shares holding voting rights in Telenet on September 6, 2017, Norges Bank now holds 3.04% of the voting rights of Telenet. Norges Bank has therefore exceeded the 3% threshold.

On September 11, 2017, Telenet received a transparency notification from Norges Bank in accordance with Articles 6 and 18 of the Law of May 2, 2007. This transparency notification shows that following the disposal by Norges Bank of shares holding voting rights in Telenet on September 8, 2017, Norges Bank now holds 2.98% of the voting rights of Telenet. Norges Bank has therefore fallen below the 3% threshold.

On October 10, 2017, Telenet received a transparency notification from BNP Paribas Investment Partners SA in accordance with Articles 6 and 18 of the Law of May 2, 2007. This transparency notification shows that following the disposal by BNP Paribas Investment Partners SA of shares holding voting rights in Telenet on October 10, 2017, BNP Paribas Investment Partners SA now holds less than 3% of the voting rights of Telenet. BNP Paribas Investment Partners SA has therefore fallen below the 3% threshold.

In the course of the year 2018, the Company already 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 2 May 2007. In this notification, Liberty Global Plc provides an update of its notification of 11 January 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 23 November 2015. In addition it reported that Liberty Global Plc had now become the ultimate parent company of Telenet.

In this transparency notification of 9 January 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 29 August 2017. Second, Liberty Global Europe LLC and UnitedGlobalCom LLC merged on 14 December 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 Ltd to LGI Slovakia Holdings, Inc. on 22 December 2017. These transactions took place between and were realised by 100% subsidiaries of Liberty Global Plc, which remains the ultimate parent company of Telenet.

This transparency notification of 9 January 2018 does not report any change in the shareholding of Liberty Global Plc since its last notification of 11 January 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 5 March 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 9 March 2018, BlackRock, Inc. reports that its ultimate shareholding, with respect to voting rights only, has fallen below the 5% threshold on 7 March 2018. In the transparency notification received on 8 March 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 6 March 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 12 March 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 8 March 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 9 March 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 12 March 2018.

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

### **Share Repurchase Program 2017**

On February 16, 2017, the Company announced the initiation of a share repurchase program, referred to as the "Share Repurchase Program 2017". Under this program, the Company could acquire from time to

time up to a maximum of 1.1 million of its outstanding ordinary shares, for a maximum consideration of €60.0 million, initially within a six months period as from February 16, 2017, but which was extended on August 2, 2017 till the end of December 2017 ("Extended Share Repurchase Program"). Apart from the €60.0 million maximum consideration which was removed by decision of the board of directors of 31 July 2017, all conditions of the extended share repurchase program remained the same.

Through October 27, 2017, the Company had acquired 1,100,000 own shares under the Share Repurchase Program 2017 for a total amount of €61.6 million, representing 1.92% of the total number of outstanding shares at that moment. Taking into account a par value of €0.11 per share on December 31, 2017, this represents an amount of €121,000 in the share capital of the company. Further information about the own shares held at December 31, 2017 can be found in Note 5.12.1 of the consolidated financial statements of the Company.

### Share Repurchase Program 2018

On February 13, 2018, the Company announced the initiation of a new share repurchase program, referred to as the "Share Repurchase

Program 2018". Under this program, the Company can acquire from time to time up to a maximum of 1.1 million of its outstanding ordinary shares, for a maximum consideration of €75.0 million, until December 31, 2018. All repurchased shares will be held by the Company to cover the Company's obligations under existing stock option plans.

Through March 16, 2018, the Company had acquired 379,555 own shares under the Share Repurchase Program 2018 for a total amount of €21.3 million, representing 2.14% of the total number of outstanding shares at that moment. Taking into account a par value of €0.11 per share on December 31, 2017, this represents an amount of €41,751 in the share capital of the company.

### Shareholder structure

The shareholder structure of the Company on December 31, 2017, 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 <sup>(*)</sup>   | 66,342,037         | 56.36 %         |
| BlackRock, Inc.                       | 5,869,825          | 4.99 %          |
| Threadneedle Asset Management Limited | 3,566,268          | 3.03 %          |
| Employees                             | 755,626            | 0.64 %          |
| Own Shares                            | 2,148,726          | 1.83 %          |
| Public <sup>(**)</sup>                | 39,033,841         | 33.16 %         |
| <b>Total</b>                          | <b>117,716,323</b> | <b>100.00 %</b> |

(\*) 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 2018, this will be on April 25.

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 7.3.3 of this Statement.
- On December 31, 2017, 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 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 and ESOP 2017bis 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 Performance Share Plan 2012, the Performance Share Plan 2013, the Performance Share Plan 2014, the Performance Share Plan 2015 and the Performance Share Plan 2016 (more details on these Performance Shares to be found in section 7.7.2.4 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 2016 was 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, consolidated results of operations and financial condition. Therefore, managing these risks is very important to the Company. To support its growth and to help the SLT and the Audit Committee to manage the challenges the Company faces, the Company has implemented risk management and internal control systems. The purpose of risk management and internal control systems is to enable the Company to meet its risk management objectives. The most important components of this system are described in this section.

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

The board of directors has set out the mission, the strategy and the values of the Company (see also section 1 **“Information on the Company”** to the consolidated annual report of the board of directors). At the level of the board of directors and the Audit Committee, the general risk profile of the Company and the risk appetite of the Company are discussed.

Following the decision of the board of directors of July 29, 2014, and with effect as from 2015, the internal audit function has been performed by the independent internal audit department of Liberty Global. 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 risk management department focuses on internal control over financial reporting, revenue assurance and fraud. Specific teams were set up to oversee, coordinate and facilitate risk management activities within other risk areas (e.g. health & safety, business continuity and cyber security). The Audit Committee monitors the effectiveness of the internal control and risk management system of the Company, and reviews it annually. In 2014, the Company and the Audit Committee agreed upon a risk governance strategy to align the risk management activities in key risk areas where appropriate.

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 internal control over financial reporting (**“ICoFR”**) since 2008, and has not reported any material weaknesses.

While the SOX requirements mainly cover risks relevant to financial reporting, the scope for internal audit is broader and also covers other objectives in the **“COSO 2013”** framework (Committee of Sponsoring Organizations of the Treadway Commission), such as compliance with rules and regulations, efficiency and effectiveness of operations.

### Control environment

The internal control environment includes (i) the issuance of a Dealing Code handbook, (ii) a Code of Conduct for the SLT and senior management manual, (iii) a Corporate Governance Charter (available on the Company’s investor relations website [investors.telenet.be](http://investors.telenet.be)), (iv) delegation of authority policies, and (v) a recruitment selection and performance evaluation system for employees.

Since 2008, a whistleblower procedure is in place. This mechanism allows employees of the Company to raise concerns about possible improprieties in accounting, internal control or audit matters in confidence via a telephone line or a reporting website. The employees can remain anonymous if requested. All complaints received through the telephone line or reporting website are handled by the Company’s Compliance Officer and the chairman of the Audit Committee. At the end of 2012, a Vendor Disclosure form was introduced to ensure vendors comply with the Telenet Code of Conduct (e.g. disclosure of conflicts of interest) and the Telenet Anti-Corruption policy. This Anti-Corruption policy is also communicated to all employees and published on the Company’s intranet.

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

### Risk Assessment

As part of 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.

In 2016 the Company established a common methodology for assessing risks together with the other Liberty Global entities. This methodology allows the Company to assess risks in a consistent manner across the different risk areas. Based on this methodology risk assessments are being performed in the different risk areas (e.g. physical security, cyber security, business continuity). These assessments allow the Company to prioritize the in-depth review of relevant risk areas and properly document objectives, risks and controls.

### Control activities

Liberty Global established a framework for evaluating and assessing ICoFR, incorporating entity level, transaction and process level components of the COSO 2013 framework as well as relevant information technology and operational components. The Company has aligned its ICoFR with this framework.

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

Each department has worked out specific control procedures covering the risks in their area. The risk management department guides and steers the documentation of the control activities, to ensure that risks and related controls are documented and managed in a consistent manner.

Following are key examples of the control processes implemented by the Company:

- The Company has implemented a centrally managed risk management tool to support formal documentation and information sharing on objectives, risks and controls related to revenue assurance and fraud risk.
- The Company has implemented TIM (**“Telenet Identity Management”**) to support authorized user management and automate access request management and periodic access rights certification for key applications. An ISMS (**“Information Security Management System”**) was implemented to support the risk management activities related to information security.

- In 2017, the Company has put in place a company wide privacy program to ensure compliance with the requirements of the GDPR legislation. As part of this program the Company has established a privacy risk and control framework which forms the basis for continuous improvement of the privacy control environment.

### Information and communication

The Company has implemented a data warehouse and reporting platform, collecting all types of relevant transactional data. Utilizing the data warehouse and reporting platform, the Company's business intelligence teams are able to provide the SLT with periodic and ad hoc operational and management reporting.

The Company maintains a central repository with all internal control issues and related actions plans to ensure proper resolution. In addition, all issues and actions are made available on a secured Sharepoint site and action plan owners provide management with periodic status updates.

The result of every internal audit or internal control review and the progress follow up thereof is reported to the SLT and the Audit Committee using a comprehensive scorecard.

On a quarterly basis, the risk management department reports to the SLT and the Audit Committee on the completeness and timeliness of the resolution of all outstanding issues.

### Monitoring

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 management department and annually a direct testing cycle by Liberty Global's internal audit and group compliance.

For some specific risk areas (e.g. revenue assurance and fraud) second line monitoring has been established. In addition, a formal risk and control management self-assessment approach was implemented in 2012.

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 and a survey 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.

### 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.

## 8.4.3 Most important risks

For a description of the main risks to which the Company is exposed, please see section 3 "*Risk factors*" to the consolidated annual report of the board of directors.

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

## 8.5 Board of directors

### 8.5.1 Composition

#### a) General

On December 31, 2017, the board of directors of the Company was composed of 10 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 IDw Consult BVBA (represented by its permanent representative Mr. Bert De Graeve), Mr. Jim Ryan and Ms. Christiane Franck expire at the annual shareholders' meeting of 2018. The mandates of JoVB BVBA (represented by its permanent representative Mr. Jo Van Biesbroeck), Mr. Manuel Kohnstamm and Mr. Diederik Karsten 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.

At the meeting of the board of directors of February 12, 2018, Ms. Suzanne Schoettger and Ms. Dana Strong announced that they will resign as directors as of the annual meeting of shareholders of 25 April 2018. At the same board meeting, the names of their successors were announced i.e. Ms. Amy Blair and Ms. Severina Pascu. The annual meeting of shareholders of 25 April 2018 will decide on their appointment.

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 IDw Consult BVBA (represented by its permanent representative Mr. Bert De Graeve) as independent director of the Company;

- the (re)appointment of Ms. Christiane Franck as independent director of the Company;
- the (re)appointment of Mr. Jim Ryan as director of the Company;
- the appointment of Ms. Amy Blair as director of the Company; and
- the appointment of Ms. Severina Pascu as director of the Company.

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, 2017, 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      |
| Dana Strong                       | Senior Vice President & Chief Transformation Officer of Liberty Global                                | Liberty Global Group      |
| Manuel Kohnstamm                  | Senior Vice President & Chief Policy Officer of Liberty Global  | Liberty Global Group      |
| Jim Ryan                          | Senior Vice President & Chief Strategy Officer of Liberty Global                                      | Liberty Global Group      |
| Suzanne Schoettger                | Chief of Staff for the Office of the CEO  | 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, 2017, the board of directors included three female members: Ms. Christiane Franck, Ms. Suzanne Schoettger and Ms. Dana Strong. Telenet aimed at being in line with the gender composition requirements - at least one third of the opposite gender - of its board of directors by early 2017 at the latest. With the appointment of Ms. Dana Strong at the meeting of shareholders of 27 April 2016, Telenet reached this goal already early in 2016.

At the meeting of the board of directors of February 12, 2018, Ms. Suzanne Schoettger and Ms. Dana Strong announced that they will resign as directors as of the annual meeting of shareholders of 25 April 2018. At the same board meeting, the names of their candidate successors were announced i.e. Ms. Amy Blair and Ms. Severina Pascu. With the candidate successors being female, Telenet will stay in line with the gender composition requirements. With Ms. Pascu being a Romanian citizen, Telenet further diversifies its board of directors. The annual meeting of shareholders of 25 April 2018 will decide on the appointment of Ms. Blair and Ms. Pascu.

## c) Biographies of directors

The following paragraphs set out the biographical information of the current members of the board of directors of the Company, including the members 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 7.6 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 Telenet BVBA and 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 (60) 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 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 and Real Estate, SFI, investment company in Luxemburg and in various non profit organisations, ACF cancer fund, Kick cancer fund, Franklinea fund in Swiss. He is also President of Audit Committees and Remuneration Committees.

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

Christiane Franck has been CEO of Vivaqua in Brussels since 2005, where she also started her career. At Vivaqua, she consecutively held the positions of ICT Manager, Commercial Manager of Distribution and Secretary General. Vivaqua, specialising 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.

#### 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 facilities as well as capital allocation and finance operations of our largest operations, and overseeing our accounting, external reporting, Investor Relations and Corporate Responsibility 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 has served as a director of the Company since May 2007. He became Executive Vice President, Chief Commercial Officer for Liberty Global in August 2015. Previously Mr. Karsten served as Executive Vice President, European Broadband Operations. Before that he served as the Managing Director for Liberty Global's broadband operations in the Netherlands. Prior to joining Liberty Global, he held various management positions at PepsiCo and Procter & Gamble in the Netherlands, the United States, Germany and the United Kingdom. Mr. Karsten holds a degree in business economics from Erasmus Universiteit Rotterdam, with specializations in Marketing and Accountancy.

#### 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).

#### Jim Ryan, director (°1965)

Jim Ryan has served as a director of the Company from May 2007 until April 2013. Mr. Ryan was appointed director during the shareholders' meeting of April 30, 2014 for a term of four years. Mr. Ryan has been with Liberty Global Europe Holding BV and its predecessors since 2000 as Managing Director of Strategy and Corporate Development, a position he has held until December 2011. Since January 2012, he is Senior Vice President & Chief Strategy Officer and is responsible for the global strategy across all regions of Liberty Global's operations. He holds a degree in Politics, Philosophy and economics from St. John's College, Oxford University.

#### Suzanne Schoettger, director (°1968)

Suzanne Schoettger has worked with Liberty Global and its predecessors since April 1999. Currently Ms. Schoettger holds the position of Managing Director, Chief of Staff for the CEO Office. Prior to this position Ms. Schoettger held the position of Liberty Global's Chief Audit & Compliance Officer. Before that, she held various positions in financial reporting, auditing and internal controls working across Liberty Global's global footprint. Before joining Liberty Global, Ms. Schoettger worked in the audit practice of Arthur Andersen. Ms. Schoettger holds a Masters in Professional Accounting from the University of Texas at Austin and a Bachelor of Arts in Economics from Hastings College. In addition, she has completed Harvard Business School's General Management Program.

#### Dana Strong, director (°1970)

In April 2017, Dana Strong was appointed to President, Chief Operating Officer at Virgin Media. Prior to this role, Ms. Strong was Senior Vice President, Chief Transformation Officer at Liberty Global. In this role, she is a member of the Executive Leadership Team and works with Liberty Global's President and CEO Mike Fries on identifying the strategic and operational opportunities that will shape the future success of the business. From July 2013, Ms. Strong worked as Chief Operating Officer at Virgin Media where she oversaw a major restructure of parts of the business following Liberty Global's acquisition of Virgin Media. This followed two years as Chief Executive Officer of UPC Ireland, overseeing that operation's strong growth, improved customer satisfaction, and successful track record of product innovation. Before joining UPC Ireland, Ms. Strong served as the Chief Operating Officer of AUSTAR Communications in Australia for Liberty Global. Ms. Strong is a dual degree graduate from the University of Pennsylvania with a Bachelor of Science in Economics from The Wharton School of Business and a Bachelor of Arts in History from the College of Arts and Sciences

#### Severina Pascu, candidate director

Severina Pascu (45) 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 Global'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, candidate director

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.

#### André Sarens, observer (°1952)

André Sarens has served as a director of the Company since December 2003. 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 NV 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.

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## 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, 2017, six scheduled board of directors meetings and one non-scheduled board of directors meeting took place. One meeting was held by conference call.

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 2017, article 523 of the Belgian Company Code was applied twice. More information can be found in section 7.5.6 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.

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## 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 December 2015 and the Remuneration and Nomination Committee and the board of directors of April 2016 assessed and discussed the results of the same. In February 2018 a new evaluation has been sent to all directors. The results thereof will be discussed and evaluated at one of the scheduled meetings of the board of directors in 2018.

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, 2017, 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                 | •               |                                     |
| Suzanne Schoettger                | •               |                                     |

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 7.5.1 c) of this Statement. Further reference is made to the biographies of Ms. Suzanne Schoettger and Ms. Christiane Franck, members of the Audit Committee, in section 7.5.1. c) of this Statement.

In the year ended December 31, 2017, 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. The Company implemented the whistleblowing procedure in December 2008. This policy allows employees of the Company to raise concerns about possible improprieties in accounting, internal control or audit matters in confidence via a telephone line or a reporting website. The employees can remain anonymous if requested. Complaints received through the telephone line or reporting website are handled by the Company's compliance officer and the chairman of the Audit Committee.

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

### 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 as of the date hereof 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).

In the year ended December 31, 2017, the Remuneration & Nomination Committee met four times in the presence of the CEO (except for matters where the CEO was conflicted). Among other matters, the Committee addressed the evaluation of the functioning of the board of directors and its relation with the SLT, 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, the granting of stock options to selected employees, the possibility to pay bonuses to

employees through warrants and the possibility to subscribe to the Employee Share Purchase Plan ("ESPP").

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

## 8.5.5 Attendance

Please find below the attendance overview of the board and committee meetings. In this overview, all meetings are presented (not solely the annual pre-scheduled meetings).

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

CM: Chairman

## 8.5.6 Application of legal rules regarding conflicts of interest

During the meeting of the board of directors of February 14, 2017, article 523 of the Belgian Company Code was applied.

At the meeting of February 14, 2017, the board of directors discussed, amongst other items, (i) the determination of the bonus and merit for the CEO, (ii) the determination of the achievement of performance criteria under the CEO SOP 2014, the CEO SOP 2014bis and the CEO SOP 2015 and (iii) the revised proposal to be submitted to the annual meeting of shareholders as regards the remuneration for the independent directors.

***“Prior to the reporting on the discussions held within the Remuneration & Nomination Committee meeting of 14 February 2017 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 2014, the CEO SOP 2014bis and the CEO SOP 2015), 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 of this conflict of interest. He then leaves the meeting for this specific agenda item.”***

The chairman of the Remuneration & Nomination Committee reports on the discussions held on the bonus and merit of the CEO within the meeting of the Remuneration & Nomination Committee meeting of February 14, 2017. The Committee decided that:

- the bonus targets for the CEO for 2016 have been fully achieved;
- the CEO will be awarded a bonus of 100% of his annual remuneration, i.e. a bonus of €630,000;
- to unanimously advise the board of directors to approve this bonus amount for the CEO;
- in terms of overall CEO compensation and merit, the chairman of the board of directors, will take the lead to evaluate the CEO package and shall - in consultation with the Committee members - come up with a proposal to be submitted to a following Committee meeting and the board of directors. The Committee unanimously mandates the chairman of the board of directors accordingly and ask management to liaise with the chairman in providing necessary data.

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 determination of the performance criteria

under the CEO SOP 2014, the CEO SOP 2014bis and the CEO SOP 2015. 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 targets for the performance year 2016 have been achieved under the CEO SOP 2014, CEO SOP 2014bis and 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 2014, the CEO SOP 2014bis and the CEO SOP 2015.

***“Prior to the reporting on the discussions held within the Remuneration & Nomination Committee meeting of 14 February 2017 and resolving on some of these items (in particular the remuneration of the independent directors), each of the independent directors, IDw Consult BVBA (with Bert De Graeve as permanent representative), JoVB BVBA (with Jo Van Biesbroeck as permanent representative) and Christiane Franck, declared to have a (potential) personal and conflicting interest falling within the scope of Article 523 of the Belgian Company Code with the proposed decision as the decision would entail a proposal by the board of directors to the shareholders' meeting for an amendment of each such independent director's level of (variable and/or fixed) remuneration.***

***After this declaration and prior to any discussion or deliberation on this point of the agenda, each of the independent directors confirmed that it would inform the Company's auditor and left the meeting.”***

In the absence of the Chairman, Mr. John Porter, as invitee on specific topics, of the Company's remuneration committee, explained to the Board that the remuneration committee, at its 14 February 2017 meeting, examined a benchmarking study in relation to the various levels of remuneration of independent directors of Bel20 companies. On this basis and taking into account the manner the independent directors fulfil their role for the Company, the remuneration committee recommends to the Board to increase the (fixed and/or variable) levels of remuneration to match the level of the peer group, as follows:

- to set the fixed annual remuneration of the chairman of the board at €120,000;
- to set the attendance fee for board meetings for the independent directors at €3,500 with a maximum of €24,500 per year;
- to set the attendance fee for the chairman of the Audit Committee for Audit Committee meetings at €4,000 per meeting;
- to set the attendance fee for the other independent directors participating in the Audit Committee at €3,000 per meeting;

- to set the attendance for independent directors participating in the Remuneration & Nomination Committee at €2,000

The Board then examined and discussed the study, considering that the Company needs to attract and continue to attract the highest quality of independent directors given its complexity and its continued demand on directors' time. The Board therefore considered that it was justified and in the Company's best interest that it would align the independent directors' compensation with that of the relevant peer group and taking into account the manner the independent directors fulfill their role, proposed to submit to the general shareholders' meeting to increase in compensation as follows:

- to set the fixed annual remuneration of the chairman of the board at €120,000;
- to set the attendance fee for board meetings for the independent directors at €3,500 with a maximum of €24,500 per year;
- to set the attendance fee for the chairman of the Audit Committee for Audit Committee meetings at €4,000 per meeting;
- to set the attendance fee for the other independent directors participating in the Audit Committee at €3,000 per meeting;
- to set the attendance for independent directors participating in the Remuneration & Nomination Committee at €2,000.

Assuming an equal number of Committee meetings this proposal entails an overall aggregate increase of the level of independent directors' remuneration in an amount of maximum €89,000, which will be submitted for approval to the shareholders' meeting to be held on 26 April 2017, and to be included, in the aggregate and per independent director, in the remuneration report to be submitted for approval to the shareholders' meeting to be held on 26 April 2017. For good order, the remuneration for other directors shall remain as is and unaffected.

During the meeting of the board of directors of July 31, 2017, article 523 of the Belgian Company Code was also applied.

At the meeting of July 31, 2017, 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 respectively the Remuneration and Nomination Committee meeting of 28 July 2017 and the Audit Committee meeting of 31 July 2017, and the deliberation and resolving on some of these items (in particular in relation to (i) the evaluation of the overall CEO compensation and merit and (ii) the contractual exercise limits set out in the CEO stock option plans, Mr. John Porter (CEO and Managing Director) informs the Board that he has a (potential) financial conflict of interest regarding these decisions 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**

**member 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 evaluation of the overall CEO compensation and merit within the meeting of the Remuneration & Nomination Committee meeting of July 31, 2017. The Committee decided:

- to approve the proposal to, as of FY 2017, to (i) increase the Target Bonus to 100% of Base salary €630,000 and (ii) to allow overachievement based on performance and Remco discretion, in full alignment with the Senior Leader Leadership Team and LG bonus plans; and
- instruct HR to document the same in a contract addendum to be entered into as soon as reasonably possible, and more in general to mandate HR management to work out and implement the above.

After discussion and taking into account the recommendation of the Remuneration & Nomination Committee, the board decides to confirm, approve and endorse, to 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 contractual exercise limits set out in the CEO stock option plans within the meeting of the Remuneration & Nomination Committee meeting of July 31, 2017. The Committee decided:

- to approve and ratify the CEO's exercise of options under the previous exercise window and approve the deviation from the contractual obligations;
- to amend the stock option plan rules and respective agreements of the CEO in line with the discussion remarks (restriction on dealing if contrary to general purpose of the plan and/or reputation/perception of the company, and introduce a third party evaluation (MDC -with HR representative for this purpose); and
- to mandate HR Management to duly follow up on the items set out above.

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

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 7 February 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 member 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, to 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.

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## 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 Dealing Code is addressed to all employees, temporary staff, members of the boards of directors (or equivalent), managers, consultants and advisers of the Company and its subsidiaries.

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.

Any dealings in Company securities by persons discharging managerial responsibilities and persons closely associated, must be reported as soon as possible to the FSMA and 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.

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## 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. Per 31 December 2017, six women (i.e. 50%) are part of the Senior Leadership Team (see below for full composition of the SLT).

Per December 31, 2017, the SLT was composed as follows:

| Name                | Year of birth | Position   |
|---------------------|---------------|--|
| John Porter         | 1957          | Chief Executive Officer                                |
| Birgit Conix        | 1965          | 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 27 February 2018.

## 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 Group Holding NV. 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.

### Birgit Conix, Chief Financial Officer

Birgit Conix joined Telenet as Chief Financial Officer in October 2013. Ms. Conix has over 20 years of experience in finance across multiple industries, including fast moving consumer goods, medical devices and pharmaceuticals. Prior to joining Telenet, Ms. Conix was Regional Head of Finance for Heineken's Western European organization and a member of Heineken's Western European Management team and Global Finance Leadership team. Prior to joining Heineken in 2011, Ms. Conix held different top-level international positions at Johnson & Johnson in finance, strategy and business operations. Prior to Johnson & Johnson, she worked at Tenneco and Reed-Elsevier. Ms. Conix is a member of the Board of Directors at Technicolor SA, a worldwide technology company in the media and entertainment sector, headquartered in Paris. Ms. Conix holds a Master of Science in Business Economics from Tilburg University in the Netherlands and an MBA from the University of Chicago Booth School of Business, USA.

### 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 our HFC and Mobile services, Field Operations and in-door repair, Converged Fixed & Mobile Engineering and Innovations. 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, systems security, all software development, and testing of all new releases and technology. Sam is also driving a number of major system 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 (a 4.6bn revenue company) where she ran a team of circa 700 FTE and was accountable for all IT applications support, development and project delivery. 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 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 Claey's 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. Ann graduated as civil engineer electronics (KUL) and followed different courses at (a.o.) Insead, London Business School, Columbia 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 and April 27, 2016. These principles were re-approved at the meeting of shareholders of April 26, 2017. At the same meeting the remuneration of the independent directors was revised and approved as follows: to (i) increase the fixed annual remuneration of the chairman of the board of directors from €100,000 to €120,000, (ii) increase the attendance fee for board meetings for the independent directors from €2,500 to €3,500, but with a maximum of €24,500 per year, (iii) introduce an attendance fee for the chairman of the Audit Committee for Audit Committee meetings at €4,000 per meeting, (iv) introduce an attendance fee for the other independent directors participating in the Audit Committee at 3,000 per meeting, and (v) to introduce an attendance fee for independent directors participating in the Remuneration & Nomination Committee at €2,000. All other remunerations remain unaffected.

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 remuneration per attended board meeting for the other directors is set out above. 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, 2017, the aggregate remuneration of the members of the board of directors (including the observer) amounted to €456,333 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 in 2017 is set out in the table below.

| Name                                       | Remuneration 2017 |
|--|-------------------|
| Bert De Graeve (IDw Consult BVBA) (CCM) ** | €134,833          |
| John Porter                                | -                 |
| Christiane Franck **                       | €66,500           |
| Jo Van Biesbroeck ( JoVB BVBA) **          | €66,500           |
| Charles H. Bracken                         | €22,000           |
| Diederik Karsten                           | €20,000           |
| Manuel Kohnstamm                           | €22,000           |
| Jim Ryan                                   | €22,000           |
| Dana Strong                                | €20,000           |
| Suzanne Schoettger                         | €20,000           |
| André Sarens *                             | €62,500           |

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 Promoter 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, 2017, 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 Shares Plans 2016, 2015, 2014 and 2013 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.

### 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 2017, the Remuneration & Nomination Committee proposed to the board of directors (i) to grant a cash bonus to the CEO for 2017 equal to €963,900; (ii) to determine his fixed compensation for 2017 to be €630,000 on an annual basis; (iii) to determine the maximum cash bonus for 2017 to be 150% of the 2017 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 2017), 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 2017, 100% was linked to the Company's financial and operational targets, an additional multiplier was linked to the individual performance 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, 2017, 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. In 2017, the Company decided not to grant 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 (and no longer be deferred over a period of 3 years as was the case until 2013). 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 (excluding the CEO) 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 2017), 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, 2017: (i) a fixed remuneration of €630,000, (ii) a variable remuneration of €963,900, and (iii) benefits in kind valued at €76,208.30. As mentioned in section 7.7.1, the CEO is not remunerated for the exercise of his mandate as director of the Company or any other Telenet companies.

The relative weight these components for the year ended December 31, 2017 was: (i) fixed remuneration 37.7%, (ii) variable remuneration 57.7%, and (iii) benefits in kind 4.6%.

This cash-based variable remuneration, together with the relevant part of the share-based variable remuneration under the CEO SOP 2013, the CEO SOP 2014, CEO SOP 2014 *bis*, CEO SOP 2015, ESOP 2016 and ESOP 2017 (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

The Company's CEO did not receive shares or warrants of the Company during the last financial year.

On July 4, 2013, the CEO received 200,000 stock options under the CEO Stock Option Plan 2013 ("CEO SOP 2013"). 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 five years, such that, all of the stock options granted under the CEO SOP 2013 have an expiration date of July 4, 2018. The stock options vest in three installments, on July 4,

2014, July 4, 2015 and July 4, 2016, respectively, subject to the achievement of certain performance criteria. All stock options that vest pursuant to the CEO SOP 2013, become exercisable during defined exercise periods as from July 4, 2016.

The exercise price of these stock options is equal to €34.33.

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

The performance based conditions relate to the Adjusted EBITDA of the Telenet Group on a consolidated basis, the customer loyalty/satisfaction achieved by the Telenet Group and the product and services innovation within the Telenet Group. On February 11, 2014, the Remuneration & Nomination Committee determined that these performance criteria had been achieved for 2013, which resulted in the vesting of a first installment of 50,000 stock options on July 4, 2014. On February 10, 2015, the Remuneration & Nomination Committee determined that the performance criteria had also been achieved for 2014, which resulted in the vesting of a second installment of 100,000 stock options on July 4, 2015. On February 9 2016, the Remuneration & Nomination Committee determined that the performance criteria had been met for 2015, which results in the vesting of a third installment of 50,000 stock options on July 4, 2016.

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 vest in two installments, on respectively June 26, 2016 and on March 1, 2017, subject to the achievement of certain performance criteria. All stock options that vest pursuant to the CEO SOP 2014 become exercisable during defined exercise periods following June 26, 2016.

The exercise price of these stock options is equal to €38.88.

