



# Financial Report 2015



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## Consolidated annual report of the board of directors for 2015 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, 2015, 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.

## Definitions

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.

**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 and (ii) due diligence, legal, advisory and other third-party costs directly related to the Company’s efforts to acquire or divest controlling interests in businesses. Adjusted EBITDA is an additional measure used by management to demonstrate the Company’s underlying performance and should not replace the measures in accordance with 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.

**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.

**Free Cash Flow** is defined as net cash provided by the Company’s continuing operations, 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 of its continuing operations, (ii) principal payments on capital-related vendor financing obligations, (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. 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.

**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.

**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 our Basic Video Subscribers equal to the increase in Telenet’s Enhanced Video Subscribers.

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

**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.

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.

**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.

**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.

**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.

**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.

**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.

**Net leverage ratio** is calculated as per the 2010 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, and (iv) any indebtedness incurred under the network lease entered into with the pure intermunicipalities up to a maximum aggregate amount of €195.0 million, divided by last two quarters' Consolidated Annualized EBITDA.

## Important reporting changes

**Revenue by nature:** In the three months ended March 31, 2015, Telenet changed the way it presents the disclosure of its revenue in order to further align with its controlling shareholder and to provide a greater level of transparency on the underlying evolution of (i) Telenet's traditional cable subscription revenue, (ii) the revenue generated by Telenet's mobile telephony customers, (iii) Telenet's B2B revenue and (iv) Telenet's other revenue, which includes amongst others the revenue generated from the sale of set-top boxes and handsets, interconnection revenue and carriage fees. Telenet has also applied these changes retroactively to the prior year quarters.

**RGU adjustment:** In the three months ended March 31, 2015, Telenet changed the way it calculates certain operational key performance indicators to further align with its controlling shareholder. From January 1, 2015, RGUs 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 (for instance a primary and a secondary home) that individual will count as two RGUs for that service. This definition adjustment also impacted certain other derived operational parameters, including amongst others multiple-play penetration levels, the number of services per unique customer and the underlying ARPU generated by such unique customers. During the three months ended March 31, 2015, Telenet also modified certain video subscriber definitions to better align these definitions with the underlying services received by its customers and have replaced its "digital cable TV" and "analog cable TV" subscriber definitions with "enhanced video" and "basic video" respectively. Telenet has also applied these changes retroactively to the prior year quarters.

**Free Cash Flow:** In the three months ended March 31, 2015, Telenet changed its Free Cash Flow definition, adding cash payments for third-party costs directly associated with successful and unsuccessful acquisitions and dispositions to the net cash provided by its continuing operations. Telenet has also applied these changes retroactively to the prior year quarters. Additionally, in the three months ended September 30, 2015, Telenet changed its Free Cash Flow definition to further align with its controlling shareholder. From July 1, 2015, Free Cash Flow is defined as net cash provided by the Company's continuing operations, 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 of its continuing operations, (ii) principal payments on capital-related vendor financing obligations, (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. This adjustment had no impact on the Company's Free Cash Flow for the prior year quarters.

**ARPU per customer relationship:** In the three months ended December 31, 2015, Telenet changed the way it calculates the ARPU per customer relationship to further align with its controlling shareholder by excluding channel carriage revenue and including revenue from small or home office ("SoHo") customers. From the three months ended December 31, 2015, the ARPU per customer relationship is calculated by dividing the average monthly subscription revenue (excluding mobile services, 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. We have also applied these changes retroactively to the prior year quarters.

# 1. Information on the Company

## 1.1 Overview

As of December 31, 2015, Telenet served 2,177,500 customer relationships, which represented approximately 74% of the 2,935,700 homes passed by its leading HFC network. As of December 31, 2015, Telenet provided 4,846,300 services (excluding Telenet's mobile subscribers), which was up 2% compared to December 31, 2014. Telenet's RGU count at December 31, 2015 included 2,054,800 video subscribers, 1,570,500 broadband internet subscribers and 1,221,000 fixed-line telephony RGUs. In addition, approximately 83% of Telenet's video subscribers had upgraded to its enhanced video platform at December 31, 2015. Telenet also served 1,001,200 mobile postpaid subscribers as of December 31, 2015, representing a solid 12% increase compared to December 31, 2014 despite the intensely competitive environment. For the year ended December 31, 2015, Telenet's total revenue was €1,808.4 million, a 6% increase compared to the year ended December 31, 2014, and its Adjusted EBITDA was €943.7 million, a 5% increase compared to the year ended December 31, 2014. Telenet's Adjusted EBITDA for the year ended December 31, 2015 and 2014 included favorable impacts of €7.6 million and €12.5 million, respectively, from the release of accruals related to certain operational contingencies.

The Combined 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 €500.0 million network investment program as it plans to increase the capacity of its HFC network to 1 GHz within the next five years, enabling download speeds of at least 1 Gbps in the future. At December 31, 2015, an average of 480 homes was connected to each optical node, down from approximately 1,400 homes at the start of the node splitting project in 2010. As a result, Telenet has been able to increase both download and upload speeds, while supporting new internet applications and enhanced services. As not all homes connected subscribe to Telenet's broadband internet services, the number of active broadband households per optical node approximated 260 at December 31, 2015.

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, 2015, Telenet's ARPU per customer relationship was €50.6, an increase of 6% compared to the year ended December 31, 2014 when the ARPU per customer relationship was €47.8. Growth in the ARPU per customer relationship was underpinned by (i) a higher proportion of multiple-play subscribers in Telenet's overall customer mix, (ii) a larger share of

enhanced video customers subscribing to Telenet's "Play", "Play More" and "Play Sports" premium entertainment services and (iii) the benefit from the selective price increase on certain fixed services as of January 25, 2015. These favorable impacts were offset to some extent by a growing proportion of bundle discounts and other discounts.

## 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. As of December 31, 2015, Telenet provided video services to 2,054,800 unique residential subscribers, or 70% of homes passed by the Combined Network. 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 70 digital channels, including 15 High Definition ("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 video-on-demand ("VOD") library of both local and international programs.

## 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. As of December 31, 2015, Telenet served 1,714,200 enhanced video customers, an increase of 2% compared to December 31, 2014. Telenet's digitalization ratio, which measures the total base of enhanced video customers relative to Telenet's total video subscriber base, continued to grow, and reached approximately 83% at December, 2015 compared to approximately 81% at December 31, 2014.

Enhanced video subscribers can extend their TV experience beyond the traditional TV screen, to their smartphones, tablets, laptops or desktops through "Yelo Play", Telenet's over-the-top ("OTT") digital platform. In early December 2014, Telenet revamped its OTT application by



introducing a new user interface (“UI”) and adding functionality such as improved smart search, swipe TV and a recommendation engine. At December 31, 2015, around 26% of Telenet’s enhanced video subscribers were actively using this application.

In December 2014, Telenet introduced its revamped subscription VOD packages “Play” and “Play More”, replacing the former “Rex” and “Rio” packages. Priced at €10.0 per month (including VAT), “Play” represents an attractive entry point for enhanced video television customers who want to take full control of when, where and how they watch TV. Currently, Telenet is the only operator in Belgium to bundle the content of local broadcasters, an extensive collection of international movies and series, and TV functionalities such as 7-day catch-up TV, in one single add-on product. At December 31, 2015, “Play” and “Play More” had 298,600 customers, which was more than double compared to December 31, 2014 and driven in part by temporary promotions.

In June 2011, Telenet acquired certain exclusive broadcasting rights for the Belgian football championship (the “Jupiler Pro League”) for the three seasons starting July 2011. From the 2012-2013 season onwards, Telenet has broadcast all league matches of the Jupiler Pro League, which has resulted in incremental subscriber growth. In June 2014, the Jupiler Pro League awarded Telenet broadcasting rights for a further three years on a non-exclusive basis. As a result, Telenet will be able to broadcast all league matches through the 2016-2017 season. In July 2015, Telenet launched “Play Sports”, replacing its former “Sporting Telenet” sports pay television channels. “Play Sports” combines domestic and foreign football with other major sport events including golf, Formula One racing, volleyball, basketball and hockey. In addition, “Play Sports” features unrestricted 7-day catch-up TV, while the accompanying “Play Sports” app enables a TV anywhere/anytime experience across a myriad of devices and ecosystems, enriched with live updated statistics and match summaries. As of December 31, 2015, 223,500 customers subscribed to Telenet’s sports pay television channels, an increase of 9% compared to December 31, 2014, marking one of the strongest uptakes in recent quarters.

## 1.4 Broadband internet

Telenet is the leading provider of residential broadband internet services in Flanders. Telenet’s current residential offerings include multiple tiers, which range from “Basic Internet”, which allows end users to receive data from the internet at a downstream data transfer speed of up to 30 Mbps, to “Internet Fiber 200”, which offers end users a downstream speed of up to 200 Mbps. All new bundled broadband internet customers enjoy download speeds of at least 100 Mbps, which exceeds the base tier download speeds of Telenet’s direct competitors. The average download speed per broadband internet subscriber reached approximately 114 Mbps as of December 31, 2015 compared to approximately 43 Mbps prior to the launch of the all-in-one bundles “Whop” and “Whoppa” in June 2013. As of December 31, 2015, Telenet served 1,570,500 broadband internet subscribers, an increase of 3% as compared to December 31, 2014. As a result, 53.5% of the homes passed by the Combined Network subscribed to one of its broadband internet products as compared to 52.2% at December 31, 2014.

As a result of ongoing investments in its leading HFC network, Telenet’s customers can continue to enjoy a great broadband internet experience, both at home and on the move. To this end, Telenet has also made further progress with the deployment of WiFi Homespots across its footprint. At December 31, 2015, Telenet has deployed almost 1.3 million active WiFi Homespots and operated approximately 2,000 WiFi

hotspots in public areas. Through a partnership with the Walloon cable operator Nethys, operating under the “VOO” brand, broadband internet customers from Telenet and Nethys can freely use the WiFi Homespots on either company’s network.

## 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 NV/SA (“Proximus”), the Belgian incumbent (formerly known as Belgacom NV/SA), 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. As of December 31, 2015, Telenet provided fixed-line telephony services to 1,221,000 subscribers, an increase of 5% as compared to December 31, 2014. As a result, 41.6% of the homes passed by the Combined Network as of December 31, 2015 subscribed to its fixed-line telephony service as compared to 39.8% as of December 31, 2014.

### 1.5.2 Mobile telephony

Telenet offers its mobile telephony services under the Telenet brand name. Telenet currently provides this service through a mobile virtual network operator (“MVNO”) partnership with Mobistar NV, the second largest mobile operator in Belgium, (the “MVNO Arrangement”), which runs until the end of 2017. Pursuant to the MVNO Arrangement, Telenet offers its customers mobile voice and data services, including 4G/LTE (“Long Term Evolution”), through Mobistar’s mobile network. Through a partnership with Telenet, Nethys also uses the MVNO Arrangement to provide mobile services to its cable customers. The MVNO Arrangement agreement can be terminated in case of material breach and certain events, including changes of control and regulatory events. In the event of termination an exit plan will apply, permitting Telenet to migrate its mobile telephony customers to another radio access network provider. Telenet intends to migrate its current and future mobile subscribers to the network of BASE Company NV (“BASE Company” or “BASE”) after termination of the MVNO Arrangement at the end of 2017, as described in more detail below.

In March 2014, Telenet extended and improved its existing “King” and “Kong” mobile product line-up, while providing its mobile telephony subscribers with free access to 4G technology. In October 2014, Telenet announced the roll-out of the Extensible Authentication Protocol (“EAP”) functionality on its WiFi routers, enabling customers to automatically and seamlessly connect to its WiFi network, allowing Telenet to exploit the full potential of WiFi offloading. In April 2015, Telenet launched its “Family Deal” proposition, offering both new and existing “Whop” and “Whoppa” triple-play households recurring monthly discounts of €1 and €2, respectively, on their mobile tariff plans, when subscribing to two or more mobile services. At December 31, 2015, Telenet served 1,001,200 mobile postpaid subscribers, which was up 12% compared to December 31, 2014.

On April 18, 2015, a subsidiary of Telenet entered into a sale and purchase agreement to acquire all of the outstanding shares of BASE Company from subsidiaries of Koninklijke KPN N.V. ("KPN") for €1,324.4 million. On February 4, 2016, the European Commission approved the proposed acquisition of BASE Company by Telenet and on February 11, 2016, the acquisition of BASE Company occurred. On November 19, 2015, Telenet confirmed that it had entered into conditional agreements with MEDIALAAN for, among other things, the sale by BASE Company to MEDIALAAN of all JIM Mobile customers and of its 50% stake in VikingCo NV, the entity that operates the Mobile Vikings brand in Belgium. These agreements were concluded in the context of the investigation by the European Commission into the proposed acquisition of BASE Company. As a result of the approval from the European Commission, and the Belgian Competition Authority's recent approval of the transaction with MEDIALAAN, BASE Company's sale of its 50% stake in VikingCo NV to MEDIALAAN can be completed after Telenet's acquisition of BASE Company is finalized. In time, BASE will also transfer the JIM Mobile clients to MEDIALAAN, and MEDIALAAN will become a 'full MVNO player' on the BASE network, for both the JIM Mobile and the Mobile Vikings customers. The transaction creates a platform for MEDIALAAN to become a new, high-performing MVNO player. The acquisition is expected to provide Telenet long-term mobile access to effectively compete for future growth opportunities in the mobile market.