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

The performance based conditions for the first installment of 138,750 stock options relate to the Adjusted EBITDA of the Telenet Group on a

consolidated basis and the customer loyalty/satisfaction achieved by the Telenet Group over the period January 1, 2014 through December 31, 2014 and the period January 1, 2015 through December 31, 2015; the performance based conditions for the second installment of 46,250 stock options relate to the Adjusted EBITDA of the Telenet Group on a consolidated basis and the customer loyalty/satisfaction achieved by the Telenet Group over (i) the period January 1, 2014 to December 31, 2015 and (ii) the period January 1, 2016 through December 31, 2016. On February 9, 2016, the Remuneration & Nomination Committee determined that the performance criteria with respect to the first installment had been achieved for 2015, which results in the vesting of the first installment of 138,750 stock options on June 26, 2016. Also on February 9, 2016 the Remuneration & Nomination Committee determined that the performance criteria for the second installment for the period January 1, 2015 through December 31, 2015 have been achieved. On February 14, 2017, the Remuneration and Nomination Committee determined that the performance criteria had been met for 2016, which resulted in the vesting of a second installment of 46,250 stock options on March 1, 2017.

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 vest in three installments, on July 15, 2015, July 15, 2016 and July 15, 2017, respectively, subject to the achievement of certain performance criteria. All stock options that vest pursuant to the CEO SOP 2014 bis become exercisable during defined exercise periods as from July 15, 2017.

The exercise price of these stock options is equal to €39.38.

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

The performance based conditions relate to the Adjusted EBITDA of the Telenet Group on a consolidated basis. On February 10, 2015, the Remuneration & Nomination Committee determined that the performance criteria had been achieved for 2014, which resulted in the vesting of a first installment of 45,000 stock options on July 15, 2015. On February 9, 2016, the Remuneration & Nomination Committee determined that the performance criteria had been achieved for 2015, which results in the vesting of a second installment of 67,500 stock options on July 15, 2016. On February 14, 2017, the Remuneration and Nomination Committee determined that the performance criteria had been met for 2016, which results in the vesting of a third installment of 67,500 stock options on July 15, 2017.

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 March 13, 2020. The stock options vest in three installments, on March 13, 2016, March 13, 2017 and March 13, 2018 respectively, subject to the achievement of certain performance criteria. All stock options that vest pursuant to the CEO SOP 2015 become exercisable during defined exercise periods as from March 13, 2018.

The exercise price of these stock options is equal to €50.57.

The vesting is performance based. The annual performance based vesting conditions were determined by the Remuneration & Nomination Committee, in consultation with the CEO. Upon a change of control over 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.

The performance based conditions relate to the OCF under US GAAP of the Telenet Group on a consolidated basis. On February 9, 2016, the Remuneration & Nomination Committee determined that the performance based conditions had been achieved for 2015, which resulted in the vesting of a first installment of 55,000 stock options on March 13, 2016. On February 14, 2017, the Remuneration and Nomination Committee determined that the performance criteria for the second installment for the period January 1, 2016 through December 31, 2016 had been achieved, which resulted in the vesting of a second installment on March 13, 2017. On February 7, 2018, the Remuneration & Nomination Committee determined that the performance criteria for the third installment for the period January 1, 2017 through December 31, 2017 had been met, which results in the vesting of a third installment of 62,000 stock options on March 13, 2018.

On April 15, 2016 the CEO received 244,209 stock options under the ESOP 2016 plan (see also 7.3.1). 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 7.3.1). 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.

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.

As of December 31, 2017, Mr. Porter had been granted the following stock options:

| Name Plan                | Number of stock options outstanding | Exercise price | Vesting            | Expiration date |
|--------------------------|-------------------------------------|----------------|--------------------|-----------------|
| <b>CEO SOP 2013 (**)</b> |                                     |                |                    |                 |
| first installment        | 50,000                              | €34.33         | July 4, 2014       | July 4, 2018    |
| second installment       | 100,000                             | €34.33         | July 4, 2015       | July 4, 2018    |
| third installment        | 50,000                              | €34.33         | July 4, 2016       | July 4, 2018    |
| <b>CEO SOP 2014</b>      |                                     |                |                    |                 |
| first installment        | 138,750                             | €38.88         | June 26, 2016      | June 26, 2020   |
| second installment       | 46,250                              | €38.88         | March 1, 2017      | June 26, 2020   |
| <b>CEO SOP 2014 bis</b>  |                                     |                |                    |                 |
| first installment        | 45,000                              | €39.38         | July 15, 2015      | July 15, 2019   |
| second installment       | 67,500                              | €39.38         | July 15, 2016      | July 15, 2019   |
| third installment        | 67,500                              | €39.38         | July 15, 2017      | July 15, 2019   |
| <b>CEO SOP 2015</b>      |                                     |                |                    |                 |
| 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  |
| <b>ESOP 2016</b>         |                                     |                |                    |                 |
|                          | 244,209                             | €45,48         | quarterly          | April 15, 2021  |
| <b>ESOP 2017</b>         |                                     |                |                    |                 |
|                          | 177,680                             | €58,14         | quarterly          | June 8, 2022    |

(\*) Vesting subject to achievement of performance based conditions in previous financial year/years

(\*\*) The CEO exercised all options of the CEO SOP 2013 in the course of 2017. There are no more outstanding options under this plan on December 31, 2017.

### 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

In 2017, the aggregate remuneration paid to the other members of the SLT (excluding the CEO), amounted to €6,429,903. 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 €2,895,458, a variable salary of €2,936,663 (constituting 100% of the total cash bonus of 2017 and the vested performance shares), (iii) paid premiums for group insurance for an amount of €366,898.88 and (iv) benefits in kind valued at €230,882.80. 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 €249,074.30.

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

The members of the SLT did not receive performance shares of the Company during 2017.

On February 14, 2017, the board of directors determined that the performance targets applicable to the 2014 Telenet Performance Shares were not met, resulting in the partial vesting of these performance shares on May 22, 2017. On July 28, 2017 the Remuneration & Nomination Committee decided to settle the vested performance shares in cash

instead of in shares of the Company. This particular performance share plan was paid out in cash for an amount of €991,422 following the specific decision of the Remuneration & Nomination Committee.

An overview of the numbers of 2014 Telenet performance shares vested in favor of (current) members of the Senior Leadership Team can be found below:

| Name             | Number of 2014 performance shares vested |
|------------------|--|
| Berger Micha     | 2,968                                    |
| Caluwaerts Ann   | 2,245                                    |
| Conix Birgit     | 2,944                                    |
| Kurup Veenod*    | 2,968                                    |
| Machtelinckx Luc | 2,568                                    |
| Poels Claudia    | 2,178                                    |
| Smidts Inge*     | 2,476                                    |
| Tempels Martine  | 2,169                                    |
| Nieuwdorp Dieter | 1,888                                    |
| Vincent Patrick  | 2,822                                    |

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

On December 31, 2017, the current members of the SLT (excluding the CEO) held in aggregate 48,400 exercisable stock options under the ESOP 2013, 230,000 under the ESOP 2014, 114,000 under the ESOP 2015, 164,086 under the ESOP 2016 and 41,116 under the ESOP 2017. 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 2017, the members of the SLT also received stock options under the ESOP 2017. An overview of the stock options granted to (and accepted by) the current members of the SLT (excluding the CEO) during 2017 can be found in the table below:

| Name                | Grant     | Number of stock options granted | Number of stock options accepted | Exercise price |
|---------------------|-----------|---------------------------------|----------------------------------|----------------|
| Berger Micha        | ESOP 2017 | 59,927                          | 30,000                           | €58.14         |
| Bronselaer Jeroen   | ESOP 2017 | 32,575                          | 12,500                           | €58.14         |
| Caluwaerts Ann      | ESOP 2017 | 24,333                          | 10,000                           | €58.14         |
| Conix Birgit        | ESOP 2017 | 44,420                          | 44,420                           | €58.14         |
| Lloyd Sam           | ESOP 2017 | 24,333                          | —                                | €58.14         |
| Machtelinckx Luc    | ESOP 2017 | 24,333                          | 10,000                           | €58.14         |
| Nieuwdorp Dieter    | ESOP 2017 | 24,333                          | 24,333                           | €58.14         |
| Paulissen Benedikte | ESOP 2017 | 32,575                          | 20,000                           | €58.14         |
| Poels Claudia       | ESOP 2017 | 24,333                          | 24,333                           | €58.14         |
| Tempels Martine     | ESOP 2017 | 32,575                          | 30,000                           | €58.14         |
| Vincent Patrick     | ESOP 2017 | 32,575                          | —                                | €58.14         |

An overview of the stock options exercised by the members of the SLT (excluding the CEO) during 2017, while they were members of the SLT, can be found in the table below:

| Name                | Number of stock options exercised | Exercise Price | Plan         |
|---------------------|-----------------------------------|----------------|--------------|
| Berger Micah        | 17,500                            | 34.33          | ESOP 2013    |
| Bronselaer Jeroen   | 1,500                             | 34.33          | ESOP 2013    |
|                     | 7,500                             | 50.87          | ESOP 2015    |
|                     | 12,000                            | 45.48          | ESOP 2016    |
| Caluwaerts Ann      | 11,000                            | 34.33          | ESOP 2013    |
|                     | 11,000                            | 45.48          | ESOP 2016    |
| Conix Birgit        | 28,000                            | 36.75          | ESOP 2013bis |
|                     | 12,210                            | 45.48          | ESOP 2016    |
| Machtelinckx Luc    | 20,000                            | 34.33          | ESOP 2013    |
|                     | 10,000                            | 45.27          | ESOP 2014    |
|                     | 10,000                            | 45.48          | ESOP 2016    |
| Nieuwdorp Dieter    | 10,000                            | 34.33          | ESOP 2013    |
| Paulissen Benedikte | 23,750                            | 34.33          | ESOP 2013    |
| Poels Claudia       | 10,000                            | 34.33          | ESOP 2013    |
| Tempels Martine     | 6,400                             | 45.48          | ESOP 2016    |
| Vincent Patrick     | 32,500                            | 34.33          | ESOP 2013    |

### 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, Mr. Micha Berger and Ms. Birgit Conix, 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 2017, we refer to note 5.30 to the consolidated financial statements of the Company.

### 8.8.2 Internal audit

For the year ended December 31, 2017, the Company's internal audit function was performed by the internal audit department of Liberty Global plc. The internal audit activities are carried out on the basis of a plan annually approved and monitored by the Audit Committee. These internal audit activities cover a wide range of topics and aim at the evaluation and improvement of the specific control environment.

Brussels, March 19, 2018

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

| <i>(in thousands of euro)</i>                          | Note  | December 31, 2017 | December 31, 2016 |
|--|-------|-------------------|-------------------|
| <b>Assets</b>  |       |                   |                   |
| <b>Non-current assets:</b>                             |       |                   |                   |
| Property and equipment                                 | 5.4   | 2,146,331         | 2,046,824         |
| Goodwill   | 5.5   | 1,848,443         | 1,540,946         |
| Other intangible assets                                | 5.6   | 712,170           | 709,175           |
| Deferred tax assets                                    | 5.15  | 236,578           | 135,532           |
| Investments in and loans to equity accounted investees | 5.7.1 | 30,990            | 27,372            |
| Other investments                                      | 5.7.2 | 4,107             | 1,757             |
| Derivative financial instruments                       | 5.14  | 7,766             | 49,658            |
| Trade receivables                                      | 5.8.1 | 2,851             | 4,793             |
| Other non-current assets                               | 5.9.1 | 10,842            | 16,480            |
| <b>Total non-current assets</b>                        |       | <b>5,000,078</b>  | <b>4,532,537</b>  |
| <b>Current assets:</b>                                 |       |                   |                   |
| Inventories  | 5.10  | 21,519            | 21,702            |
| Trade receivables                                      | 5.8.2 | 214,895           | 205,979           |
| Other current assets                                   | 5.9.2 | 136,552           | 125,209           |
| Cash and cash equivalents                              | 5.11  | 39,053            | 99,203            |
| Derivative financial instruments                       | 5.14  | 41,569            | 22,825            |
| <b>Total current assets</b>                            |       | <b>453,588</b>    | <b>474,918</b>    |
| <b>Total assets</b>                                    |       | <b>5,453,666</b>  | <b>5,007,455</b>  |

## Equity and liabilities

### Equity:

|   |      |                    |                    |
|---|------|--------------------|--------------------|
| Share capital   | 5.12 | 12,799             | 12,758             |
| Share premium and other reserves                          | 5.12 | 987,077            | 966,132            |
| Retained losses   | 5.12 | (2,099,658)        | (2,190,107)        |
| Remeasurements  | 5.12 | (13,542)           | (14,798)           |
| <b>Total equity attributable to owners of the Company</b> |      | <b>(1,113,324)</b> | <b>(1,226,015)</b> |
| Non-controlling interests                                 | 5.12 | 21,855             | 18,372             |
| <b>Total equity</b>                                       |      | <b>(1,091,469)</b> | <b>(1,207,643)</b> |

### Non-current liabilities:

|                                      |      |                  |                  |
|--------------------------------------|------|------------------|------------------|
| Loans and borrowings                 | 5.13 | 4,462,211        | 4,642,485        |
| Derivative financial instruments     | 5.14 | 311,291          | 94,695           |
| Deferred revenue                     | 5.19 | 1,051            | 675              |
| Deferred tax liabilities             | 5.15 | 132,397          | 166,047          |
| Other non-current liabilities        | 5.16 | 123,952          | 94,608           |
| <b>Total non-current liabilities</b> |      | <b>5,030,902</b> | <b>4,998,510</b> |

### Current liabilities:

|  |      |                  |                  |
|--|------|------------------|------------------|
| Loans and borrowings                           | 5.13 | 361,695          | 139,372          |
| Trade payables                                 |      | 149,976          | 182,284          |
| Accrued expenses and other current liabilities | 5.18 | 616,793          | 559,230          |
| Deferred revenue                               | 5.19 | 102,315          | 101,731          |
| Derivative financial instruments               | 5.14 | 21,784           | 16,015           |
| Current tax liability                          | 5.22 | 261,670          | 217,956          |
| <b>Total current liabilities</b>               |      | <b>1,514,233</b> | <b>1,216,588</b> |
| <b>Total liabilities</b>                       |      | <b>6,545,135</b> | <b>6,215,098</b> |
| <b>Total equity and liabilities</b>            |      | <b>5,453,666</b> | <b>5,007,455</b> |

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

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

| <i>(in thousands of euro, except per share data)</i>                  |             | <b>For the years ended December 31,</b> |                  |
|---|-------------|---|------------------|
|   | Note        | <b>2017</b>                             | <b>2016</b>      |
| <b>Profit for the period</b>  |             |   |                  |
| Revenue   | (*) 5.19    | 2,528,088                               | 2,429,120        |
| Cost of services provided   | (*) 5.20    | (1,592,441)                             | (1,449,938)      |
| <b>Gross profit</b>   |             | <b>935,647</b>                          | <b>979,182</b>   |
| Selling, general and administrative expenses                          | 5.20        | (486,038)                               | (493,750)        |
| <b>Operating profit</b>   |             | <b>449,609</b>                          | <b>485,432</b>   |
| Finance income  |             | 246,463                                 | 6,518            |
| Net interest income and foreign exchange gain                         | 5.21        | 246,463                                 | 378              |
| Net gain on derivative financial instruments                          | 5.14 & 5.21 | —                                       | 6,140            |
| Finance expense   |             | (543,932)                               | (376,403)        |
| Net interest expense, foreign exchange loss and other finance expense | 5.21        | (224,875)                               | (330,752)        |
| Net loss on derivative financial instruments                          | 5.14 & 5.21 | (243,066)                               | —                |
| Loss on extinguishment of debt  | 5.21        | (75,991)                                | (45,651)         |
| <b>Net finance expenses</b>   | 5.21        | <b>(297,469)</b>                        | <b>(369,885)</b> |
| Share in the profit of equity accounted investees                     | 5.7.1       | 3,332                                   | 35               |
| Impairment of investments in equity accounted investees               | 5.7.1       | —                                       | (31,000)         |
| <b>Profit before income tax</b>                                       |             | <b>155,472</b>                          | <b>84,582</b>    |
| Income tax expense  | 5.22        | (41,689)                                | (43,013)         |
| <b>Profit for the period</b>  |             | <b>113,783</b>                          | <b>41,569</b>    |

(\*) We refer to Note 5.1.6 Reporting changes for reclassification of wholesale revenue and expenses related to truck rolls for customer premises equipment.

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

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

| <b>Items that will not be reclassified to profit or loss</b>               |      |                |                |
|--|------|----------------|----------------|
| Remeasurements of defined benefit liability/(asset)                        | 5.17 | 1,256          | (5,512)        |
| <b>Other comprehensive income (loss) for the period, net of income tax</b> |      | <b>1,256</b>   | <b>(5,512)</b> |
| <b>Total comprehensive income for the period</b>                           |      | <b>115,039</b> | <b>36,057</b>  |
| <b>Profit (loss) attributable to:</b>                                      |      | <b>113,783</b> | <b>41,569</b>  |
| Owners of the Company  |      | 112,217        | 41,815         |
| Non-controlling interests  |      | 1,566          | (246)          |
| <b>Total comprehensive income (loss) for the period, attributable to:</b>  |      | <b>115,039</b> | <b>36,057</b>  |
| Owners of the Company  |      | 113,473        | 36,303         |
| Non-controlling interests  |      | 1,566          | (246)          |
| <b>Earnings per share</b>  |      |                |                |
| Basic earnings per share in €  | 5.23 | 0.97           | 0.36           |
| Diluted earnings per share in €  | 5.23 | 0.97           | 0.36           |

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<br><i>(in thousands of euro, except share data)</i> | Note | Number of shares   | Share capital | Share premium | Equity-based compensation reserve |
|---|------|--------------------|---------------|---------------|-----------------------------------|
| <b>January 1, 2017</b>  |      | <b>117,335,623</b> | <b>12,758</b> | <b>62,366</b> | <b>75,271</b>                     |
| <b>Total comprehensive income for the period</b>  |      |                    |               |               |                                   |
| Profit for the period   |      | —                  | —             | —             | —                                 |
| Other comprehensive income (loss)   |      | —                  | —             | —             | —                                 |
| <b>Total comprehensive income for the period</b>  |      | <b>—</b>           | <b>—</b>      | <b>—</b>      | <b>—</b>                          |
| <b>Transactions with owners, recorded directly in equity</b>                                      |      |                    |               |               |                                   |
| <b>Contributions by and distributions to owners of the Company</b>                                |      |                    |               |               |                                   |
| Reallocation of prior year's profit to legal reserve  |      | —                  | —             | —             | —                                 |
| Recognition of share-based compensation   | 5.12 | —                  | —             | —             | 12,512                            |
| Cost of equity transactions   |      | —                  | —             | —             | —                                 |
| 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 stock options  | 5.12 | —                  | —             | —             | —                                 |
| <b>Total contribution by and distributions to owners of the Company</b>                           |      | <b>380,700</b>     | <b>41</b>     | <b>18,377</b> | <b>12,512</b>                     |
| <b>Changes in ownership interests in subsidiaries</b>   |      |                    |               |               |                                   |
| Capital contributions by NCI  |      | —                  | —             | —             | —                                 |
| <b>Total transactions with owners of the Company</b>  |      | <b>380,700</b>     | <b>41</b>     | <b>18,377</b> | <b>12,512</b>                     |
| <b>December 31, 2017</b>  |      | <b>117,716,323</b> | <b>12,799</b> | <b>80,743</b> | <b>87,783</b>                     |

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       |
|---------------|------------------------|----------------|--------------------|-----------------|--------------------|--------------------------|--------------------|
| <b>86,317</b> | <b>(85,767)</b>        | <b>827,945</b> | <b>(2,190,107)</b> | <b>(14,798)</b> | <b>(1,226,015)</b> | <b>18,372</b>            | <b>(1,207,643)</b> |
| —             | —                      | —              | 112,217            | —               | 112,217            | 1,566                    | 113,783            |
| —             | —                      | —              | —                  | 1,256           | 1,256              | —                        | 1,256              |
| <b>—</b>      | <b>—</b>               | <b>—</b>       | <b>112,217</b>     | <b>1,256</b>    | <b>113,473</b>     | <b>1,566</b>             | <b>115,039</b>     |
| 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             |
| <b>13,029</b> | <b>(22,898)</b>        | <b>(75)</b>    | <b>(21,768)</b>    | <b>—</b>        | <b>(782)</b>       | <b>—</b>                 | <b>(782)</b>       |
| —             | —                      | —              | —                  | —               | —                  | 1,917                    | 1,917              |
| <b>13,029</b> | <b>(22,898)</b>        | <b>(75)</b>    | <b>(21,768)</b>    | <b>—</b>        | <b>(782)</b>       | <b>1,917</b>             | <b>1,135</b>       |
| <b>99,346</b> | <b>(108,665)</b>       | <b>827,870</b> | <b>(2,099,658)</b> | <b>(13,542)</b> | <b>(1,113,324)</b> | <b>21,855</b>            | <b>(1,091,469)</b> |

| Attributable to equity holders of the Company                           | Note | Number of shares   | Share capital | Share premium | Equity-based compensation reserve |
|---|------|--------------------|---------------|---------------|-----------------------------------|
| <i>(in thousands of euro, except share data)</i>                        |      |                    |               |               |                                   |
| <b>January 1, 2016</b>  |      | <b>117,278,706</b> | <b>12,751</b> | <b>61,271</b> | <b>71,346</b>                     |
| <b>Total comprehensive income for the period</b>                        |      |                    |               |               |                                   |
| Profit for the period   |      | —                  | —             | —             | —                                 |
| Other comprehensive income (loss)                                       |      | —                  | —             | —             | —                                 |
| <b>Total comprehensive income for the period</b>                        |      | <b>—</b>           | <b>—</b>      | <b>—</b>      | <b>—</b>                          |
| <b>Transactions with owners, recorded directly in equity</b>            |      |                    |               |               |                                   |
| <b>Contributions by and distributions to owners of the Company</b>      |      |                    |               |               |                                   |
| Reallocation of prior year's profit to legal reserve                    |      | —                  | —             | —             | —                                 |
| Recognition of share-based compensation                                 | 5.12 | —                  | —             | —             | 9,485                             |
| Cash settlement of PSP 2013 awards                                      | 5.12 | —                  | —             | —             | (1,629)                           |
| Reclass Performance Share Plan to cash settled equity award liabilities | 5.12 | —                  | —             | —             | (3,931)                           |
| Cost of equity transactions   |      | —                  | —             | —             | —                                 |
| Own shares acquired   | 5.12 | —                  | —             | —             | —                                 |
| Own shares sold   | 5.12 | —                  | —             | —             | —                                 |
| Proceeds received upon exercise of Warrants                             | 5.12 | 56,917             | 7             | 1,095         | —                                 |
| <b>Total contribution by and distributions to owners of the Company</b> |      | <b>56,917</b>      | <b>7</b>      | <b>1,095</b>  | <b>3,925</b>                      |
| <b>Changes in ownership interests in subsidiaries</b>                   |      |                    |               |               |                                   |
| Capital contributions by NCI  |      | —                  | —             | —             | —                                 |
| <b>Total transactions with owners of the Company</b>                    |      | <b>56,917</b>      | <b>7</b>      | <b>1,095</b>  | <b>3,925</b>                      |
| <b>December 31, 2016</b>  |      | <b>117,335,623</b> | <b>12,758</b> | <b>62,366</b> | <b>75,271</b>                     |

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       |
|---------------|------------------------|----------------|--------------------|-----------------|--------------------|--------------------------|--------------------|
| <b>79,269</b> | <b>(38,487)</b>        | <b>827,903</b> | <b>(2,224,874)</b> | <b>(9,286)</b>  | <b>(1,220,107)</b> | <b>16,648</b>            | <b>(1,203,459)</b> |
| —             | —                      | —              | 41,815             | —               | 41,815             | (246)                    | 41,569             |
| —             | —                      | —              | —                  | (5,512)         | (5,512)            | —                        | (5,512)            |
| <b>—</b>      | <b>—</b>               | <b>—</b>       | <b>41,815</b>      | <b>(5,512)</b>  | <b>36,303</b>      | <b>(246)</b>             | <b>36,057</b>      |
| 7,048         | —                      | —              | (7,048)            | —               | —                  | —                        | —                  |
| —             | —                      | —              | —                  | —               | 9,485              | —                        | 9,485              |
| —             | —                      | —              | —                  | —               | (1,629)            | —                        | (1,629)            |
| —             | —                      | —              | —                  | —               | (3,931)            | —                        | (3,931)            |
| —             | —                      | 42             | —                  | —               | 42                 | —                        | 42                 |
| —             | (47,800)               | —              | —                  | —               | (47,800)           | —                        | (47,800)           |
| —             | 520                    | —              | —                  | —               | 520                | —                        | 520                |
| —             | —                      | —              | —                  | —               | 1,102              | —                        | 1,102              |
| <b>7,048</b>  | <b>(47,280)</b>        | <b>42</b>      | <b>(7,048)</b>     | <b>—</b>        | <b>(42,211)</b>    | <b>—</b>                 | <b>(42,211)</b>    |
| —             | —                      | —              | —                  | —               | —                  | 1,970                    | 1,970              |
| <b>7,048</b>  | <b>(47,280)</b>        | <b>42</b>      | <b>(7,048)</b>     | <b>—</b>        | <b>(42,211)</b>    | <b>1,970</b>             | <b>(40,241)</b>    |
| <b>86,317</b> | <b>(85,767)</b>        | <b>827,945</b> | <b>(2,190,107)</b> | <b>(14,798)</b> | <b>(1,226,015)</b> | <b>18,372</b>            | <b>(1,207,643)</b> |

# 4. Consolidated statement of cash flows

| <i>(in thousands of euro)</i>  |             | <b>For the years ended December 31,</b> |                |
|--|-------------|---|----------------|
|  | Note        | <b>2017</b>                             | <b>2016</b>    |
| <b>Cash flows provided by operating activities:</b>                    |             |   |                |
| Profit for the period  |             | 113,783                                 | 41,569         |
| Adjustments for:   |             |   |                |
| Depreciation, amortization, impairment and restructuring               | 5.20        | 742,300                                 | 616,693        |
| Gain on disposal of property and equipment and other intangible assets | 5.20        | (4,449)                                 | (5,081)        |
| Income tax expense   | 5.22        | 41,689                                  | 43,013         |
| Increase (decrease) in allowance for bad debt                          | 5.8         | 853                                     | (538)          |
| Net interest income and foreign exchange gain                          | 5.21        | (246,463)                               | (378)          |
| Net interest expense, foreign exchange loss and other finance expense  | 5.21        | 224,875                                 | 330,752        |
| Net (gain) loss on derivative financial instruments                    | 5.14 & 5.21 | 243,066                                 | (6,140)        |
| Loss on extinguishment of debt   | 5.21        | 75,991                                  | 45,651         |
| Other income   |             | (3,332)                                 | (35)           |
| Impairment of investments in equity accounted investees                | 5.7.1       | —                                       | 31,000         |
| Share based payments   | 5.12 & 5.20 | 19,740                                  | 11,655         |
| Change in:   |             |   |                |
| Trade receivables  |             | (10,837)                                | (25,603)       |
| Other assets   |             | 5,879                                   | 46,230         |
| Deferred revenue   |             | (6,028)                                 | (1,716)        |
| Trade payables   |             | (39,719)                                | (21,449)       |
| Other liabilities  |             | (2,733)                                 | (4,652)        |
| Accrued expenses and other current liabilities                         |             | 21,568                                  | (28,604)       |
| Interest paid  |             | (210,937)                               | (231,242)      |
| Interest received  |             | 2,726                                   | —              |
| Income taxes paid  |             | (136,341)                               | (92,026)       |
| <b>Net cash provided by operating activities</b>                       |             | <b>831,631</b>                          | <b>749,099</b> |

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

## Cash flows used in investing activities:

|  |       |                  |                    |
|--|-------|------------------|--------------------|
| Acquisitions of property and equipment                             |       | (294,926)        | (303,429)          |
| Acquisitions of intangibles  |       | (185,044)        | (178,583)          |
| Acquisitions of other investments                                  | 5.7.2 | (2,360)          | (1,757)            |
| Acquisitions of and loans to equity accounted investees            | 5.7.1 | (260)            | (500)              |
| Acquisitions of subsidiaries, net of cash acquired                 | 5.24  | (367,329)        | (1,180,542)        |
| Proceeds from sale of property and equipment and other intangibles |       | 8,882            | 4,629              |
| Acquisitions of broadcasting rights for resale purposes            |       | (5,209)          | (1,881)            |
| Proceeds from the sale of broadcasting rights for resale purposes  |       | 5,209            | 1,881              |
| <b>Net cash used in investing activities</b>                       |       | <b>(841,037)</b> | <b>(1,660,182)</b> |

## Cash flows used in financing activities:

|  |        |                 |                  |
|--|--------|-----------------|------------------|
| Repayments of loans and borrowings   | 5.13   | (998,665)       | (1,711,401)      |
| Proceeds from loans and borrowings   | 5.13   | 1,055,009       | 2,589,565        |
| Payments of finance lease liabilities  |        | (40,317)        | (37,025)         |
| Payments for debt issuance costs   |        | (53,441)        | (44,648)         |
| Payments for early termination of loans and borrowings                       |        | —               | (9,939)          |
| Payments for early termination of derivative financial instruments           | 5.14   | —               | (10,735)         |
| Payments for other financing activities                                      |        | —               | (1,629)          |
| Repurchase of own shares   | 5.12   | (61,646)        | (47,800)         |
| Sale of own shares   | 5.12   | 29,898          | 520              |
| Proceeds from exercise of warrants   | 5.12   | —               | 1,102            |
| Proceeds from capital transactions with equity participants                  |        | —               | 5,003            |
| Proceeds from issuance of share capital through Employee Share Purchase Plan | 5.12   | 18,418          | —                |
| <b>Net cash provided by (used in) financing activities</b>                   | 5.13.4 | <b>(50,744)</b> | <b>733,013</b>   |
| <b>Net decrease in cash and cash equivalents</b>                             |        | <b>(60,150)</b> | <b>(178,070)</b> |
| Cash and cash equivalents:   |        |                 |                  |
| at January 1   | 5.11   | 99,203          | 277,273          |
| at December 31   | 5.11   | 39,053          | 99,203           |

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

# 5. Notes to the consolidated financial statements for the year ended December 31, 2017

## 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 both an MVNO Arrangement with Orange and through its own mobile network following the acquisition of BASE on February 11, 2016. The Company started to migrate its mobile customers from the Orange network to its own mobile network and accelerated this transfer from the third quarter of 2017 onwards. By end of the first quarter of 2018, all mobile customers are expected to be migrated to the 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 through an MVNO Agreement with BASE.

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: 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 MVNO
- note 5.24: Acquisition of subsidiary - Purchase price allocation

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.

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### 5.1.5 Going Concern

The consolidated financial statements as of December 31, 2017 showed a negative consolidated equity amounting to €1,091.5 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.

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### 5.1.6 Reporting changes

As of 2017 onwards, the Company changed the way it presents the revenue generated by its fixed and mobile wholesale partners, as well as the presentation of the expenses incurred for CPE-related truck rolls.

#### Reclassification of wholesale revenue

As of January 1, 2017, the revenue generated by the Company's fixed and mobile wholesale partners is accounted for under other revenue, whereas prior to that date wholesale revenue was presented under mobile telephony revenue. The Company also applied this change

retroactively to the prior year period. Accordingly, €36.1 million related to the twelve months ended December 31, 2016 was reclassified to other revenues.

#### Reclassification of expenses related to truck rolls for customer premises equipment ("CPE")

As of January 1, 2017, expenses incurred for CPE-related truck rolls are recognized under network operating expenses, whereas before that date they were presented under professional services and outsourced labor. The Company also applied this change retroactively to the prior year period. Accordingly, €19.3 million related to the twelve months ended December 31, 2016 was reclassified to network operating expenses.