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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's principal interconnection agreements are with Proximus and the main telecommunication operators in Belgium and Luxembourg. Proximus provided fixed-line telephony services to an estimated 61% of the Belgian fixed-line market at the end of 2014 according to the most recent 2014 Annual Report from the Belgian Institute for Postal and Telecommunication services ("BIPT"). The MVNO Arrangement with Mobistar necessitated a number of new interconnection agreements to allow other domestic operators to connect to Telenet's mobile core network. Interconnection agreements with the main network operators in Belgium are in service. In the context of Telenet's mobile interconnection discussions with Proximus, a definitive interconnection agreement was signed. A number of other fixed domestic operators have shown interest in setting up a direct interconnection agreement with Telenet. For the purpose of serving mobile telephony subscribers roaming abroad, Telenet has closed a roaming agreement with an international provider, acting as a roaming hub provider. In the premium service mobile business, Telenet connects to content aggregators, and as such provides mobile telephony subscribers access to value-added services.

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, 2015, Telenet incurred interconnection expenses of €170.9 million (€160.4 million for the year ended December 31, 2014) and received interconnection revenue of €99.8 million (€92.8 million for the year ended December

31, 2014). 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 'Network operating and service costs'.

Telenet'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). This marks a 60% decline compared to the average mobile termination rate of €2.67 cents per minute, which was applicable as of January 1, 2012. On September 14, 2015, the BIPT published its draft decision on the relevant market for call termination on individual mobile networks. In the context of the implementation by Telenet of the MVNO Arrangement, and due to Telenet's ensuing increased control over the termination rates Telenet charges for call termination on its virtual network. Telenet has been designated in the draft decision as having SMP. In the draft decision, the BIPT adopts a bottom-up long-run incremental cost model to calculate tariffs for call termination on individual mobile networks, resulting in a nominal value of €0.81 cents per minute in 2015 and will decline on a sliding scale until 2020. The BIPT has organized a public consultation on this draft decision which was open until November 14, 2015. A final decision has not yet been published.

## 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 small and medium-sized enterprises ("SMEs") with up to one hundred employees; larger corporations; public; healthcare and educational institutions; and carrier customers that include international voice, data and internet service providers. For the year ended December 31, 2015, Telenet's business services operations generated €118.1 million of revenue, which was up 12% compared to the year ended December 31, 2014.

## 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 NV and Telenet Vlaanderen NV, Telenet has full rights to use substantially all of the Partner Network under a long-term lease (*erfpacht/lemphythéose*) 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 240 Mbps for certain of its business customers. Telenet's Combined Network assets include approximately 12,000 kilometers of fiber backbone, of which Telenet owns 7,300 kilometers, utilizes approximately 2,600 kilometers pursuant to long-term leases and has access to 2,100 kilometers through its agreements with the PICs. The fiber backbone connects to approximately 68,000 kilometers of coaxial local loops, of which 50,000 kilometers is in the Telenet Network and the balance is in the Partner Network. Telenet owns the primary and secondary fiber backbone on the Combined Network and the fiber and coaxial cable on the Telenet Network. The PICs own the additional fiber and the coaxial cable included in the HFC access loops on the Partner Network.

In addition to its HFC network, Telenet offers services to business customers across Belgium and in parts of Luxembourg through a combination of electronic equipment that it owns and fiber that is predominantly leased. Telenet has also installed equipment necessary to provide voice, data and internet services using Digital Subscriber Line ("DSL") technology. DSL technology enables Telenet to serve business customers that are not close to the Combined Network in a more cost effective manner.

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

Customers connect to the Combined Network through a coaxial connection from one of Telenet's nodes. Amplifiers are used on the coaxial lines to strengthen both downstream and return path signals on the local loop. Network quality usually deteriorates as customer penetration rates on any particular node increases. When required, the scalability of Telenet's network enables it to address this problem, within limits, through node splits. Telenet uses node splits, among other measures, to manage potential congestion in certain parts of the Combined Network. Telenet has reduced the number of homes connected to an optical node from an average 1,400 since the start of the node splitting project in 2010 to an average of 480 homes at December 31, 2015. As not all homes connected subscribe to Telenet's broadband internet services, the number of active broadband households per optical node approximated 260 at December 31, 2015.

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 that it is planning to invest €500.0 million over the next five years to upgrade the Combined Network's minimum spectrum bandwidth capacity from 600 MHz to 1 GHz,

enabling download speeds of at least 1 Gbps, with the objective of allowing Flanders to offer some of the highest-capacity digital infrastructure in Europe.

## 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. The key components of Telenet's strategy are to:

**Offer the best and most reliable technology and provide a great customer experience.** Telenet aims to provide innovative and competitive fixed and mobile products accompanied by high-quality and effective customer service, so that customers can enjoy their digital lifestyle at home and away. Telenet believes its proven long-term multiple-play strategy enables it to increase ARPU per customer relationship, as more customers choose Telenet for all their digital services, while it continues to focus on customer satisfaction to reduce churn. Telenet's focus is on delivering leading broadband and flat-fee fixed-line telephony services alongside a fully interactive and rich enhanced video platform and, therefore, it will continue to invest in the Combined Network to stay ahead of other platforms and outperform competing product offerings. At the same time, Telenet aims to further excel in customer service and loyalty. Telenet will therefore continue to focus on optimizing its processes and platforms with the customers' interest in mind. By creating a better and smarter system, Telenet will be able to better control its cost base, which will allow further investments in the growth of its business.

**Maintain speed and service leadership over competitive technologies.** Telenet currently offers download speeds of up to 200 Mbps for certain residential customers and up to 240 Mbps for certain B2B customers. Telenet believes that the combination of an optimization of its network bandwidth and the introduction of EuroDocsis 3.1 will allow Telenet to remain in a leading position to deliver high-speed services in the years to come. Telenet will closely monitor its capital expenditure levels to ensure that its investments drive incremental returns.

**Continue to upsell single-play customers to its attractive multiple-play offers.** Telenet continues to see many opportunities to upsell its single-play customers, which still represented 28% of its overall customer base as of December 31, 2015, to triple- and quadruple-play services and aims to convert its remaining basic video subscribers, which constitute 17% of its video subscribers, to the higher ARPU enhanced video platform. Concurrently, Telenet will seek to increase the proportion of enhanced video subscribers subscribing to additional premium content offerings. As of December 31, 2015, around 17% of its enhanced video customers subscribed to additional premium content offerings (excluding "Play Sports"). The introduction of "Play" and "Play More", Telenet's two new unlimited subscription VOD packages, in December 2014 has also further enhanced Telenet's unique and leading positioning in terms of both local and international premium content. At December 31, 2015, "Play" and "Play More" had 298,600 customers, which was more than double compared to December 31, 2014, and driven in part by temporary promotions.

**Offer inspiring entertainment services, including premium and sports content, to its customers.** In June 2014, Telenet successfully renewed the Jupiler Pro League broadcasting rights for another three years. This extension on a non-exclusive basis allows Telenet to continue to offer all matches of the Jupiler Pro League on its sports pay television channels, alongside the main international leagues and other international sports events to grow its subscriber base, while optimizing its investment costs. In February 2015, Telenet acquired a strategic 50% investment in the Flemish media company De Vijver Media for €58.0 million. De Vijver Media owns two free-to-air commercial channels (“VIER” and “VIJF”) and a content production house (“Woestijnvis”). Telenet believes that its investments drive innovation in local content and, together with Telenet’s existing strong portfolio of channels, will continue to enable Telenet to offer Flemish viewers high quality and technologically advanced multimedia entertainment, while continuing to secure strategic access to local content. In September 2014, Telenet announced that it will be producing its own television series, “Chaussée d’amour”, in collaboration with the local production company deMENSEN. The series will consist of 10 episodes, which will be available in 2016 for “Play” and “Play More” customers.

**Increase presence and market share in the business market.** Telenet continues to see further opportunities for subscriber growth in the business broadband market through a combination of sustained product and speed leadership and customer service. Telenet has recently made significant investments in its business services unit, “Telenet Business”, to enable it to provide business customers with an integrated portfolio of leading connectivity, security and hosting solutions with a strong focus on widely available coax products.

**Cross-sell mobile services across its vast cable customer base.** Telenet believes that its successful repositioning in the mobile telephony market and its focus on more cost-effective mobile subscriber acquisitions will contribute to revenue and Adjusted EBITDA growth. Telenet believes that its customers value Telenet’s simple, transparent and competitive mobile offering, which also creates an opportunity for Telenet to cross-sell mobile telephony to its large fixed-line telephony subscriber base. As of December 31, 2015, 20% of Telenet’s customer base also subscribed to its mobile products, which Telenet believes to be an indication of a considerable growth opportunity to increase its mobile telephony subscriber base. The acquisition of BASE Company is expected to provide Telenet long-term mobile access to effectively compete for future growth opportunities in the mobile market. As a result of the acquisition, Telenet expects to be able to meet the rising demand from both residential and business customers for the full range of fixed and mobile services.

**Invest in innovation in Flanders.** Innovation is of prime importance to Telenet. Telenet believes it can play a role in promoting innovation in Flanders. The company will therefore invest in promising Flemish digital entrepreneurial talent to stimulate innovation. This takes the form of a partnership with Idealabs. In March 2015, Telenet announced the incorporation of Idealabs Telenet Fund, whereby NIKEVENTURES BVBA and Telenet Service Center BVBA each own 50% of the shares. Idealabs Telenet Fund has been incorporated with the purpose of organizing a start-up incubator and accelerator program. Separately, Telenet is also working together with iMinds on the iStart programme and in that respect offers all newly selected firms an all-in-one business solution for one year with high-performance internet connectivity and telephony and CloudOffice for their staff.

# 2. Discussion of the consolidated financial statements

## 2.1 Revenue by service

For the year ended December 31, 2015, the Company generated revenue of €1,808.4 million, representing a 6% increase compared to the year ended December 31, 2014 when the Company produced revenue of €1,707.1 million. All of the Company's revenue growth for the year ended December 31, 2015 was organic and directly driven by (i) solid multiple-play growth with the number of triple-play subscribers at December 31, 2015 up 6% compared to December 31, 2014, (ii) the benefit from the selective price increase on certain fixed services in January 2015, (iii) a €22.4 million higher contribution from Telenet's mobile activities, driven by robust mobile postpaid subscriber growth, and (iv) a 12% increase in business services revenue.

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 Telenet's enhanced video subscribers which includes, amongst others, (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, 2015, video revenue amounted to €552.1 million compared to €542.9 million for the year ended December 31, 2014. This 2% increase was driven by higher recurring set-top box rental fees and growth in the premium subscription VOD business, partly offset by a gradual decline in the total video subscriber base and lower revenue from transactional VOD services.

### 2.1.2 Broadband internet

The revenue generated by Telenet's residential and small business broadband internet RGUs totaled €546.0 million for the year ended December 31, 2015 and was up 6% compared to the year ended December 31, 2014 when broadband internet revenue amounted to €513.9 million. Revenue growth was driven by 3% growth in Telenet's subscriber base and the benefit from the aforementioned price increase effective from the end of January 2015, in part 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, 2015, fixed-line telephony revenue increased 7% to €226.9 million compared to €211.1 million for the year ended December 31, 2014 driven by a 5% increase in fixed-line telephony subscribers and the benefit from the aforementioned January 2015 price increase, partly offset by a growing proportion of bundle discounts.

### 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. For the year ended December 31, 2015, mobile telephony revenue amounted to €203.4 million, up €22.4 million compared to the year ended December 31, 2014. This robust 12% revenue increase compared to the year ended December 31, 2014 reflected continued double-digit growth in the number of postpaid subscribers, partially offset by a decrease in usage-related revenue per user.

### 2.1.5 Business services

The revenue reported under business services relates to the revenue generated on non-coax products, including fiber and leased DSL lines, Telenet's carrier business, as well as value-added services such as hosting and managed security. Revenue generated by Telenet's business customers on all coax-related products is allocated to one of the aforementioned revenue lines and is not captured within Telenet Business, which is Telenet's business services division. Telenet Business generated revenue of €118.1 million for the year ended December 31, 2015, which was up 12% compared to the year ended December 31, 2014 when business services revenue reached €105.5 million. B2B revenue growth was primarily driven by (i) higher security-related revenue, (ii) higher revenue from business connectivity solutions and (iii) higher revenue from carrier services for mobile.



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### 2.1.6 Other

Other revenue primarily includes, among other items, (i) mobile handset sales, (ii) channel carriage fees, (iii) interconnection revenue from both Telenet's fixed-line and mobile telephony customers, (iv) product activation and installation fees, and (v) set-top box sales revenue. Other revenue reached €161.9 million for the year ended December 31, 2015, up 6% compared to the year ended December 31, 2014. Growth in 'Other' revenue was primarily driven by the introduction of a handset financing program in the three months ended September 30, 2015 and higher interconnection revenue generated by Telenet's mobile telephony subscribers, partially offset by lower set-top box sales revenue compared to the year ended December 31, 2014 when the legacy SD platform was switched off.

## 2.2 Total expenses

For the year ended December 31, 2015, Telenet incurred total operating expenses of €1,265.3 million, representing an increase of 8% compared to the year ended December 31, 2014 when total operating expenses amounted to €1,174.9 million. Operating expenses for the year ended December 31, 2015 included a €13.8 million favorable impact from the reversal of restructuring charges as a result of a settlement with Norkring België related to the DTT spectrum license and a €7.6 million favorable impact from the resolution of a contingency associated with universal service obligations, partially offset by a €3.9 million settlement with the Belgian telecoms regulator BIPT with regards to the 2G mobile spectrum license. Operating expenses for the year ended December 31, 2014 reflected a €12.5 million favorable impact from the settlement of certain operational contingencies. Excluding these nonrecurring benefits for the year ended December 31, 2015 and 2014, the underlying increase of total operating expenses would have been slightly higher and was primarily driven by (i) higher network operating and service costs including higher programming costs as a result of Telenet's connected entertainment strategy, (ii) a 10% increase in depreciation and amortization charges, (iii) €7.1 million higher advertising, sales and marketing costs, and (iv) higher direct acquisition costs and other costs primarily linked to the acquisition and integration of BASE Company.

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### 2.2.1 Cost of services provided

Cost of services provided as a percentage of revenue reached approximately 54% for the year ended December 31, 2015 as compared to approximately 55% for the year ended December 31, 2014.

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### 2.2.2 Selling, general and administrative expenses

Selling, general and administrative expenses represented approximately 16% of revenue for the year ended December 31, 2015 compared to around 14% for the year ended December 31, 2014. Compared to the year ended December 31, 2014, selling, general and administrative expenses as a proportion of revenue increased due to higher costs associated with the acquisition and the integration of BASE Company.

## 2.3 Expenses by nature

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### 2.3.1 Employee benefits

Employee benefits reached €155.8 million for the year ended December 31, 2015 and were up €2.0 million compared to the year ended December 31, 2014 as modest growth in Telenet's employee base was offset by lower bonus accruals.

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### 2.3.2 Depreciation and amortization, including gains on disposal of property and equipment and other intangible assets

Depreciation and amortization, including gains on disposal of property and equipment and other intangible assets, reached €390.4 million for the year ended December 31, 2015 compared to €355.5 million for the year ended December 31, 2014. The 10% increase compared to the year ended December 31, 2014 primarily reflected higher depreciation expenses related to set-top boxes and IT.

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### 2.3.3 Network operating and service costs

Network operating and service costs continue to represent the largest portion of total operating expenses and include all of Telenet's direct expenses such as costs related to handset sales and subsidies, interconnection, programming, copyrights, call center and network-related expenses. Compared to the year ended December 31, 2014, network operating and service costs increased €44.5 million from €524.5 million to €569.0 million for the year ended December 31, 2015. This 8% increase in network operating and service costs was primarily driven by (i) higher copyrights and content-related expenses, (ii) higher interconnection costs driven by continued growth in both Telenet's mobile and fixed-line telephony subscriber base and (iii) higher costs related to handset sales, partially offset by lower handset subsidies compared to the year ended December 31, 2014. As a reminder, network operating and service costs for the year ended December 31, 2014 reflected a nonrecurring €12.5 million favorable impact from the settlement of certain operational contingencies, without which the increase in network operating and service costs would have been lower.

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### 2.3.4 Advertising, sales and marketing

Advertising, sales and marketing expenses of €74.2 million for the year ended December 31, 2015 increased by 11% compared to the year ended December 31, 2014, reflecting timing variances in some of Telenet's marketing campaigns and promotional activity around its new "Vollenbak voordelen" campaigns that highlight the monetary advantages that new and existing Telenet customers enjoy.

### 2.3.5 Other costs, including operating charges related to acquisitions or divestitures and restructuring charges

Other costs, including operating charges related to acquisitions or divestitures and restructuring charges, amounted to €65.5 million for the year ended December 31, 2015, which was broadly stable compared to €65.7 million for the year ended December 31, 2014. Other costs for the year ended December 31, 2015 included a €13.8 million favorable impact from the reversal of restructuring charges as a result of a settlement with Norkring België related to the DTT spectrum license and a €7.6 million nonrecurring benefit from the resolution of a contingency associated with universal service obligations, partially offset by a €3.9 million settlement with the Belgian telecoms regulator BIPT with regards to the 2G mobile spectrum license. Following this settlement, Telenet has no further outstanding payment obligations with regards to the 2G mobile spectrum license. Excluding these impacts, other costs would have increased compared to the year ended December 31, 2014. The underlying increase reflected higher business-supporting corporate advisory and legal fees, including those for the acquisition and integration of BASE Company.

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

## 2.4 Adjusted EBITDA

For the year ended December 31, 2015, the Company realized Adjusted EBITDA of €943.7 million, up 5% compared to the year ended December 31, 2014 when Telenet produced Adjusted EBITDA of €900.0 million. Adjusted EBITDA for the year ended December 31, 2015 and 2014 included favorable impacts of €7.6 million and €12.5 million, respectively, as mentioned above and was not impacted by the aforementioned reversal of restructuring charges. The solid growth in Adjusted EBITDA was primarily driven by accretive multiple-play growth, including the impact from the January 2015 price adjustments and Telenet's continued focus on cost efficiencies and operating leverage, partly offset by (i) higher content-related expenses, (ii) higher interconnection costs driven by continued growth in both Telenet's mobile and fixed-line telephony subscriber base and (iii) higher costs related to the integration of BASE Company. The Adjusted EBITDA margin reached 52.2% for the year ended December 31, 2015 compared to 52.7% for the year ended December 31, 2014. This decline was mainly driven by a higher proportion of lower-margin mobile and premium content revenue in Telenet's overall mix and higher costs associated with the integration of BASE Company which Telenet has started incurring mainly in the six months ended December 31, 2015.

<i>(in thousands of euro)</i>	For the years ended December 31,	
	2015	2014
<b>Adjusted EBITDA</b>	<b>943,658</b>	<b>900,031</b>
Adjusted EBITDA margin	52.2%	52.7%
Share based compensation	10,370	8,311
Operating charges related to acquisitions or divestitures	9,736	2,135
Restructuring charges	(9,932)	1,938
<b>EBITDA</b>	<b>933,484</b>	<b>887,647</b>
Depreciation, amortization and impairment	(390,398)	(355,410)
<b>Operating profit</b>	<b>543,086</b>	<b>532,237</b>
Net finance expense	(263,696)	(331,658)
Other income	(4,076)	444
Income tax expense	(99,652)	(91,758)
<b>Profit for the period</b>	<b>175,662</b>	<b>109,265</b>

## 2.5 Operating profit

Operating profit for the year ended December 31, 2015 reached €543.1 million, up €10.9 million, or 2%, compared to the year ended December 31, 2014 when operating profit reached €532.2 million. Growth in operating profit for the year ended December 31, 2015 was driven by solid 6% revenue growth, partly offset by (i) higher content-related and advertising, sales and marketing expenses, (ii) higher costs related to the acquisition and integration of BASE Company, and (iii) a 10% increase in depreciation and amortization charges.

## 2.6 Net finance expenses

For the year ended December 31, 2015, net finance expenses totaled €263.7 million compared to €331.6 million of net finance expenses incurred for the year ended December 31, 2014. Despite a €30.8 million loss on the extinguishment of debt following the prepayment of the €500.0 million Senior Secured Notes due 2020 in August 2015, net finance expenses for the year ended December 31, 2015 decreased 20% compared to the year ended December 31, 2014 as the Company realized a non-cash gain on its derivatives of €13.8 million in the year ended December 31, 2015 whereas the year ended December 31, 2014 showed a loss of €67.4 million in this respect. In addition, Telenet incurred €9.8 million lower net interest expenses for the year ended December 31, 2015 following the early redemption of the remaining

outstanding amounts under certain Term Loans following the April 2014 refinancing and the favorable effects of the partial unwinding of its derivatives portfolio in December 2014. These favorable impacts were partly offset by slightly higher accrued interest expenses as a result of commitment fees incurred on the undrawn financing facilities related to the BASE Company acquisition, which began to accrue in the three months ended September 30, 2015.

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

## 2.7 Income taxes

The Company recorded income tax expenses of €99.6 million for the year ended December 31, 2015, up 9% compared to income tax expenses of €91.7 million for the year ended December 31, 2014.

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

## 2.8 Net income

For the year ended December 31, 2015 the Company earned net income of €175.7 million, which was substantially higher compared to the €109.3 million achieved for the year ended December 31, 2014. Net income growth for the year ended December 31, 2015 was boosted by a €13.8 million net gain on derivative financial instruments whereas the year ended December 31, 2014 showed a net loss of €67.4 million in this respect.

## 2.9 Cash flow and liquidity

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

### 2.9.1 Net cash from operating activities

The Company's operations yielded €665.5 million of net cash for the year ended December 31, 2015 compared to €571.6 million of net cash

<i>(in thousands of euro)</i>	<b>For the years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Net cash provided by operating activities	665,533	571,605
Cash payments for direct acquisition and divestiture costs	6,893	2,200
Purchases of property and equipment	(245,988)	(210,884)
Purchases of intangibles, net of proceeds from sale of other intangibles	(132,987)	(110,873)
Principal payments on capital leases (excluding network-related leases assumed in acquisitions)	(1,800)	(4,944)
Principal payments on post acquisition additions to network leases	(12,617)	(9,566)
<b>Free Cash Flow</b>	<b>279,034</b>	<b>237,538</b>

### 2.9.4 Net cash from financing activities

Net cash used in financing activities was €144.2 million for the year ended December 31, 2015 compared to €278.0 million of net cash used for the year ended December 31, 2014 and mainly consisted of (i) €73.0 million of net cash used for the early termination of certain interest rate

from operating activities for the year ended December 31, 2014. Despite substantially higher cash taxes paid for the year ended December 31, 2015, the net cash from operating activities increased 16% compared to the year ended December 31, 2014 driven by (i) robust growth in Adjusted EBITDA, (ii) a €34.8 million decrease in cash interest expenses following certain refinancing operations and the partial optimization of the interest rate derivatives portfolio, and (iii) a marked improvement in the Company's working capital as a result of tighter working capital management.

### 2.9.2 Net cash used in investing activities

The Company used €433.1 million of net cash in investing activities for the year ended December 31, 2015, representing a 36% increase compared to the year ended December 31, 2014. The net cash used in investing activities included cash payments for capital expenditures. In addition, the Company paid €15.7 million and €23.4 million in the three months ended March 31, 2015 and the three months ended September 30, 2015, respectively, for the Belgian football broadcasting rights covering the second leg of the 2014-2015 season and the first leg of the 2015-2016 season, respectively. Finally, the net cash used in investing activities for the year ended December 31, 2015 was impacted by the 50% investment in the local media company De Vijver Media for €58.0 million.

### 2.9.3 Free Cash Flow

For the year ended December 31, 2015, the Company generated Free Cash Flow of €279.0 million compared to €237.5 million achieved for the year ended December 31, 2014. Despite significantly higher cash taxes paid in 2015 and higher cash capital expenditures for the year ended December 31, 2015 as mentioned above, Free Cash Flow improved 17% compared to the year ended December 31, 2014. Growth in Free Cash Flow for the year ended December 31, 2015 was primarily driven by (i) solid growth in Adjusted EBITDA, (ii) lower cash interest expenses, and (iii) an improvement in working capital.

derivatives, (ii) €48.0 million spent on the Share Repurchase Program 2015, net from the sale of treasury shares, (iii) €29.2 million of debt issuance and prepayment costs, which included the make-whole premium paid for the early repayment of the Senior Secured Fixed Rate Notes due November 2020 and (iv) a net increase of €35.3 million in the Company's loans and borrowings. The remainder of the net cash



used in financing activities primarily consisted of capital lease repayments and other financial payments.

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

### 2.10.1 Debt profile

As of December 31, 2015, the Company carried a total debt balance (including accrued interest) of €3,793.9 million, of which €1,357.0 million principal amount is owed under its 2010 Amended Senior Credit Facility and €1,930.0 million principal amount is related to the Senior Secured Notes with maturities ranging from 2021 through 2027. The Company's total debt balance at December 31, 2015 also included €31.1 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 2015, the Company issued two new debt facilities under the 2010 Amended Senior Credit Facility for an aggregate amount of €1,000.0 million in anticipation of the acquisition of BASE Company. Through Telenet International Finance S.à r.l., which acts as the group's financing center, a floating rate €800.0 million Term Loan ("Term Loan AA") with a maturity of June 30, 2023 and a 3.50% margin over EURIBOR was issued. In addition, the Company secured an additional €200.0 million Revolving Credit Facility ("Facility Z") with a maturity of June 30, 2018 and a margin of 2.25% over EURIBOR. As the acquisition of BASE Company was still subject to formal closing at December 31, 2015, both facilities were fully undrawn at that time.

In July 2015, the Company 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. In July 2015, Telenet also upsized the available commitments under its Revolving Credit Facility ("Facility X") by €85.0 million to an aggregate of €381.0 million and in September 2015, Telenet cancelled €26.9 million of short-dated available commitments under its Revolving Credit Facility ("Facility S"). As such, and excluding the undrawn debt facilities relating to the BASE Company acquisition as discussed above, the Company had full access on December 31, 2015 to a committed Revolving Credit Facility of €381.0 million, subject to compliance with certain covenants and debt service requirements as mentioned below.

### 2.10.2 Debt overview and payment schedules

For an overview of the Company's debt instruments and payment schedule at December 31, 2015, we refer to note 5.13.3 to the consolidated financial statements of the Company.

### 2.10.3 Cash balance and availability of funds

At December 31, 2015, the Company held €277.3 million of cash and cash equivalents compared to €189.1 million at December 31, 2014. To minimize the concentration of counterparty risk, cash equivalents, certificates of deposit and money market funds are placed with highly rated European and US financial institutions. For the year ended December 31, 2015, Telenet generated €88.2 million of net cash as the

negative impacts resulting from (i) a €77.6 million payment of cash taxes, (ii) cash payments for the second and first leg, respectively, of the Belgian football broadcasting rights for the 2014-2015 and 2015-2016 season, (iii) the acquisition of a 50% stake in De Vijver Media NV, (iv) the full execution of the €50.0 million Share Repurchase Program 2015, and (v) a net cash outflow of €73.0 million related to the partial unwinding of the Company's interest rate derivatives portfolio was more than offset by the robust net cash generated by its operating activities. At December 31, 2015, the Company had access to two committed revolving facilities of €581.0 million, subject to compliance with the covenants mentioned below, and excluding the fully undrawn Term Loan AA of €800.0 million.

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

### 2.10.4 Net leverage ratio

As of December 31, 2015, the outstanding balance of the 2015 Amended Senior Credit Facility and outstanding cash balance resulted in a Net Total Debt to Consolidated Annualized EBITDA ratio of 3.4x. Compared to December 31, 2014, the Company's net leverage ratio decreased by 0.3x driven by solid growth of its EBITDA and the absence of meaningful shareholder distributions apart from the Share Repurchase Program 2015. As a reminder, the net leverage ratio did not reflect the acquisition of BASE Company, which was pending formal closing at December 31, 2015. At December 31, 2015, Telenet's net leverage ratio was significantly below the covenant of 6.0x and the availability test of 5.0x.