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### 5.1.7 Approval by board of directors

These consolidated financial statements were authorized for issue by the board of directors on March 19, 2018.

## 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.

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### 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.

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## 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 and the board of directors.

The CEO, the Senior Leadership Team and the board of directors of Telenet manage the Company's telecommunication business, inclusive of the recent acquisitions of BASE and SFR Belux, 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.

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.

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## 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.

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## 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 15 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.

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## 5.2.5 Impairment of financial and non-financial assets

### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the statement of 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.

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### 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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its

activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable.

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.

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### 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.

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## 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.

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## 5.2.9 Revenue recognition

Subscription fees for telephony, internet and premium cable television are prepaid by subscribers on a monthly basis and recognized in revenue as the related services are provided, i.e. in the subsequent month. Subscription fees for analog cable television are prepaid by subscribers predominantly on an annual basis and recognized in revenue on a straight-line basis over the following twelve months. Revenue from usage based premium television, mobile and fixed telephone and internet activity is recognized on actual usage.

Installation fees charged to residential customers are recognized as revenue by reference to the stage of completion of the installation. As installation ordinarily does not take long, installation fees are recognized generally as 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.

Together with subscription fees, basic cable television subscribers are charged a copyright fee for the content received from public broadcasters that is broadcasted over the Company's network. These fees contribute to the cost the Company bears in respect of copyright fees paid to copyright collecting agencies for certain content provided by the public broadcasters and other copyright holders. The Company reports copyright fees collected from cable subscribers on a gross basis as a component of revenue due to the fact that the Company is acting as a principal in the arrangement between the public broadcaster and other copyright holders which does not represent a pass-through arrangement. Indeed, the Company bears substantial risk in setting the level of copyright fees charged to subscribers as well as in collecting such fees.

For multiple element arrangements, the recognition criteria of revenue are applied to the separately identifiable components of the transaction. A component within an arrangement is separated if it has 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.

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 have stand-alone value to the customer and downgrade fees are therefore deemed to be part of the overall consideration for the ongoing service. Revenue from downgrade fees is recognized on a straight-line basis over the longer period of (i) the related subscription contract or (ii) the expected remaining length of the customer relationship.

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 have stand-alone value 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 and realization of the revenue with respect to the mobile handset is not contingent on the satisfactory delivery of future (airtime) services. 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 our 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 separately identifiable revenue stream and are therefore recognized as revenue.

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### 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.

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### 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.

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### 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.

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### 5.2.13 Income taxes

Income tax expense comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit, and is accounted for using the balance sheet method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that is not a business combination and that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognized for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Current and deferred tax is charged or credited to the statement of 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.

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## 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 other comprehensive income (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.

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### 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.

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### 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.

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### 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.

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### 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.

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### 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, 2017.

- **Amendments to IAS 7 Statement of Cash Flows** (effective for annual periods beginning on or after January 1, 2017) requiring disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- **Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)** clarifies the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. Further, the amendments provide guidance on estimating probable future taxable profits when assessing the recognition of deferred tax assets when there are insufficient taxable temporary differences relating to the same taxation authority and the same taxable entity (effective for annual periods beginning on or after January 1, 2017).

- **Annual improvements to IFRSs 2014-2016 Cycle** clarifies that IFRS 12 Disclosure of Interests in Other Entities also applies to interests that are classified as held for sale or distribution. The amendments are effective for annual periods beginning on or after January 1, 2017.

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, 2017 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, 2018, or later periods, but the Company has not early adopted them. The adoption of these standards, amendments and interpretations, except for IFRS 15 and IFRS 16, is not expected to have a material impact on the Company's financial result or financial position:

**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 will apply under IFRS 9 a new forward looking impairment model based on an expected credit loss model rather than the currently applied actual credit loss model. The Company is currently evaluating the effect that IFRS 9 will have but does not expect a material impact on its consolidated financial statements.

**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. IFRS 15 will replace existing revenue recognition guidance when it becomes effective. This new standard permits the use of either the retrospective or cumulative effect transition method. The Company will adopt IFRS 15 effective January 1, 2018 using the cumulative effect transition method. Upon the Company's evaluation of the effect that IFRS 15 will have on its consolidated financial statements, a number of its current revenue recognition policies have been identified that will be impacted by the new revenue recognition standard, including the accounting for (i) time-limited discounts and free service periods provided to our customers, (ii) certain up-front fees charged to our customers and (iii) multiple element arrangements. These impacts are discussed below:

- When the Company enters into contracts to provide services to its customers, the Company often provides time-limited discounts or free service periods. Under current accounting rules, the Company recognizes revenue net of discounts during the promotional periods and does not recognize any revenue during free service periods. Under IFRS 15, revenue recognition for those contracts that contain substantive

termination penalties will be accelerated as the impact of the discount or free service period will be recognized uniformly over the total contractual period. For contracts that do not have substantive termination penalties, the Company will continue to record the impacts of partial or full discounts during the applicable promotional periods.

- When the Company enters into contracts to provide services to its customers, the Company often charges installation or other up-front fees. Under current accounting rules, installation fees related to services provided over our cable networks are recognized as revenue during the period in which the installation occurs to the extent these fees are equal to or less than direct selling costs. Under IFRS 15, these fees will generally be deferred and recognized as revenue over the contractual period, or longer if the up-front fee results in a material renewal right.
- Under the current revenue recognition guidance, revenue related to multiple element arrangements is generally recognized based on amounts billed to the customer. Under IFRS 15, revenue will generally be recognized based on delivery of goods and/or services at their relative fair values. Customer premise equipment (CPE) sold is deemed to have no standalone value as the set-top boxes can only be used with a connection to the Company's network.

As the above revenue recognition changes have offsetting impacts and both result in a relatively minor shift in the timing of revenue recognition, we currently do not expect IFRS 15 to have a material impact on our reported revenue.

IFRS 15 will also impact our accounting for certain upfront costs directly associated with obtaining and fulfilling customer contracts. Under our current policy, these costs are expensed as incurred unless the costs are in the scope of another accounting topic that allows for capitalization. Under IFRS 15, the upfront costs that are currently expensed as incurred will be 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 will be dependent on numerous factors, including the number of new subscriber contracts added in any given period, but we expect the adoption of this accounting change will initially result in the deferral of operating and selling costs.

The ultimate impact of adopting IFRS 15 for both revenue recognition and costs to obtain and fulfill contracts will depend on numerous factors, including the promotions and offers in place during the period leading up to and after the adoption of IFRS 15. We expect the upfront revenues from installation and activation services, as well as the revenues related to multiple element arrangements to be impacted by IFRS 15. The financial impact on the aforementioned installation and activation revenue streams for 2018 is estimated at €-3.2 million. For subsidized devices, a negative impact amounting to €-1.3 million due to the unwinding in 2018 of the opening balance sheet which will only partially be offset with the new contracts of 2018.

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

|                           | <b>January 1, 2018</b> |
|---------------------------|------------------------|
|                           | (in millions of euro)  |
| Current contract assets   | 9.7                    |
| Long term contract assets | 2.5                    |
| Retained earnings         | (12.2)                 |

**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 lease 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 optional exemptions for short-term leases and leases of low value items. With respect to the impact of IFRS 16, we refer to note 5.26.3 and note 5.3. The Company is in the process of analyzing its operational lease agreements and corresponding obligations in order to apply IFRS 16.

The Company will elect the modified retrospective approach and thus will record a cumulative effect adjustment to the opening balance of equity as per January 1, 2019. No prior periods will be restated. IFRS 16 also includes a number of optional practical expedients an entity may elect to apply.

**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. The 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.

**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. The 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.

**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 not yet been endorsed by the EU.

**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. The amendments are not expected to have a material impact on the Group's consolidated financial statements. This interpretation has not yet been endorsed by the EU.

**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 not yet been endorsed by the EU.

**Annual improvements to IFRSs 2014-2016 Cycle**, issued on December 8, 2016, covers the following minor amendments:

- **IFRS 1 First-time Adoption of IFRS:** removes outdated exemptions for first-time adopters of IFRS (effective for annual periods beginning on or after January 1, 2018);
- **IFRS 12 Disclosure of Interests in Other Entities:** the amendments clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution (effective for annual periods beginning on or after January 1, 2017); and
- **IAS 28 Investments in Associates and Joint Ventures:** the amendments clarify that a venture capital organization, 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. These amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

The 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.

**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 Audit Committee to deal with the challenges the Company faces, the Company has set up a risk management and internal control system. The purpose of the internal control and risk management framework is to enable the Company to meet its objectives. The most important components of this system are described in our Corporate Governance Statement under 7.4 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.

The Company applies a decentralized risk management approach built upon the three lines of defense model. The Company has introduced a risk governance layer to strengthen its risk oversight by identifying the key supporting risk management functions (2nd line of defense), creating an oversight on the maturity thereof and by implementing a common risk management framework to align processes for risk identification, risk analysis, risk evaluation, risk treatment, monitoring and reporting across the key risk areas.

An overview of the different risk domains is maintained in the risk assurance map, which is organized around four risk groups:

- Governance, Risk & Compliance
- Strategy & Planning
- Operations
- Reporting

Governance, Risk & Compliance captures various topics such as the board structure, ethics, corporate social responsibility, Telenet's 2nd line of defense and compliance with laws and regulations.

Strategy & Planning focuses on external factors (competition, credit rating, capital, economic conditions, ..), strategy (M&A, innovation, technology, ...) and business planning. All operational processes (marketing to sales, order to bill, bill to cash, customer service, infrastructure operations) and all supporting processes (build, content, finance & administration, HR, Legal, ...) fall into the risk group Operations.

And finally, the risk group Reporting covers all risks related to internal and external, financial and non-financial reporting.

The risk assurance map is used to prioritize the internal audits performed by the internal audit function (3rd line of defense) and the reviews performed by Telenet's risk managers, and to visualize the results. All issues and action plans resulting from these reviews are maintained and followed up in a central repository. The resolution of the open issues is monitored through management self-assessment and a quarterly follow-up for issues with high or medium priority. The SLT and the Audit Committee receive a quarterly status update on all open issues.

### 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:

| <i>(in thousands of euro)</i>  | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|--|--------------------------|--------------------------|
| Cash and cash equivalents (including money market funds, certificates of deposits) | 39,053                   | 99,203                   |
| Trade receivables  | 229,326                  | 220,431                  |
| Derivative financial instruments   | 49,335                   | 72,483                   |
| Receivables from sale of sports broadcasting rights                                | 10,624                   | 7,198                    |
| Indemnification receivable pylon tax KPN   | 4,687                    | 4,687                    |
| Prepaid content  | 6,082                    | 7,506                    |
| Prepayments  | 28,146                   | 18,547                   |
| Outstanding guarantees to third parties for own liabilities (cash paid)            | 1,272                    | 1,102                    |
| Loans to equity accounted investees  | 1,295                    | 1,269                    |
| <b>Total</b>   | <b>369,820</b>           | <b>432,426</b>           |

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 2017 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 2017 Amended Senior Credit Facility, will be sufficient to fund its currently anticipated working capital needs, capital expenditures and debt service requirements.

The 2017 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 March 2015. 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. 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 three-year €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 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.

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, 2017 and 2016 were as follows:

| <i>Situation as per December 31, 2017</i>                     |                  | <b>Payments due by period</b> |                |                |                |                |                      |
|---|------------------|-------------------------------|----------------|----------------|----------------|----------------|----------------------|
| <i>(in thousands of euro)</i>                                 |                  |                               |                |                |                |                |                      |
| <b>Contractual obligations</b>                                | <b>Total</b>     | <b>Less than 1 year</b>       | <b>2 years</b> | <b>3 years</b> | <b>4 years</b> | <b>5 years</b> | <b>After 5 years</b> |
| Long term debt <sup>(1)(3)</sup>                              | 6,110,846        | 431,181                       | 178,245        | 192,949        | 191,379        | 191,485        | 4,925,607            |
| Finance lease obligations <sup>(1)(3)</sup>                   | 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 <sup>(2)</sup>                  | 1,392,800        | 379,795                       | 178,369        | 64,885         | 35,563         | 34,657         | 699,531              |
| Interest Rate Derivatives <sup>(3)</sup>                      | (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 <sup>(4)</sup> | 479,696          | 479,696                       | —              | —              | —              | —              | —                    |
| Trade payables  | 149,976          | 149,976                       | —              | —              | —              | —              | —                    |
| <b>Total contractual obligations</b>                          | <b>8,819,369</b> | <b>1,588,702</b>              | <b>469,648</b> | <b>341,474</b> | <b>295,271</b> | <b>290,320</b> | <b>5,833,954</b>     |

| <i>Situation as per December 31, 2016</i>                     |                  | <b>Payments due by period</b> |                |                |                |                |                      |
|---|------------------|-------------------------------|----------------|----------------|----------------|----------------|----------------------|
| <i>(in thousands of euro)</i>                                 |                  |                               |                |                |                |                |                      |
| <b>Contractual obligations</b>                                | <b>Total</b>     | <b>Less than 1 year</b>       | <b>2 years</b> | <b>3 years</b> | <b>4 years</b> | <b>5 years</b> | <b>After 5 years</b> |
| Long term debt <sup>(1)(3)</sup>                              | 6,178,462        | 224,286                       | 193,724        | 201,963        | 196,305        | 194,922        | 5,167,262            |
| Finance lease obligations <sup>(1)(3)</sup>                   | 470,112          | 61,486                        | 59,519         | 50,539         | 47,725         | 46,131         | 204,712              |
| Operating lease obligations                                   | 183,394          | 50,491                        | 37,433         | 31,356         | 25,781         | 17,858         | 20,475               |
| Other contractual obligations <sup>(2)</sup>                  | 1,438,248        | 366,062                       | 151,088        | 83,221         | 59,777         | 47,596         | 730,504              |
| Interest Rate Derivatives <sup>(3)</sup>                      | (20,801)         | (1,268)                       | 10,467         | 10,604         | 10,567         | 10,484         | (61,655)             |
| Foreign Exchange Derivatives                                  | 41,515           | 41,515                        | —              | —              | —              | —              | —                    |
| Accrued expenses and other current liabilities <sup>(4)</sup> | 461,432          | 461,432                       | —              | —              | —              | —              | —                    |
| Trade payables  | 182,284          | 182,284                       | —              | —              | —              | —              | —                    |
| <b>Total contractual obligations</b>                          | <b>8,934,646</b> | <b>1,386,288</b>              | <b>452,231</b> | <b>377,683</b> | <b>340,155</b> | <b>316,991</b> | <b>6,061,298</b>     |

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 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. About 6.0% (2016: 4%) 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 2017 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 our revolving credit facilities with certain availabilities up to June 30, 2023.

The outstanding forward foreign exchange derivatives as of December 31, 2017 and 2016, 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 March 2015. 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, 2017 and 2016, are disclosed in more detail in note 5.14 to the consolidated financial statements of the Company.

Under the 2017 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:

| <i>(in thousands of euro)</i> | 2017          |                 | 2016          |                 |
|-------------------------------|---------------|-----------------|---------------|-----------------|
|                               | +0.25%        | -0.25%          | +0.25%        | -0.25%          |
| <b>Changes in fair value</b>  |               |                 |               |                 |
| Swaps                         | 47,089        | (47,089)        | 80,572        | (80,572)        |
| Collars                       | —             | —               | 3             | (3)             |
| <b>Total</b>                  | <b>47,089</b> | <b>(47,089)</b> | <b>80,575</b> | <b>(80,575)</b> |

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, 2017      |                     | Interest payments due by period |               |               |               |                  |
|---|---------------------|---------------------------------|---------------|---------------|---------------|------------------|
| +0.25%<br><i>(in thousands of euro)</i> | Less than<br>1 year | 2 years                         | 3 years       | 4 years       | 5 years       | After<br>5 years |
| 2017 Amended SCF Term Loan AL           | 47,244              | 28,180                          | 49,537        | 49,402        | 49,402        | 179,470          |
| 2017 Amended SCF Term Loan AM           | 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)         |
| <b>Total</b>                            | <b>36,579</b>       | <b>58,874</b>                   | <b>59,780</b> | <b>59,571</b> | <b>59,342</b> | <b>244,772</b>   |

| Situation as per December 31, 2017      |                     | Interest payments due by period |               |               |               |                  |
|---|---------------------|---------------------------------|---------------|---------------|---------------|------------------|
| -0.25%<br><i>(in thousands of euro)</i> | Less than<br>1 year | 2 years                         | 3 years       | 4 years       | 5 years       | After<br>5 years |
| 2017 Amended SCF Term Loan AL           | 42,213              | 25,026                          | 44,040        | 43,920        | 43,920        | 159,555          |
| 2017 Amended SCF Term Loan AM           | 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)         |
| <b>Total</b>                            | <b>38,268</b>       | <b>62,565</b>                   | <b>63,491</b> | <b>63,271</b> | <b>63,042</b> | <b>251,467</b>   |

| Situation as per December 31, 2016      |                     | Interest payments due by period |                |                |                |                  |
|---|---------------------|---------------------------------|----------------|----------------|----------------|------------------|
| +0.25%<br><i>(in thousands of euro)</i> | Less than<br>1 year | 2 years                         | 3 years        | 4 years        | 5 years        | After<br>5 years |
| 2015 Amended SCF Term Loan AE           | 51,278              | 52,722                          | 52,722         | 52,722         | 52,578         | 171,889          |
| 2015 Amended SCF Term Loan AF           | 57,013              | 61,089                          | 60,590         | 60,756         | 60,756         | 190,258          |
| Interest Derivatives                    | (9,486)             | 2,251                           | 2,414          | 2,367          | 2,299          | 5,413            |
| <b>Total</b>                            | <b>98,805</b>       | <b>116,062</b>                  | <b>115,726</b> | <b>115,845</b> | <b>115,633</b> | <b>367,560</b>   |

| Situation as per December 31, 2016      |                     | Interest payments due by period |                |                |                |                  |
|---|---------------------|---------------------------------|----------------|----------------|----------------|------------------|
| -0.25%<br><i>(in thousands of euro)</i> | Less than<br>1 year | 2 years                         | 3 years        | 4 years        | 5 years        | After<br>5 years |
| 2015 Amended SCF Term Loan AE           | 51,278              | 52,722                          | 52,722         | 52,722         | 52,578         | 171,889          |
| 2015 Amended SCF Term Loan AF           | 49,804              | 53,840                          | 53,400         | 53,546         | 53,546         | 167,680          |
| Interest Derivatives                    | 5,878               | 17,611                          | 17,715         | 17,699         | 17,597         | 52,133           |
| <b>Total</b>                            | <b>106,960</b>      | <b>124,173</b>                  | <b>123,837</b> | <b>123,967</b> | <b>123,721</b> | <b>391,702</b>   |

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, 2017 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 5.29 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 our Term Loan AL and our USD1000 million Senior Secured Notes due 2028 as outlined in the table below based on the hedged position (if any).

| 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 |  |
| USD1000 million 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 |  |
| December 31, 2016                             |                  |                            |              |                   |              |                   |  |
|   | Foreign currency | Amount in foreign currency | 10% increase |                   | 10% decrease |                   |  |
| Trade payables                                | USD              | 12,142                     | (1,041)      | On profit or loss | 1,273        | On profit or loss |  |
| 2015 Amended SCF Term Loan AF                 | USD              | 1,500,000                  | (158,023)    | On profit or loss | 129,291      | 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.

The Company monitors capital risk on the basis of the net leverage ratio.

**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. **Net covenant leverage** is calculated as per the 2017 Amended Senior Credit Facility definition, using Net Total Debt which excludes both lease-related liabilities and vendor financing-related short-term liabilities, divided by last two quarters' Consolidated Annualized EBITDA which includes certain unrealized OPEX synergies with regards to both the BASE and SFR Belux acquisitions. 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.

The outstanding balance of the Company's consolidated total borrowings and total cash and cash equivalents - as defined under our 2017 Amended Senior Credit Facility ("net covenant leverage") -

resulted in a Net Total Debt to Consolidated Annualized EBITDA ratio of 3.2x at December 31, 2017 (December 31, 2016: 3.5x). As per the Company's 2017 Amended Senior Credit Facility, the Consolidated Annualized EBITDA includes certain unrealized OPEX synergies with regards to both the BASE and SFR Belux acquisitions, while Net Total Debt excludes both lease-related liabilities and vendor financing-related short-term liabilities. The Company'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. Excluding the aforementioned unrealized OPEX synergies and including all other short-term and long-term liabilities on our balance sheet, our net total leverage ratio as per December 31, 2017 reached 3.9x.

### 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, 2017  | Note | Carrying amount  | Fair value       |                  |                  |          |
|--|------|------------------|------------------|------------------|------------------|----------|
| (in thousands of euro)   |      |                  | Level 1          | Level 2          | Level 3          |          |
| <b>Financial assets</b>  |      |                  |                  |                  |                  |          |
| <b>Financial assets carried at fair value</b>  |      |                  |                  |                  |                  |          |
| Money market funds   | 5.11 | 11,000           | 11,000           | 11,000           | —                | —        |
| Derivative financial assets  | 5.14 | 49,335           | 49,335           | —                | 49,335           | —        |
| <b>Total financial assets carried at fair value</b>  |      | <b>60,335</b>    | <b>60,335</b>    | <b>11,000</b>    | <b>49,335</b>    | <b>—</b> |
| <b>Financial liabilities</b>   |      |                  |                  |                  |                  |          |
| <b>Financial liabilities carried at fair value</b>   |      |                  |                  |                  |                  |          |
| Derivative financial liabilities   | 5.14 | 333,075          | 333,075          | —                | 333,075          | —        |
| <b>Total financial liabilities carried at fair value</b>   |      | <b>333,075</b>   | <b>333,075</b>   | <b>—</b>         | <b>333,075</b>   | <b>—</b> |
| <b>Financial liabilities carried at amortized cost</b>   |      |                  |                  |                  |                  |          |
| 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           | —        |
| <b>Total financial liabilities carried at amortized cost</b>   |      | <b>4,844,490</b> | <b>4,881,009</b> | <b>2,300,861</b> | <b>2,580,148</b> | <b>—</b> |

| December 31, 2016  | Note | Carrying amount  | Fair value       |                  |                  |          |
|--|------|------------------|------------------|------------------|------------------|----------|
| (in thousands of euro)   |      |                  |                  | Level 1          | Level 2          | Level 3  |
| <b>Financial assets</b>  |      |                  |                  |                  |                  |          |
| <b>Financial assets carried at fair value</b>  |      |                  |                  |                  |                  |          |
| Money market funds   | 5.11 | 82,000           | 82,000           | 82,000           | —                | —        |
| Derivative financial assets  | 5.14 | 72,483           | 72,483           | —                | 72,483           | —        |
| <b>Total financial assets carried at fair value</b>  |      | <b>154,483</b>   | <b>154,483</b>   | <b>82,000</b>    | <b>72,483</b>    | <b>—</b> |
| <b>Financial liabilities</b>   |      |                  |                  |                  |                  |          |
| <b>Financial liabilities carried at fair value</b>   |      |                  |                  |                  |                  |          |
| Derivative financial liabilities   | 5.14 | 110,710          | 110,710          | —                | 110,710          | —        |
| <b>Total financial liabilities carried at fair value</b>   |      | <b>110,710</b>   | <b>110,710</b>   | <b>—</b>         | <b>110,710</b>   | <b>—</b> |
| <b>Financial liabilities carried at amortized cost</b>   |      |                  |                  |                  |                  |          |
| Loans, borrowings and finance lease liabilities (including accrued interest excluding deferred financing fees) | 5.13 |                  |                  |                  |                  |          |
| - 2015 Amended Senior Credit Facility  |      | 3,032,638        | 3,132,411        | —                | 3,132,411        | —        |
| - Senior Secured Fixed Rate Notes  |      | 1,258,913        | 1,341,013        | 1,341,013        | —                | —        |
| - Overdraft facility   |      | 35               | 35               | —                | 35               | —        |
| - Global Handset Finco Ltd Loan  |      | 12,740           | 12,740           | —                | 12,740           | —        |
| - Vendor financing   |      | 34,652           | 34,652           | —                | 34,652           | —        |
| - Finance lease obligations  |      | 358,815          | 319,075          | —                | 319,075          | —        |
| - Clientele fee > 20 years   |      | 106,008          | 98,564           | —                | 98,564           | —        |
| - 3G Mobile Spectrum   |      | 23,680           | 20,821           | —                | 20,821           | —        |
| <b>Total financial liabilities carried at amortized cost</b>   |      | <b>4,827,481</b> | <b>4,959,311</b> | <b>1,341,013</b> | <b>3,618,298</b> | <b>—</b> |

## 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>- 2017 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>- 3G Mobile spectrum<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, 2017, 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

| <i>(in thousands of euro)</i>   | Note | Land, buildings,<br>and leasehold<br>improvements | Network          | Construction in<br>progress | Furniture,<br>equipment, and<br>vehicles | Total            |
|---|------|---|------------------|-----------------------------|--|------------------|
| <b>Cost</b>   |      |   |                  |                             |  |                  |
| <b>At January 1, 2016</b>   |      | <b>120,646</b>                                    | <b>2,441,664</b> | <b>78,524</b>               | <b>51,210</b>                            | <b>2,692,044</b> |
| Additions   |      | 2,798   | 115,435          | 287,737                     | 135                                      | 406,105          |
| Acquisition of BASE   | 5.24 | 19,770  | 591,688          | 5,707                       | 4,181                                    | 621,346          |
| Asset retirement obligation   |      | —   | 1,807            | —                           | —  | 1,807            |
| Transfers   |      | 7,078   | 205,678          | (227,919)                   | 15,163                                   | —                |
| Disposals   |      | (629)   | (10,162)         | —                           | (476)                                    | (11,267)         |
| Write off of fully depreciated assets                                       |      | —   | (167,767)        | —                           | (14,934)                                 | (182,701)        |
| <b>At December 31, 2016</b>   |      | <b>149,663</b>                                    | <b>3,178,343</b> | <b>144,049</b>              | <b>55,279</b>                            | <b>3,527,334</b> |
| 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)        |
| <b>At December 31, 2017</b>   |      | <b>162,248</b>                                    | <b>3,432,658</b> | <b>112,127</b>              | <b>82,840</b>                            | <b>3,789,873</b> |
| <b>Accumulated Depreciation</b>   |      |   |                  |                             |  |                  |
| <b>At January 1, 2016</b>   |      | <b>52,378</b>                                     | <b>1,190,253</b> | <b>—</b>                    | <b>37,480</b>                            | <b>1,280,111</b> |
| Depreciation charge for the year  |      | 8,937   | 377,137          | —                           | 7,927                                    | 394,001          |
| Disposals   |      | (629)   | (10,073)         | —                           | (199)                                    | (10,901)         |
| Write off of fully depreciated assets                                       |      | —   | (167,767)        | —                           | (14,934)                                 | (182,701)        |
| <b>At December 31, 2016</b>   |      | <b>60,686</b>                                     | <b>1,389,550</b> | <b>—</b>                    | <b>30,274</b>                            | <b>1,480,510</b> |
| 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)        |
| <b>At December 31, 2017</b>   |      | <b>74,500</b>                                     | <b>1,534,111</b> | <b>—</b>                    | <b>34,931</b>                            | <b>1,643,542</b> |
| <b>Carrying Amount</b>  |      |   |                  |                             |  |                  |
| At December 31, 2017  |      | 87,748  | 1,898,547        | 112,127                     | 47,909                                   | 2,146,331        |
| At December 31, 2016  |      | 88,977  | 1,788,793        | 144,049                     | 25,005                                   | 2,046,824        |
| <b>Carrying Amount of Finance Leases included in Property and Equipment</b> |      |   |                  |                             |  |                  |
| At December 31, 2017  |      | 18,760  | 319,884          | —                           | 5,813                                    | 344,457          |
| At December 31, 2016  |      | 21,416  | 253,116          | —                           | —  | 274,532          |

Accrued capital expenditures for property and equipment reached €484.1 million for the year ended December 31, 2017, (€406.1 million for the year ended December 31, 2016) representing the following additions:

- accrued capital expenditures for both the broadband and the mobile network growth and upgrades for an amount of €295.7 million (2016 : €250.6 million);
- capital expenditures for customer installations for an amount of €67.6 million (2016 : €73.3 million);
- refurbishments and replacements of network equipment for an amount of €96.8 million (2016 : €57.3 million); and
- set-top box related capital expenditures for an amount of €24.0 million (2016 : €24.9 million).

For the year ended December 31, 2017, the Company removed €293.9 million of gross cost and accumulated depreciation related to fully depreciated assets which are no longer used by the Company. (€182.7 million for the year ended December 31, 2016).

The Company recognized a gain on disposal of assets of €4.5 million for the year ended December 31, 2017 (€5.1 million for the year ended December 31, 2016), mainly attributable to modems and set-up boxes €1.0 million (€2.7 million for the year ended December 31, 2016), the sale of scrap material €1.7 million (€2.4 million for the year ended December 31, 2016) and the sale of Zita for €0.5 million.

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 is expected to be completed by the end of 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 €94.4 million accelerated depreciations in 2017 (2016 : €32.0 million) (note 5.20).

Based on the results of the Company's periodic review of the useful lives of its assets, the Company changed the useful life for its set-top boxes from 4 to 5 years and for its network interface units from 6 to 7 years, prospectively as from January 1, 2017.

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, 2017 amounted to €1,848.4 million (December 31, 2016: €1,540.9 million). The increase of €307.5 million was attributable to the acquisition of SFR Belux.

| <i>(in thousands of euro)</i>           |                  |
|---|------------------|
| <b>January 1, 2016</b>                  | <b>1,241,813</b> |
| Acquisition of subsidiaries - BASE      | 299,133          |
| <b>December 31, 2016</b>                | <b>1,540,946</b> |
| Acquisition of subsidiaries - SFR Belux | 307,497          |
| <b>December 31, 2017</b>                | <b>1,848,443</b> |

For detailed information regarding the acquisitions of BASE and SFR Belux, we refer to note 5.24.

The Company performed its annual reviews for impairment during the third quarter of 2017 and 2016. Following the acquisition of SFR Belux and BASE, the Company has identified three cash-generating units, being Telenet (excluding BASE and SFR Belux), BASE, and SFR Belux. 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 SFR Belux acquisition of €307.5 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). The value in use of the cash generating unit Telenet for the year ended December 31, 2017 was determined in a similar manner to the year ended December 31, 2016.

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 2021, and a pre-tax discount rate of 7.9% (9.4% for the year ended December 31, 2016) 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, 2017, cash flows beyond the four-year period have been extrapolated using no growth rate, 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 Discounted Cash Flow calculation for determining the value in use and net recoverable amount mentioned above was reviewed for reasonableness by comparing the result of the calculation to the market capitalization of the Company. The key assumptions used are reviewed

and updated on a yearly basis by the Company's management. Taking into account the considerable excess of the 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, 2017.

## 5.6 Other intangible assets

| <i>(in thousands of euro)</i>       | Note | Network user rights | Trade name     | Software       | Customer relationships | Broad-casting rights | Other         | Subtotal         | Broad-casting rights for resale purposes | Total            |
|-------------------------------------|------|---------------------|----------------|----------------|------------------------|----------------------|---------------|------------------|--|------------------|
| <b>Cost</b>                         |      |                     |                |                |                        |                      |               |                  |  |                  |
| <b>At January 1, 2016</b>           |      | <b>30,697</b>       | <b>121,514</b> | <b>478,330</b> | <b>212,776</b>         | <b>78,690</b>        | <b>21,125</b> | <b>943,132</b>   | <b>—</b>                                 | <b>943,132</b>   |
| Additions                           |      | —                   | —              | 128,861        | —                      | 91,998               | —             | 220,859          | 16,769                                   | 237,628          |
| Acquisition of BASE                 | 5.24 | 230,392             | 35,934         | 94,812         | 101,528                | —                    | —             | 462,666          | —  | 462,666          |
| Disposals                           |      | —                   | —              | (3,802)        | —                      | —                    | —             | (3,802)          | (16,769)                                 | (20,571)         |
| Write-off of fully amortized assets |      | —                   | —              | (62,039)       | —                      | (61,120)             | —             | (123,159)        | —  | (123,159)        |
| <b>At December 31, 2016</b>         |      | <b>261,089</b>      | <b>157,448</b> | <b>636,162</b> | <b>314,304</b>         | <b>109,568</b>       | <b>21,125</b> | <b>1,499,696</b> | <b>—</b>                                 | <b>1,499,696</b> |
| 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               |
| <b>At December 31, 2017</b>         |      | <b>261,089</b>      | <b>156,443</b> | <b>735,341</b> | <b>311,804</b>         | <b>189,593</b>       | <b>18,997</b> | <b>1,673,267</b> | <b>—</b>                                 | <b>1,673,267</b> |

## Accumulated Amortization

|                                     |                |                |                |                |               |              |                |          |                |
|-------------------------------------|----------------|----------------|----------------|----------------|---------------|--------------|----------------|----------|----------------|
| <b>At January 1, 2016</b>           | <b>30,697</b>  | <b>119,496</b> | <b>338,806</b> | <b>171,679</b> | <b>38,031</b> | <b>3,362</b> | <b>702,071</b> | <b>—</b> | <b>702,071</b> |
| Amortization charge of the year     | 39,601         | 3,729          | 84,451         | 30,899         | 55,813        | 324          | 214,817        | —        | 214,817        |
| Disposals                           | —              | —              | (3,210)        | —              | —             | —            | (3,210)        | —        | (3,210)        |
| Write-off of fully amortized assets | —              | —              | (62,037)       | —              | (61,120)      | —            | (123,157)      | —        | (123,157)      |
| <b>At December 31, 2016</b>         | <b>70,298</b>  | <b>123,225</b> | <b>358,010</b> | <b>202,578</b> | <b>32,724</b> | <b>3,686</b> | <b>790,521</b> | <b>—</b> | <b>790,521</b> |
| 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             |
| <b>At December 31, 2017</b>         | <b>115,034</b> | <b>124,799</b> | <b>431,748</b> | <b>231,668</b> | <b>55,938</b> | <b>1,910</b> | <b>961,097</b> | <b>—</b> | <b>961,097</b> |

## Carrying Amount

|                      |         |        |         |         |         |        |         |   |         |
|----------------------|---------|--------|---------|---------|---------|--------|---------|---|---------|
| At December 31, 2017 | 146,055 | 31,644 | 303,593 | 80,136  | 133,655 | 17,087 | 712,170 | — | 712,170 |
| At December 31, 2016 | 190,791 | 34,223 | 278,152 | 111,726 | 76,844  | 17,439 | 709,175 | — | 709,175 |

The Company's intangible assets other than goodwill each have finite lives and are comprised primarily of network user rights (mainly mobile spectrum), 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 €1.9 million. In 2016, the Company acquired intangible assets through the BASE acquisition amounting to €462.7 million and consisting largely of BASE's 2G, 3G and 4G mobile spectrum licenses, customer lists and trade names. 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. The assessments performed in 2017 and 2016 did not result in any revision to the estimated useful lives of intangible assets.

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 write-off of fully amortized assets consisted mainly of the broadcasting rights related to the 2016-2017 season of the Jupiler Pro

League which were written off upon the end of the season in May 2017 (€29.1 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:

| <i>(in thousands of euro)</i>            | De Vijver Media NV | Other        | Total          |
|--|--------------------|--------------|----------------|
| <b>Investments in Associates</b>         |                    |              |                |
| <b>At January 1, 2017</b>                | <b>28,362</b>      | <b>1,944</b> | <b>30,306</b>  |
| Additions                                | —                  | 260          | 260            |
| <b>At December 31, 2017</b>              | <b>28,362</b>      | <b>2,204</b> | <b>30,566</b>  |
| <b>Share in the result of Associates</b> |                    |              |                |
| <b>At January 1, 2017</b>                | <b>(4,208)</b>     | <b>5</b>     | <b>(4,203)</b> |
| Share in the result                      | 3,712              | (380)        | 3,332          |
| <b>At December 31, 2017</b>              | <b>(496)</b>       | <b>(375)</b> | <b>(871)</b>   |
| <b>Loans granted to Associates</b>       |                    |              |                |
| <b>At January 1, 2017</b>                | <b>—</b>           | <b>1,269</b> | <b>1,269</b>   |
| Accrued interest                         | —                  | 26           | 26             |
| <b>At December 31, 2017</b>              | <b>—</b>           | <b>1,295</b> | <b>1,295</b>   |
| <b>Carrying Amount</b>                   |                    |              |                |
| At December 31, 2017                     | 27,866             | 3,124        | 30,990         |
| At January 1, 2017                       | 24,154             | 3,218        | 27,372         |

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, 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 Vandenhoute and Erik Watté) and Mediahuis NV (a Belgian print and online media group). For subsequent events, we refer to note 5.29.

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 twelve months ended December 31, 2017, the Company recognized its €3.7 million share in the net profit of De Vijver Media (December 31, 2016: €0.1 million share in net loss). Based on an analysis in 2016 of De Vijver Media's new three year plan established during the fourth quarter of 2016 against the financial projections in the initial buyer case, the Company concluded that there was objective evidence of a measurable decrease in the estimated future cash flows of the De Vijver Media investment and determined that this constituted a trigger for impairment testing under the guidance in IAS 39. The Company tested the investment in question for impairment in the last quarter of 2016, comparing its recoverable amount (value-in-use) against its remaining net book value, in accordance with the guidance in IAS 36

(using the cash flows from the three year plan) and using a 1% growth rate in the terminal value) and applying a 8.6% pre-tax discount rate. The difference between value-in-use and the net book value of the investment in De Vijver Media was determined at €31.0 million. The Company recorded an impairment charge accordingly in 2016.

The recognition in 2017 and 2016 of the Company's share in the net result of De Vijver Media and the in 2016 recognized impairment loss resulted in a carrying value of the investment of €27.9 million on December 31, 2017 (December 31, 2016: €24.2 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.

| <i>(in thousands of euro)</i>                                       | 2017          | 2016          |
|---|---------------|---------------|
| <b>Net assets</b>   |               |               |
| Non-current assets  | 110,758       | 116,641       |
| Current assets  | 77,539        | 71,541        |
| Non-current liabilities   | (73,260)      | (77,840)      |
| Current liabilities   | (78,407)      | (81,135)      |
| <b>Net assets (100%)</b>  | <b>36,630</b> | <b>29,207</b> |
| <b>Group's share of the net assets (50%)</b>                        |               |               |
| Group's share of the net assets (50%)                               | 18,315        | 14,603        |
| Goodwill  | 9,551         | 9,551         |
| <b>Carrying amount of interest in joint venture</b>                 | <b>27,866</b> | <b>24,154</b> |
| <b>Profit and total comprehensive income</b>                        |               |               |
| Revenue   | 124,653       | 123,182       |
| Depreciation and amortisation                                       | (4,770)       | (5,031)       |
| Interest expense  | (2,476)       | (2,472)       |
| <b>Profit (Loss) for the period</b>                                 | <b>7,424</b>  | <b>(229)</b>  |
| Other comprehensive income  | —             | —             |
| <b>Total comprehensive profit (loss) (100%)</b>                     | <b>7,424</b>  | <b>(229)</b>  |
| <b>Group's share of the total comprehensive income (loss) (50%)</b> | <b>3,712</b>  | <b>(115)</b>  |

## 5.7.2 Other investments

### Belgian Mobile ID

In June 2017, Telenet contributed an amount of €1.5 million in cash as part of a capital increase of Belgian Mobile ID NV (f.k.a. Belgian Mobile Wallet NV). The Company's stake in the share capital of Belgian Mobile ID remains at 16.67%. 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.

### 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.

### 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%.

## 5.8 Trade receivables

### 5.8.1 Non-current

| <i>(in thousands of euro)</i> | December 31, 2017 | December 31, 2016 |
|-------------------------------|-------------------|-------------------|
| Trade receivables             | 2,851             | 4,793             |
| <b>Trade receivables, net</b> | <b>2,851</b>      | <b>4,793</b>      |

Non-current trade receivables comprise Installment sales relating to the long-term receivables on handset financing contracts with external customers.

### 5.8.2 Current

| <i>(in thousands of euro)</i> | December 31, 2017 | December 31, 2016 |
|-------------------------------|-------------------|-------------------|
| Trade receivables             | 226,475           | 215,638           |
| Less: allowance for bad debt  | (11,580)          | (9,659)           |
| <b>Trade receivables, net</b> | <b>214,895</b>    | <b>205,979</b>    |

At December 31, 2017 and 2016, respectively, the aging of the Company's current trade receivables can be detailed as follows:

|                               | Past due |           |            |            |             |           |         |
|-------------------------------|----------|-----------|------------|------------|-------------|-----------|---------|
| <i>(in thousands of euro)</i> | Not due  | 1-30 days | 31-60 days | 61-90 days | 91-120 days | >120 days | Total   |
| December 31, 2017             | 154,505  | 42,897    | 4,465      | 3,612      | 2,644       | 18,352    | 226,475 |
| December 31, 2016             | 143,037  | 43,250    | 6,959      | 2,783      | 1,842       | 17,767    | 215,638 |

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. In accordance with the Company's accounting policies and based on historical experience, trade receivables that are less than 120 days past due are not considered impaired. At December 31, 2017, a total amount of €53.6 million (2016: €54.8 million) was past due but not considered impaired for these reasons. With respect to these trade

receivables, there are no indications that the debtors will not meet their payment obligations.

Outstanding trade receivables past due for more than 120 days are considered as potentially impaired and are subject to detailed analysis at the customer level, and a provision for impairment of trade receivables is established based upon objective evidence that the Company will not be able to collect the amounts. Significant financial difficulties of the debtor, defaults in payments, and other adverse debtor circumstances

are considered indicators that the trade receivable is impaired. Based on the necessary and appropriate underlying documentation, receivables more than 120 days past due for which it is likely that the amount due will be recovered, are excluded from the calculation of the allowance for bad debts. For the remaining receivables more than 120 days past due, a bad debt allowance is provided for at 100%. A gradually increasing bad debt provision is recognized on BASE residential mobile receivables when they become overdue and are fully provided upon when they are 180 days overdue.

At December 31, 2017 current and non-current receivables related to handset sales with a customer credit agreement amount to €9.5 million (2016 : €12.4 million) and €2.9 million (2016 : €4.8 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.

The following table shows the development of the provision for impairment of trade receivables:

| <i>(in thousands of euro)</i>   | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|---|--------------------------|--------------------------|
| Provision for impairment of trade receivables at the beginning of the year  | (9,659)                  | (7,116)                  |
| BASE acquisition  | —                        | (3,081)                  |
| SFR acquisition   | (1,339)                  | —                        |
| Additions   | (8,306)                  | (5,163)                  |
| Reductions and write-offs   | 7,724                    | 5,701                    |
| <b>Provision for impairment of trade receivables at the end of the year</b> | <b>(11,580)</b>          | <b>(9,659)</b>           |

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.

## 5.9 Other assets

### 5.9.1 Non-current

| <i>(in thousands of euro)</i>   | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|---|--------------------------|--------------------------|
| Outstanding guarantees to third parties for own liabilities (cash paid) | 1,272                    | 1,102                    |
| Deferred financing fees   | 3,641                    | 5,064                    |
| Receivables from sale of sports broadcasting rights                     | 1,838                    | 6,130                    |
| Funding of post retirement obligation                                   | 1,357                    | —                        |
| Other   | 2,734                    | 4,184                    |
| <b>Other non-current assets</b>   | <b>10,842</b>            | <b>16,480</b>            |

The Company presents the deferred financing fees related to undrawn Term Loans and Revolving Credit Facilities as other non-current assets. At year end 2017 the Revolving Credit Facility AG was undrawn, whereas at year end 2016, the Revolving Credit Facilities Z and AG were undrawn. The non-current sport rights were impacted by the shift from long-term to short-term for the 2018 soccer rights related to the Premier League.

### 5.9.2 Current

| <i>(in thousands of euro)</i>                              | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|--|--------------------------|--------------------------|
| Recoverable withholding taxes                              | 296                      | 291                      |
| Prepaid content  | 6,082                    | 7,506                    |
| Prepayments  | 28,146                   | 18,547                   |
| Unbilled revenue   | 86,649                   | 71,387                   |
| Receivables from sale of sports broadcasting rights        | 8,786                    | 7,057                    |
| Indemnification receivable for pylon taxes (see Note 5.26) | 4,687                    | 4,687                    |
| Settlement receivables                                     | 188                      | 9,940                    |
| Other  | 1,718                    | 5,794                    |
| <b>Other current assets</b>                                | <b>136,552</b>           | <b>125,209</b>           |

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. Settlement receivables decreased as the related program has ended as at December 31, 2017.

## 5.10 Inventories

For the year ended December 31, 2017, inventories amounted to €21.5 million (2016: €21.7 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 €0.6 million and €0.5 million for the years ended December 31, 2017 and 2016, respectively.

For the year ended December 31, 2017, Telenet and BASE recognized respectively €86.6 million (2016: €65.4 million) and €20.2 million (2016: €55.1 million) inventory as "costs related to sold inventory".

## 5.11 Cash and cash equivalents

| <i>(in thousands of euro)</i>          | December 31, 2017 | December 31, 2016 |
|--|-------------------|-------------------|
| Cash at bank and on hand               | 28,053            | 17,203            |
| Money market funds                     | 11,000            | 82,000            |
| <b>Total cash and cash equivalents</b> | <b>39,053</b>     | <b>99,203</b>     |

At December 31, 2017, the Company held €39.1 million of cash and cash equivalents.

The decrease in the cash balance compared to December 31, 2016 was primarily due to the acquisition of SFR Belux.

To minimize the concentration of counterparty risk, the Company's cash equivalents are placed with highly rated European and US financial institutions.

On December 31, 2017, the Money Market funds with a daily liquidity had a weighted average interest rate of -0.38% and represented 28% of the total consolidated cash. The investments of our cash and cash equivalents at December 31, 2017 and 2016 were in compliance with the Company's Risk Management policies.

At December 31, 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 the covenants mentioned above and €25.0 million available under the banking overdraft facility.

## 5.12 Shareholders' equity

### 5.12.1 Shareholders' equity

On December 31, 2017, Telenet Group Holding NV had the following shares issued, all of which are treated as one class in the earnings per share calculation:

117,716,323 ordinary shares (2016: 117,335,623 shares), including:

- 94,843 Liquidation Dispreference Shares (2016: 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 (2016: 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, 2017, the Company's share capital amounted to €12.8 million (2016: €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

On February 16, 2017, the Company announced the initiation of a share repurchase program, referred to as the "**Share Repurchase Program 2017**". Under this program, the Company could acquire from time to time up to a maximum of 1.1 million of its outstanding ordinary shares, for a maximum consideration of €60.0 million, initially within a six months period as from February 16, 2017, but which was extended on August 2, 2017 till the end of December 2017 ("**Extended Share Repurchase Program**"). Apart from the €60.0 million maximum consideration which was removed by decision of the board of directors of 31 July 2017, all conditions of the extended share repurchase program remained the same. The Company purchased a total of 1,100,000 shares under the Extended Share Repurchase Program 2017, for a total amount of €61.7 million. All repurchased shares are being held by the Company to cover the Company's obligations under existing stock option plans.

In 2016, a total of 1,100,000 shares were purchased for a total amount of €47.8 million under a similar share repurchase program 2016.

After the delivery of 803,327 own shares by the Company to the beneficiaries following the exercise of stock options under the ESOP 2013, ESOP 2014, ESOP 2015, ESOP 2016 and the CEO SOP 2013 plans, and the purchase of 1,100,000 shares during the year ended December 31, 2016, the Company owned 2,148,726 own shares at year end 2017.

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## 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 2017, beneficiaries of the ESOP 2013 plan exercised a total of 415,987 stock options, resulting in the delivery of a total of 415,987 own shares held by the Company.

### 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 2017, beneficiaries of the ESOP 2014 plan exercised a total of 92,750 stock options, resulting in the delivery of a total of 92,750 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.

During 2017, beneficiaries of the ESOP 2015 plan exercised a total of 22,225 stock options, resulting in the delivery of a total of 22,225 own shares held by the Company.

### 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.

### 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 2017, beneficiaries of the ESOP 2016 plan exercised a total of 51,610 stock options, resulting in the delivery of a total of 51,610 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 2017, beneficiaries of the ESOP 2016 bis plan exercised a total of 20,755 stock options, resulting in the delivery of a total of 20,755 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 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, 2017.

### 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 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, 2017.

### 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 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 October 3, 2013, and it is the Remuneration Committee that will decide whether these criteria have been met. As the applicable performance criteria have been achieved for 2013, 2014 and 2015, the first tranche of 50,000 stock options vested on July 4, 2014, the second tranche of 100,000 stock options vested on July 4, 2015 and the last tranche of 50,000 stock options vested on July 4, 2016.

Any stock options that vest under the CEO SOP 2013 became exercisable during defined exercise periods following July 4, 2016. All options under the CEO SOP 2013 have an expiration date of July 4, 2018.

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.

On February 10, 2015, the Remuneration Committee decided that the applicable performance criteria for 2014 have been achieved and on February 9, 2016, it confirmed the achievement of the cumulative performance criteria for 2014 and 2015, as determined in the CEO SOP 2014 Plan. The first tranche of 138,750 stock options vested on June 26, 2016. On February 14, 2017, the Remuneration Committee determined that the second tranche of 46,250 stock options will vest on March 1, 2017 as the applicable performance criteria for 2016 have been achieved.

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, 2017.

## 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 performance criteria were achieved for 2014, the first tranche of 45,000 stock options vested on July 15, 2015. Following the

achievement of the performance criteria for 2014 and 2015, the second tranche of 67,500 stock options vested on July 15, 2016.

On February 14, 2017, the Remuneration Committee determined that the third tranche of 67,500 stock options will vest on July 15, 2017 as the performance criteria for 2014, 2015 and 2016 have been achieved.

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.

No stock options under the CEO SOP 2014 bis were exercised during the twelve months ended at December 31, 2017.

## 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.

The details regarding the stock option plans issued by the Company are summarized in the table below:

| Stock Option Plan                                     | Date approved by the board of directors | Issuance of stock options            |                   | Date offered       | Stock options granted           |                                  | Beneficiaries             |
|---|---|--------------------------------------|-------------------|--------------------|---------------------------------|----------------------------------|---------------------------|
|   |   | Total number of stock options issued | Name of the grant |                    | Number of stock options offered | Number of stock options accepted |                           |
| Employee Stock Option Plan 2013                       | April 22, 2013                          | 1,200,000                            | ESOP 2013 primo   | July 4, 2013       | 985,000                         | 741,448                          | certain employees         |
|   |   |                                      | ESOP 2013 bis     | October 22, 2013   | 58,000                          | 58,000                           | certain employees         |
| CEO Stock Option Plan 2013                            | April 22, 2013                          | 200,000                              | CEO SOP 2013      | July 4, 2013       | 200,000                         | 200,000                          | CEO                       |
| 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         |

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 (in euro) | Exercise price (in euro) |          | Expected volatility | Expected option life | Expected dividends | Risk-free interest rate |
|--------------------------------|--------------------------------------|------------------------------------|-----------------------|--------------------------|----------|---------------------|----------------------|--------------------|-------------------------|
|                                |                                      |                                    |                       | Initially                | Adjusted |                     |                      |                    |                         |
| ESOP 2013 primo Stock Options  | July 31, 2013                        | 5.99 - 8.45                        | 36.4                  | 34.33                    | —        | 21.0% - 23.3%       | 4.4 years            | 0.0%               | 0.47% - 1.07%           |
| ESOP 2013 bis Stock Options    | November 30, 2013                    | 7.25 - 9.81                        | 40.5                  | 36.75                    | —        | 20.2% - 22.6%       | 4.4 years            | 0.0%               | 0.36% - 0.89%           |
| ESOP 2014 Stock Options        | January 31, 2015                     | 8.54 - 10.57                       | 49.21                 | 45.27                    | —        | 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                    | —        | 20.7% - 21.8%       | 4.3 years            | 0.0%               | -0.25% - -0.01%         |
| CEO SOP 2013 Stock Options     | October 2, 2013                      | 7.91 - 10.01                       | 36.85 - 39.13         | 34.33                    | —        | 20.5% - 22.6%       | 4.0 years            | 0.0%               | 1.03% - 1.07%           |
| CEO SOP 2014 Stock Options     | February 5, 2014                     | 12.12                              | 44.13                 | 38.88                    | —        | 22.3%               | 5.0 years            | 0.0%               | 1.05%                   |
| "                              | March 11, 2014                       | 12.31                              | 45.64                 | 38.88                    | —        | 22.2%               | 5.2 years            | 0.0%               | 1.06%                   |
| CEO SOP 2014 bis Stock Options | February 10, 2015                    | 13.41                              | 49.32                 | 39.38                    | —        | 21.8%               | 3.9 years            | 0.0%               | 0.02 %                  |
| "                              | February 9, 2016                     | 7.86                               | 42.52                 | 39.38                    | —        | 23.6%               | 2.7 years            | 0.0%               | (0.3)%                  |
| "                              | February 14, 2017                    | 11.89                              | 49.9                  | 39.38                    | —        | 22.8%               | 1.7 years            | 0.0%               | (0.51)%                 |
| CEO SOP 2015 Stock Options     | February 9, 2016                     | 4.31                               | 42.52                 | 50.57                    | —        | 23.0%               | 3.4 years            | 0.0%               | -0.24%                  |
| "                              | February 14, 2017                    | 6.39                               | 49.9                  | 50.57                    | —        | 22.5%               | 2.4 years            | 0.0%               | -0.45%                  |
| "                              | December 31, 2017 (*)                | 8.37 (*)                           | 58.09 (*)             | 50.57                    | —        | 21.3% (*)           | 2.3 years (*)        | 0.0% (*)           | -0.45% (*)              |
| SSOP 2015 bis Stock Options    | December 31, 2017 (*)                | 12.31 (*)                          | 58.09 (*)             | 48.83                    | —        | 17.7% (*)           | 2.8 years (*)        | 0.0% (*)           | -0.37% (*)              |
| "                              | December 31, 2017 (*)                | 12.31 (*)                          | 58.09 (*)             | 48.83                    | —        | 17.7% (*)           | 2.8 years (*)        | 0.0% (*)           | -0.37% (*)              |
| "                              | December 31, 2017 (*)                | 13.45 (*)                          | 58.09 (*)             | 48.83                    | —        | 21.8% (*)           | 2.9 years (*)        | 0.0% (*)           | -0.37% (*)              |
| ESOP 2016 Stock Options        | June 14, 2016                        | 3.40 - 4.99                        | 39.46                 | 45.48                    | —        | 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                    | —        | 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                    | —        | 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                    | —        | 20.3% - 22.1%       | 4.2 years            | 0.0%               | -0.56% - -0.36%         |

\* 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, 2017.

## All plans

A summary of the activity in the Company's stock option and warrant plans for the years ended December 31, 2017, and 2016 is as follows:

December 31, 2017. ESOP 2013, ESOP 2014, ESOP 2015 and ESOP 2016 stock options were exchanged on a one-for-one basis for existing ordinary shares of the Company. Options and warrants exercised during the year ended December 31, 2016 resulted in the receipt of €1.6 million.

| <b>Outstanding Options and Warrants</b>                    |                                |                                      |
|--|--------------------------------|--------------------------------------|
|  | Number of Options and Warrants | Average Exercise Prices<br>(in euro) |
| <b>January 1, 2016</b>                                     | <b>2,558,815</b>               | <b>41.71</b>                         |
| <b>Granted</b>   |                                |                                      |
| SSOP 2015 bis Stock Options                                | 18,750                         | 48.83                                |
| Employee Stock Option Plan 2016                            | 695,631                        | 45.48                                |
| <b>Exercised</b>   |                                |                                      |
| Warrant Plan 2010 ter warrants exercised                   | (56,917)                       | 19.37                                |
| Stock Option Plan 2013 primo stock options exercised       | (9,600)                        | 34.33                                |
| Stock Option Plan 2014 stock options exercised             | (4,200)                        | 45.27                                |
| <b>Forfeited</b>   |                                |                                      |
| Stock Option Plan 2013 primo stock options forfeited       | (750)                          | 34.33                                |
| Stock Option Plan 2014 stock options forfeited             | (8,350)                        | 45.27                                |
| Stock Option Plan 2015 stock options forfeited             | (2,400)                        | 50.87                                |
| <b>December 31, 2016</b>                                   | <b>3,190,979</b>               | <b>42.98</b>                         |
| <b>Granted</b>   |                                |                                      |
| 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                                |
| <b>Exercised</b>   |                                |                                      |
| 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                                |
| <b>Forfeited</b>   |                                |                                      |
| 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                                |
| <b>December 31, 2017</b>                                   | <b>3,550,207</b>               | <b>47.98</b>                         |

The options and warrants in the table below were exercised resulting in the receipt of payments of €29.9 million during the year ended

| Class of options                     | Number of options exercised | Exercise date  | Exercise price at exercise date (in euro) | Share price at exercise date (in euro) |
|--------------------------------------|-----------------------------|----------------|---|--|
| <b>ESOP 2013 primo stock options</b> | 195,200                     | First Quarter  | 34.33                                     | 54.22                                  |
|                                      | 162,964                     | Second Quarter | 34.33                                     | 58.11                                  |
|                                      | 11,873                      | Third Quarter  | 34.33                                     | 58.21                                  |
|                                      | 4,750                       | Fourth Quarter | 34.33                                     | 59.46                                  |
| <b>ESOP 2013 bis stock options</b>   | 30,200                      | First Quarter  | 36.75                                     | 53.33                                  |
|                                      | 3,700                       | Second Quarter | 36.75                                     | 58.61                                  |
|                                      | 7,300                       | Fourth Quarter | 36.75                                     | 59.75                                  |
| <b>ESOP 2014 stock options</b>       | 28,750                      | First Quarter  | 45;27                                     | 53.94                                  |
|                                      | 59,500                      | Second Quarter | 45.27                                     | 58.85                                  |
|                                      | 2,050                       | Third Quarter  | 45.27                                     | 59.83                                  |
|                                      | 2,450                       | Fourth Quarter | 45.27                                     | 59.15                                  |
| <b>ESOP 2015 stock options</b>       | 225                         | First Quarter  | 50.87                                     | 55.52                                  |
|                                      | 19,700                      | Second Quarter | 50.87                                     | 59.48                                  |
|                                      | 1,100                       | Third Quarter  | 50.87                                     | 59.95                                  |
|                                      | 1,200                       | Fourth Quarter | 50.87                                     | 59.04                                  |
| <b>ESOP 2016 stock options</b>       | 12,210                      | First Quarter  | 45.48                                     | 54.90                                  |
|                                      | 34,400                      | Second Quarter | 45.48                                     | 59.35                                  |
|                                      | 3,000                       | Third Quarter  | 45.48                                     | 59.98                                  |
|                                      | 2,000                       | Fourth Quarter | 45.48                                     | 59.83                                  |
| <b>ESOP 2016bis stock options</b>    | 5,555                       | Second Quarter | 46.97                                     | 59.80                                  |
|                                      | 4,600                       | Third Quarter  | 46.97                                     | 58.63                                  |
|                                      | 10,600                      | Fourth Quarter | 46.97                                     | 59.17                                  |
| <b>CEO SOP 2013</b>                  | 50,000                      | First Quarter  | 34.33                                     | 54.77                                  |
|                                      | 75,000                      | Second Quarter | 34.33                                     | 60.01                                  |
|                                      | 75,000                      | Fourth Quarter | 34.33                                     | 59.22                                  |
| <b>Total</b>                         | <b>803,327</b>              |                |   |  |

The following table summarizes information about stock options outstanding and exercisable as of December 31, 2017:

| Class of options               | Number of options outstanding | Number of options exercisable | Weighted average remaining contractual life | Current exercise prices (in euro) |
|--------------------------------|-------------------------------|-------------------------------|---|-----------------------------------|
| ESOP 2013 primo stock options  | 167,611                       | 167,611                       | 6 months                                    | 34.33                             |
| ESOP 2013 bis stock options    | 500                           | 500                           | 10 months                                   | 36.75                             |
| ESOP 2014 stock options        | 649,100                       | 506,000                       | 23 months                                   | 45.27                             |
| ESOP 2015 stock options        | 374,650                       | 218,308                       | 34 months                                   | 50.87                             |
| SSOP 2015bis stock options     | 18,750                        | -                             | 36 months                                   | 48.83                             |
| CEO SOP 2013 stock options     | 0                             | 0                             | 6 months                                    | 34.33                             |
| CEO SOP 2014 stock options     | 185,000                       | 185,000                       | 30 months                                   | 38.88                             |
| CEO SOP 2014 bis stock options | 180,000                       | 180,000                       | 18 months                                   | 39.38                             |
| CEO SOP 2015 stock options     | 180,000                       | 180,000                       | 26 months                                   | 50.57                             |
| ESOP 2016 stock options        | 644,021                       | 139,126                       | 34 months                                   | 45.48                             |
| ESOP 2016bis stock options     | 333,645                       | 121,645                       | 46 months                                   | 46.965                            |
| ESOP 2017 stock options        | 403,266                       | 80,652                        | 53 months                                   | 58.14                             |
| ESOP 2017bis stock options     | 413,664                       | 41,350                        | 57 months                                   | 55.59                             |
| <b>Total outstanding</b>       | <b>3,550,207</b>              |                               |   |                                   |

Total compensation expense associated with the Company's option and warrant plans amounted to €8.3 million in 2017 (2016: €5.4 million) and are reflected in equity.

## Performance shares

In October 2013, Telenet granted its Senior Leadership Team members (other than its chief executive officer) and one other manager a total of 28,949 performance shares (the "**2013 Telenet Performance Shares**"). The performance target applicable to the 2013 Telenet Performance Shares is the achievement of a compound annual growth rate ("**CAGR**") for Adjusted EBITDA, when comparing the Adjusted EBITDA during the period started as of January 1, 2013 and ending on December 31, 2015 to the Adjusted EBITDA for the period started on January 1, 2012 and ended on December 31, 2012. A performance range of 75% to 150% of the target Adjusted EBITDA CAGR would generally result in award recipients earning between 50% to 150% of their 2013 Telenet Performance Shares, subject to reduction or forfeiture based on individual performance and service requirements. On February 9, 2016, The Remuneration & Nomination Committee and the Board of Directors decided that the performance criteria for the 2013 Telenet Performance Shares have been achieved, and as a consequence, the earned 2013 Telenet Performance Shares vested at 110.95% on October 25, 2016. The Remuneration and Nomination Committee of October 25, 2016 decided to settle the vested performance shares in cash instead of in shares of the Company.