## 2.11 Capital expenditures

Accrued capital expenditures reached €383.6 million for the year ended December 31, 2015, representing approximately 21% of revenue versus approximately 23% for the year ended December 31, 2014. Compared to the year ended December 31, 2014, accrued capital expenditures decreased slightly as significantly lower set-top box related capital expenditures were partly offset by higher network-related investments relating to both Telenet's proactive customer visits and its "Grote Netwerf" investment program. Accrued capital expenditures for both the year ended December 31, 2015 and the year ended December 31, 2014 reflected the recognition of the Jupiler Pro League broadcasting rights for the 2015-2016 and 2014-2015 seasons, respectively. Under EU IFRS, these non-exclusive broadcasting rights have been capitalized as intangible assets and will be amortized on a pro-rata basis as the season progresses. Excluding these broadcasting rights, accrued capital expenditures represented around 20% of revenue for the year ended December 31, 2015 and around 21% for the year ended December 31, 2014.

Set-top box related capital expenditures decreased €36.5 million from €49.1 million for the year ended December 31, 2014 to €12.6 million for the year ended December 31, 2015, reflecting modest growth in Telenet's enhanced video subscriber base for the year ended December 31, 2015 while the year ended December 31, 2014 was impacted by the switch-off of Telenet's legacy SD platform. For the year ended December 31, 2015, set-top box related capital expenditures represented approximately 4% of total accrued capital expenditures

excluding the Belgian football broadcasting rights for the 2015-2016 season.

Capital expenditures for customer installations totaled €63.6 million for the year ended December 31, 2015, or approximately 18% of total accrued capital expenditures excluding the Belgian football broadcasting rights for the 2015-2016 season. The 2% decline compared to the year ended December 31, 2014 in customer installations capital expenditures mirrored a lower level of net new subscriber growth for Telenet's advanced fixed services as compared to the year ended December 31, 2014 in addition to efficiencies as customers increasingly opted for self-installation, partly offset by higher costs related to proactive customer visits.

Accrued capital expenditures for network growth and upgrades increased 45% to €142.4 million for the year ended December 31, 2015, and represented approximately 40% of total accrued capital expenditures excluding the Belgian football broadcasting rights for the 2015-2016 season. The higher spending compared to the year ended December 31, 2014 was primarily driven by higher investments in Telenet's HFC network as part of its €500.0 million five-year network investment program "De Grote Netwerf".

The remainder of the Company's accrued capital expenditures included refurbishments and replacements of network equipment, sports content acquisition costs, and recurring investments in its IT platform and systems. These reached €165.0 million for the year ended December 31, 2015 compared to €175.1 million for the year ended December 31, 2014 and included the Belgian football broadcasting rights for the 2015-2016 season and the 2014-2015 season respectively, as mentioned above.

This implies that approximately 62% of the accrued capital expenditures for the year ended December 31, 2015 were scalable and subscriber growth related excluding the Belgian football broadcasting rights. Going forward, Telenet will continue to closely monitor its capital expenditures in order to make sure that they drive incremental returns.

# 3. Risk factors

## 3.1 General information

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

- Telenet's substantial leverage and debt service obligations;
- Telenet's ability to generate sufficient cash to service its debt, to control and finance its capital expenditures and operations;
- Telenet's ability to raise additional financing;
- Risks associated with Telenet's structure, and Telenet's indebtedness;
- Risks of default by the counterparties to the Company's derivative and other financial instruments;
- Telenet's relationship with its shareholders;
- Economic and business conditions and industry trends in which Telenet and the entities in which it has interests, operate;
- The competitive environment in which Telenet, and the entities in which it has interests, operate, including competitor responses to its products and services;
- Changes in, or failure or inability to comply with, government regulations in Belgium and adverse outcomes from regulatory proceedings;
- The application of competition law generally and government intervention that opens Telenet's broadband distribution and television networks to competitors, which may have the effect of reducing Telenet's control over the management of, or the quality of, its network and Telenet's ability to reach the expected returns on investment;
- General adverse regulatory or other developments affecting or restricting the effectiveness and use of Telenet's network or its equipment;
- The outcome of any pending or threatened litigation;
- 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 existing service offerings, including Telenet's analog and digital cable television, broadband internet, fixed telephony, mobile telephony and business service offerings, and of new technology, programming alternatives and other products and services that Telenet may offer in the future;
- Telenet's ability to manage rapid technological changes;
- Telenet's ability to maintain or increase the number of subscriptions to its digital cable television, broadband internet services, fixed-line telephony and mobile services offerings and the 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 increase or maintain rates to its subscribers or to pass through increased costs to its subscribers;
- The impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- 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 credit and the derivative instruments that hedge certain of Telenet's financial risks;
- The ability of suppliers and vendors to timely deliver quality products, equipment, software and services;
- The availability of attractive programming for Telenet's analog and digital cable television 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 for future network requirements;
- The availability of capital for the acquisition and/or development of telecommunications networks and services;
- Telenet's ability to successfully integrate and recognize anticipated efficiencies from the businesses it may acquire;
- Leakage of sensitive customer data;
- The loss of key employees and the availability of qualified personnel and Telenet's ability to interact with labor councils and unions;
- Changes in the nature of key strategic relationships with partners and joint ventures; and

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

Telenet has a track record of successfully growing its customer base and market share and introducing new products and tiered offerings to customers in a competitive environment, with a continued focus on managing costs and increasing free cash flows. Telenet believes that innovation in products and technology is important to retaining its market position. Telenet has a dedicated research and development function, which is engaged in reviewing and testing new products and technologies that it believes will enhance the services it provides to its customers.

## 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. Corporate governance statement

Corporate governance can be defined as a framework of rules (laws, institutions and policies) and practices (processes and customs) ensuring 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, 2015.

## 7.1 Reference code

The Corporate Governance Charter of the Company has most recently been updated on July 24, 2015, and can be consulted on the investor relations website of the Company (<http://investors.telenet.be>). In compliance with article 3 of the Law of April 6, 2010 and the Royal Decree of June 6, 2010, the Company has decided to adopt the Belgian Corporate Governance Code 2009 as reference code (<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.

## 7.2 Regulatory developments and their impact on Telenet

In 2011, the BIPT and the regional media regulators, including the *Vlaamse Regulator voor de Media* for Flanders, the *Conseil Supérieur de l'Audiovisuel for Wallonia*, and the *Medienrat* for the German speaking community (collectively with the BIPT, the "Belgium Regulatory Authorities"), decided on new regulation regarding the broadband and broadcasting markets in Belgium, among other things to provide third parties access to the cable network(s).

Broadly, the following developments have occurred since (including some of which in 2014) which have or could have an impact on this regulation.

Belgium has broadly transposed the European regulatory framework that deals with communications regulation, consisting of a variety of legal instruments and policies, into law. According to the electronic communications law of June 13, 2005, the BIPT should perform the market analysis to determine which, if any, operator or service provider

has Significant Market Power ("SMP"). In addition, the Federal Parliament prepared legislation to transpose the 2009 revisions to the European regulatory framework, which became effective as of August 4, 2012.

Telenet has been declared an operator with SMP on the market for call termination on an individual fixed public telephone network. As of April 1, 2012, reciprocal termination rates have been imposed, which results in Telenet charging the interconnection rate of the incumbent telecommunications operator, Proximus.

Although no determination has been made on whether Telenet has SMP on the market for call termination on individual mobile networks, its rates will be affected by rate limitations implemented by 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). This marks a 60% decline compared to the average mobile termination rate of €2.67 cents per minute, which was applicable as of January 1, 2012. On September 14, 2015, the BIPT published its draft decision on the relevant market for call termination on individual mobile networks. In the context of the implementation by Telenet of the MVNO Arrangement, and due to Telenet's ensuing increased control over the termination rates it charges for call termination on its virtual network, Telenet has been designated in the draft decision as having SMP. In the draft decision, the BIPT adopts a bottom-up long-run incremental cost model to calculate tariffs for call termination on individual mobile networks, resulting in a nominal value of €0.81 cents per minute in 2015 and will decline on a sliding scale until 2020. The BIPT has organized a public consultation on this draft decision which was open until November 14, 2015. A final decision has not yet been published.

In December 2010, 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 (i) an obligation to make a resale offer at "retail minus" of the cable analog package available to third-party operators (including Proximus), (ii) an obligation to grant third-party operators (except Proximus) access to digital television platforms (including the basic digital video package) at "retail minus," and (iii) an obligation to make a resale offer at "retail minus" of broadband internet access available to beneficiaries of the digital television access obligation that wish to offer bundles of digital video and broadband internet services to their customers (except Proximus).



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, as of June 23, 2014, access to the Telenet network had become operational and can be applied by wireless operator Mobistar.

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 Proximus' request. The timing for a decision regarding this assessment by the Belgium Regulatory Authorities is not known.

On December 14, 2015, the Belgium Regulatory Authorities published a draft decision, which amended previously-issued decisions, that sets forth the "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. The draft decision was notified to the European Commission and a final decision was adopted on February 19, 2016.

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 be allowed 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 2015, Telenet and wireless operator Mobistar each filed an appeal with the Brussels Court of Appeal against the decision regarding the quantitative aspects of the reference offers. A decision with respect to these appeals is expected during 2016. There can be no certainty that Telenet's appeals will be successful.

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 (i) limit the bandwidth available to Telenet to provide new or expanded products and services to the customers served by its network and (ii) adversely impact Telenet's ability to maintain or increase its revenue and cash flows. The extent of any such adverse impacts ultimately will be dependent on the extent that competitors take advantage of the resale access ultimately afforded to Telenet's network and other competitive factors or market developments.

## 7.3 Capital and shareholders

### 7.3.1 Capital and securities

The share capital of the Company amounted to €12,751,468.11 as of December 31, 2015 and was represented by 117,278,706 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 and the Chief Executive Officer ("CEO"), issued before December 31, 2014, can be consulted in Telenet's 2014 Annual Report.

On March 13, 2015, the board of directors granted 180,000 stock options to the CEO of the Company under the specific stock option plan (the "CEO SOP 2015"). The CEO accepted these stock options on May 11, 2015. Each stock option gives the right to acquire one existing share of the Company under the terms and conditions of the CEO SOP 2015. These stock options vest in three tranches (one each year) 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 following March 13, 2018. All of the stock options under the CEO SOP 2015 have an expiration date of March 13, 2020. More details on the outstanding stock options under the CEO SOP 2015 can be found in note 5.12.2 to the consolidated financial statements of the Company and in section 7.7.2.3 b) of this Statement.

On October 27, 2015, the board of directors approved a new general stock option plan for employees, for a total number of 873,000 stock options on existing shares (the "ESOP 2015"), to be granted to selected participants under the ESOP 2015. Each stock option gives the right to acquire one existing share of the Company under the terms and conditions of the ESOP 2015. 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 November 2, 2015, the board of directors authorized a grant under ESOP 2015 to certain beneficiaries. More details on the outstanding stock options under the ESOP 2015 can be found in note 5.12.2 to the consolidated financial statements of the Company and in section 7.7.2.4 b) of this Statement.

On July 24, 2015, the board of directors approved a specific stock option plan for a selected participant of the Company. Following this decision, 18,750 stock options were granted to the selected participant of the Company under the specific stock option Plan (the "SSOP 2015"). The selected participant accepted these stock options on January 15, 2016. Each stock option gives the right to acquire one existing share of the Company under the terms and conditions of the SSOP 2015. These stock options vest in three tranches subject to the achievement of certain performance criteria. All of the stock options under the SSOP have an expiration date of December 28, 2020. More details on the outstanding stock options under the SSOP 2015 can be found in note 5.12.2 to the consolidated financial statements of the Company.

On June 18, 2015, Telenet granted certain of its Senior Leadership Team ("SLT") members (excluding the CEO) 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 ("OCF") compound annual growth rate ("CAGR") over the performance period starting on January 1, 2015 and ending on December 31, 2017 (based on US GAAP). A performance range of 75% to 150% of the targeted OCF CAGR would generally result in the recipients being

awarded between 50% and 150% of their 2015 Telenet Performance Shares, subject to reduction or forfeiture based on individual performance and service requirements. The granted 2015 Telenet Performance Shares will vest on June 18, 2018, provided the performance conditions have been realized. More details on the outstanding 2015 Telenet Performance Shares can be found in section 7.7.2.4 b) of this Statement.

More details on previous grants, issued before December 31, 2014, to the SLT can be consulted in Telenet's 2014 Annual Report.

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

The following capital movements took place in the year ended December 31, 2015:

- On April 13, 2015, the share capital was increased by €9,573.93 through the exercise of 81,847 ESOP 2010 *primo* warrants and 6,207 ESOP 2010 *ter* warrants, creating 88,054 new ordinary shares. An amount of €1,355,548.53 was recorded as issue premium.
- On July 13, 2015, the share capital was increased by €4,466.74 through the exercise of 8,535 ESOP 2007 *septies* warrants, 32,246 ESOP 2010 *primo* warrants and 300 ESOP 2010 *ter* warrants, creating 41,081 new ordinary shares. An amount of €621,623.27 was recorded as issue premium.
- On October 5, 2015, the share capital was increased by €24,977.35 through the exercise of 29,879 ESOP 2007 *septies* warrants, 190,446 ESOP 2010 *primo* warrants and 9,394 ESOP 2010 *ter* warrants, creating 229,719 new ordinary shares. An amount of €3,508,127.68 was recorded as issue premium.
- On December 21, 2015 the share capital was increased by €1,284.43 through the exercise of 5,962 ESOP 2010 *bis* warrants and 5,851 ESOP 2010 *ter* warrants, creating 11,813 new ordinary shares. An amount of €220,736.70 was recorded as issue premium.