This particular performance share plan was paid out in cash for an amount of €1.6 million following the specific decision of the Remuneration Committee. As this was the second year in a row that a similar performance share plan has been settled in cash, it was decided upon that the historical track record of cash settlements of these particular equity awards did trigger a modification of the equity classification of all performance shares outstanding. As a result, all similar performance share plans have been considered to be cash settled share base payment plans and as a result, the Company represented the related share based compensation expense recognized as liability and no longer in equity. As the performance shares have been fair-valued, the cash paid to settle the 2013 performance share plan did not

exceed the fair value of the award on the settlement date, the amount of cash paid to repurchase the equity award was charged to equity and consequently has been presented as a cash outflow from financing activities in the consolidated statement of cash flows.

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 for an amount of €0.4 million.

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 will vest at 115.80% on June 18, 2018.

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.

In 2017, the Company did not grant its Senior Leadership Team any performance shares.

In 2017, Telenet recognized €7.2 million of compensation expense in respect of the Telenet Performance Shares plans (2016: €6.3 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, 2017 and 2016.

| <i>(in thousands of euro)</i>                 | December 31, 2017 | December 31, 2016 |
|---|-------------------|-------------------|
| <b>2017 Amended Senior Credit Facility:</b>   |                   |                   |
| Revolving Credit Facility Z                   | —                 | 61                |
| Revolving Credit Facility AG                  | 477               | 477               |
| Term Loan AE                                  | —                 | 1,607,511         |
| Term Loan AF                                  | —                 | 1,424,589         |
| Term Loan AL                                  | 1,084,235         | —                 |
| Term Loan AM                                  | 731,338           | —                 |
| <b>Senior Secured Fixed Rate Notes:</b>       |                   |                   |
| €450 million Senior Secured Notes due 2022    | —                 | 460,625           |
| €250 million Senior Secured Notes due 2024    | 256,375           | 256,375           |
| €530 million Senior Secured Notes due 2027    | 541,914           | 541,913           |
| USD1000 million Senior Secured Notes due 2028 | 834,720           | —                 |
| €600 million Senior Secured Notes due 2028    | 601,400           | —                 |
| Revolving Credit Facility                     | 8                 | —                 |
| Overdraft Facility                            | 31                | 35                |
| Global Handset Finco Ltd Loan                 | 12,740            | 12,740            |
| SFR network right of use                      | 4,236             | —                 |
| Vendor financing                              | 262,605           | 34,652            |
| Finance lease obligations                     | 383,159           | 358,815           |
| 3G Mobile Spectrum                            | 16,280            | 23,680            |
| Clientele fee > 20 years                      | 114,972           | 106,008           |
|   | <b>4,844,490</b>  | <b>4,827,481</b>  |
| Less: deferred financing fees                 | (20,584)          | (45,624)          |
|   | <b>4,823,906</b>  | <b>4,781,857</b>  |
| Less: current portion                         | (361,695)         | (139,372)         |
| <b>Total non-current loans and borrowings</b> | <b>4,462,211</b>  | <b>4,642,485</b>  |

As of December 31, 2017 and 2016, all loans and borrowings were denominated in euro except for Term Loan AF, Term Loan AL and the USD 1,000 million Senior Secured Notes due 2028, which are denominated in USD. Fixed interest rates applied to 61.39% of the total loans and borrowings (2016: 34.68%). The weighted average interest rates at December 31, 2017, were 4.81% on fixed rate loans (2016: 5.83%) and 3.48% on floating rate loans (2016: 3.38%).

### 5.13.1 2017 Amended Senior Credit Facility

Throughout the years ended December 31, 2016 and 2017 the Company modified the 2010 Senior Credit Facility including, amongst others, changes to certain guarantees and covenants.

In February 2016, Telenet drew three debt facilities under the 2015 Amended Senior Credit Facility for the financing of the BASE acquisition for an aggregate amount of €1,217.0 million, including (i) €800.0 million under Term Loan AA with a maturity of June 30, 2023 and a 3.50% margin over EURIBOR, (ii) €217.0 million under Revolving Credit Facility X with a maturity of September 30, 2020 and a 2.75% margin over EURIBOR, and (iii) €200.0 million under Revolving Credit Facility Z with a maturity of June 30, 2018 and a 2.25% margin of EURIBOR.

In April and May 2016, Telenet repaid €130.0 million and €87.0 million, respectively, under Revolving Credit Facility X, fully repaying the amounts it had drawn in February 2016. In June, July, September and October 2016, the Company subsequently repaid €80.0 million, €20.0 million, €65.0 million and €35.0 million, respectively, under Revolving Credit Facility Z, leaving no outstanding balance at December 31, 2016.

In May 2016, the Company successfully issued a USD 850.0 million Term Loan ("Facility AD") due June 30, 2024. Facility AD bears interest at 3.50% over LIBOR (with a 75 basis points floor) and was issued at 99.5% of par. Telenet drew Term Loan AD on June 14, 2016 and entered into several cross-currency interest swap transactions at that time to hedge both the underlying currency and floating interest rate exposure.

Telenet used the net proceeds from these transactions on June 15, 2016 to prepay the following credit facilities under the existing Senior Credit Facility: (i) Facility O, of which Telenet Finance III Luxembourg S.C.A. ("TFL III") was the lender, and (ii) Facility P, of which Telenet Finance IV Luxembourg S.C.A. ("TFL IV") was the lender. TFL III and TFL IV in turn used the proceeds from the prepayment of Facility O and Facility P to redeem the associated €300.0 million Senior Secured Notes due 2021 and the €400.0 million Senior Secured notes due 2021, respectively. The Company recorded a loss on extinguishment of debt of €16.9 million of which €6.9 million related to the early redemption of unamortized deferred financing fees and €10.0 million related to the make whole premium (note 5.21).

In November 2016, the Company issued a €1.6 billion Term Loan ("Facility AE") and a USD 1.5 billion Term Loan ("Facility AF"), both due January 31, 2025. Facility AE carries a margin of 3.25% over EURIBOR with a 0% floor and was issued at par. Facility AF carries a margin of 3.00% over LIBOR with a 0% floor and was issued at 99.5% of par. The net proceeds from these issuances were used to entirely prepay the following credit facilities under Telenet's 2015 Amended Senior Credit Facility: (i) Facility W (€474.1 million due June 2022, EURIBOR +3.25%, 0% floor), (ii) Facility Y (€882.9 million due June 2023, EURIBOR + 3.50%, 0% floor), (iii) Facility AA (€800.0 million due June 2023, EURIBOR + 3.50%, 0% floor) and (iv) Facility AD (USD 850.0 million due June 2024, LIBOR + 3.50%, 0.75% floor). Through this transaction, the Company was able to extend the average tenor of our debt maturities at attractive market conditions from 7 years to just over 8 years post-refinancing, while ensuring increased covenant flexibility going forward. In conjunction with the aforementioned refinancing, the

Company also upsized and extended the outstanding commitments under its undrawn revolving credit facility (previously under Facility X, which was cancelled and replaced with Facility AG) from €381.0 million to €400.0 million and extended the maturity to June 2023 from September 2020. The unamortized deferred financing fees related to Term Loan W, Y, AA and AD were accounted for as a loss on extinguishment of debt upon early redemption for €28.8 million (Note 5.21). All new fees related to the refinancing transaction were capitalized as deferred financing fees for a total of €8.6 million and USD9 million and deferred over the term of the new loans.

In April, 2017, the Company issued a €1,330.0 million Term Loan ("Facility AH") due March 31, 2026 and a USD 1,800.0 million Term Loan ("Facility AI") due June 30, 2025. Facility AH bears interest at 3.00% over EURIBOR (with a 0% floor) and was issued at 99.75% of par. Facility AI bears interest at 2.75% over LIBOR (with a 0% floor) and was issued at 99.75% of par. Telenet entered into several cross-currency and interest rate swap transactions to hedge both the underlying currency and floating interest rate exposure. Telenet used the net proceeds from these transactions to prepay the following credit facilities under the existing Senior Credit Facility: (i) Facility AE (€1,600.0 million due January 31, 2025, EURIBOR + 3.25% with a 0% floor, issued at par), and (ii) Facility AF (USD 1,500.0 million due January 31, 2025, LIBOR + 3.00% with a 0% floor issued at 99.50% of par).

On May 15, 2017, the Company issued an additional USD 500.0 million Term Loan ("Facility AI2") due June 30, 2025. Facility AI2 bears interest at 2.75% over LIBOR (with a 0% floor) and was issued at 100% of par. The net proceeds were ultimately used by Telenet International Finance S.a.r.l to prepay Facility U under Telenet's 2017 Amended Senior Credit Facility, of which the lender is Telenet Finance V Luxembourg S.C.A. ("TFLV"). TFLV in its turn used the proceeds from the prepayment of Facility U to redeem the €450.0 million Senior Secured Notes due August 2022.

On June 19, 2017, Telenet used its Revolving Facilities under the 2017 Amended Senior Credit Facility for the financing of the SFR Belux acquisition for an aggregate amount of €210.0 million, including (i) €120.0 million under Revolving Credit Facility Z with a maturity of June 30, 2018 and a 2.25% margin of EURIBOR and (ii) €90.0 million under Revolving Credit Facility AG with a maturity of June 30, 2023 and a 2.75% margin over EURIBOR. These Revolving Credit Facilities were partially repaid in 2017 and the Revolving Credit Facility Z was cancelled.

In December 2017, Telenet syndicated 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 net proceeds from these new Term Loans and the new Senior Secured notes (described below) 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).

In December 2017, Telenet entered into a new three-year €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).

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### 5.13.2 Senior Secured Notes

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

Telenet Finance III Luxembourg S.C.A. (further referred to as “**TFL III**”) was incorporated on January 28, 2011 under the laws of the Grand Duchy of Luxembourg as a structured finance entity company for the primary purpose of facilitating the offering of Senior Secured Notes.

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

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

The proceeds from the issuance of the Senior Secured Fixed Rate Notes due 2021 (being €300.0 million) the Company are used by TFL III to fund an additional facility under the 2015 Amended Senior Credit Facility, (the “**Finco Loan**” or “**Facility O**”), denominated in euro, borrowed by Telenet International Finance S.à r.l. (“**TIF**”).

The Senior Secured Fixed Rate Notes due 2021 were issued on February 9, 2011 and all cash was received on February 15, 2011. The Senior Secured Fixed Rate Notes due 2021 have a principal value of €300.0 million and were issued at par. The interest rate on the Senior Secured Fixed Rate Notes due 2021 amounts to 6.625% annually and accrued interest is paid semi-annually on February 15 and August 15 commencing August 15, 2011. The final maturity of these Senior Secured Fixed Rate Notes is February 15, 2021.

The net proceeds from this offering were partially used to redeem before maturity the outstanding Term Loans K and L1 under the Company’s 2015 Amended Senior Credit Facility for an aggregate of €286.5 million.

On June 15, 2016, Telenet used the proceeds of USD 850.0 million Term Loan (“**Facility AD**”) to repay the €300.0 million Senior Secured Fixed Rate Notes due 2021.

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

Telenet Finance IV Luxembourg S.C.A. (further referred to as “**TFL IV**”) was incorporated on May 23, 2011 under the laws of the Grand Duchy of Luxembourg as a structured finance entity company for the primary purpose of facilitating the offering of Senior Secured Notes.

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

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

The proceeds from the issuance of the Senior Secured Floating Rate Notes due 2021 (being €400.0 million) were used by TFL IV to fund an additional facility under the 2015 Amended Senior Credit Facility, (the “**Proceeds Loan**” or “**Facility P**”), denominated in euro, borrowed by TIF.

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

The net proceeds from this offering were used to redeem €400.1 million on the outstanding Term Loan G and J under the Company’s 2015 Amended Senior Credit Facility

On June 15, 2016, Telenet used the proceeds of USD 850.0 million Term Loan (“**Facility AD**”) to repay the €400.0 million Senior Secured Floating Rate Notes due 2021.

#### Issuance of €450.0 million Senior Secured Fixed Rate Notes due 2022 and €250.0 million Senior Secured Fixed Rate Notes due 2024

Telenet Finance V Luxembourg S.C.A. (further referred to as “**TFL V**”) was incorporated on November 16, 2011 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 August 13, 2012 TFL V entered into two Global Note offerings (the “**Senior Secured Notes due 2022**” and the “**Senior Secured Notes due 2024**”). TFL V 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 V Luxembourg S.à r.l., a company independent from the Telenet Group.

TFL V 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 V is included in the consolidated financial statements of the Company.

The proceeds from the issuance of the Senior Secured Fixed Rate Notes due 2022 (being €450.0 million) and the Senior Secured Fixed Rate Notes due 2024 (being €250.0 million) were used by TFL V to fund two additional facilities under the 2015 Amended Senior Credit Facility, (the “**Finco Loan**” or “**Facilities U and V**”), denominated in euro, borrowed by TIF.

The Senior Secured Fixed Rate Notes due 2022 and 2024 were issued on August 13, 2012 and the cash was received on August 16, 2012.

These Senior Secured Fixed Rate Notes due 2022 and 2024 have a principal value of €450.0 million and €250.0 million, respectively, and were issued at par.

The interest rate on the Senior Secured Fixed Rate Notes due 2022 is 6.25% annually and accrued interest is paid semi-annually on August 15 and February 15 commencing February 15, 2013. The final maturity of these Senior Secured Notes is August 15, 2022. The interest rate on the Senior Secured Fixed Rate Notes due 2024 is 6.75% annually and accrued interest is paid semi-annually on August 15 and February 15 commencing February 15, 2013. The final maturity of these Senior Secured Notes is August 15, 2024.

The net proceeds of this offering were envisioned to be used entirely to fund the proposed share repurchases under a Self Tender Offer. Due to the cancellation of the Self Tender Offer on September 20, 2012, the proceeds from this offering were still available as cash and cash equivalents as at December 31, 2012.

In December 2017, Telenet used the proceeds of its new Term Loans AL and AM and its new Senior Secured Fixed Rate Notes to repay these €450.0 million Senior Secured Notes due 2022.

### 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 1,000 million 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). Through this transaction, we succeeded in extending the average tenor of our debt maturities from 8.1 years pre-refinancing to 9.4 years post-refinancing at attractive rates, while ensuring increased covenant flexibility going forward.

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, 3G spectrum and global handset financing loans as of December 31, 2017 and 2016 are shown in the following table:

| <i>(in thousands of euro)</i>                                  | <b>Total Facility as per</b> | <b>Drawn amount</b> | <b>Undrawn amount</b> | <b>Maturity Date</b> | <b>Interest rate</b>                          | <b>Interest payments due</b>  |
|--|------------------------------|---------------------|-----------------------|----------------------|---|-------------------------------|
| <b>December 31, 2017</b>                                       |                              |                     |                       |                      |   |                               |
| <b>2017 Amended Senior Credit Facility:</b>                    |                              |                     |                       |                      |   |                               |
| Term Loan AM (730 million EUR)                                 | 730,000                      | 730,000             | —                     | December 15, 2027    | Floating   6-month EURIBOR (0% floor) + 2.75% | Semi-annually (Jan. and Jul.) |
| Term Loan AL (1,300 million USD)                               | 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                       |
| <b>Revolving Credit Facility:</b>                              |                              |                     |                       |                      |   |                               |
| Revolving Credit Facility                                      | 20,000                       | —                   | 20,000                | September 30, 2021   | Floating   1-month EURIBOR (0% floor) + 2.00% | Monthly                       |
| <b>BNP Overdraft Facility</b>                                  |                              |                     |                       |                      |   |                               |
| BNP Overdraft Facility   | 25,000                       | —                   | 25,000                | December 31, 2018    | Floating   1-month EURIBOR (0% floor) + 1.60% | Not applicable                |
| <b>Senior Secured Fixed Rate Notes:</b>                        |                              |                     |                       |                      |   |                               |
| USD 1,000 million 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.) |
| <b>Total notional amount</b>                                   | <b>4,468,238</b>             | <b>4,023,238</b>    | <b>445,000</b>        |                      |   |                               |

| <i>(in thousands of euro)</i>               | <b>Total Facility<br/>as per</b> | <b>Drawn<br/>amount</b> | <b>Undrawn<br/>amount</b> | <b>Maturity Date</b> | <b>Interest rate</b>                          | <b>Interest<br/>payments due</b>     |
|---|----------------------------------|-------------------------|---------------------------|----------------------|---|--------------------------------------|
| <b>December 31, 2016</b>                    |                                  |                         |                           |                      |   |                                      |
| <b>2015 Amended Senior Credit Facility:</b> |                                  |                         |                           |                      |   |                                      |
| Term Loan AE (1.6mio EUR)                   | 1,600,000                        | 1,600,000               | —                         | January 31, 2025     | Floating   3-month EURIBOR + 3.25%            | Quarterly (Jan., April, July, Oct.)  |
| Term Loan AF (1.5mio USD)                   | 1,422,206                        | 1,422,206               | —                         | January 31, 2025     | Floating   LIBOR + 3.00%                      | Quarterly (March, June, Sept., Dec.) |
| Revolving Credit Facility (Facility AG)     | 400,000                          | —                       | 400,000                   | June 30, 2023        | Floating   1-month EURIBOR + 2.75%            | Not applicable                       |
| Revolving Credit Facility (Facility Z)      | 120,000                          | —                       | 120,000                   | June 30, 2018        | Floating   1-month EURIBOR + 2.25%            | Not applicable                       |
| <b>BNP Overdraft Facility</b>               |                                  |                         |                           |                      |   |                                      |
| BNP Overdraft Facility                      | 25,000                           | —                       | 25,000                    | December 31, 2017    | Floating   1-month EURIBOR (0% floor) + 1.60% | Not applicable                       |
| <b>Senior Secured Fixed Rate Notes:</b>     |                                  |                         |                           |                      |   |                                      |
| €450 million Senior Secured Notes due 2022  | 450,000                          | 450,000                 | —                         | August 15, 2022      | Fixed   6.25%                                 | Semi-annually (Feb. and Aug.)        |
| €250 million Senior Secured Notes due 2024  | 250,000                          | 250,000                 | —                         | August 15, 2024      | Fixed   6.75%                                 | Semi-annually (Feb. and Aug.)        |
| €530 million Senior Secured Notes due 2027  | 530,000                          | 530,000                 | —                         | July 15, 2027        | Fixed   4.875%                                | Semi-annually (Jan. and Jul.)        |
| <b>Total notional amount</b>                | <b>4,797,206</b>                 | <b>4,252,206</b>        | <b>545,000</b>            |                      |   |                                      |

### 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, 2017:

| (in thousands of euro)  | 2017 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 |
|---|-------------------------------------|---------------------------------|------------------|---------------------------|--------------------------|-------------------------|---|
| <b>At January 1, 2017</b>                                     | <b>3,032,638</b>                    | <b>1,258,913</b>                | <b>34,652</b>    | <b>358,815</b>            | <b>142,463</b>           | <b>(45,624)</b>         |   |
| <b>Changes from financing cash flows</b>                      |                                     |                                 |                  |                           |                          |                         |   |
| Repayments of loans and borrowings                            | (480,000)                           | (450,000)                       | (61,127)         | —                         | (7,537)                  | —                       | (998,664)                               |
| Proceeds from loans and borrowings                            | 947,276                             | —                               | 107,732          | —                         | —                        | —                       | 1,055,008                               |
| Payments of finance lease liabilities                         | —                                   | —                               | —                | (40,317)                  | —                        | —                       | (40,317)                                |
| Payments for debt issuance costs                              | —                                   | —                               | —                | —                         | —                        | (53,441)                | (53,441)                                |
| <b>Total changes from financing cash flows</b>                | <b>467,276</b>                      | <b>(450,000)</b>                | <b>46,605</b>    | <b>(40,317)</b>           | <b>(7,537)</b>           | <b>(53,441)</b>         | <b>(37,414)</b>                         |
| <b>The effect from changes in foreign exchange rate</b>       | <b>(227,889)</b>                    | <b>(18,279)</b>                 | <b>—</b>         | <b>—</b>                  | <b>—</b>                 | <b>—</b>                |   |
| <b>The effect from acquisition of SFR Belux</b>               | <b>—</b>                            | <b>—</b>                        | <b>—</b>         | <b>—</b>                  | <b>4,262</b>             | <b>—</b>                |   |
| <b>Liability related other changes</b>                        |                                     |                                 |                  |                           |                          |                         |   |
| New finance leases and new vendor financing                   | —                                   | —                               | 158,534          | 61,498                    | —                        | —                       |   |
| Non cash settlement VAT                                       | —                                   | —                               | 21,876           | —                         | —                        | —                       |   |
| Non cash borrowing/repayment of debt (note 5.13.1 and 5.13.2) | (1,450,123)                         | 1,450,123                       | —                | —                         | —                        | —                       |   |
| Loss on extinguishment and modification of debt               | —                                   | —                               | —                | —                         | —                        | 75,991                  |   |
| Interest expense  | 114,923                             | 59,724                          | 1,995            | 25,092                    | 9,559                    | —                       |   |
| Interest paid   | (121,658)                           | (66,072)                        | (1,187)          | (21,796)                  | (405)                    | —                       |   |
| Other   | 883                                 | —                               | 130              | (133)                     | (83)                     | 2,490                   |   |
| <b>Total liability related other charges</b>                  | <b>(1,455,975)</b>                  | <b>1,443,775</b>                | <b>181,348</b>   | <b>64,661</b>             | <b>9,071</b>             | <b>78,481</b>           |   |
| <b>At December 31, 2017</b>                                   | <b>1,816,050</b>                    | <b>2,234,409</b>                | <b>262,605</b>   | <b>383,159</b>            | <b>148,259</b>           | <b>(20,584)</b>         |   |

| (in thousands of euro)   | Share capital | Share premium | Equity-based compensation reserve | Reserve for own shares | Retained loss      | Non-controlling interest | Total changes from financing cash flows |
|--|---------------|---------------|-----------------------------------|------------------------|--------------------|--------------------------|---|
| <b>At January 1, 2017</b>                                      | <b>12,758</b> | <b>62,366</b> | <b>75,271</b>                     | <b>(85,767)</b>        | <b>(2,190,107)</b> | <b>18,372</b>            |   |
| <b>Changes from financing cash flows</b>                       |               |               |                                   |                        |                    |                          |   |
| Repurchase of own shares                                       | —             | —             | —                                 | (61,646)               | —                  | —                        | (61,646)                                |
| Sale of own shares   | —             | —             | —                                 | 38,637                 | (8,739)            | —                        | 29,898                                  |
| Proceeds from issuance of share capital through Employee Share | 41            | 18,377        | —                                 | —                      | —                  | —                        | 18,418                                  |
| <b>Total changes from financing cash flows</b>                 | <b>41</b>     | <b>18,377</b> | <b>—</b>                          | <b>(23,009)</b>        | <b>(8,739)</b>     | <b>—</b>                 | <b>(13,330)</b>                         |
| <b>Total equity related other charges</b>                      | <b>—</b>      | <b>—</b>      | <b>12,512</b>                     | <b>111</b>             | <b>99,188</b>      | <b>3,483</b>             |   |
| <b>At December 31, 2017</b>                                    | <b>12,799</b> | <b>80,743</b> | <b>87,783</b>                     | <b>(108,665)</b>       | <b>(2,099,658)</b> | <b>21,855</b>            |   |
| <b>Total changes from financing cash flows</b>                 |               |               |                                   |                        |                    |                          | <b>(50,744)</b>                         |

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## 5.13.5 Guarantees and covenants

### 2017 Amended Senior Credit Facility

As at 31 December 2017, 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 2017 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 2017 Amended Senior Credit Facility by Telenet Group Holding NV, Telenet BVBA, Telenet Group BVBA, Telenet Vlaanderen NV, Telenet International Finance S.à r.l. and Telenet Financing USD over substantially all their assets.

The above-mentioned security interests include:

- pledges of all shares of Telenet BVBA, Telenet Group BVBA, Telenet Vlaanderen NV and Telenet International Finance S.à r.l.;
- mortgages of (i) €800 million granted by the former Telenet Operaties NV (succeeded by Telenet BVBA), (ii) €625 million granted by the former MixtICS NV (succeeded by Telenet BVBA), (iii) €625 million granted by Telenet Vlaanderen NV, and (iv) €50 million granted by the former Telenet Solutions NV (succeeded by Telenet BVBA); a portion of the mortgages have been granted in a non-joined (non-cumulative) manner with certain other mortgages and certain floating charges;
- non-exercised mortgage mandates of (i) €650 million granted by Telenet BVBA (formerly called Telenet NV and Telenet BidCo NV), (ii) €450 million granted by the former Telenet Operaties NV (succeeded by Telenet BVBA), (iii) €450 million granted by the former MixtICS NV (succeeded by Telenet BVBA) and (iv) €450 million granted by Telenet Vlaanderen NV;
- floating charges (*pand op handelszaak*) of (i) €1.25 billion granted by the former Telenet Operaties NV (succeeded by Telenet BVBA), (ii) €135 million granted by Telenet BVBA (formerly called Telenet NV and Telenet BidCo NV), (iii) €250 million granted by Telenet BVBA (formerly called Telenet NV and Telenet BidCo NV), (iv) €865 million granted by the former MixtICS NV (succeeded by Telenet BVBA), (v) €865 million granted by Telenet Vlaanderen NV, (vi) €75 million granted by the former PayTVCo NV (succeeded by Telenet BVBA) and (vii) €75 million granted by the former Codenet NV (afterwards renamed to Telenet Solutions NV and succeeded by Telenet BVBA); a portion of the floating charges have been granted in a non-joined manner (non-cumulative) with certain other floating charges and certain mortgages;
- a non-exercised floating charge mandate of €865 million granted by Telenet BVBA, which is granted in a non-joined (non-cumulative) manner with the floating charges referred to in (i), (iv), (vi) and (vii) above;
- a non-exercised floating charge mandate of €800 million granted by Telenet Group BVBA;
- pledges of all present and future receivables owed to Telenet Group Holding NV, Telenet BVBA, Telenet Group BVBA and Telenet Vlaanderen NV;
- pledges of all present and future securities (other than shares in subsidiaries) held by Telenet BVBA and Telenet Vlaanderen NV;
- a pledge over all present and future notes issued by Finance Center Telenet S.à r.l. and owned by Telenet International Finance S.à r.l.;
- pledges of all present and future intercompany receivables owed to Telenet International Finance S.à r.l. by Telenet BVBA, Telenet Luxembourg Finance Center S.à r.l., Finance Center Telenet S.à r.l. and Telenet Group BVBA;
- pledges on all present and future bank accounts of Telenet Group Holding NV, Telenet BVBA, Telenet Group BVBA, Telenet Vlaanderen NV and Telenet International Finance S.à r.l.;
- pledge on all present and future shares (and other equity interests) of Telenet Financing USD LLC owned by Telenet International Finance S.à r.l.;
- security granted by Telenet Financing USD LLC over present and future assets, including inter alia, accounts, equipment, inventory, documents, securities, intellectual property and immaterial assets; 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.

The total executable principal amount under the mortgages and floating charges, taking into account non-cumulation within and between floating charges and mortgages, was €2,375.0 million on December 31, 2017.

As of January 1, 2018 the law of 11 July 2013 amending the Civil Code in respect of real security rights on movable assets (as amended) has entered into force. This new legislation introduces significant changes to the Belgian law regime of movable asset security. It has now become possible to perfect a pledge over movable assets (including all present and future movable assets of the security provider) by means of registration in the national pledge register. The floating charge (*pand op handelszaak*) will be abolished and all existing floating charges and floating charge mandates (*mandaat pand op handelszaak*) should be converted to a pledge registered in the national pledge register within one year from the entry into force of the new legislation. This implies that the floating charges and floating charge mandates mentioned above will have to be converted to pledges under the new regime and registered in the national pledge register to remain enforceable.

As of December 31, 2017, the Company was in compliance with all of its financial covenants.

In respect of the obligations under the notes issued by Telenet Finance V 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 V Luxembourg S.C.A.;
- all of the issued shares of Telenet Finance V S.à r.l. (Telenet Finance V Luxembourg S.C.A.'s general partner);
- all of Telenet Finance V Luxembourg S.C.A.'s rights, title and interest under the 2017 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 U accession agreement and the additional facility V accession agreement pursuant to which Telenet Finance V Luxembourg S.C.A. has become a lender under the 2017 Amended Senior Credit Facility;
- all of Telenet Finance V 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 V 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 V Luxembourg S.C.A. 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 2017 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 2017 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 2017 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 2017 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:

| <i>(in thousands of euro)</i>          | Future minimum lease payments |                   | Interest          |                   | Present value of future minimum lease payments |                   |
|--|-------------------------------|-------------------|-------------------|-------------------|--|-------------------|
|  | December 31, 2017             | December 31, 2016 | December 31, 2017 | December 31, 2016 | December 31, 2017                              | December 31, 2016 |
| Within one year                        | 67,899                        | 61,486            | 21,690            | 20,472            | 46,209   | 41,014            |
| In the second to fifth year, inclusive | 225,952                       | 251,543           | 62,752            | 68,414            | 163,200  | 183,129           |
| Thereafter                             | 210,413                       | 157,081           | 39,438            | 26,601            | 170,975  | 130,480           |
| <b>Total minimum lease payments</b>    | <b>504,264</b>                | <b>470,110</b>    | <b>123,880</b>    | <b>115,487</b>    | <b>380,384</b>                                 | <b>354,623</b>    |

The following table summarizes the obligations per type of finance leases:

| <i>(in thousands of euro)</i>       | Future minimum lease payments |                   | Interest          |                   | Present value of future minimum lease payments |                   |
|-------------------------------------|-------------------------------|-------------------|-------------------|-------------------|--|-------------------|
|                                     | December 31, 2017             | December 31, 2016 | December 31, 2017 | December 31, 2016 | December 31, 2017                              | December 31, 2016 |
| Buildings                           | 15,287                        | 17,329            | 2,005             | 2,246             | 13,282   | 15,083            |
| Canon                               | 482,288                       | 452,781           | 121,006           | 113,241           | 361,282  | 339,540           |
| Cars                                | 6,689                         | —                 | 869               | —                 | 5,820  | —                 |
| <b>Total minimum lease payments</b> | <b>504,264</b>                | <b>470,110</b>    | <b>123,880</b>    | <b>115,487</b>    | <b>380,384</b>                                 | <b>354,623</b>    |

### 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 29 years remained at the end of 2017). 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, 2017, the average effective borrowing rate for the three above mentioned fees was 6.23% (2016: 6.28%).

The Clientele fees payable beyond 20 years are recognized as a non-lease related debt.

As per December 31, 2017 and 2016, the outstanding liabilities related to the Interkabel agreements, as well as the net book value of the intangible asset can be summarized as follows:

| <i>(in thousands of euro)</i>  | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|--|--------------------------|--------------------------|
| Outstanding lease debt Annuity / Clientele / Canon   |                          |                          |
| Annuity agreement  | 7,447                    | 10,009                   |
| Clientele agreement  | 5,849                    | 11,080                   |
| Canon agreement  | 348,635                  | 321,146                  |
| Out of Market Component on initial Canon leases acquired as part of a business combination | (1,865)                  | (2,695)                  |
|  | <b>360,066</b>           | <b>339,540</b>           |
| Outstanding non-lease related Clientele debt   |                          |                          |
| Clientele fee > 20 years   | 114,972                  | 106,008                  |
| Intangible asset related to Canon agreement  |                          |                          |
| Out of Market Component on future Canon leases acquired as part of a business combination  | 17,087                   | 17,437                   |

## 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, 2017, the average effective borrowing rate was 4.11% (2016: 4.17%). 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.

For the year ended December 31, 2017, the outstanding liabilities with respect to vendor financing (€262.6 million) consist of:

- €131.3 million capex related invoices,
- €130.4 million operational expense related invoices, and
- €0.9 million accrued interest.

During the year ended December 31, 2017, the Company repaid €41.6 million of capex related invoices and €19.5 million of opex related invoices.

### 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 (see note 5.6). For the years ended December 31, 2017 and 2016, the average effective borrowing rate for the 3G mobile spectrum was 2.00% and 2.25%, respectively.

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.

### 5.13.8 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 due December 4, 2017. On maturity date, this loan was extended for one year and thus becomes due December 4, 2018.

### 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.

## 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, 2017 and 2016, the outstanding forward foreign exchange derivatives were as follows:

| <i>(in thousands of euro)</i>                      | December 31, 2017             | December 31, 2016             |
|--|-------------------------------|-------------------------------|
| <b>Forward Purchase Contracts</b>                  |                               |                               |
| Notional amount in US dollar                       | 48,335                        | 47,100                        |
| Weighted average strike price (US dollar per euro) | 1.142                         | 1.135                         |
| Maturity   | From January to November 2018 | From January to November 2017 |

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, 2017 and 2016, the outstanding interest rate derivatives and cross currency interest rates swaps ("CCIRS") as follows:

| <i>(in thousands of euro)</i>  | December 31, 2017       | December 31, 2016 |
|--------------------------------|-------------------------|-------------------|
| <b>Interest Rate Swaps EUR</b> |                         |                   |
| Notional amount                | 125,000                 | 4,557,000         |
| Average pay interest rate      | EURIBOR 6M              | 0.8%              |
| Average receive interest rate  | 0.14%                   | EURIBOR 3M        |
| Maturity                       | 2022                    | From 2017 to 2025 |
| Notional amount                | 475,000                 | 557,000           |
| Average pay interest rate      | 2.17%                   | EURIBOR 3M        |
| Average receive interest rate  | EURIBOR 6M              | 0.04%             |
| Maturity                       | 2022                    | 2023              |
| Notional amount                | 1,032,000               |                   |
| Average pay interest rate      | EURIBOR 3M / EURIBOR 6M |                   |
| Average receive interest rate  | 0.08%                   |                   |
| Maturity                       | 2023                    |                   |
| Notional amount                | 1,682,000               |                   |
| Average pay interest rate      | 0.70%                   |                   |
| Average receive interest rate  | EURIBOR 3M / EURIBOR 6M |                   |
| Maturity                       | 2023                    |                   |
| Notional amount                | 270,000                 |                   |
| Average pay interest rate      | EURIBOR 3M              |                   |
| Average receive interest rate  | 0.34%                   |                   |
| Maturity                       | 2025                    |                   |
| Notional amount                | 650,000                 |                   |
| Average pay interest rate      | 1.17%                   |                   |
| Average receive interest rate  | EURIBOR 3M / EURIBOR 6M |                   |
| Maturity                       | From 2023 to 2025       |                   |

|                               |                   |
|-------------------------------|-------------------|
| Notional amount               | 350,000           |
| Average pay interest rate     | 1.23%             |
| Average receive interest rate | EURIBOR 6M        |
| Maturity                      | From 2022 to 2026 |

### Interest Rate Swaps USD

|                               |                |                |
|-------------------------------|----------------|----------------|
| Notional amount               | 1,300,000      | 1,500,000      |
| Average pay interest rate     | USD 6M + 2.41% | USD 3M + 2.83% |
| Average receive interest rate | USD 1M + 2.50% | USD 1M + 3.00% |
| Maturity                      | 2019           | 2017           |

### Cross currency interest rate swap

|                               |                |                |
|-------------------------------|----------------|----------------|
| Notional amount USD           | 1,300,000      | 1,500,000      |
| Average receive interest rate | USD 6M + 2.50% | USD 3M + 3.28% |
| Notional amount EUR           | 1,184,879      | 1,330,371      |
| Average pay interest rate     | 2.95%          | 3.33%          |
| Maturity                      | 2025           | 2025           |

|                               |         |         |
|-------------------------------|---------|---------|
| Notional amount USD           | 405,000 | 850,000 |
| Average receive interest rate | 5.50%   | 0.5%    |
| Notional amount EUR           | 362,711 | 743,308 |
| Average pay interest rate     | 3.37%   | 0.47%   |
| Maturity                      | 2025    | 2024    |

|                               |         |
|-------------------------------|---------|
| Notional amount USD           | 595,000 |
| Average receive interest rate | 5.50%   |
| Notional amount EUR           | 520,059 |
| Average pay interest rate     | 3.21%   |
| Maturity                      | 2024    |

|                               |                   |
|-------------------------------|-------------------|
| Notional amount USD           | 595,000           |
| Average receive interest rate | 5.50%             |
| Notional amount EUR           | 520,059           |
| Average pay interest rate     | 4.62%             |
| Maturity                      | From 2024 to 2025 |

### Caps

|                           |    |        |
|---------------------------|----|--------|
| Notional amount           | —  | 50,000 |
| Average cap interest rate | —% | 4.50%  |
| Maturity                  | 0  | 2017   |

### Collars

|                             |    |       |
|-----------------------------|----|-------|
| Notional amount             | —  | 804   |
| Average floor interest rate | —% | 6.00% |
| Average cap interest rate   | —% | 6.00% |
| Maturity                    | 0  | 2017  |

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

| <i>(in thousands of euro)</i>      | December 31, 2017 | December 31, 2016 |
|------------------------------------|-------------------|-------------------|
| Current assets                     | 41,569            | 22,825            |
| Non-current assets                 | 7,766             | 49,658            |
| Current liabilities                | (21,784)          | (16,015)          |
| Non-current liabilities            | (311,291)         | (94,695)          |
|                                    | <b>(283,740)</b>  | <b>(38,227)</b>   |
| Interest rate derivatives          | (91,230)          | (105,391)         |
| Cross Currency Interest Rate Swaps | (189,793)         | 64,405            |
| Foreign exchange forwards          | (2,761)           | 2,835             |
| Embedded derivatives               | 44                | (76)              |
|                                    | <b>(283,740)</b>  | <b>(38,227)</b>   |

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

| <i>(in thousands of euro)</i>  | December 31, 2017 | December 31, 2016 |
|--|-------------------|-------------------|
| <b>Early termination of derivative financial instruments (note 5.21)</b> | <b>(422)</b>      | <b>(10,735)</b>   |
| <b>Change in fair value (note 5.21)</b>                                  |                   |                   |
| Cross Currency Interest Rate Swaps                                       | (254,198)         | 64,403            |
| Interest rate derivatives  | 13,728            | (59,896)          |
| Foreign exchange forwards  | (5,596)           | 2,480             |
| Embedded derivatives   | 121               | 13                |
| Total change in fair value   | <b>(245,945)</b>  | <b>7,000</b>      |
| <b>Realized result on derivatives</b>                                    |                   |                   |
| Cross Currency Interest Rate Swaps                                       | 16,129            | 7,839             |
| Interest rate derivatives  | (13,301)          | 2,362             |
| Foreign exchange forwards  | 473               | (326)             |
| Embedded derivatives   | —                 | —                 |
| Total realized result on derivatives                                     | <b>3,301</b>      | <b>9,875</b>      |
| <b>Net gain (loss) on derivative financial instruments</b>               | <b>(243,066)</b>  | <b>6,140</b>      |

## 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.

In December 2017, the Belgian Federal Government announced and substantially enacted a reform of the Belgian corporate income tax.

Main reform is the change in corporate income tax rate. The current rate of 33% will be lowered to 29% in 2018 and to 25% as from 2020.

The crisis tax, currently amounting to 3%, will be lowered to 2% as from 2018 and abolished in 2020.

This has an impact on the available deferred and recognized tax assets. Total impact can be estimated at a reduction of deferred taxes of around 3.1 million EUR as a direct result of the tax rate change.

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)                | January 1, 2017  | Coditel Acquisition | Ortel Disposal | (Charged) credited to the statement of profit or loss and other comprehensive income | December 31, 2017 |
|---------------------------------------|------------------|---------------------|----------------|--|-------------------|
| <b>Deferred tax assets:</b>           |                  |                     |                |  |                   |
| Financial instruments                 | 9,757            |                     |                | 64,046   | 73,803            |
| Lease obligation                      |                  |                     |                | 82   | 82                |
| Provisions                            | 9,282            | 344                 |                | 3,850  | 13,477            |
| Receivables                           | 1,426            |                     |                | (996)  | 430               |
| Tax loss carry-forwards               | 194,963          | 54                  | (384)          | 8,127  | 202,760           |
| Other                                 | 20,004           | 5,221               |                | 5,914  | 31,139            |
| <b>Total Deferred tax assets</b>      | <b>235,432</b>   | <b>5,620</b>        | <b>(384)</b>   | <b>81,023</b>  | <b>321,691</b>    |
| <b>Deferred tax liabilities:</b>      |                  |                     |                |  |                   |
| Lease obligation                      | (144)            |                     |                | 144  |                   |
| Property and equipment                | (106,092)        | (8,267)             |                | 33,080   | (81,280)          |
| Goodwill                              | (24,125)         | (10,911)            |                | 5,979  | (29,058)          |
| Intangible assets                     | (73,066)         | 13,417              | 660            | 7,631  | (51,358)          |
| Receivables                           |                  |                     |                | (266)  | (266)             |
| Deferred Financing Fees               | (6,514)          |                     |                | (6,618)  | (13,132)          |
| Other                                 | (56,006)         | (441)               |                | 14,030   | (42,417)          |
| <b>Total Deferred tax liabilities</b> | <b>(265,947)</b> | <b>(6,202)</b>      | <b>660</b>     | <b>53,980</b>  | <b>(217,510)</b>  |

| (in thousands of euro)  | Statement of profit or loss and other comprehensive income(1) | Statement of financial position(2) |
|---|---|------------------------------------|
| Deferred tax assets   | 81,023  | 321,691                            |
| Deferred tax liabilities  | 53,980  | (217,510)                          |
|   | <b>135,003</b>  | <b>104,181</b>                     |
| <b>Statement of profit or loss and comprehensive income (see Note 5.22)</b> |   |                                    |
| Deferred tax expense in profit or loss (see Note 5.22)                      | (135,003)   |                                    |
| <b>Total deferred tax expense</b>   | (135,003)   |                                    |
| Current tax expense (see Note 5.22)   | 176,692   |                                    |
| <b>Total Comprehensive Income</b>   | 41,689  |                                    |
| <b>Total profit or loss</b>   | <b>41,689</b>   |                                    |
| <b>Balance Sheet</b>  |   |                                    |
| Deferred tax assets   |   | 236,578                            |
| Deferred tax liabilities  |   | (132,397)                          |
|   |   | <b>104,181</b>                     |

| (in thousands of euro)                | January 1, 2016  | BASE acquisition | (Charged)<br>credited to the<br>statement of<br>profit or loss and<br>other<br>comprehensive<br>income | December 31, 2016 |
|---------------------------------------|------------------|------------------|--|-------------------|
| <b>Deferred tax assets:</b>           |                  |                  |  |                   |
| Financial instruments                 | 16,297           | —                | (6,540)  | 9,757             |
| Provisions                            | (19,838)         | (2,438)          | 31,558   | 9,282             |
| Receivables                           | 7,273            | —                | (5,847)  | 1,426             |
| Tax loss carry-forwards               | 85,861           | 18,775           | 90,327   | 194,963           |
| Other                                 | 8,670            | —                | 11,334   | 20,004            |
| <b>Total Deferred tax assets</b>      | <b>98,263</b>    | <b>16,337</b>    | <b>120,832</b>   | <b>235,432</b>    |
| <b>Deferred tax liabilities:</b>      |                  |                  |  |                   |
| Lease obligation                      | (464)            | —                | 319  | (145)             |
| Property and equipment                | (67,542)         | (36,844)         | (1,706)  | (106,092)         |
| Goodwill                              | (27,422)         | 3,863            | (565)  | (24,124)          |
| Intangible assets                     | (11,508)         | (62,591)         | 1,033  | (73,066)          |
| Deferred Financing Fees               | (6,886)          | —                | 372  | (6,514)           |
| Other                                 | (460)            | —                | (55,546)   | (56,006)          |
| <b>Total Deferred tax liabilities</b> | <b>(114,282)</b> | <b>(95,572)</b>  | <b>(56,093)</b>  | <b>(265,947)</b>  |

| (in thousands of euro)  | Statement of profit or loss and other comprehensive income | Statement of financial position |
|---|--|---------------------------------|
| Deferred tax assets   | 120,832  | 235,432                         |
| Deferred tax liabilities  | (56,093)   | (265,947)                       |
|   | <b>64,739</b>  | <b>(30,515)</b>                 |
| <b>Statement of profit or loss and comprehensive income (see Note</b> |  |                                 |
| Deferred tax expense in profit or loss (see Note 5.22)                | (64,739)   |                                 |
| <b>Total deferred tax expense</b>                                     | <b>(64,739)</b>  |                                 |
| Current tax expense (see Note 5.22)                                   | 107,752  |                                 |
| <b>Total Comprehensive Income</b>                                     | <b>43,013</b>  |                                 |
| <b>Total profit or loss</b>   | <b>43,013</b>  |                                 |
| <b>Balance Sheet</b>  |  |                                 |
| Deferred tax assets   |  | 135,532                         |
| Deferred tax liabilities  |  | (166,047)                       |
|   |  | <b>(30,515)</b>                 |

As of December 31, 2017, Telenet Group Holding NV and its subsidiaries had available combined cumulative tax loss carry forwards of €1311.0 million (2016: €1227.6 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 €128.4 million (2016: €185.3 million) in respect of losses amounting to €513.0 million (2016: €545.3 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.

## 5.16 Other non-current liabilities

| <i>(in thousands of euro)</i>                    | Note | December 31, 2017 | December 31, 2016 |
|--|------|-------------------|-------------------|
| Employee benefit obligations                     | 5.17 | 22,616            | 23,596            |
| Other personnel related obligations              |      | 689               | 893               |
| Long service awards                              | 5.17 | 7,805             | 8,079             |
| Interkabel out of market opex                    |      | 15,762            | 15,135            |
| Asset retirement obligations                     |      | 10,524            | 8,700             |
| Liabilities regarding sports broadcasting rights | 5.6  | 47,425            | 24,718            |
| Restructuring liability Norkring                 |      | 9,852             | 11,343            |
| Liabilities regarding pylon taxes                |      | 3,473             | —                 |
| Other  |      | 5,806             | 2,144             |
| <b>Total Other non-current liabilities</b>       |      | <b>123,952</b>    | <b>94,608</b>     |

Total non-current and current liabilities regarding sports broadcasting rights amounted to €47.4 million and €60.9 million, respectively (see note 5.18) at December 31, 2017 (2016: €24.7 million and €38.4 million, respectively). In 2017, the increase in liabilities regarding sports broadcasting rights can mainly be explained by the recognition of football broadcasting rights of the Jupiler Pro League for the three seasons starting July 2017 and the extension of the exclusive UK Premier League broadcasting rights for three seasons as of the current 2017-2018 season.

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 €9.9 million and €2.3 million at December 31, 2017 (2016: respectively €11.3 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, 2017 amounted to €15.8 million (2016: €15.1 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 2016 is related to the increased number of sites in 2017.

The other non-current assets amounting to €5.8 million consists mainly of the Long term Accrued Stock Compensation representing the liability

recognized with respect to the performance share plans ("PSPs"). When the underlying performance criteria are met, the performance share plans have been paid out in cash instead of in shares of the Company upon decision of the Remuneration & Nomination Committee and the Board of Directors. The historical track record of cash settlements of these particular equity awards did trigger in 2016 a modification of the equity classification of all performance shares outstanding. As a result, all similar performance share plans have been considered to be cash settled share base payment plans and thus, the Company represented in 2016 the related share based compensation expense recognized as liability and no longer in equity. These performance share plans are fair-valued and the outstanding liability as per December 31, 2017 amounted to €8.2 million (2016: €4.5 million).

## 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:

| <i>(in thousands of euro)</i>  | Note | December 31, 2017           |  |                                      | December 31, 2016            |  |                                      |
|--|------|-----------------------------|--|--------------------------------------|------------------------------|--|--------------------------------------|
|  |      | 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  |      | 6,814                       | 6,814                                  | —                                    | 7,509                        | 7,509                                  | —                                    |
| Defined contribution plans   |      | 15,802                      | —                                      | 15,802                               | 16,087                       | —                                      | 16,087                               |
| <b>Total LT employee benefit obligations</b>                             | 5.16 | <b>22,616</b>               | <b>6,814</b>                           | <b>15,802</b>                        | <b>23,596</b>                | <b>7,509</b>                           | <b>16,087</b>                        |
| <b>Total LT service awards</b>   | 5.16 | <b>7,805</b>                | —                                      | —                                    | <b>8,079</b>                 | —                                      | —                                    |
| Defined benefit pension plans  |      | (1,357)                     | (1,357)                                | —                                    | —                            | —                                      | —                                    |
| Defined contribution plans   |      | —                           | —                                      | —                                    | —                            | —                                      | —                                    |
| <b>Total LT asset related to funding of employee benefit obligations</b> |      | <b>(1,357)</b>              | <b>(1,357)</b>                         | —                                    | —                            | —                                      | —                                    |
| <b>Total employee benefit plans liability/(asset)</b>                    |      | <b>29,064</b>               | <b>5,457</b>                           | <b>15,802</b>                        | <b>31,675</b>                | <b>7,509</b>                           | <b>16,087</b>                        |

### Long service awards

The Company has also recognized a liability of €7.8 million at December 31, 2017 (2016: € 8.1 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.

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 1 January 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 2017, the minimum guaranteed rate of return was equal to 1.75% (for 2016, 1.75% on employer contributions and on employee contributions). 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, those 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 31 December 2016 and 31 December 2017.

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, a closed group of former Coditel employees as well as a limited group of other employees, are covered by defined benefit pension plans, which provide retirement benefits based on the employees' final salaries and their years of service. In accordance with local practice, the benefits are normally paid out in the form of a lump sum.

The defined benefit pension plans are financed through insurance contracts, whereby the insurance company guarantees a minimum interest rate 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 are financed directly by the Company. A past service cost was recognized during 2016 with respect to the early retirement scheme.

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).

The defined benefit obligation, the fair value of the plan assets and the net defined benefit liability/(asset) reconcile as follows :

| <i>(in thousands of euro)</i>  | Defined Benefit Obligation |                | Fair value of plan assets |                  | Asset ceiling |          | Net defined benefit liability (asset) |                |
|--|----------------------------|----------------|---------------------------|------------------|---------------|----------|---------------------------------------|----------------|
|  | 2017                       | 2016           | 2017                      | 2016             | 2017          | 2016     | 2017                                  | 2016           |
| <b>At January 1</b>  | <b>124,115</b>             | <b>29,475</b>  | <b>(100,519)</b>          | <b>(13,835)</b>  | <b>—</b>      | <b>—</b> | <b>23,596</b>                         | <b>15,640</b>  |
| Reclassification DC plan   | —                          | 60,251         | —                         | (60,251)         | —             | —        | —                                     | —              |
| <b>Adjusted opening amount</b>                                       | <b>124,115</b>             | <b>89,726</b>  | <b>(100,519)</b>          | <b>(74,086)</b>  | <b>—</b>      | <b>—</b> | <b>23,596</b>                         | <b>15,640</b>  |
| <b>Components of defined benefit cost included in profit or loss</b> |                            |                |                           |                  |               |          |                                       |                |
| Current service cost (incl. administration costs)                    | 9,251                      | 8,183          | —                         | —                | —             | —        | 9,251                                 | 8,183          |
| Past service cost  | —                          | 1,401          | —                         | —                | —             | —        | —                                     | 1,401          |
| Interest cost / (income)   | 2,223                      | 2,468          | (1,898)                   | (2,106)          | 52            | —        | 377                                   | 362            |
|  | <b>11,474</b>              | <b>12,052</b>  | <b>(1,898)</b>            | <b>(2,106)</b>   | <b>52</b>     | <b>—</b> | <b>9,628</b>                          | <b>9,946</b>   |
| <b>Components of defined benefit cost included in OCI</b>            |                            |                |                           |                  |               |          |                                       |                |
| <b>Remeasurements</b>  |                            |                |                           |                  |               |          |                                       |                |
| Actuarial loss (gain) arising from:                                  |                            |                |                           |                  |               |          |                                       |                |
| changes to demographic assumptions                                   | —                          | (101)          | —                         | —                | —             | —        | —                                     | (101)          |
| changes to financial assumptions                                     | —                          | 5,877          | —                         | —                | —             | —        | —                                     | 5,877          |
| experience adjustments   | (2,476)                    | 845            | —                         | —                | —             | —        | (2,476)                               | 845            |
| Return on plan assets excluding interest income                      | —                          | —              | 1,212                     | (1,108)          | 77            | —        | 1,289                                 | (1,108)        |
|  | <b>(2,476)</b>             | <b>6,621</b>   | <b>1,212</b>              | <b>(1,108)</b>   | <b>77</b>     | <b>—</b> | <b>(1,187)</b>                        | <b>5,513</b>   |
| <b>Other</b>   |                            |                |                           |                  |               |          |                                       |                |
| Contributions paid by the employee                                   | 2,063                      | 1,916          | (2,063)                   | (1,916)          | —             | —        | —                                     | —              |
| Contributions paid by the employer (incl. taxes)                     | —                          | —              | (8,917)                   | (7,252)          | —             | —        | (8,917)                               | (7,252)        |
| Benefits paid (incl. taxes)  | (2,434)                    | (2,896)        | 1,954                     | 2,749            | —             | —        | (480)                                 | (147)          |
| Business combination / divestitures                                  | 2,992                      | 16,696         | (10,577)                  | (16,800)         | 6,204         | —        | (1,381)                               | (104)          |
|  | <b>2,621</b>               | <b>15,716</b>  | <b>(19,603)</b>           | <b>(23,219)</b>  | <b>6,204</b>  | <b>—</b> | <b>(10,778)</b>                       | <b>(7,503)</b> |
| <b>At December 31</b>  | <b>135,734</b>             | <b>124,115</b> | <b>(120,808)</b>          | <b>(100,519)</b> | <b>6,333</b>  | <b>—</b> | <b>21,259</b>                         | <b>23,596</b>  |
| <b>Represented by :</b>  |                            |                |                           |                  |               |          | <b>2017</b>                           | <b>2016</b>    |
| Defined Benefit Pension Plans  |                            |                |                           |                  |               |          | 5,457                                 | 7,509          |
| Other post-retirement plans  |                            |                |                           |                  |               |          | 15,802                                | 16,087         |
| <b>Total</b>   |                            |                |                           |                  |               |          | <b>21,259</b>                         | <b>23,596</b>  |

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

| <b>Actuarial assumptions at December 31</b> |                                      |             |                                    |             |
|---|--------------------------------------|-------------|------------------------------------|-------------|
|   | <b>Defined Benefit Pension Plans</b> |             | <b>Other post-retirement plans</b> |             |
|   | <b>2017</b>                          | <b>2016</b> | <b>2017</b>                        | <b>2016</b> |
| Discount rate                               | 1.75%                                | 1.75%       | 1.75%                              | 1.75%       |
| Rate of compensation increase               | 2.93%                                | 2.95%       | 2.75%                              | 2.75%       |
| Underlying inflation rate                   | 1.75%                                | 1.75%       | 1.75%                              | 1.75%       |
| Increase of medical benefits                | —%                                   | —%          | 4.00%                              | 4.00%       |
| Mortality tables                            | IA BE                                | IA BE       | IA BE                              | IA BE       |

The following table shows a sensitivity analysis for the key assumptions:

| <b>Sensitivity analysis</b>   |                  |   |                     |
|-------------------------------|------------------|---|---------------------|
| <i>(in %)</i>                 | <b>Change</b>    | <b>Change in Defined Benefit Obligation</b> |                     |
|                               | <b>(-) / (+)</b> | <b>decrease (-)</b>                         | <b>increase (+)</b> |
| Discount rate                 | 0.25%            | 4.49 %                                      | (4.30)%             |
| Rate of compensation increase | 0.25%            | (2.66)%                                     | 2.74 %              |
| Increase of medical benefits  | 0.25%            | (1.30)%                                     | 1.31 %              |
| Mortality tables              | 1 year           | (1.36)%                                     | 1.37 %              |

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 contributions towards defined benefit plans for the year ended December 31, 2018 (including the defined contribution plans accounted for as defined benefit plans) are estimated at €10.5 million.

The weighted average duration of the benefit obligations equals 17 years.

The plan assets consist of :

| <b>Defined Benefit Pension Plans</b> |             |             |
|--------------------------------------|-------------|-------------|
|                                      | <b>2017</b> | <b>2016</b> |
| Bonds                                | 26%         | 30%         |
| Equities                             | 31%         | 31%         |
| Insurance policies                   | 36%         | 32%         |
| Other                                | 7%          | 7%          |
| <b>Total</b>                         | <b>100%</b> | <b>100%</b> |

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.

## 5.18 Accrued expenses and other current liabilities

| <i>(in thousands of euro)</i>                               | Note | December 31, 2017 | December 31, 2016 |
|---|------|-------------------|-------------------|
| Customer deposits   |      | 23,209            | 21,046            |
| Compensation and employee benefits                          |      | 80,175            | 73,921            |
| VAT and withholding taxes                                   |      | 26,170            | 23,877            |
| Dividend payable to shareholders                            |      | 982               | 986               |
| Accrued programming fees                                    |      | 55,774            | 52,036            |
| Accrued capital expenditure                                 |      | 86,565            | 116,543           |
| Accrued other liabilities - invoices to receive regarding:  |      |                   |                   |
| Goods received and services performed                       |      | 51,411            | 39,858            |
| Professional fees   |      | 18,768            | 14,732            |
| Warehouse items received                                    |      | 9,241             | 4,310             |
| Interconnect  |      | 33,757            | 28,254            |
| Advertising, marketing and public relations                 |      | 3,943             | 3,673             |
| Infrastructure  |      | 10,284            | 9,579             |
| Facilities  |      | 7,078             | 6,490             |
| Opex  |      | 40,559            | 37,205            |
| Credit notes to issue                                       |      | 18,763            | 13,797            |
| Restructuring liability MVNO                                |      | 29,314            | —                 |
| Accrued Stock Compensation                                  |      | 1,438             | 690               |
| Non-income tax contingencies (IFRS 3)                       | 5.24 | 5,933             | 5,933             |
| Liabilities regarding pylon taxes                           | 5.26 | 20,499            | 29,135            |
| Accrued deferred financing costs                            |      | 1,247             | 560               |
| Accounts receivable with credit balance                     |      | 19,077            | 18,419            |
| Restructuring liability Norkring                            |      | 2,250             | 2,250             |
| Restructuring liability other                               |      | 757               | 1,110             |
| Liabilities regarding sports broadcasting rights            |      | 60,851            | 38,426            |
| Other current liabilities                                   |      | 8,748             | 16,400            |
| <b>Total Accrued expenses and other current liabilities</b> |      | <b>616,793</b>    | <b>559,230</b>    |

Compared to December 31, 2016, total accrued expenses and other current liabilities increased by €57.6 million to €616.8 million as of December 31, 2017.

Compared to December 31, 2016, accrued capital expenditures decreased €30.0 million and accrued other liabilities related to invoices to receive increased €30.9 million. Accrued capital expenditures were exceptionally high as at December 31, 2016 due to a major upgrade and new build activities made with respect to the acquired mobile network. The increase in the accrued other liabilities can be attributed to the black-out period before the go live of a new ERP system in the beginning of January 2018.

The Company recorded a €29.3 million non-cash restructuring charge linked to the accelerated onboarding of our Full MVNO customer base to our own mobile network. The Company now aims for the full completion by the end of Q1 2018 versus our initial plan of late 2018, hence impacting the contractual commitments under the Full MVNO Agreement with Orange Belgium.

## 5.19 Revenue

The Company's revenue is comprised of the following:

| <i>(in thousands of euro)</i>     | For the years ended December 31, |                         |                  |
|-----------------------------------|----------------------------------|-------------------------|------------------|
|                                   | 2017                             | 2016 as represented (*) | 2016 as reported |
| Subscription revenue              |                                  |                         |                  |
| Video                             | 581,562                          | 565,625                 | 566,361          |
| Broadband internet                | 606,773                          | 571,439                 | 572,914          |
| Fixed-line telephony              | 239,571                          | 243,031                 | 243,031          |
| <b>Cable Subscription revenue</b> | <b>1,427,906</b>                 | <b>1,380,095</b>        | <b>1,382,306</b> |
| Mobile telephony                  | 536,928                          | 530,590                 | 564,475          |
| <b>Total Subscription revenue</b> | <b>1,964,834</b>                 | <b>1,910,685</b>        | <b>1,946,781</b> |
| Business services                 | 134,190                          | 122,201                 | 122,199          |
| Other                             | 429,064                          | 396,234                 | 360,140          |
| <b>Total Revenue</b>              | <b>2,528,088</b>                 | <b>2,429,120</b>        | <b>2,429,120</b> |

(\*) We refer to Note 5.1.6 Reporting changes for reclassification of wholesale revenue and expenses related to truck rolls for customer premises equipment.

For the year ended December 31, 2017, the Company generated revenue of €2,528.1 million, representing a 4% increase compared to the year ended December 31, 2016 when the Company produced revenue of €2,429.1 million. The reported revenue increase was primarily driven by inorganic movements such as a full twelve-month contribution from mobile operator BASE, whereas the 2016 results only included BASE's contribution since the February 11, 2016 acquisition date. In addition the increase reflected the acquisition of SFR Belux, Altice's former Belgian and Luxembourg cable operations, which the Company acquired on June 19, 2017, contributing €31.9 million to the Company's revenue since the acquisition date. These inorganic movements were partially offset by the sale of Ortel to Lycamobile as per March 1, 2017 and the discontinuation of certain fixed legacy products at BASE.

The Company achieved revenue growth for the year ended December 31, 2017 driven by (i) significantly higher wholesale revenue following the completion of the onboarding of the Lycamobile Full MVNO subscribers at the end of July 2017, (ii) higher cable subscription revenue and (iii) higher business services revenue. These factors were partially offset by (i) lower mobile telephony revenue, (ii) the impacts of certain regulatory headwinds and (iii) significantly lower revenue from the sale of handsets and CPE. Other revenue primarily includes (i) interconnection revenue from both fixed-line and mobile telephony customers, (ii) mobile handset sales, (iii) wholesale revenue, (iv) product activation and installation fees and (v) set-top box sales.