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### 7.3.3 Shareholders

#### Important movements in shareholdings

##### Transparency declarations

In the course of the year ended December 31, 2015, the Company received the following transparency declarations:

On August 21, 2015, the Company received a notification from Liberty Global Plc and her affiliate Binan Investments B.V. in accordance with article 74,§8 of the Law of April 1, 2007 on public take-overs. Liberty Global Plc and Binan Investments B.V. herein provide an update of their notification of August 22, 2014 according to which Binan Investments B.V. declared to hold a stake in Telenet that exceeded 30% of the

securities holding voting rights. In this notification, Liberty Global Plc and Binan Investments B.V. declare, inter alia, that during the period between August 22, 2014 and August 20, 2015 no securities holding voting rights in Telenet have been transferred by or to Binan Investments B.V.

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

#### Share Repurchase Program 2015

On February 12, 2015, the Company announced the initiation of a new share repurchase program, referred to as the "Share Repurchase Program 2015". 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 €50.0 million, within the six months following February 12, 2015. All repurchased shares are held by the Company to cover the Company's obligations under existing stock option plans.

Through August 12, 2015, the Company had acquired 989,381 own shares under the Share Repurchase Program 2015 for a total amount of €49.9 million, representing 0.95% of the total number of outstanding shares at that moment. Taking into account a par value of €0.11 per share on December 31, 2015, this represents an amount of €108,831 in the share capital of the company. Further information about the own shares held at December 31, 2015 can be found in Note 5.12.1 of the consolidated financial statements of the Company.

#### Share Repurchase Program 2016

On February 10, 2016, the Company announced the initiation, as of February 15, 2016 of a new share repurchase program, referred to as the "Share Repurchase Program 2016". 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 €50.0 million, within the six months following February 15, 2016. All repurchased shares will be held by the Company to cover the Company's obligations under existing stock option plans.

Through March 18, 2016, the Company had acquired 277,190 own shares under the Share Repurchase Program 2016 for a total amount of €12.9 million, representing 0.89% of the total number of outstanding shares at that moment. Taking into account a par value of €0.11 per share on December 31, 2015, this represents an amount of €30,491 in the share capital of the company.

#### Stock Lending Agreement

On December 17, 2014, the Company borrowed 200,000 shares from its majority shareholder Binan Investments B.V., referred to as the "Stock Lending Agreement". All shares borrowed under this Stock Lending Agreement were being held by the Company to cover the Company's obligations under existing stock option plans.

After the delivery of 200,000 shares by the Company to the beneficiaries following the exercise of stock options under the SSOP 2010-2013 on December 19, 2014, the Company held none of the shares borrowed under this Stock Lending Agreement. On June 17, 2015 the Company returned these 200,000 shares to its majority shareholder Binan Investments B.V..

## Shareholder structure

The shareholder structure of the Company on December 31, 2015, 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	Outstanding warrants	Total (fully diluted)	Percentage (fully diluted)
Liberty Global Group <sup>(*)</sup>	66,342,037	56.57 %		66,342,037	56.54 %
Norges Bank <sup>(**)</sup>	5,297,087	4.52 %		5,297,087	4.51 %
BNP Paribas Investment Partners SA	3,832,819	3.27 %		3,832,819	3.27 %
Employees	374,926	0.32 %	56,917	431,843	0.37 %
Own Shares	766,059	0.65 %		766,059	0.65 %
Public <sup>(***)</sup>	40,665,778	34.67 %		40,665,778	34.66 %
<b>Total</b>	<b>117,278,706</b>	<b>100.00 %</b>	<b>56,917</b>	<b>117,335,623</b>	<b>100.00 %</b>

(\*) Including 94,827 Liquidation Dispreference Shares

(\*\*) Including 1,765,475 shares held by Norges Bank on loan which it can recall at any time.

(\*\*\*) 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.

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.

## 7.3.4 General meeting of shareholders

According to the Company's articles of association, the annual meeting of shareholders takes place on the last Wednesday of the month of April at 3pm CET. In 2016, this will be on April 27.

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>).

- 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, 2015, 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.

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

Article 34 of the Royal Decree of November 14, 2007 requires that listed companies disclose the relevant elements that may have an impact in the event of a 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

- Warrant and share option plans are described in note 5.12 to the consolidated financial statements of the Company. The Warrant Plan 2010 ter provides that all outstanding warrants (if granted to selected beneficiaries) would immediately vest upon a change of control over 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 and ESOP 2015 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 (e.g. following a public take-over bid). 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 MVNO Arrangement concluded between the Company and Mobistar also contains change of control wording. The relevant provisions were approved at the extraordinary shareholders' meeting 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 and the Performance Share Plan 2015 (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 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 warrants and stock options, as set out above, the Company has not concluded an agreement with its members of the board of directors or employees, which would allow the disbursement of any special severance pay in the case of termination of employment as a result of a public take-over bid.

## 7.4 Internal control and risk management systems

### 7.4.1 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, controlling 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.

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

The board of directors has set out the mission, the strategy and the values of the Company (see also section 1 "Information on the Company" to the consolidated 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 and compliance department focuses on internal control over financial reporting, revenue assurance and fraud. Moreover, the department also develops and maintains the necessary instruments to guarantee the protection of personal data of Telenet's customers, employees, visitors and suppliers. Specific teams were set up to oversee, coordinate and facilitate risk management activities within other risk areas (e.g. Health & Safety, Business Continuity and Information Security). The Audit Committee monitors the effectiveness of the internal control and risk management system of the Company, and reviews it 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 and develop and execute a risk governance roadmap.

Liberty Global, of which the Company is an affiliate, 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 [www.investors.telenet.be](http://www.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 the area of revenue assurance, a structured risk management approach was established based upon a formal risk assessment. This approach allows the Company to prioritize the in-depth review of relevant risk areas and properly document objectives, risks and controls. As a result of the risk governance project, the same approach is being implemented for other key risk areas like security, business continuity and fraud.

### **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.

Liberty Global designed a framework defining the key elements of a privacy risk and control framework. The Company has already implemented controls to mitigate risks in the areas of privacy by design, incident management, third party management, international data transfers, security and will continue to improve the privacy control environment where appropriate.

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.

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

### **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 competence centre is 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 monthly 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 and compliance 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 internal control over financial reporting: a quarterly management self-assessment on design and control effectiveness, a quarterly self-assessment validation by the risk and compliance 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) second line monitoring has been established. In addition, a formal risk and control management self assessment approach was implemented in 2012.

In addition, a risk-based internal audit plan focusing on significant risk areas is proposed annually by Liberty Global's internal audit and, after approval by the Company's Audit Committee, is executed by Liberty Global's internal audit. 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.

## 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.

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### 7.4.3 Most important risks

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

## 7.5 Board of directors

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### 7.5.1 Composition

#### a) General

On December 31, 2015, 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 JoVB BVBA (represented by its permanent representative Mr. Jo Van Biesbroeck) and Ms. Suzanne Schoettger, both co-opted during the year ended December 31, 2015 until the next annual shareholders' meeting, and the mandate of Mr. Charles Bracken, expire at the annual shareholders' meeting of 2016. The mandate of Mr. John Porter expires at the annual shareholders' meeting of 2017. 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 the other directors expire at the annual shareholders' meeting of 2019.

At the meeting of the board of directors of February 9, 2016, Mr. Balan Nair resigned as member of the board. At the same meeting, Ms. Dana Strong was co-opted as director of the Company with immediate effect. The annual meeting of shareholders of 2016 will decide on her definitive 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 Mr. Charles Bracken as director of the Company;
- the appointment of JoVB BVBA (represented by its permanent representative Mr. Jo Van Biesbroeck) as independent director of the Company;
- the appointment of Ms. Suzanne Schoettger as director of the Company; and
- the appointment of Ms. Dana Strong 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 directors shall terminate at the first annual shareholders' meeting after they have reached the age of 70.



On December 31, 2015, 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
Balan Nair	Executive Vice President & Chief Technology 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 Audit and Compliance Officer of Liberty Global	Liberty Global Group

CM: Chairman

Mr. Bart van Sprundel, Legal Manager 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, 2015, the board of directors included two female members: Ms. Christiane Franck and Ms. Suzanne Schoettger. At the meeting of the board of directors of February 9, 2016 Mr. Balan Nair resigned as member of the board. At the same time, Ms. Dana Strong was co-opted as member of the board. The meeting of shareholders of April 27, 2016 will decide on her definite appointment. 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, Telenet will have reached this goal already early in 2016.

## 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 co-opted by the board of directors and 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 has served as a director of the Company and as chairman of the board of directors since April 2014. From 1982 to 1991, Mr. De Graeve held various financial responsibilities at the international level within Alcatel-Bell. From 1991 to 1996, he led Shanghai Bell Telephone Equipment Manufacturing Company, a Chinese joint-venture of Alcatel Bell, followed by a position as Director International Affairs at the headquarters of Alcatel in Paris. In 1996, Mr. De Graeve became CEO of the BRTN (currently VRT), the Flemish public broadcasting company, which he reorganized into a modern and innovative state-owned company. In 2002, Mr. De Graeve joined the Bekaert Group as Chief Financial and Administration Officer and General Secretary. He was appointed CEO in 2006, succeeding Mr. Julien De Wilde. In May 2014, he became chairman of Bekaert. He also serves on the board of directors of, among other companies, UCB and was director of Guberna until 2010. Mr. De Graeve holds a law degree from the University of Ghent, a postgraduate degree in Financial Management, IPO at the University of Antwerp Management School and a Master in Tax Management at the Vlekho in Brussels.

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

Up to 2014, Jo Van Biesbroeck (59) has been Chief Strategy Officer 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 Kinopolis Group NV.

#### 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 has served as a director of the Company since July 2005. Mr. Bracken is Executive Vice President and Co-Chief Financial Officer of LG, positions he has held since January 2012 and June 2005, respectively, with responsibility for Group Treasury, Tax and Financial Planning as well as Strategy and Corporate Development. Previously, he was Senior Vice President from April 2005 to January 2012. In addition, Mr. Bracken serves as a member of the board of management of Liberty Global Europe Holding BV and as an officer and/or director of various European and U.S. based subsidiaries of LG. Mr. Bracken is a graduate of Cambridge University.

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

Diederik Karsten has served as a director of the Company since May 2007. Mr. Karsten became Managing Director European Broadband Operations of UPC Broadband division, the largest division of Liberty Global, on January 1, 2011, and was named Executive Vice President, European Broadband Operations of Liberty Global in January 2012. Previously Mr. Karsten served as Managing Director of UPC Nederland BV, a subsidiary of LG and part of its UPC Broadband division. Mr. Karsten holds a degree in business economics from Erasmus Universiteit Rotterdam, with specializations in Marketing and Accountancy.

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

Manuel Kohnstamm has served as a director of the Company since May 2007. Mr. Kohnstamm has been with Liberty Global Europe Holding BV and its predecessors since 1999 and has held positions in corporate affairs, public policy and communications. Currently, he is Senior Vice President and Chief Policy Officer, responsible for developing and implementing Liberty Global's regulatory strategy, public policy and government affairs. He is member of the board of directors of VECAI, the Dutch Association of Cable Operators, European Cable Communications Association and International Communications Round Table. He also serves as chairman of Cable Europe. Mr. Kohnstamm holds a doctorandus degree in international and European law of 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 at 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 and strategic planning across all regions of Liberty Global's operations. He holds a degree in Politics, Philosophy and economics from St. John's College, Oxford University.

#### Balan Nair, director (°1966)

Balan Nair has served as a director of the Company since April 2011. Mr. Nair is Executive Vice President and the Chief Technology Officer of Liberty Global, positions he has held since January 2012 and July 2007, respectively. Before being named an Executive Vice President, Mr. Nair was Senior Vice President from July 2007 to January 2012. Prior to joining Liberty Global, Mr. Nair served as Chief Technology Officer and Executive Vice President for AOL LLC, a global web services company, from 2006. Prior to his role at AOL LLC, Mr. Nair spent more than five years at Qwest Communications International Inc., most recently as Chief Information Officer and Chief Technology Officer. Mr. Nair is a director of ADTRAN Inc. and Charter Communications Inc., both US public companies and of Austar United Communications Limited. He serves as a Director of Northern Virginia Technology Council and also on the Governor's Council on IT in Healthcare for the Commonwealth of Virginia. He holds a patent in systems development and is a Licensed Professional Engineer in Colorado. Mr. Nair holds a Masters of Business Administration and a Bachelor of Science in electrical engineering, both from Iowa State University.

#### 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)

Dana Strong, who started at the Liberty Global group in 1999, held several positions before becoming Chief Transformation Officer at Liberty Global. She was COO at Virgin Media, CEO at UPC Ireland and COO at AUSTAR Entertainment in Australia. In her current role as Chief Transformation Officer at Liberty Global, she identifies strategic and operational opportunities in collaboration with CEO Mike Fries.

#### 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 is currently Grid Participations Manager at Electrabel, having previously held numerous senior finance and administration positions related to Electrabel's utility service distribution activities in Belgium. In these capacities, he has represented Electrabel and the mixed intermunicipalities in their business dealings with Telenet NV from 1999. Mr. Sarens served on the board of directors of several of the mixed intermunicipalities in Belgium, and holds several board positions in Electrabel affiliates as eg. Electrabel Green Projects Flanders.

## 7.5.2 Functioning of the board of directors

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

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

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

In the year ended December 31, 2015, six scheduled board of directors meetings and five non-scheduled board of directors meetings took place. Two meetings were 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 2015, article 523 of the Belgian Company Code was applied once. 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.