The Company also had deferred revenue as follows:

| <i>(in thousands of euro)</i>     | December 31, 2017 | December 31, 2016 |
|-----------------------------------|-------------------|-------------------|
| Subscription revenue              |                   |                   |
| Video                             | 23,220            | 20,796            |
| Broadband internet                | 19,286            | 13,920            |
| Fixed-line telephony              | 12,176            | 8,139             |
| <b>Cable Subscription revenue</b> | <b>54,682</b>     | <b>42,855</b>     |
| Mobile telephony                  | 24,449            | 38,305            |
| <b>Total Subscription revenue</b> | <b>79,131</b>     | <b>81,160</b>     |
| Business services                 | 17,136            | 14,092            |
| Other                             | 7,099             | 7,154             |
| <b>Total Deferred Revenue</b>     | <b>103,366</b>    | <b>102,406</b>    |

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.

## 5.20 Expenses by nature

| (in thousands of euro)   | Note | For the years ended December 31, |                         |                  |
|--|------|----------------------------------|-------------------------|------------------|
|  |      | 2017                             | 2016 as represented (*) | 2016 as reported |
| Network operating expenses                                     |      | 181,433                          | 162,897                 | 142,901          |
| Direct costs (programming, copyrights, interconnect and other) |      | 593,006                          | 607,799                 | 607,799          |
| Staff-related expenses   |      | 254,986                          | 257,236                 | 258,399          |
| Sales and marketing expenses                                   |      | 100,412                          | 97,650                  | 97,650           |
| Outsourced labor and Professional services                     |      | 43,167                           | 30,853                  | 50,130           |
| Other indirect expenses  |      | 145,199                          | 155,588                 | 155,144          |
| <b>Operating expenses</b>                                      |      | <b>1,318,203</b>                 | <b>1,312,023</b>        | <b>1,312,023</b> |
| Restructuring expenses   |      | 31,318                           | 2,525                   | 2,525            |
| Operating charges related to acquisitions or divestitures      |      | 2,685                            | 8,398                   | 8,398            |
| Share-based payments granted to directors and employees        | 5.12 | 19,740                           | 11,655                  | 11,655           |
| Depreciation   | 5.4  | 470,252                          | 394,504                 | 394,001          |
| Amortization   | 5.6  | 178,613                          | 158,501                 | 159,004          |
| Amortization of broadcasting rights                            | 5.6  | 65,131                           | 55,813                  | 55,813           |
| Impairment of assets held for sale                             |      | (3,014)                          | 5,350                   | 5,350            |
| Gain on disposal of property and equipment                     |      | (4,449)                          | (5,081)                 | (5,081)          |
| <b>Non-cash and non-recurring items</b>                        |      | <b>760,276</b>                   | <b>631,665</b>          | <b>631,665</b>   |
| <b>Total costs and expenses</b>                                |      | <b>2,078,479</b>                 | <b>1,943,688</b>        | <b>1,943,688</b> |

(\*) We refer to Note 5.1.6 Reporting changes for reclassification of wholesale revenue and expenses related to truck rolls for customer premises equipment.

For the year ended December 31, 2017, Telenet incurred total operating expenses of €2,078.5 million, representing an increase of 7% compared to the year ended December 31, 2016 when total operating expenses amounted to €1,943.7 million and reflecting the impact from the BASE acquisition since mid-February 2016 and the acquisition of SFR Belux as of June 19, 2017.

The direct costs include direct expenses such as (i) costs related to interconnection, (ii) handset sales and subsidies and (iii) programming and copyrights. For the year ended December 31, 2017, the direct costs were €593.0 million, which is 2% lower compared to the €607.8 million of prior year.

Total expenses for the year ended December 31, 2016 included a €6.0 million nonrecurring benefit following the settlement of our Full MVNO Agreement with Orange Belgium in the second quarter of 2016 as well as €8.3 million of transformation costs linked to the BASE integration. The expenses for the year ended December 31, 2017 included a €29.2 million restructuring charge linked to the accelerated onboarding of the Company's Full MVNO customer base to its own mobile network as announced at the end of October 2017. In addition, the expenses for the year ended December 31, 2017 reflected (i) a full twelve-month contribution from BASE, (ii) the impact of the SFR Belux acquisition as of June 19, 2017 and (iii) the sale of Ortel.

The total expenses for the year ended December 31, 2017 increased as compared to the prior year due to (i) substantially higher depreciation and amortization charges, (ii) the impact of the aforementioned

restructuring charge, (iii) higher costs related to outsourced labor and professional services and (iv) increased network operating expenses, which were almost fully offset by (i) substantially lower indirect costs as a result of the Company's continued focus on tight cost management, (ii) lower MVNO related costs and costs related to handset sales and subsidies and (iii) lower staff-related expenses.

Total operating expenses represented approximately 82% of the revenue for the year ended December 31, 2017 (2016: approximately 80%). Cost of services provided as a percentage of revenue represented approximately 63% of our total revenue for the year ended December 31, 2017 (2016: approximately 60%), while selling, general and administrative expenses represented approximately 19% of total revenue (2016: approximately 20%).

The increase in depreciation expense compared to prior year is due to the impact of recent acquisitions and higher depreciation expenses related to the start of the mobile network upgrade project as announced in August 2016, and related to IT platforms and systems.

Staff-related expenses decreased to €255.0 million despite a full twelve-month consolidation of BASE and the SFR Belux acquisition, driven by lower staffing levels and an increase in capitalized labor as a result of the modernization of the Company's fixed and mobile infrastructures. The number of full-time equivalents employed by the Company at December 31, 2017 was 3,353 (2016: 3,387).

## 5.21 Finance income / expense

| (in thousands of euro)  | Note | For the years ended December 31, |                  |
|---|------|----------------------------------|------------------|
|   |      | 2017                             | 2016             |
| <b>Recognized in the statement of profit or loss and comprehensive income</b>                   |      |                                  |                  |
| <b>Finance income</b>   |      |                                  |                  |
| <b>Net interest income and foreign exchange gain</b>  |      |                                  |                  |
| Interest income on bank deposits and commercial paper   |      | 567                              | 374              |
| Interest income on receivables  |      | 363                              | 4                |
| Net foreign exchange gain   |      | 245,533                          | —                |
|   |      | <b>246,463</b>                   | <b>378</b>       |
| <b>Net gain on derivative financial instruments</b>   |      |                                  |                  |
| Early termination of derivative financial instruments   | 5.14 | —                                | (10,735)         |
| Change in fair value  | 5.14 | —                                | 7,000            |
| Realized result   | 5.14 | —                                | 9,875            |
|   |      | <b>—</b>                         | <b>6,140</b>     |
| <b>Finance expense</b>  |      |                                  |                  |
| <b>Net interest expense, foreign exchange loss and other finance expense</b>                    |      |                                  |                  |
| Interest expense on financial liabilities measured at amortized cost, and other finance expense |      | (220,170)                        | (228,743)        |
| Amortization of financing cost  |      | (4,705)                          | (7,557)          |
| Net foreign exchange loss   |      | —                                | (94,452)         |
|   |      | <b>(224,875)</b>                 | <b>(330,752)</b> |
| <b>Net loss on derivative financial instruments</b>   |      |                                  |                  |
| Early termination of derivative financial instruments   | 5.14 | (422)                            | —                |
| Change in fair value  | 5.14 | (245,945)                        | —                |
| Realized result   | 5.14 | 3,301                            | —                |
|   |      | <b>(243,066)</b>                 | <b>—</b>         |
| <b>Loss on extinguishment of debt</b>   |      |                                  |                  |
|   |      | <b>(75,991)</b>                  | <b>(45,651)</b>  |
| <b>Net finance expenses</b>   |      | <b>(297,469)</b>                 | <b>(369,885)</b> |

For the year ended December 31, 2017, net finance expenses totaled €297.4 million compared to €369.9 million of net finance expenses incurred for the year ended December 31, 2016.

A €243.0 million non-cash loss on our derivatives and a €30.3 million higher loss on the extinguishment of debt following the early redemption of certain debt instruments during the year ended December 31, 2017 were more than offset by a €245.5 million non-cash foreign exchange gain on the Company's outstanding USD-denominated debt and lower accrued interest expenses as a result of last year's successful refinancings through which we managed to extend the average maturity of our debt and lowered our overall interest expenses. As a result, net interest expense, foreign exchange loss and other finance expense decreased 32% from €330.7 million for the year ended December 31, 2016 to €224.9 million for 2017. For the the year ended December 31, 2017, net interest income and foreign exchange

gain was €246.5 million as compared to €0.4 million in the prior year and included the aforementioned non-cash foreign currency gain.

## 5.22 Income tax expense

| <i>(in thousands of euro)</i>    | For the years ended December 31, |               |
|----------------------------------|----------------------------------|---------------|
|                                  | 2017                             | 2016          |
| Current tax expense              | 176,692                          | 107,752       |
| Deferred tax expense (Note 5.14) | (135,003)                        | (64,739)      |
| <b>Income tax expense</b>        | <b>41,689</b>                    | <b>43,013</b> |
| <b>Effective Tax Rate</b>        | <b>26.82%</b>                    | <b>50.85%</b> |

The effective tax rate was 26.82% for the year ended December 31, 2017 (50.85% for the year ended December 31, 2016). 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:

| <i>(in thousands of euro)</i>   | For the years ended December 31, |               |
|---|----------------------------------|---------------|
|   | 2017                             | 2016          |
| Profit before tax   | 155,472                          | 84,582        |
| Income tax expense at the Belgian statutory rate of 33.99%                            | 52,845                           | 28,749        |
| Income not taxable  | (25,830)                         | (34,155)      |
| Expenses not deductible for tax purposes (incl. prior year adjustments)               | 16,294                           | 25,627        |
| Notional interest deduction   | (26)                             | (140)         |
| Benefit of the investment deduction   | (3,853)                          | (5,654)       |
| Utilisation of previously unrecognized tax losses                                     | (1,751)                          | —             |
| Tax losses and temporary differences for which no deferred tax asset was recognized   | 4,286                            | 14,638        |
| Expiration of tax losses  | 925                              | 1,089         |
| Adjustments recognized in the current year in relation to the filings for prior years | (2,019)                          | (704)         |
| Impact of different tax rates in Luxembourg   | (6,082)                          | (3,340)       |
| Impact of change enacted tax rate Luxembourg  | (40)                             | 10,741        |
| Tax on capital gain on shares   | —                                | 5,012         |
| Impact of change enacted tax rate Belgium   | 3,081                            | —             |
| Penalty for insufficient prepayments  | 3,859                            | 1,150         |
| <b>Tax expense for the year</b>   | <b>41,689</b>                    | <b>43,013</b> |

The tax losses and temporary differences for which no deferred tax asset is recognized amounted to €4.3 million for the year ended December 31, 2017 (€14.6 million for the year ended December 31, 2016) and consisted of positions resulting in a deferred tax asset which is nevertheless not recognized as it is 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:

|  | For the years ended December 31, |                    |
|--|----------------------------------|--------------------|
|  | 2017                             | 2016               |
| (in thousands of euro, except share and per share data)                                      |                                  |                    |
| Net profit attributable to the equity holders of the Company                                 | 112,216                          | 41,815             |
| Weighted average number of ordinary shares   | 115,424,079                      | 115,829,407        |
| <b>Weighted average number of shares used in the calculation of basic earnings per share</b> | <b>115,424,079</b>               | <b>115,829,407</b> |
| Basic earnings per share in €  | 0.97                             | 0.36               |

### 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, 2017, the Company had the following outstanding options :

- ESOP 2013 primo stock options
- ESOP 2013 bis stock options
- ESOP 2014 stock options
- ESOP 2015 stock options
- ESOP 2015bis stock options
- CEO SOP 2013 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

The earnings used in the calculation of diluted earnings per share measures are the same as those for the basic earnings per share measures, as outlined above.

|  | For the years ended December 31, |                    |
|--|----------------------------------|--------------------|
|  | 2017                             | 2016               |
| Weighted average number of shares used in the calculation of basic earnings per share          | 115,424,079                      | 115,829,407        |
| Warrant Plan 2010 ter Warrants (note 5.12)   | —                                | 18,961             |
| <b>Weighted average number of shares used in the calculation of diluted earnings per share</b> | <b>115,424,079</b>               | <b>115,848,368</b> |
| Diluted earnings per share in €  | 0.97                             | 0.36               |

## 5.24 Acquisition and disposal of subsidiaries

### 5.24.1 BASE Company NV

On February 11, 2016, pursuant to a definitive agreement and following regulatory approval, Telenet acquired BASE for a cash purchase price of €1,318.9 million (the "**BASE acquisition**"). BASE is the third-largest mobile network operator in Belgium. In 2016, the Company incurred acquisition-related costs of €6.3 million on legal fees and due diligence costs. These have been included in 'Selling, general and administrative expenses'. Total acquisition-related costs incurred for the BASE acquisition amounts to €15.5 million. We expect that the BASE acquisition will provide Telenet with cost-effective long-term mobile access to effectively compete for future growth opportunities in the Belgian mobile market. The BASE acquisition was funded through a combination of three debt facilities for an aggregate amount of €1,217.0 million (see Note 5.13.1), and existing liquidity of Telenet. The acquisition was approved by the European Commission subject to Telenet's agreement to divest both the JIM Mobile prepaid customer base and BASE's 50% stake in Viking Co NV ("**Viking**") to MEDIALAAN NV. In February 2016, Telenet completed the sale of its stake in Viking. As this transaction occurred at fair value, it did not result in a gain or loss. In the course of 2016, the Company recognized an impairment on the JIM Mobile prepaid customer base amounting to €5.3 million (note 5.20). The divestiture of the JIM Mobile prepaid customer base occurred in October 2017 for an amount of €3.0 million. This amount was recognized as gain on disposal of assets given the full impairment write-down previously recognized on this customer base.

We have accounted for the BASE acquisition using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets of BASE 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. These adjustments reflected in the opening balance sheet are a result of the valuation process and are mainly attributable to property and equipment, goodwill, intangible assets associated with mobile spectrum, customer relationships and trademarks, and income taxes. A summary of the purchase price and the identifiable assets acquired and liabilities assumed for the BASE 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 |
|---|----------------------------|------------------------|---------------------------------------|
| <b>Assets</b>   |                            |                        |                                       |
| <b>Non-current assets:</b>                            |                            |                        |                                       |
| Property and equipment                                | 467,344                    | 154,002                | 621,346                               |
| Goodwill  | 55,695                     | (55,695)               | —                                     |
| Other intangible assets                               | 249,355                    | 213,311                | 462,666                               |
| Other assets  | 13,821                     | 807                    | 14,628                                |
| <b>Total non-current assets</b>                       | <b>786,215</b>             | <b>312,425</b>         | <b>1,098,640</b>                      |
| <b>Current assets:</b>                                |                            |                        |                                       |
| Inventories   | 10,887                     | —                      | 10,887                                |
| Trade receivables                                     | 34,267                     | —                      | 34,267                                |
| Other current assets                                  | 72,153                     | 4,687                  | 76,840                                |
| Cash and cash equivalents                             | 141,321                    | —                      | 141,321                               |
| <b>Total current assets</b>                           | <b>258,628</b>             | <b>4,687</b>           | <b>263,315</b>                        |
| <b>Total assets acquired</b>                          | <b>1,044,843</b>           | <b>317,112</b>         | <b>1,361,955</b>                      |
| <b>Liabilities</b>                                    |                            |                        |                                       |
| <b>Non-current liabilities:</b>                       |                            |                        |                                       |
| Deferred revenue                                      | 66                         | —                      | 66                                    |
| Deferred tax liabilities                              | (48,858)                   | 124,850                | 75,992                                |
| Other liabilities                                     | 5,095                      | —                      | 5,095                                 |
| <b>Total non-current liabilities</b>                  | <b>(43,697)</b>            | <b>124,850</b>         | <b>81,153</b>                         |
| <b>Current liabilities:</b>                           |                            |                        |                                       |
| Trade payables  | 61,188                     | —                      | 61,188                                |
| Accrued expenses and other current liabilities        | 164,116                    | 5,933                  | 170,049                               |
| Deferred revenue                                      | 29,835                     | —                      | 29,835                                |
| <b>Total current liabilities</b>                      | <b>255,139</b>             | <b>5,933</b>           | <b>261,072</b>                        |
| <b>Total liabilities assumed</b>                      | <b>211,442</b>             | <b>130,783</b>         | <b>342,225</b>                        |
| <b>Fair value of identifiable net assets acquired</b> |                            |                        | <b>1,019,730</b>                      |
| <b>Total consideration transferred</b>                |                            |                        | <b>1,318,863</b>                      |
| <b>Goodwill arising from the acquisition</b>          |                            |                        | <b>299,133</b>                        |

The fair value adjustment on property and equipment (€154.0 million) mainly relates to the acquired mobile network of BASE. The €213.3 million step-up recognized on the other intangible assets consists of fair value adjustments recognized with respect to the mobile spectrum

licenses owned by BASE (€34.9 million), customer relationships (€106.9 million), tradename (€33.7 million) and software (€37.8 million). The adjustment on other current assets (€4.7 million) relates to an indemnification receivable on KPN for pylon taxes due prior to 2015. The deferred tax adjustment resulting from the purchase price allocations amounts to €124.9 million and is reported under non-current deferred tax liabilities.

The trade receivables as recognized as per acquisition date (€34.2 million), consists of the gross contractual amounts receivable of €37.3 million and a valuation allowance of €3.1 million as the best estimate at acquisition date of the contractual cash flows not expected to be collected.

In the business combination, the Company recognized non-income tax related contingent liabilities for a total amount of €5.9 million.

In the period as from February 11, 2016 till December 31, 2016, BASE Company contributed revenue of €538.6 million and a net income of €4.4 million to the Group's results. If the acquisition had occurred on 1 January 2016, management estimates that consolidated revenue would have been €2,497.3 million, and consolidated operating result for the period would have been €482.0 million. In determining these amounts, management has assumed that the fair value adjustments determined, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2016.

The goodwill is mainly attributable to the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognized is expected to be deductible for tax purposes.

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## 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). Coditel Brabant SPRL, operating under the SFR brand (formerly Numéricable), provides cable services to households and businesses in Brussels, Wallonia and Luxembourg and offers mobile telephony services in Belgium through an MVNO Agreement with BASE (Telenet Group BVBA).

In 2017, the Company incurred acquisition-related costs of €1.3 million on legal fees and due diligence costs. These have been included in 'Selling, general and administrative expenses'. Total acquisition-related costs incurred for the SFR Belux acquisition amounts to €1.4 million.

Through this acquisition, Telenet extends its cable footprint beyond the current Flemish and Brussels coverage areas to parts of Wallonia and the Grand Duchy of Luxembourg, while covering roughly two-thirds of the Brussels footprint after this acquisition. We expect that the SFR Belux acquisition will provide Telenet with certain annual cost-efficiencies, mainly driven by (1) an extended footprint in Brussels, (2) the introduction of competitive and appealing quadruple-play offers (combination of video, high-speed internet, fixed and mobile telephony), (3) B2B growth and (4) overall cost synergies.

The SFR Belux acquisition was funded through a combination of two revolving debt facilities for an aggregate amount of €210.0 million (see Note 5.13), and existing liquidity of Telenet. The acquisition was approved by the Belgian Competition Authority subject to conditions intended to ensure that Orange will have access to Coditel's cable network. Telenet has in particular committed that Orange will be able to access Coditel's cable network within four months of completion of the transaction, and this at wholesale prices comparable to those applicable in the Flanders.

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. The preliminary opening balance sheet is therefore subject to adjustment based on our 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 property and equipment, goodwill, intangible assets associated with customer relationships and income taxes. If the purchase price allocation would have been completed, the adjustment to the fair value and the remaining useful lives of property and equipment and the customer relationships, may have resulted in additional depreciation and amortization expense recognized for the period between the acquisition date and December 31, 2017. 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.

A summary of the purchase price and the provisional identifiable assets acquired and liabilities assumed for the SFR Belux acquisition at the acquisition date is presented in the following table:

| (in thousands of euro)                                | IFRS<br>opening<br>balance<br>sheet | Fair value<br>adjustments | Fair value of<br>identifiable<br>net assets |
|---|-------------------------------------|---------------------------|---|
| <b>Assets</b>   |                                     |                           |   |
| <b>Non-current assets:</b>                            |                                     |                           |   |
| Property and equipment                                | 83,535                              | —                         | 83,535                                      |
| Goodwill  | 52,417                              | (52,417)                  | —   |
| Other intangible assets                               | 1,946                               | —                         | 1,946                                       |
| Other assets  | 1,563                               | —                         | 1,563                                       |
| <b>Total non-current assets</b>                       | <b>139,461</b>                      | <b>(52,417)</b>           | <b>87,044</b>                               |
| <b>Current assets:</b>                                |                                     |                           |   |
| Inventories   | —                                   | —                         | —   |
| Trade receivables                                     | 9,962                               | —                         | 9,962                                       |
| Other current assets                                  | 1,918                               | —                         | 1,918                                       |
| Cash and cash equivalents                             | 1,651                               | —                         | 1,651                                       |
| <b>Total current assets</b>                           | <b>13,531</b>                       | <b>—</b>                  | <b>13,531</b>                               |
| <b>Total assets acquired</b>                          | <b>152,992</b>                      | <b>(52,417)</b>           | <b>100,575</b>                              |
| <b>Liabilities</b>                                    |                                     |                           |   |
| <b>Non-current liabilities:</b>                       |                                     |                           |   |
| Loans and borrowings                                  | 4,102                               | —                         | 4,102                                       |
| Deferred tax liabilities                              | 581                                 | —                         | 581   |
| Other liabilities                                     | 245                                 | —                         | 245   |
| <b>Total non-current liabilities</b>                  | <b>4,928</b>                        | <b>—</b>                  | <b>4,928</b>                                |
| <b>Current liabilities:</b>                           |                                     |                           |   |
| Loans and borrowings                                  | 160                                 | —                         | 160   |
| Trade payables  | 8,654                               | —                         | 8,654                                       |
| Accrued expenses and other current liabilities        | 14,891                              | —                         | 14,891                                      |
| Deferred revenue                                      | 10,459                              | —                         | 10,459                                      |
| <b>Total current liabilities</b>                      | <b>34,164</b>                       | <b>—</b>                  | <b>34,164</b>                               |
| <b>Total liabilities assumed</b>                      | <b>39,092</b>                       | <b>—</b>                  | <b>39,092</b>                               |
| <b>Fair value of identifiable net assets acquired</b> |                                     |                           | <b>61,483</b>                               |
| <b>Total consideration transferred</b>                |                                     |                           | <b>368,980</b>                              |
| <b>Goodwill arising from the acquisition</b>          |                                     |                           | <b>307,497</b>                              |

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 as from June 19, 2017 till December 31, 2017, SFR Belux contributed revenue of €31.8 million and a profit of €7.3 million to the Company's results. If the acquisition had occurred on January 1, 2017, management estimates that consolidated revenue would have been €2,558.7 million, and consolidated operating result for the period would have been €454.5 million. In determining these amounts, management has assumed that the adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2017.

### 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.

### 5.24.4 TelelinQ NV

On October 31, 2017, Telenet Group BVBA, a direct subsidiary of Telenet Group Holding NV entered into an agreement with the current shareholders of TelelinQ NV to acquire all of the outstanding shares of the company TelelinQ NV, and its subsidiaries Nextel NV, Nextel Telecom Solutions NV and TelelinQ Distribution & Finance NV (hereafter "NEXTEL"). The acquisition of NEXTEL is subject to customary closing conditions, including merger approval from the relevant competition authorities, and is expected to close in the course of the second quarter of 2018.

If the transaction is completed, it will provide the Company with additional in-house expertise to design, construct and manage total solutions on behalf of other companies. As a Belgian integrator NEXTEL currently works for major companies, SMEs, care institutions, non-profit organizations and government authorities.

## 5.25 Non cash investing and financing transactions

| (in thousands of euro)   | For the years ended December 31, |           |
|--|----------------------------------|-----------|
|  | 2017                             | 2016      |
| Acquisition of property and equipment in exchange for finance lease obligations    | 61,413                           | 47,045    |
| Acquisition of property and equipment in exchange for vendor financing obligations | 144,410                          | 28,498    |
| Non-cash borrowings/repayments of debt   | 2,696,867                        | 2,380,461 |
| Acquisition of sports broadcasting rights in exchange for investing obligations    | 105,007                          | 97,090    |

## 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. Proximus has the possibility to file an appeal against this decision with the Belgian Supreme Court.

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 we do 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 December 2010, BIPT and the regional regulators for the media sectors (together, the "**Belgium Regulatory Authorities**") published their respective draft decisions reflecting the results of their joint analysis of the broadcasting market in Belgium. The Belgium Regulatory Authorities adopted a final decision on July 1, 2011 (the "**July 2011 Decision**") with some minor revisions. The regulatory obligations imposed by the July 2011 Decision include (1) an obligation to make a resale offer at "retail minus" of the cable analog package available to third-party operators (including Proximus), (2) an obligation to grant third-party operators (except Proximus) access to digital television platforms (including the basic digital video package) at "retail minus", and (3) an obligation to make a resale offer at "retail minus" of broadband internet access available to beneficiaries of the digital television access obligation that wish to offer bundles of digital video and broadband internet services to their customers (except Proximus). A "retail minus" method of pricing involves a wholesale tariff calculated as the retail price for the offered service by Telenet, excluding value added tax (VAT) and copyrights, and further deducting the retail costs avoided by offering the wholesale service (such as costs for billing, franchise, consumer service, marketing and sales).

In February 2012, Telenet submitted draft reference offers regarding the obligations described above, and the Belgium Regulatory Authorities published the final decision on September 9, 2013. Telenet has implemented the access obligations as described in its reference offers and, on March 1, 2016, Orange Belgium NV ("**Orange Belgium**"), formerly known as Mobistar SA, launched a commercial offer combining a cable TV package and broadband internet access for certain of their mobile customers. In addition, as a result of the November 2014 decision by the Brussels Court of Appeal described below, on November 14, 2014, Proximus submitted a request to Telenet to commence access negotiations. Telenet contests this request and has asked the Belgium Regulatory Authorities to assess the reasonableness of the Proximus request. This question is addressed in the Belgian Regulatory Authorities draft market review decisions of July 7, 2017. The timing for a decision regarding this assessment by the Belgium Regulatory Authorities is not known.

As a result of the July 2011 Decision, which imposed a retail minus pricing method, the Belgium Regulatory Authorities had to determine the retail minus tariffs applicable to the services referred to in the July 2011 Decision. On April 2, 2013, the Belgium Regulatory Authorities therefore issued a draft decision regarding the "retail minus" tariffs of minus 35% for basic TV (basic analog and digital video package) and minus 30% for the bundle of basic TV and broadband internet services. On October 8, 2013, the European Commission received a draft quantitative decision from the Belgium Regulatory Authorities in which they changed the "retail minus" tariffs to minus 30% for basic TV (basic

analog and digital video package) and to minus 23% for the bundle of basic TV and broadband internet services. Even though the European Commission made a number of comments regarding the appropriateness of certain assumptions in the proposed costing methodology, the Belgium Regulatory Authorities adopted such retail minus tariffs on December 11, 2013.

The Belgium Regulatory Authorities soon initiated a consultative process to update the retail minus tariffs in certain respects. Between May 27, 2015, and June 16, 2015, the Belgium Regulatory Authorities therefore started public consultations relating to their draft decisions reviewing the wholesale tariffs for the services for access to the cable in their respective regions. In these draft decisions, the Belgium Regulatory Authorities have stated that cable operators' retail offerings generally contain additional services (such as webmail, webspace, free content or content at a reduced price and access to public WiFi), which are reflected in the price of the retail offering. It was proposed that the basis for calculating the "retail minus" tariffs would be reduced accordingly, which would lead to significantly lower "retail minus" tariffs. During the public consultation process, Telenet observed that, due to the different elements taken into account by the Belgium Regulatory Authorities to fix the reduced wholesale tariffs, the decision was disproportionate and uncertain. A draft decision was sent by the Belgium Regulatory Authorities for review to the European Commission and eventually the Belgium Regulatory Authorities adopted on February 19, 2016 a decision on the revision of retail minus wholesale tariffs for access services to cable networks in the Brussels Capital Region. The February 19, 2016 decision amended the December 11, 2013 decision in respect of retail minus tariffs by, among others, changing the minus determination model (excluding or taking into consideration certain elements for the determination of the retail minus tariffs) and the tariffication of decoders and modems and providing for the valuation of elements excluded from wholesale offers (WiFi access, second screen, etc.), thus reducing the applicable wholesale tariffs for access to the cable in the relevant markets (retail minus tariffs of minus 26% for basic television (basic analog and digital video package) and minus 18% for the bundle of basic television and broadband internet services during an initial two-year period. Following this two-year period, the tariffs would change to minus 15% and 7%, respectively). This February 2016 decision is addressed to Brut el e, Numericable and Telenet.

Telenet filed an appeal against the July 2011 Decision with the Brussels Court of Appeal. On November 12, 2014, the Brussels Court of Appeal rejected Telenet's appeal of the July 2011 Decision and accepted Proximus' claim that Proximus should not be systematically excluded from access to Telenet's, among other operators, digital television platform and the resale of bundles of digital video and broadband internet services. On November 30, 2015, Telenet filed an appeal of this decision with the Belgian Supreme Court. In 2014, Telenet and wireless operator Orange Belgium each filed an appeal with the Brussels Court of Appeal against the initial retail minus decision of December 11, 2013. On April 25, 2016, Telenet also filed an appeal with the Brussels Court of Appeal challenging the February 19, 2016 retail minus decision. These proceedings against the February 19, 2016 decision have been joined by the Brussels Court of Appeal with the proceedings initiated by Telenet on February 20, 2014 against the decision of the Belgium Regulatory Authorities of December 11, 2013. On October 25, 2017, the Court of Appeal rendered a judgment annulling both the December 11, 2013 and February 19, 2016 retail minus decisions, with effect as of April 30, 2018.

The July 2011 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 (1) limit the bandwidth available to Telenet to provide new or expanded products and services to the customers served by its network and (2) 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 ultimately afforded to Telenet's network and other competitive factors or market developments.

### 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 ofc, 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 19 August 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 case is currently pending before the Commercial Court of Brussels.

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. In view of the complexity of the matter and the number of parties involved, a decision will probably not be rendered before 2019. Numéricable had reached a settlement with the collecting societies before, and has already withdrawn its appeal.

Telenet does not expect the ultimate resolution of this matter to have a material impact on its results of operations or financial condition.

## 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 (cf. positive judgment of the Supreme Court of September 25, 2015).

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 7 March 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, 2017, Telenet has recognised a provision of €20.5 million 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.

## 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.

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### 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 these functionalities.

## Other

### Regulatory

On July 7, 2017, the Belgian Regulatory Authorities published draft market review decisions for public consultation regarding the regulation of the wholesale broadband and broadcasting markets. In summary, these draft market review decisions include the following regulatory obligations based on so-called "reasonable tariffs" on cable operators within their respective footprints (1) an obligation to grant third-party operators access to digital television platforms (including the basic digital video package and analogue TV) and separately (2) an obligation to make a bitstream offer of broadband internet access available (including fixed voice as option). The Belgian Regulatory Authorities also propose the continuation of access regulation to Proximus for DSL, adding access to FTTH and multicast. DSL would continue to be regulated on cost orientation, while FTTH would be regulated at "reasonable tariffs". The public consultation ran until September 15, 2017, followed by a notification to the European Commission for advice by the end of 2017. If these draft market review decisions are adopted in 2018, they will replace the July 2011 Decision. However Telenet has serious concerns with these proposals as they would lead to regulating two broadband infrastructures, which is inconsistent with the European Single Market Strategy to stimulate further investments in broadband network. Telenet has submitted its extensive replies to the public consultation.

### 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 we generally expect 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, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavorable outcomes.

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### 5.26.3 Operating leases

The Company leases facilities, vehicles and equipment under cancelable and non-cancelable operating leases. The following schedule details, at December 31, 2017 and 2016, the future minimum lease payments under cancelable and non-cancelable operating leases:

| <i>(thousands of euro)</i>   | <b>December 31,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|--|------------------------------|------------------------------|
| Within one year  | 51,314                       | 50,491                       |
| In the second to fifth year,<br>inclusive                                      | 106,693                      | 112,428                      |
| Thereafter   | 29,544                       | 20,475                       |
| <b>Total minimum lease<br/>payments</b>  | <b>187,551</b>               | <b>183,394</b>               |
| <b>Minimum lease<br/>payments recognized<br/>as an expense in the<br/>year</b> | <b>45,105</b>                | <b>69,585</b>                |

The Company's operating leases as at December 31, 2017 and December 31, 2016 did not contain any material contingent rentals.

## 5.27 Related parties

The related parties of the Company mainly comprise its shareholders that have the ability to exercise significant influence or control. This consisted of the Liberty Global Consortium for both 2017 and 2016. Related parties further include transactions with Pebble Media NV,

Doccle CVBA and Doccle.Up NV, Idealabs Telenet Fund 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

| <i>(in thousands of euro)</i>                       | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|---|--------------------------|--------------------------|
| <b>Trade receivables</b>                            |                          |                          |
| Liberty Global Consortium (parent)                  | 12,130                   | 6,248                    |
| Associates  | 271                      | 319                      |
| <b>Trade payables and accrued trade liabilities</b> |                          |                          |
| Liberty Global Consortium (parent)                  | 9,901                    | 7,692                    |
| Associates  | 1,811                    | 378                      |
| <b>Loans and borrowings payable</b>                 |                          |                          |
| Liberty Global Consortium (parent)                  | 12,740                   | 12,740                   |
| <b>Loans and borrowings receivable</b>              |                          |                          |
| Associates  | 240                      | 320                      |
| <b>Property and equipment</b>                       |                          |                          |
| Liberty Global Consortium (parent)                  | 13,262                   | 33,401                   |

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. All transactions with related parties were at regular market conditions.

## 5.27.2 Statement of profit or loss and other comprehensive income

| <i>(in thousands of euro)</i>      | For the years ended<br>December 31 |       |
|------------------------------------|------------------------------------|-------|
|                                    | 2017                               | 2016  |
| <b>Revenue</b>                     |                                    |       |
| Liberty Global Consortium (parent) | 9,691                              | 4,712 |
| Associates                         | 2,383                              | 321   |
| <b>Operating expenses</b>          |                                    |       |
| Liberty Global Consortium (parent) | 966                                | 1,841 |
| Associates                         | 18,876                             | 6,838 |

## 5.27.3 Key management compensation

For purpose of this footnote, key management is identified as people involved in strategic orientation of the Company.

| <i>(in thousands of euro)</i>                       | For the years ended<br>December 31, |               |
|---|-------------------------------------|---------------|
|   | 2017                                | 2016          |
| Salaries and other short-term employee benefits     | 7,640                               | 7,302         |
| Post-employment benefits                            | 638                                 | 621           |
| Share-based payments (compensation cost recognized) | 8,841                               | 9,185         |
|   | <b>17,119</b>                       | <b>17,108</b> |

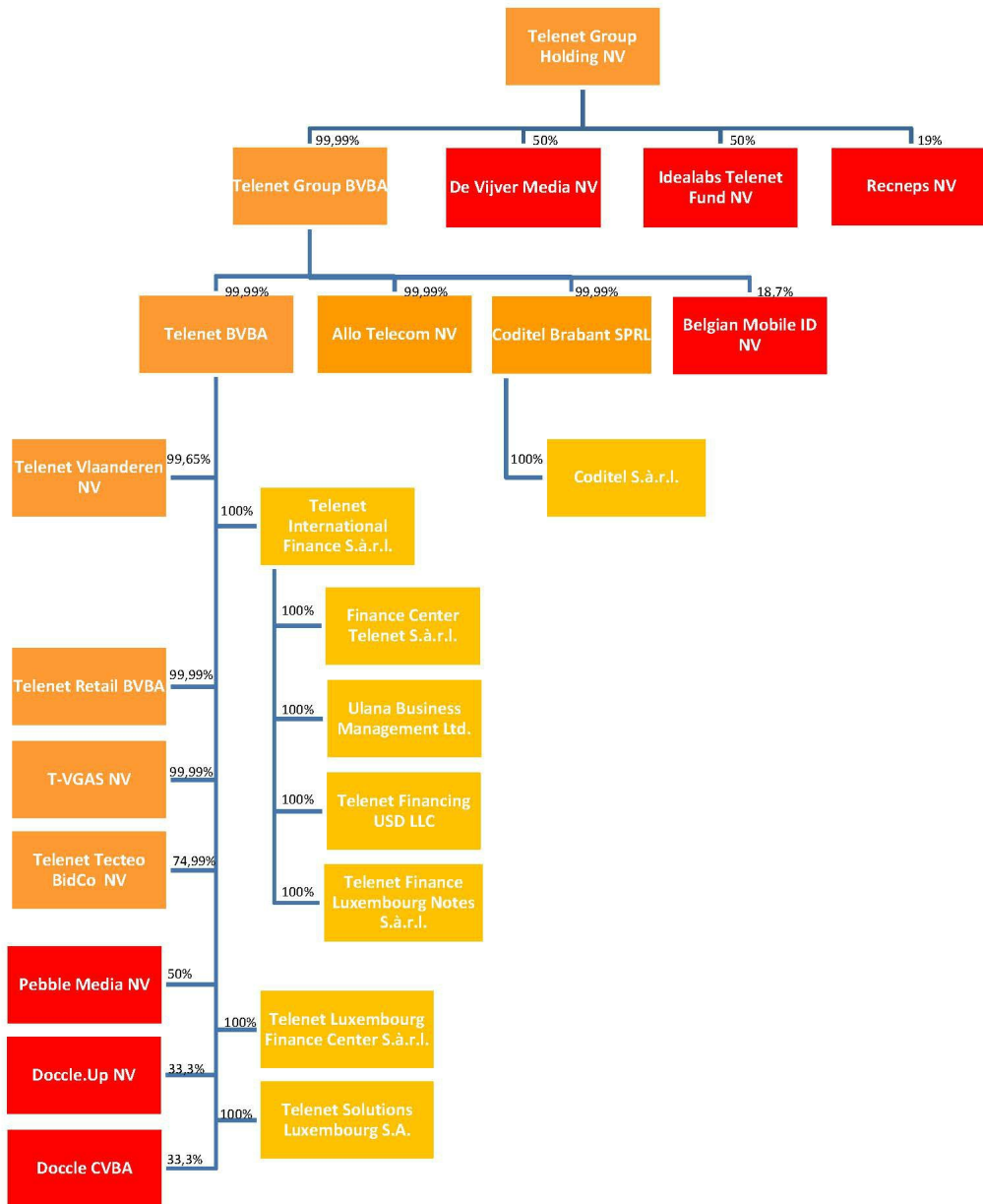
## 5.28 Subsidiaries

### 5.28.1 Subsidiaries

Details of the Company's subsidiaries as of December 31, 2017 are as follows:

| Company                                    | National number/<br>Trade Register<br>number | Registered office  | % Held | Consolidation<br>Method |
|--|--|--|--------|-------------------------|
| Telenet Group Holding NV                   | 0477.702.333                                 | Neerveldstraat 105, 1200 Sint-Lambrechts-Woluwe, Belgium                               | —      | Parent company          |
| Telenet Group BVBA                         | 0462.925.669                                 | Neerveldstraat 105, 1200 Sint-Lambrechts-Woluwe, Belgium                               | —      | Fully consolidated      |
| Allo Telecom NV                            | 0445.538.717                                 | Neerveldstraat 105, 1200 Sint-Lambrechts-Woluwe, Belgium                               | —      | 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      |
| T-VGAS NV                                  | 0808.321.289                                 | Liersesteenweg 4, 2800 Mechelen, 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      |
| 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                                     | 2, rue Peternelchen, L-2370 Howald, Luxembourg   | 100%   | Fully consolidated      |
| Telenet International Finance S.à r.l.     | B-155.066                                    | 2, rue Peternelchen, L-2370 Howald, Luxembourg   | 100%   | Fully consolidated      |
| Telenet Luxembourg Finance Center S.à r.l. | B-155.088                                    | 2, rue Peternelchen, L-2370 Howald, Luxembourg   | 100%   | Fully consolidated      |
| Finance Center Telenet S.à r.l.            | B-165.944                                    | 2, rue Peternelchen, L-2370 Howald, 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                                    | 2, rue Peternelchen, L-2370 Howald, Luxembourg   | 100%   | Fully consolidated      |

The group chart as of December 31, 2017 was as follows:



## 5.28.2 Other consolidated companies

| Company  | Trade Register Number | Address  | % Held | Consolidation Method |
|--|-----------------------|--|--------|----------------------|
| Telenet Finance V Luxembourg S.C.A. <sup>(1)</sup>   | RCS B.164.890         | 2, rue Peternelchen, L-2370 Howald, Luxembourg | 0%     | Fully consolidated   |
| Telenet Finance VI Luxembourg S.C.A. <sup>(2)</sup>  | RCS B.171.030         | 2, rue Peternelchen, L-2370 Howald, Luxembourg | 0%     | Fully consolidated   |
| Telenet Finance VII Luxembourg S.C.A. <sup>(3)</sup> | RCS B 199.998         | 2, rue Peternelchen, L-2370 Howald, Luxembourg | 0%     | Fully consolidated   |
| Telenet Finance BVBA <sup>(4)</sup>                  | 0628.452.013          | Liersesteenweg 4, 2800 Mechelen, Belgium       | 0%     | Fully consolidated   |

(1) Telenet Finance V Luxembourg S.C.A. was incorporated on November 16, 2011 as a structured finance entity ("SE") for the primary purpose of facilitating the offering of a High Yield Bond. On August 10, 2012, the articles of association were amended in order to make it possible to issue more than one High Yield Bond. This entity was incorporated at the request of the Telenet Group under the laws of the Grand Duchy of Luxembourg and is owned 99.99% by a Dutch charitable trust, called Stichting Telenet Finance V Luxembourg and 0.01% by Telenet Finance V S.à.r.l., a 100% affiliate of this Stichting. The Indenture relating to the High Yield Bond offerings prohibits the Issuer from engaging in any activities other than certain limited activities permitted. The SE set up for the issuance of the High Yield Bonds 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.

(2) 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).

(3) Telenet Finance VII Luxembourg S.C.A. was incorporated on September 4, 2015 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 VII Luxembourg and 0.01% by Telenet Finance VII 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).

(4) 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.

## 5.29 Subsequent events

### Nethys and Telenet signed major partnership deal to deliver the VOOmobile offering

On February 6, 2018, cable operator Nethys SA, which operates under the VOO brand, and Telenet Group BVBA, a wholly-owned subsidiary of Telenet Group Holding NV, announced that they have concluded an MVNO partnership for the next five years. Since 2013, VOO has been offering its customers mobile services through an agreement with Telenet through Orange Belgium's Full MVNO Arrangement signed at the time by Telenet BVBA. This agreement is set to end in December 2018. As Telenet operates its own mobile network following the BASE acquisition in 2016, the new partnership will be operated across the Telenet network, instead of the Orange network. Under the terms of

this new contract, VOOmobile customers will soon be leaving the Orange mobile network to be accommodated on that of Telenet. All VOOmobile customers will be transferred to the Telenet network during the course of 2018. The contract extends the collaboration between the two companies until 31 December 2023.

### Board of Telenet Group Holding NV nominates Amy Blair and Severina Pascu to be elected at Telenet's AGM

Telenet Group Holding NV announces that Ms Amy Blair, Senior Vice President and Chief People Officer at Liberty Global and Ms Severina Pascu, Chief Operating Officer of Liberty Global Central Europe and Managing Director of Liberty Global Central Eastern Europe have been nominated to be elected as directors of Telenet Group Holding NV at the upcoming general shareholders meeting of 25 April next. Ms Amy Blair and Ms Severina Pascu will replace the current directors Ms Suzanne

Schoettger and Ms Dana Strong who will pursue other professional activities.

Amy Blair (51) 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.

Severina Pascu (45) 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 Global'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.

The Board of Directors and the management of Telenet would like to express their gratitude to Miss Suzanne Schoettger and Miss Dana Strong for their outstanding expertise and dedication which have been of great value for the company. Telenet wishes them both the best in pursuing their upcoming professional activities. Telenet would also like to thank Ms Blair and Ms Pascu for their commitment to the company.

### **Successful issuance and pricing of a USD 300.0 million upsize of existing Term Loan AL**

On March 2, 2018, Telenet announced the successful issuance and pricing of an additional USD 300.0 million Term Loan ("Facility AL2"), under which Telenet Financing USD LLC will be the borrowing entity. Facility AL2 carries the same characteristics as the initial Facility AL, which was issued on December 1, 2017. As such, Facility AL2 carries (i) a margin of 2.50% over LIBOR, (ii) a 0% LIBOR floor and (iii) a maturity of March 1, 2026. Facility AL2 was successfully issued at par.

Telenet Financing USD LLC intends to on-lend the net proceeds of this issuance to Telenet International Finance S.à r.l., which will use such proceeds, together with existing cash, to prepay Facility V under Telenet's 2017 Amended Senior Credit Facility, of which the lender is Telenet Finance V Luxembourg S.C.A. ("TFLV"). TFLV will in turn use 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 addition, Telenet International Finance S.à r.l. used cash and cash equivalents to prepay 10% of Facility AB under Telenet's 2017 Amended Senior Credit Facility, of which the lender is Telenet Finance VI Luxembourg S.C.A. ("TFLVI"). TFLVI in turn 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.

Through these substantially leverage-neutral transactions, the Company has succeeded in slightly extending the average tenor of its debt maturities which stands at over 9 years post-refinancing at attractive market conditions, while locking in long-term attractive interest rates and conducting a more active cash management policy. With the repayment of the €250.0 million Senior Secured Notes due August 2024, the Company will face no debt amortizations prior to March 2026. The settlement of the aforementioned refinancing will occur in due course.

### **De Vijver Media shareholders re-design partnership**

On March 7, 2018, Telenet Group Holding NV announced that it had entered into an agreement with the two other shareholders of De Vijver Media NV to fully acquire De Vijver Media. Shareholders Mediahuis NV and Wouter Vandenhoute and Erik Watté (Waterman & Waterman NV) will sell their respective stakes of 30 and 20 percent to Telenet, who will thereby become the sole shareholder. As the owner of three broadcasters and a production house, Telenet will be able to respond even more and even faster to innovations in the field of viewing experience or advertising. Simultaneously with this transaction, through a 50/50 joint venture, SBS Belgium and Mediahuis are setting up a sales office that will provide commercial partners with online video solutions and cross-media options. The transactions are now being notified to the competent competition authorities for approval.

### **CFO Birgit Conix to leave Telenet on June 30, 2018**

On March 14, 2018, Telenet Group Holding NV announced that Birgit Conix, Chief Financial Officer ("CFO"), is leaving the Company after almost five years. Birgit Conix, who joined Telenet as CFO in October 2013, will continue in her current position until the end of June 2018. She played an important role in the development of Telenet's 3-year plan, which resulted in the acquisitions of BASE and SFR. Ms. Conix will become CFO of TUI Group, the world's leading tourism group, and will join the company as of July 15, 2018. Telenet has initiated a selection process to hire a new CFO

## **5.30 External audit**

The general shareholders' meeting of April 27, 2015 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 2017, in relation to services provided by KPMG Bedrijfsrevisoren, amounted to EUR 1,374,570 (2016: EUR 1,046,150), which was composed of audit services for the annual financial statements of EUR 1,214,570 (2016: EUR 939,150) and audit related services of EUR 160,000 (2016: EUR 107,000). 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 2017 in relation to services provided by other offices in the KPMG network amounted to EUR 77,000 (2016: EUR 57,500), 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 2017

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 audit of the consolidated financial statements for the year ended 31 December 2017, as well as our report on other legal, regulatory and professional requirements. These reports are 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 ten 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 2017, 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 2017, the consolidated statements of profit and 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 5.453.666 and the consolidated statement of profit and loss and other comprehensive income shows a profit for the year of EUR'000 113.783 and a total comprehensive income for the year of EUR '000 115.039.

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 2017 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"). 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 2017, the Group capitalized a total of EUR'000 484.051 of property and equipment, including fixed and mobile network upgrades and customer installations.

Capitalization of costs is an area of judgement by management, in particular in determining whether internal and external network engineering and customer installations expenses meet capitalization criteria. Assessing expenditures against these criteria is complex due to the nature of underlying supplier agreements, the large amount of data that needs to be assessed and processed, and the combination of operating expenses and capital expenditures within fixed and mobile network upgrades and customer installations projects.

Due to the relative size of the Group's network related property and equipment in the consolidated statement of financial position and the area of judgment around the application of 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 the controls over whether internal and external fixed and mobile network upgrades and customer installations projects qualify as capital or operating expenses.
- Assessing the accounting policies around capitalization of network related property and equipment against the accounting standard, in particular IAS 16.

- Testing a sample of costs capitalized during the year. For each item selected, we obtained the relevant underlying documents and assessed whether the nature of costs incurred met the criteria for capitalization under the Group's accounting policies.
- 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.
- 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 number of new connections of the year and the average historical cost per installation. 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.

### **Tax effect accounting**

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.

Accounting for current and deferred taxes was a key audit matter because of the complexity associated with the tax structures in place in the Group and the complexity of the current and deferred tax position calculations for these structures.

The Group has material amounts of deferred tax assets (EUR '000 236.578) recognized in its consolidated statement of financial position, some of them relating to tax losses, as set out in note 5.15. The recognition of deferred tax assets, involves judgement regarding the likelihood of the realization of these assets, in particular whether there will be taxable profits in future periods that support the recognition of these assets. For this reason, we also considered this as a key audit matter in our audit.

#### **Our audit procedures**

With the assistance of our tax specialists, we performed the following procedures amongst others:

- We developed an understanding of the nature of the Group's tax structure and of the key tax positions across the Group.
- For those individual companies with 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 and by assessing the significant judgments made by Management in this respect.
- 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 others, 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 performed an effective tax rate reconciliation to evaluate the Group's total income tax expense of the year.

### **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.

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.

### **Report on the other legal, regulatory and professional 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 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 this matter.

#### ***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. We do not express any form of assurance on the board of directors' annual report on the consolidated financial statements.

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. However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with the GRI standards. In addition, we do not express any form of assurance regarding the individual elements included in this non-financial information.

#### ***Information about the independence***

- Our audit firm and our network has 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.
- There were no additional engagements performed which are compatible with the statutory audit referred to in article 134 of the Companies' Code and for which fees were charged.

#### ***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.

Brussels, 19 March 2018  
KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises  
Statutory Auditor  
Reprinted by

Filip De Bock  
Bedrijfsrevisor / Réviseur d'Entreprises



## 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, 2017. 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

| <i>(in thousands of euro)</i>       | <b>For the years ended December 31,</b> |                  |
|-------------------------------------|---|------------------|
|                                     | <b>2017</b>                             | <b>2016</b>      |
| <b>Assets</b>                       |   |                  |
| <b>Non-current assets:</b>          |   |                  |
| Financial assets                    | 5,212,289                               | 5,211,439        |
| <b>Total non-current assets</b>     | <b>5,212,289</b>                        | <b>5,211,439</b> |
| <b>Current assets:</b>              |   |                  |
| Amounts receivable within 1 year    | 27,276                                  | 37,214           |
| Other investments and deposits      | 108,665                                 | 85,649           |
| Cash at bank and in hand            | 2,791                                   | 909              |
| Deferred charges and accrued income | 436                                     | 451              |
| <b>Total current assets</b>         | <b>139,168</b>                          | <b>124,223</b>   |
| <b>Total assets</b>                 | <b>5,351,457</b>                        | <b>5,335,662</b> |

| <i>(in thousands of euro)</i>          | <b>For the years ended December 31,</b> |                  |
|--|---|------------------|
|  | <b>2017</b>                             | <b>2016</b>      |
| <b>Equity and Liabilities</b>          |   |                  |
| <b>Equity:</b>                         |   |                  |
| Capital                                | 12,799                                  | 12,758           |
| Share premium                          | 80,697                                  | 62,320           |
| Reserves                               | 176,507                                 | 153,492          |
| Profit to be carried forward           | 5,052,599                               | 5,076,968        |
| <b>Total equity</b>                    | <b>5,322,602</b>                        | <b>5,305,538</b> |
| <b>Liabilities:</b>                    |   |                  |
| Provisions                             | 15,101                                  | 17,345           |
| Amounts payable after more than 1 year | 6,701                                   | 8,910            |
| Amounts payable within 1 year          | 6,817                                   | 3,814            |
| Accrued charges and deferred income    | 236                                     | 55               |
| <b>Total liabilities</b>               | <b>28,855</b>                           | <b>30,124</b>    |
| <b>Total Equity and Liabilities</b>    | <b>5,351,457</b>                        | <b>5,335,662</b> |

## 2. Abridged non-consolidated income statement

| <i>(in thousands of euro)</i>           | For the years ended December 31, |                  |
|---|----------------------------------|------------------|
|   | 2017                             | 2016             |
| Operating Income                        | 10,847                           | 1,248            |
| Operating expenses                      | (4,899)                          | (28,614)         |
| <b>Operating profit / (loss)</b>        | <b>5,948</b>                     | <b>(27,366)</b>  |
| Finance income                          | 2,767                            | 1,279,063        |
| Finance expenses                        | (10,070)                         | (179,730)        |
| Taxes                                   | —                                | —                |
| <b>Profit/(loss) to be appropriated</b> | <b>(1,355)</b>                   | <b>1,071,967</b> |

# 3. Capital

|   | 2017                   |                    |
|---|------------------------|--------------------|
|   | (in thousands of euro) | (number of shares) |
| <b>Issued capital</b>   |                        |                    |
| <b>January 1, 2017</b>  | <b>12,758</b>          | <b>117,335,623</b> |
| 30/11/17 Capital increase - employee share repurchase plan 2017 (ESPP 2017) | 41                     | 380,700            |
| <b>December 31, 2017</b>  | <b>12,799</b>          | <b>117,716,323</b> |

## 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.

## 4.2 Specific accounting policies

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### 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.

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### 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.

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### 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.

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.

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### 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.

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### 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.

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### 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.

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### 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 €5,212.3 million (2016: €5,211.4 million) and consisted of:

| <i>(in euro)</i>                                     | <b>For the years ended December 31,</b> |                      |
|--|---|----------------------|
|  | <b>2017</b>                             | <b>2016</b>          |
| <b>Investees</b>                                     |   |                      |
| Telenet Vlaanderen NV                                | 249,438                                 | 249,438              |
| Telenet Group BVBA                                   | 5,116,633,655                           | 5,116,633,655        |
| De Vijver Media NV                                   | 24,154,434                              | 24,154,434           |
| Idealabs Telenet Fund NV                             | 633,747                                 | 633,747              |
| Imec.istart Fund                                     | 250,000                                 | —                    |
| Recneps NV   | 600,001                                 | —                    |
| Telenet Retail BVBA                                  | 38,062                                  | 38,062               |
| T-VGAS NV  | 10                                      | 10                   |
| <b>Investees</b>                                     | <b>5,142,559,347</b>                    | <b>5,141,709,346</b> |
| <b>Amounts receivables from affiliated companies</b> |   |                      |
| Finance Center Telenet sarl                          | 68,971,584                              | 68,971,584           |
| Doccle cvba  | 320,000                                 | 320,000              |
| Idealabs Telenet Fund NV                             | 437,830                                 | 437,830              |
| <b>Amounts receivables from affiliated companies</b> | <b>69,729,414</b>                       | <b>69,729,414</b>    |
| <b>Non-current financial assets</b>                  | <b>5,212,288,761</b>                    | <b>5,211,438,760</b> |

### 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 €15.1 million (2016: €17.3 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, 2017

amounted to respectively €26.7 million and €0.4 million (2016: respectively €30.1 and €0.0 million).

Other short term receivables at year-end 2017 amounted to €0.1 million compared to €7.1 million at year-end 2016. These outstanding receivables as per December 31, 2016 consisted of a current account with Telenet International Finance (€3.9 million), an indemnity receivable on KPN related to the pylon tax settlement with the Walloon government (€3.0 million) which was received in 2017 and a receivable of withholding taxes for an amount of €0.2 million (2017: €0.1 million).

### 5.1.3 Other investments, deposits and cash

The investments as reported at year-end 2017 for an amount of €108.7 million consisted mainly of own shares. Composition of these investments can be summarized as follows:

| <i>(in euro)</i>                      | For the years ended December 31, |                   |
|---------------------------------------|----------------------------------|-------------------|
|                                       | 2017                             | 2016              |
| <b>Other investments and deposits</b> |                                  |                   |
| Own shares                            | 108,664,555                      | 85,649,449        |
| Short term deposits                   | —                                | —                 |
| <b>Other investments and deposits</b> | <b>108,664,555</b>               | <b>85,649,449</b> |

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 2017, the Company delivered 803,327 own shares in exchange for stock options exercised (2016: 13,800 shares).

### 5.1.4 Capital

The changes in capital during 2017 (€41 thousand) is the result of the capital increase of November 30, 2017 at the occasion of the employee share repurchase plan 2017 (ESPP 2017)

### 5.1.5 Share premium

Upon the execution of the employee share repurchase plan 2017, an amount of €18.4 million was accounted for as share premium (2016: €1.0 million upon the exercise of warrants).

### 5.1.6 Reserves

Total reserves at year-end 2017 amounted to €176.5 million (2016: €153.5 million).

| <i>(in euro)</i>                      | December 31, 2017  | December 31, 2016  |
|---------------------------------------|--------------------|--------------------|
| <b>Reserves</b>                       |                    |                    |
| Legal reserve                         | 64,798,289         | 64,798,289         |
| Reserves unavailable for distribution |                    |                    |
| - for own shares                      | 108,664,555        | 85,649,449         |
| - other                               | —                  | —                  |
| Untaxed reserves                      | 3,044,394          | 3,044,394          |
| <b>Reserves</b>                       | <b>176,507,238</b> | <b>153,492,132</b> |

As a result of the Share Buy Back program which was launched in February 2017, 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 €15.1 million (2016: €17.3 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 and amounted to €6.7 million at year-end 2017 (2016: 8.9 million).

### 5.1.9 Amounts payable within one year

Amounts payable within one year amounted to €6.8 million compared to €3.8 million at year-end 2016 and can be detailed as follows:

| <i>(in euro)</i>                        | For the years ended December 31, |                  |
|---|----------------------------------|------------------|
|   | 2017                             | 2016             |
| <b>Amounts payable within one year</b>  |                                  |                  |
| Trade debts                             | 764,002                          | 629,426          |
| Taxes, remuneration and social security | 3,975,981                        | 2,198,768        |
| Other amounts payable                   | 2,076,399                        | 986,028          |
| <b>Amounts payable within one year</b>  | <b>6,816,382</b>                 | <b>3,814,222</b> |

Trade debt amounted to €0.8 million (compared to €0.6 million as of December 31, 2016) and consist almost entirely of invoices to receive.

The taxes, remuneration and social security outstanding as of December 31, 2017 amounted to €4.0 million (2016: €2.2 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 €3.0 million (2016: €1.5 million).

The other amounts payable for an amount of €2.1 million (2016: €1.0 million) consisted of past dividends and capital reductions payable, but which were as of December 31, 2017 not yet claimed and the current account with Telenet International Finance.

### 5.1.10 Accrued charges and deferred income

Accrued charges and deferred income within one year amounted to €0.2 million (2016: €0.05 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 loss of €1,354,474.53 for the financial year ended December 31, 2017 (versus a gain of €1,071,967,188.16 in 2016). Net operating profit for the year amounted to €5,948,427.24 (compared to a loss of €27,366,129.13 in 2016).

Operating income mainly amounted to €10.8 million and consisted mainly of recharges to Telenet BVBA and Telenet Group BVBA. The operating expenses decreased from €28.6 million to €4.9 million for the 12 months ended December 31, 2017 mainly attributable to less recharged expenses from the subsidiaries and fees related to the acquisition of Telenet Group BVBA (previously BASE Company NV) last year.

The Financial income amounted to €2.8 million for the year ended December 31, 2017 (2016: €1,279.1 million) and consisted of:

| <i>(in euro)</i>                     | For the years ended December 31, |                      |
|--------------------------------------|----------------------------------|----------------------|
|                                      | 2017                             | 2016                 |
| <b>Finance income</b>                |                                  |                      |
| Financial income from current assets | 2,767,301                        | 385,397              |
| Non recurring financial income       | —                                | 1,278,677,621        |
| <b>Finance income</b>                | <b>2,767,301</b>                 | <b>1,279,063,018</b> |

The financial income from current assets consisted of the interest on the intercompany loan to Finance Center Telenet. The non-recurring financial income of 2016 consisted of (i) the liquidation bonus realized at the occasion of the liquidation of Telenet Service Center BVBA amounting to €1,208,616,862 and (ii) the compensation fee related to a change of the group financing structure for an amount of €70,060,759.

Finance expense amounted to €10.1 million for the year ended December 31, 2017 compared to €179.7 million in the prior year and consists of:

| <i>(in euro)</i>                         | For the years ended December 31, |                    |
|--|----------------------------------|--------------------|
|  | 2017                             | 2016               |
| <b>Finance expense</b>                   |                                  |                    |
| Interest charges                         |                                  |                    |
| - Bank                                   | 2,051                            | 2,647              |
| - Telenet International Finance S.à r.l. | 1,261,977                        | 100,765,215        |
| - Finance Center Telenet S.à r.l.        | —                                | 26,714,078         |
| Sale of treasury shares                  | 8,740,588                        | 118,387            |
| Impairment De Vijver Media NV            | —                                | 35,207,845         |
| Amortization of financing cost           | —                                | 16,912,632         |
| Other finance expense                    | 65,589                           | 8,897              |
| <b>Finance expense</b>                   | <b>10,070,205</b>                | <b>179,729,701</b> |

The Company proposes to the general shareholders' meeting to:

- bring forward the profit brought forward at the prior year-end amounting to €5,076,968,284.58, resulting in a profit available for appropriation amounting to €5,075,613,810.05 at December 31, 2017;
- allocate an amount of €23,015,106.78 to the reserves unavailable for distribution for own shares.

As a result, the profit to be carried forward amounted to €5,052,598,703.27 as of December 31, 2017.

### 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, 2017, the Company carried a total debt balance (including accrued interest) of €4,462.2 million, of which €1,811.4 million principal amount is owed under the 2017 Amended Senior Credit Facility (consisting of the Term Loans AL and AM issued in December 2017) and €2,211.8 million principal amount is related to the remaining four Notes. The Company's total debt balance at December 31, 2017 also included €262.6 million related to vendor financing and €16.3 million for the outstanding portion of the 3G mobile spectrum including accrued interest. 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 25, 2018 to grant discharge to the directors and the statutory auditors of their responsibilities assumed in the financial year 2017.

## **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 19, 2018

On behalf of the board of directors

John Porter  
Chief Executive Officer

Bert De Graeve  
Chairman



Notes









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