## 7.5.3 Evaluation of the board of directors

Every two years, the board of directors assesses its functioning and its relation with the Company's executive management. The evaluation exercise is usually performed by means of a questionnaire, to be filled out by all board members. The completed questionnaires are collected by the Company's corporate secretary, and the results thereof are presented to the Remuneration & Nomination Committee and the board of directors. Appropriate action is taken on those items that require improvement. The last evaluation took place in December 2015. 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, which took place in 2013, 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.

## 7.5.4 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, 2015, 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 biography of Ms. Suzanne Schoettger, member of the Audit Committee, in section 7.5.1. c) of this Statement.

In the year ended December 31, 2015, 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, 2015, the Remuneration & Nomination Committee met six 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 search for new independent directors, evaluation of the candidate(s) and the proposed remuneration, 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 and the possibility to pay bonuses to employees through warrants.

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.

## 7.5.5 Attendance

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

Name	Board of Directors (11)	Audit Committee (5)	Remuneration & Nomination Committee (6)
Bert De Graeve (IDw Consult BVBA)	11 of (11) CCM		6 of (6) CCM
John Porter	10 of (11)		
Michel Delloye (Cytifinance NV / Cytindus NV)	5 of (5)	3 of (3) (PCM1)	3 of (3)
Stéfan Descheemaeker (SDS INVEST NV)	7 of (7)	4 of (4) (PCM2)	2 of (4)
Jo Van Biesbroeck (JoVB BVBA)	3 of (4)	1 of (1) (CCM)	2 of (2)
Christiane Franck	6 of (6)	2 of (2)	
Charles H. Bracken	11 of (11)		6 of (6)
Diederik Karsten	7 of (11)		
Balan Nair	2 of (11)		
Manuel Kohnstamm	8 of (11)		
Jim Ryan	6 of (11)		
Angela Mc. Mullen	6 of (11)	4 of (5)	
Suzanne Schoettger	NA	NA	
André Sarens (Observer)	11 of (11)	5 of (5)	

PCM: Previous Chairman  
CCM: Current Chairman

## 7.5.6 Application of legal rules regarding conflicts of interest

During the meeting of the board of directors of February 10, 2015 and February 9, 2016, article 523 of the Belgian Company Code was applied.

At the meeting of February 10, 2015, the board of directors discussed, amongst other items, the determination of the bonus for the year ended December 31, 2014 and merit of the CEO and the determination of the realization of the performance criteria for 2014, in relation to the options granted to the CEO under CEO SOP 2013 and CEO SOP 2014 *bis*. The minutes of that meeting mention the following in this respect:

*"Prior to the reporting on the discussions held within the Remuneration & Nomination Committee of 10 February 2015 and deliberating and resolving on some of these items (in particular the determination of the bonus 2014 and merit of the CEO and the determination of the realization of the performance criteria (for 2014) for the options granted to the CEO under the CEO SOP 2013 and the CEO SOP 2014bis, John Porter (CEO and Managing Director) informs the board of directors that he has a (potential) financial conflict of interest regarding this decision in the meaning of article 523 of the Belgian code of companies.*

*The CEO declares that he will inform the company's auditor of this conflict of interest. He then leaves the meeting for this specific agenda item. The Chairman also asks the other members of the senior leadership team to leave the meeting."*

The chairman of the Remuneration & Nomination Committee then reported on the discussions held within the Committee meeting of 10 February 2015:

- The Committee proposes to grant a bonus (for 2014) to the CEO for a total amount of €472,500 (being 75% of his annual fixed remuneration); the annual fixed remuneration of the CEO for 2015 would remain identical to the fixed remuneration in 2014, being €630,000;
- The Committee proposes to the board of directors to conclude that the performance criteria set by the Remuneration & Nomination Committee for performance year 2014 in accordance with the provisions of the CEO Stock Option Plan ("SOP") 2013 and CEO SOP 2014 *bis* have been achieved and that therefore:
  - the second tranche of options under the CEO SOP 2013, consisting of 100,000 stock options will vest on July 4, 2015; and
  - the first tranche of options under the CEO SOP 2014 *bis*, consisting of 45,000 stock options will vest on July 15, 2015.
- With regard to the annual stock option plan for the CEO ("CEO SOP 2015"), the Committee advises the board of directors to approve in principle the issuance of a new plan for the granting of options for a countervalue of US\$1,750,000 (to be calculated according to the Black & Scholes method), with performance criteria based on the Company's "Winter LRP

2014" and with a certain discretionary margin for the board of directors to judge whether the performance criteria have been achieved. The terms and conditions of the CEO SOP 2015 will be in line with the terms and conditions of the CEO SOP 2014bis.

After discussion, and upon recommendation of the Remuneration & Nomination Committee, the board of directors takes the following decisions:

- to determine that the performance criteria for performance year 2014 under the CEO SOP 2013 and CEO SOP 2014 *bis* have been achieved and that the relevant stock options will vest in accordance with the principles set out in the respective stock option plans;
- to set the 2014 annual bonus for the CEO at € 472,500;
- to approve the target bonus amount 2015 and fixed annual salary 2015 for the CEO as proposed by the Remuneration & Nomination Committee (see above);
- to approve in principle the issuance of a CEO Stock Option Plan 2015 in accordance with the principles proposed by the Remuneration & Nomination Committee (see above).

At the meeting of February 9, 2016, the board of directors discussed, amongst other items, the determination of the bonus and merit for the CEO and the determination of the achievement of performance criteria under the CEO SOP 2013, the CEO SOP 2014, the CEO SOP 2014 *bis* and the CEO SOP 2015. The minutes of that meeting mention the following in this respect:

*"Prior to the reporting on the discussions held within the Remuneration & Nomination Committee meeting of 8 February 2016 and 9 February 2016 and deliberating and resolving on some of these items (in particular (i) the determination of bonus & merit for the CEO, and (ii) the determination of achievement of performance criteria under the CEO SOP 2013, 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 9, 2016. The Committee decided that:

- that the bonus targets for the CEO for 2015 have been fully achieved;
- that the CEO will be awarded a bonus of 100% of his annual remuneration, (i.e over and above 75% target) i.e. a bonus of €630,000;
- to unanimously advise the board of directors to approve this

bonus amount for the CEO;

- that in terms of overall CEO compensation and merit, the chairman of the Committee will take the lead to evaluate the CEO package and shall - in consultation with Mr. Charles Bracken (member of the Committee) - come up with a proposal to be submitted to the Committee and the board of directors. The Committee unanimously mandates the chairman accordingly.

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 determination of the achievement of the performance criteria under the CEO SOP 2013, the CEO SOP 2014, the CEO SOP 2014 *bis* and the CEO SOP 2015. The Committee decided that:

- In accordance with the power granted to the Remuneration & Nomination 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 of directors that the relevant performance targets for the performance year 2015 have been achieved under the CEO SOP 2013, CEO SOP 2014, CEO SOP 2014 *bis* 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 2013, CEO SOP 2014, CEO SOP 2014 *bis* and CEO SOP 2015.

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

The Company adopted a Code of Conduct related to inside information and the dealing of financial instruments addressing directors, senior staff and other personnel that may have access to insider information. The Code of Conduct explains what constitutes improper conduct and what the possible sanctions are. Transactions are not allowed to be executed during certain closed periods and need to be reported as soon as possible to the Compliance Officer of the Company. Transactions by members of the SLT must also be reported to the FSMA in Belgium in accordance with Belgian legislation. The Company's Code of Conduct was last revised on September 16, 2015.

## 7.6 Daily management

### 7.6.1 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.

On April 29, 2015, the Company appointed Mr. Patrick Vincent, the former Chief Customer Officer ("CCO"), as Chief Transformation Officer to manage the transformation program for the integration of BASE Company with Telenet. As Chief Transformation Officer, Mr. Vincent remains a member of the SLT. His responsibilities as CCO were taken over by Ms. Benedikte Paulissen, who joined the SLT as new CCO.

On July 30, 2015, the departure of Ms. Inge Smidts was announced. She was replaced by Mr. Jeroen Bronselaer, who was appointed as the new Senior Vice President Residential Marketing and member of the SLT.

Following this reorganization, the SLT was composed as follows on December 31, 2015:

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
Veenod Kurup	1965	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 Public Affairs & Media Management
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 August 28, 2015.

### 7.6.2 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.

### 7.6.3 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 joined Telenet as Chief Executive Officer in April 2013. He currently serves as Chairman and non-executive director on the board of the listed company Enero and oOh!media, Australia's largest outdoor media company. From 1995 to May 2012 he was Chief Executive Officer of AUSTAR United Communications, Australia, a leading provider of subscription television and related products in regional Australia. The company was wholly acquired by Foxtel, a joint venture between News Corp and Telstra, in May 2012. Mr. Porter led the growth of Austar since inception becoming its CEO at the time of the 1999 IPO. Previously John Porter also served as Chief Operating Officer, Asia Pacific for United International Holdings, the predecessor company to Liberty Global. From 1989 to 1994 John Porter was President, Ohio Division, 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.

#### 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 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 he leads the activities of the Engineering Department, the Service Assurance Group and Mobile Services as Chief Technology Officer ("CTO") since that time. 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 as Manager of 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 for the development of the interactive digital service platform and the roll-out of video-on-demand.

#### Veenod Kurup, Chief Information Officer

Veenod Kurup joined Telenet in May 2013 as Chief Information Officer and he leads Telenet's Information Technology department since that time. In May 2013, he also joined Telenet's SLT, reporting directly to the Company's CEO. Mr. Kurup is a cable industry veteran who held various IT, operational and engineering roles in over fourteen years with Cox Communications Inc. Before joining Telenet, Mr. Kurup worked at Gandeeva, a technology consultancy that lists Liberty Global plc among its international clients. His affinity with telecommunications, his broad technological knowledge, strategic vision and leadership qualities make him the ideal person to lead the IT team.

#### Patrick Vincent, Chief Transformation Officer

Patrick Vincent joined Telenet in September 2004 as Customer Service & Delivery Director. He is currently Chief Transformation Officer in charge of the transformation program for the integration of BASE Company with Telenet. 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. He was regularly promoted within the entertainment business up to Vice President Product Entertainment, reporting into the Senior Vice President - Residential Marketing (Ms. Inge Smidts). Prior to joining the Telenet Group, Jeroen Bronselaer worked for 7 years 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 at NCR (AT&T) and moved to EDS in 1996 to become Account Manager, subsequently assuming additional responsibilities as 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

Dieter Nieuwdorp started his career as a lawyer with Loeff Claey's Verbeke in 1998. In 2001, he moved on to Allen & Overy. Mr. Nieuwdorp joined Telenet in 2007 and was appointed Corporate Counsel, responsible for the legal side of all M&A and other corporate transactions and partnerships of the Telenet group and he was appointed Corporate Secretary. In 2010, he became VP Corporate Counsel & Insurance and assumed additional responsibilities as head of the insurance department. As of May 1, 2014, he joined the SLT as Senior Vice President Strategy & Corporate Development. 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 & Communication

Ann Caluwaerts has joined the SLT of the Telenet Group as of April 1, 2011, as Senior Vice President Media & Public Affairs. As of May 1, 2014, she became also responsible for the corporate communications department, as Senior Vice President Corporate Affairs & Communication. She has more than 25 years of international experience in the technology and telecom sector. Between 1996 and 2011, Ms. Caluwaerts held several international positions within British Telecom (BT), one of the world's biggest suppliers of telecommunications solutions and services. Her latest position at BT was Senior Vice President Strategy, responsible for the transformation and strategy of BT Global Services. Ms. Caluwaerts holds a Master in Electronic Engineering from KULeuven.

## 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.

## 7.7 Remuneration report

### 7.7.1 Remuneration of directors

The general meeting of shareholders of the Company approved the remuneration principles of the non-executive directors of the Company in its meetings of April 28, 2010, April 24, 2013 and April 29, 2015. 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 and the directors appointed upon nomination of the Liberty Global Group, receive an annual fixed fee of €45,000 each. The chairman of the board of directors receives an annual fixed fee of €100,000. For each attended scheduled meeting of the board of directors, these directors receive an amount of €2,500. The directors appointed upon nomination of the Liberty Global Group, receive an annual fixed fee of €12,000 each. For each attended scheduled meeting of the board of directors, they receive an amount of €2,000. The annual fixed fees are only due if the director attends at least half of the scheduled board meetings. No additional remuneration is awarded for (attending) committee meetings. The observer to the board of directors of Telenet NV is paid in the same fashion as the independent directors of the Company.

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, 2015, the aggregate remuneration of the members of the board of directors (including the observer) amounted to €458,500 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 2015 is set out in the table below.

Name	Remuneration 2015
Bert De Graeve (IDw Consult BVBA) (CCM)	€115,000
John Porter	-
Michel Delloye (Cytindus NV)	€27,500
Stéfan Descheemaeker (SDS INVEST NV)	€43,750
Christiane Franck	€37,500
Jo Van Biesbroeck ( JoVB BVBA)	€26,250
Charles H. Bracken	€34,000
Diederik Karsten	€26,000
Manuel Kohnstamm	€28,000
Balan Nair	€4,000
Jim Ryan	€24,000
Angela McMullen	€20,000
Suzanne Schoettger	—
André Sarens *	€72,500

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

(\*): Observer

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.

### 7.7.2. 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, 2015, 50% of management's bonuses (other than the CEO) depend on financial and operational targets, the other 50% on individual and departmental objectives. 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 and warrant plans approved by the general shareholders' meeting, the board of directors, upon recommendation of the Remuneration & Nomination Committee, can also grant warrants and/or stock options to the members of the SLT.

The Performance Shares Plans 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 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. It being understood that the Remuneration & Nomination Committee is reviewing the remuneration structure.

### 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 merit proposal for approval by the board of directors. For 2015, the Remuneration & Nomination Committee proposed to the board of directors (i) to grant a cash bonus to the CEO for 2015 equal to €630,000; (ii) to determine his fixed compensation for 2016 to be €630,000 on an annual basis; (iii) to determine the maximum cash bonus for 2016 to be 100% of the 2016 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 2015), 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 2015, 50% was linked to the Company's financial and operational targets, the other 50% to 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, 2015, the board of directors approved to grant a total variable remuneration package to the members of the SLT (excluding the CEO) and one other manager, composed of a cash bonus and performance shares (the "2015 Telenet Performance Shares"). These performance shares will only be definitively acquired by the beneficiaries after a period of three years, subject to the achievement of certain performance criteria over those three years. These performance shares are contractual rights to receive, subject to certain performance based criteria, existing ordinary shares for free from the Company.



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 2015), please see section 4.b) below.

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

### 3. Remuneration CEO

#### a) Cash-based remuneration

The Company's CEO was granted the following remuneration in the year ended December 31, 2015: (i) a fixed remuneration of €630,000, (ii) a variable remuneration of €630,000, and (iii) benefits in kind valued at €148,396. 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, 2015 was: (i) fixed remuneration 44.73%, (ii) variable remuneration 44.73%, and (iii) benefits in kind 10.54%.

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* and CEO SOP 2015 (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 shares that can be acquired upon the exercise of the stock options are furthermore subject to the following retention features (applicable to each separate exercised tranche): (i) in the 90 days following the exercise of the stock options, the respective shares can only be sold up to an amount required to recover the tax and exercise price related to the exercised stock options, (ii) in the subsequent period of 270 days, a maximum of 50% of the remaining shares acquired upon the exercise of the respective stock options may be sold, and (iii) the balance of the shares may only be sold following the end of the 18th month following the month in which the respective exercise period ended.

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

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 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 shares that can be acquired upon the exercise of the stock options are furthermore subject to the following retention features (applicable to each separate exercised tranche): (i) in the 90 days following the exercise of the stock options, the respective shares can only be sold up

to an amount required to recover the tax and exercise price related to the exercised stock options, (ii) in the subsequent period of 270 days, a maximum of 50% of the remaining shares acquired upon the exercise of the respective stock options may be sold, and (iii) the balance of the shares may only be sold following the end of the 18th month following the month in which the respective exercise period ended.

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

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 results in the vesting of a first installment of 55,000 stock options on March 13, 2016.

During 2015, the CEO did not exercise any stock options nor were any of his stock options forfeited.

As of December 31, 2015, 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

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

### 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 2015, the aggregate remuneration paid to the other members of the SLT (excluding the CEO), amounted to €6,003,530. All members of the SLT (excluding the CEO) have an employment agreement with Telenet NV.

This amount is composed of the following elements (for all members jointly, excluding the CEO): (i) a fixed salary of €2,768,143, a variable salary of €2,631,281 (constituting 100% of the total cash bonus of 2015 and 25% of the total cash bonus of 2013, see above under 2.c)), (iii) paid premiums for group insurance for an amount of €355,606 and (iv) benefits in kind valued at €248,500. 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 €237,867.

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 (excluding the CEO) and one other manager received performance shares of the Company during 2015 (the "2015 Telenet Performance Shares"). The performance target applicable to the 2015 Telenet Performance Shares is the achievement of an OCF CAGR under US GAAP. A performance range of 75% to 150% of the targeted OCF CAGR would generally result in award recipients earning between 50% to 150% of their 2015 Performance Shares, subject to reduction or forfeiture based on individual performance and service requirements.

The 2015 Telenet Performance Shares Plan contains a provision regarding "claw back" of variable remuneration granted in case of restatement of the Company's financial statements.

An overview of the number of 2015 Telenet Performance Shares granted for the year ended December 31, 2015 to (and accepted by) the members of the SLT can be found below:

Name	Number of performance shares granted and accepted
Berger Micha	2,602
Kurup Veenod	2,602
Caluwaerts Ann	1,969
Conix Birgit	2,582
Machtelinckx Luc	2,252
Poels Claudia	1,910
Smidts Inge <sup>(*)</sup>	2,171
Tempels Martine	1,902
Vincent Patrick	2,475
Nieuwdorp Dieter	1,822
Paulissen Benedikte	1.631
Bronselaer Jeroen	—

(\*) Ms. Inge Smidts left the SLT as of October 1, 2015, being replaced by Mr. Jeroen Bronselaer.

It should also be noted that the 2012 Telenet Performance Shares were amended following the payment of the extraordinary dividend in 2013, whereby the number of performance shares was increased by the same factor 0.811905 as used for the amendment of warrants and stock options. On February 10, 2015, the board of directors determined that the performance targets applicable to the 2012 Telenet Performance Shares were met, resulting in the vesting of these performance shares on October 24, 2015. On October 27, 2015 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 €1.7 million following the specific decision of the Remuneration & Nomination Committee. It was decided upon that the cash settlement of this particular equity award did not trigger a modification of the equity classification of all performance shares outstanding.

An overview of the numbers of 2013 Telenet performance shares vested in favor of (current) members of the Senior Leadership Team can be found below:

Name	Number of 2013 performance shares vested
Berger Micha	3,478
Caluwaerts Ann	2,631
Conix Birgit	3,451
Kurup Veenod	3,478
Machtelinckx Luc	3,009
Poels Claudia	2,552
Smidts Inge <sup>(*)</sup>	2,737
Tempels Martine	2,542
Vincent Patrick	3,308

(\*) Ms. Inge Smidts left the Company in 2015, but is entitled to Performance Shares

An overview of the 2014 Telenet Performance shares vested in favor of (current members) of the SLT can be found below:

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

(\*) Ms. Inge Smidts left the Company in 2015, but is entitled to Performance Shares

On December 31, 2015, the current members of the SLT (excluding the CEO, but including Mr. Jeroen Bronselaer who replaced Ms. Inge Smidts as of October 1, 2015) held in aggregate 3,917 warrants under the ESOP 2010. Each warrant can be exercised for one share. The vesting of these warrants occurs progressively (per quarter) over a period of four years. After vesting, the warrants can be exercised immediately.

On December 31, 2015, the current members of the SLT (excluding the CEO, but including Mr. Jeroen Bronselaer who replaced Ms. Inge Smidts as of October 1, 2015) held in aggregate 242,650 stock options under the ESOP 2013 and 335,000 under the ESOP 2014. 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 2015, the members of the SLT also received stock options under the ESOP 2015. An overview of the stock options granted to (and accepted by) the current members of the SLT (excluding the CEO) during 2015 can be found in the table below:

Name	Grant	Number of stock options granted	Number of stock options accepted	Exercise price
Berger Micha	ESOP 2015	35,000	35,000	€50.87
Bronselaeer Jeroen <sup>(*)</sup>	ESOP 2015	35,000	15,000	€50.87
Caluwaerts Ann	ESOP 2015	35,000	15,000	€50.87
Conix Birgit	ESOP 2015	35,000	17,500	€50.87
Kurup Veenod	ESOP 2015	35,000	—	€50.87
Machtelinckx Luc	ESOP 2015	35,000	17,500	€50.87
Nieuwdorp Dieter	ESOP 2015	35,000	35,000	€50.87
Paulissen Benedikte	ESOP 2015	35,000	15,000	€50.87
Poels Claudia	ESOP 2015	35,000	20,000	€50.87
Tempels Martine	ESOP 2015	35,000	17,500	€50.87
Vincent Patrick	ESOP 2015	35,000	15,000	€50.87

(\*) Mr. Jeroen Bronselaeer joined the SLT as of October 1, 2015

An overview of the warrants and stock options exercised by the members of the SLT (excluding the CEO) during 2015, while they were members of the SLT, can be found in the table below:

Name	Number of warrants/ stock options exercised	Exercise Price	Plan
Caluwaerts Ann	6,500	19.37	ESOP 2010 ter
Machtelinckx Luc	16,099	15.21	ESOP 2010 primo
"	2,000	34.33	ESOP 2013 primo
Nieuwdorp Dieter	13,535	15.21	ESOP 2007 septies
"	15,954	15.21	ESOP 2010 primo
Poels Claudia	61,876	15.21	ESOP 2010 primo
Tempels Martine	21,480	15.21	ESOP 2010 primo
Smidts Inge <sup>(*)</sup>	14,635	15.21	ESOP 2010 primo
"	10,000	34.33	ESOP 2013 primo

\* Ms. Inge Smidts left the SLT on October 1, 2015, includes exercises up and until this date only.

### 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 NV (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 Bronselaeer and Ms. Claudia Poels do not contain specific provisions relating to early termination.

The agreements with Ms. Ann Caluwaerts, Mr. Veenod Kurup, 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.

## 7.8 Audit of the company

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### 7.8.1 External audit by statutory auditors

For details on the audit and non-audit fees paid to the auditor in 2015, we refer to note 5.30 to the consolidated financial statements of the Company.

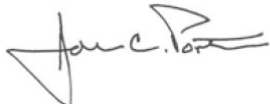
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### 7.8.2 Internal audit

For the year ended December 31, 2015, 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.

Mechelen, March 22, 2016

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, 2015	December 31, 2014
<b>Assets</b>			
<b>Non-current assets:</b>			
Property and equipment	5.4	1,411,933	1,417,539
Goodwill	5.5	1,241,813	1,241,813
Other intangible assets	5.6	241,061	248,386
Deferred tax assets	5.15	108,493	101,984
Investments in and loans to equity accounted investees	5.7	57,651	1,395
Derivative financial instruments	5.14	7,556	9
Trade receivables	5.8	4,739	—
Other non-current assets	5.9	13,235	2,292
<b>Total non-current assets</b>		<b>3,086,481</b>	<b>3,013,418</b>
<b>Current assets:</b>			
Inventories	5.10	19,261	17,060
Trade receivables	5.8	145,907	111,665
Other current assets	5.9	69,563	77,869
Cash and cash equivalents	5.11	277,273	189,076
<b>Total current assets</b>		<b>512,004</b>	<b>395,670</b>
<b>Total assets</b>		<b>3,598,485</b>	<b>3,409,088</b>

## Equity and liabilities

### Equity:

Share capital	5.12	12,751	12,711
Share premium and other reserves	5.12	1,001,302	1,019,107
Retained loss	5.12	(2,224,874)	(2,394,309)
Remeasurements	5.12	(9,286)	(10,545)
<b>Total equity attributable to owners of the Company</b>		<b>(1,220,107)</b>	<b>(1,373,036)</b>
Non-controlling interests	5.12	16,648	10,757
<b>Total equity</b>		<b>(1,203,459)</b>	<b>(1,362,279)</b>

### Non-current liabilities:

Loans and borrowings	5.13	3,683,320	3,654,731
Derivative financial instruments	5.14	57,786	114,152
Deferred revenue	5.19	648	1,709
Deferred tax liabilities	5.15	124,512	133,448
Other non-current liabilities	5.16	59,062	82,533
<b>Total non-current liabilities</b>		<b>3,925,328</b>	<b>3,986,573</b>

### Current liabilities:

Loans and borrowings	5.13	110,558	78,757
Trade payables		133,512	114,377
Accrued expenses and other current liabilities	5.18	350,313	325,190
Deferred revenue	5.19	73,572	73,048
Derivative financial instruments	5.14	6,181	28,421
Current tax liability	5.15	202,480	165,001
<b>Total current liabilities</b>		<b>876,616</b>	<b>784,794</b>
<b>Total liabilities</b>		<b>4,801,944</b>	<b>4,771,367</b>
<b>Total equity and liabilities</b>		<b>3,598,485</b>	<b>3,409,088</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>2015</b>	<b>2014</b>
<b>Profit for the period</b>			
Revenue	5.19	1,808,387	1,707,097
Cost of services provided	5.20	(984,511)	(934,808)
<b>Gross profit</b>		<b>823,876</b>	<b>772,289</b>
Selling, general and administrative expenses	5.20	(280,790)	(240,052)
<b>Operating profit</b>		<b>543,086</b>	<b>532,237</b>
Finance income		16,543	2,386
Net interest income and foreign exchange gain	5.21	2,754	2,386
Net gain on derivative financial instruments	5.14	13,789	—
Finance expense		(280,239)	(334,044)
Net interest expense, foreign exchange loss and other finance expense	5.21	(249,392)	(259,262)
Net loss on derivative financial instruments	5.14	—	(67,370)
Loss on extinguishment of debt	5.21	(30,847)	(7,412)
<b>Net finance expenses</b>	5.21	<b>(263,696)</b>	<b>(331,658)</b>
Share in the profit (loss) of equity accounted investees		(4,076)	444
Profit before income tax		275,314	201,023
Income tax expense	5.22	(99,652)	(91,758)
<b>Profit for the period</b>		<b>175,662</b>	<b>109,265</b>

## 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	1,259	(2,303)
Deferred tax	5.15	—	(744)
<b>Other comprehensive income (loss) for the period, net of income tax</b>		<b>1,259</b>	<b>(3,047)</b>
<b>Total comprehensive income for the period</b>		<b>176,921</b>	<b>106,218</b>
<b>Profit attributable to:</b>			
<b>Owners of the Company</b>		<b>175,662</b>	<b>109,265</b>
Owners of the Company		175,639	109,262
Non-controlling interests		23	3
<b>Total comprehensive income for the period, attributable to:</b>		<b>176,921</b>	<b>106,218</b>
Owners of the Company		176,898	106,215
Non-controlling interests		23	3
<b>Earnings per share</b>			
Basic earnings per share in €	5.23	1.51	0.94
Diluted earnings per share in €	5.23	1.51	0.94

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 <i>(in thousands of euro, except share data)</i>	Note	Number of shares	Share capital	Share premium	Equity-based compensation reserve
<b>January 1, 2014</b>		<b>115,719,152</b>	<b>12,582</b>	<b>32,686</b>	<b>54,380</b>
<b>Total comprehensive income for the period</b>					
Profit for the period		—	—	—	—
Other comprehensive income		—	—	—	—
<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	5.12	—	—	—	—
Recognition of share-based compensation	5.12	—	—	—	8,311
Cost of equity transactions	5.12	—	—	—	—
Own shares acquired	5.12	—	—	—	—
Own shares sold	5.12	—	—	—	—
Obligation to acquire own shares	5.12	—	—	—	—
Proceeds received upon exercise of Warrants and Options	5.12	836,237	91	10,345	—
Issuance of share capital through Employee Share Purchase Plan	5.12	352,650	38	12,534	—
<b>Total contribution by and distributions to owners of the Company</b>		<b>1,188,887</b>	<b>129</b>	<b>22,879</b>	<b>8,311</b>
<b>Changes in ownership interests in subsidiaries</b>					
Capital contributions by NCI		—	—	—	—
<b>Total transactions with owners of the Company</b>		<b>1,188,887</b>	<b>129</b>	<b>22,879</b>	<b>8,311</b>
<b>December 31, 2014</b>		<b>116,908,039</b>	<b>12,711</b>	<b>55,565</b>	<b>62,691</b>

Legal reserve	Reserve for own shares	Other reserves	Retained loss	Remeasurements	Total	Non-controlling interest	Total equity
<b>72,447</b>	<b>(5,713)</b>	<b>828,363</b>	<b>(2,465,933)</b>	<b>(7,498)</b>	<b>(1,478,686)</b>	<b>8,292</b>	<b>(1,470,394)</b>
—	—	—	109,262	—	109,262	3	109,265
—	—	—	—	(3,047)	(3,047)	—	(3,047)
<b>—</b>	<b>—</b>	<b>—</b>	<b>109,262</b>	<b>(3,047)</b>	<b>106,215</b>	<b>3</b>	<b>106,218</b>
1,949	—	—	(1,949)	—	—	—	—
—	—	—	—	—	8,311	—	8,311
—	—	(33)	—	—	(33)	—	(33)
—	(48,205)	—	—	—	(48,205)	—	(48,205)
—	52,470	(427)	(26,401)	—	25,642	—	25,642
—	—	—	(9,288)	—	(9,288)	—	(9,288)
—	—	—	—	—	10,436	—	10,436
—	—	—	—	—	12,572	—	12,572
<b>1,949</b>	<b>4,265</b>	<b>(460)</b>	<b>(37,638)</b>	<b>—</b>	<b>(565)</b>	<b>—</b>	<b>(565)</b>
—	—	—	—	—	—	2,462	2,462
<b>1,949</b>	<b>4,265</b>	<b>(460)</b>	<b>(37,638)</b>	<b>—</b>	<b>(565)</b>	<b>2,462</b>	<b>1,897</b>
<b>74,396</b>	<b>(1,448)</b>	<b>827,903</b>	<b>(2,394,309)</b>	<b>(10,545)</b>	<b>(1,373,036)</b>	<b>10,757</b>	<b>(1,362,279)</b>



Attributable to equity holders of the Company <i>(in thousands of euro, except share data)</i>	Note	Number of shares	Share capital	Share premium	Equity-based compensation reserve
<b>January 1, 2015</b>		<b>116,908,039</b>	<b>12,711</b>	<b>55,565</b>	<b>62,691</b>
<b>Total comprehensive income for the period</b>					
Profit for the period		—	—	—	—
Other comprehensive income		—	—	—	—
<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	5.12	—	—	—	—
Recognition of share-based compensation	5.12	—	—	—	10,370
Performance shares	5.12	—	—	—	(1,715)
Own shares acquired	5.12	—	—	—	—
Own shares sold	5.12	—	—	—	—
Proceeds received upon exercise of Warrants and options	5.12	370,667	40	5,706	—
<b>Total contribution by and distributions to owners of the Company</b>		<b>370,667</b>	<b>40</b>	<b>5,706</b>	<b>8,655</b>
<b>Changes in ownership interests in subsidiaries</b>					
Capital contributions by NCI		—	—	—	—
<b>Total transactions with owners of the Company</b>		<b>370,667</b>	<b>40</b>	<b>5,706</b>	<b>8,655</b>
<b>December 31, 2015</b>		<b>117,278,706</b>	<b>12,751</b>	<b>61,271</b>	<b>71,346</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>74,396</b>	<b>(1,448)</b>	<b>827,903</b>	<b>(2,394,309)</b>	<b>(10,545)</b>	<b>(1,373,036)</b>	<b>10,757</b>	<b>(1,362,279)</b>
—	—	—	175,639	—	175,639	23	175,662
—	—	—	—	1,259	1,259	—	1,259
<b>—</b>	<b>—</b>	<b>—</b>	<b>175,639</b>	<b>1,259</b>	<b>176,898</b>	<b>23</b>	<b>176,921</b>
4,873	—	—	(4,873)	—	—	—	—
—	—	—	—	—	10,370	—	10,370
—	—	—	—	—	(1,715)	-	(1,715)
—	(50,017)	—	—	—	(50,017)	—	(50,017)
—	12,978	—	(1,331)	—	11,647	—	11,647
-	—	—	-	—	5,746	—	5,746
<b>4,873</b>	<b>(37,039)</b>	<b>—</b>	<b>(6,204)</b>	<b>—</b>	<b>(23,969)</b>	<b>—</b>	<b>(23,969)</b>
—	—	—	—	—	—	5,868	5,868
<b>4,873</b>	<b>(37,039)</b>	<b>—</b>	<b>(6,204)</b>	<b>—</b>	<b>(23,969)</b>	<b>5,868</b>	<b>(18,101)</b>
<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>

# 4. Consolidated statement of cash flows

<i>(in thousands of euro)</i>		<b>For the years ended December 31,</b>	
	Note	<b>2015</b>	<b>2014</b>
<b>Cash flows provided by operating activities:</b>			
Profit for the period		175,662	109,265
Adjustments for:			
Depreciation, amortization, impairment and restructuring	5.20	382,828	359,397
Gain on disposal of property and equipment and other intangible assets	5.20	(2,362)	(2,049)
Income tax expense	5.22	99,652	91,758
Increase (decrease) in allowance for bad debt	5.8	5,154	(1,397)
Net interest income and foreign exchange gain	5.21	(2,754)	(2,386)
Net interest expense, foreign exchange loss and other finance expense	5.21	249,392	259,262
Net (gain) loss on derivative financial instruments	5.14 & 5.21	(13,789)	67,370
Loss on extinguishment of debt	5.21	30,847	7,412
Other income		4,076	(444)
Share based payments	5.20	10,370	8,311
Change in:			
Trade receivables		(44,136)	8,402
Other assets		19,939	(3,784)
Deferred revenue		(537)	(6,910)
Trade payables		19,135	(25,749)
Other liabilities		(35,443)	(9,279)
Accrued expenses and other current liabilities		46,835	(39,272)
Interest paid		(201,879)	(236,978)
Interest received		166	519
Income taxes paid		(77,623)	(11,843)
<b>Net cash provided by operating activities</b>		<b>665,533</b>	<b>571,605</b>

**Cash flows used in investing activities:**

Purchases of property and equipment		(245,988)	(210,884)
Purchases of intangibles		(132,987)	(110,873)
Acquisitions of subsidiaries and affiliates, net of cash acquired		(57,218)	(75)
Proceeds from sale of property and equipment and other intangibles		3,126	3,237
Purchases of broadcasting rights for resale purposes		(3,765)	(11,301)
Proceeds from the sale of broadcasting rights for resale purposes		3,765	11,301
<b>Net cash used in investing activities</b>		<b>(433,067)</b>	<b>(318,595)</b>

**Cash flows used in financing activities:**

Repayments of loans and borrowings	5.13	(507,401)	(728,756)
Proceeds from loans and borrowings	5.13	542,740	573,683
Payments of finance lease liabilities		(35,498)	(35,428)
Payments for debt issuance costs for the issuance of new loans and premiums for the early redemption of loans and borrowings		(29,244)	(12,773)
Payments for early termination of derivative financial instruments	5.14	(72,973)	(75,548)
Payments for other financing activities		(1,716)	—
Repurchase of own shares	5.12	(50,017)	(48,205)
Sale of own shares	5.12	2,025	25,643
Proceeds from exercise of warrants	5.12	5,746	10,436
Proceeds from capital transactions with equity participants		2,092	344
Proceeds from issuance of share capital through Employee Share Purchase Plan	5.12	—	12,572
Payments related to capital reductions and dividends		(23)	(5)
<b>Net cash used in financing activities</b>		<b>(144,269)</b>	<b>(278,037)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>88,197</b>	<b>(25,027)</b>
Cash and cash equivalents:			
at January 1	5.11	189,076	214,103
at December 31	5.11	277,273	189,076

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

# 5. Notes to the consolidated financial statements for the year ended December 31, 2015

## 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 an MVNO Arrangement with Mobistar. 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, which are measured at fair value. The methods used to measure fair values are discussed further in note 5.2.8. The principal accounting policies are set out in section 5.2 below.

### 5.1.3 Functional and presentation currency

These consolidated financial statements are presented in euro ("€"), which is the Company's functional currency, rounded to the nearest thousand except when indicated otherwise.

### 5.1.4 Use of estimates and judgments

The preparation of financial statements in accordance with 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 5.3.6: Derivative financial instruments
- note 5.15: Deferred taxes

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 and note 5.12.2 Employee share based compensation.

### 5.1.5 Going Concern

The consolidated financial statements as of December 31, 2015 showed a negative consolidated equity amounting to €1,203.5 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 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 Approval by board of directors

These consolidated financial statements were authorized for issue by the board of directors on March 22, 2016.

## 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 the 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 SLT (as defined in section 7.0 Corporate Governance Statement) and the board of directors.

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

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

### 5.2.3 Property and equipment

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

Depreciation is recognized in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each component of property and equipment.

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

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

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

Government grants related to assets are recorded as a deduction from the cost in arriving at the carrying amount of the asset. The grant is recognized in the income statement over the life of a depreciable asset as a reduction of depreciation expense.

The Company includes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of repairs and maintenance of property and equipment are recognized in the consolidated statement of profit or loss and other comprehensive income as incurred.

The fair value of property and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction. The market price of items of equipment is based on the quoted market prices for similar items.

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

### 5.2.4 Intangible assets

Intangible assets with finite useful lives are measured at cost and are amortized on a straight-line basis over their estimated useful lives as follows:

- Network user rights Life of the contractual right
- Trade name 15 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 r and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

Capitalized internal-use software costs include only external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote time to the project. Capitalization of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. Internally-generated intangible assets are amortized on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred.

Broadcasting rights are capitalized as an intangible asset when the value of the contract is measurable upon signing. For such broadcasting rights with respect to movies the amortizations during the first three months of the license period are based on the actual number of runs to reflect the pattern of consumption of the economic benefits embodied in the content rights. As for the remaining months of the license period the pattern of consumption of the future economic benefits can no longer be determined reliably, the straight-line method is used until the end of the license period. Broadcasting rights with respect to sports contracts are amortized on a straight-line basis over the sports season.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset



to which it relates. All other expenditure, including expenditure on internally generated brands, is recognized in the statement of 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 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 favourable 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. The Company has identified one cash-generating unit to which all goodwill was allocated. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets pro-rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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

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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 equity accounted investees.

### Cash and cash equivalents

Cash equivalents consist principally of money market funds, commercial paper and certificates of deposit 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.

### Trade payables

Trade payables are not interest bearing and are stated at amortized cost. The carrying amounts of trade payables approximate fair value because of the short maturity of those instruments.

### Derivative financial instruments

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

The Company seeks to reduce its exposure through the use of certain derivative financial instruments in order to manage its exposure to exchange rate and interest rate fluctuations arising from its operations and funding.

The use of derivatives is governed by the Company's policies approved by the board of directors, which provides written principles on the use of derivatives consistent with the Company's risk management strategy.

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 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 termination fees is recognized at the time of the contract cancellation, if and only if collectability of the fee is reasonably assured. If collectability of the termination fee is not reasonably assured at the time of billing, revenue is deferred until cash is received.

Customers may be charged a downgrade fee when they 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 collectability of all monthly payments is reasonably assured.

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### 5.2.10 Operating expenses

Operating expenses consist of interconnection 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 as well as bad debt expense. Network costs consist of costs associated with operating, maintaining and repairing the Company's broadband network and customer care costs necessary to maintain its customer base.

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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.

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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 pension fund has insufficient assets 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, Belgian defined contribution plans classify as defined benefit plans.

At 31 December 2015, the Company still used the same approach as last year because both approaches would have resulted into the same outcome at that date. Hence, for plans for which the minimum guaranteed rate of return as defined by law is not fully insured, the net liability (if any) recognized in the balance sheet is based on the potential shortfall, determined by individual plan participant, between the Company's pension obligation (based on the applicable legal minimum guaranteed return) and the accumulated contributions based on the actual credited rates of return at the balance sheet date (i.e. the net liability is based on the deficit measured at intrinsic value). 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.

The net defined benefit liability/(asset) recognized in the balance sheet corresponds to the difference between the defined benefit obligation and 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.

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.

### 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 and 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.

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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 and net gains on financial instruments. 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 and net losses on financial instruments.

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 also expected to be reflected in the Company's consolidated financial statements as of and for the year ending December 31, 2015.

- IFRIC 21 *Levies* provides guidance on accounting for levies in accordance with the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;
- Annual Improvements: *IFRS 2010-2012 cycle and IFRS 2011-2013 cycle* is a collection of minor improvements to a number of standards;
- Amendments to *IAS 19 Employee Benefits - Defined Benefit Plans*: Employee Contributions introduces a relief that reduces the complexity and burden of accounting for certain contributions from employees or third parties.

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

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### 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, 2015 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, 2016, or later periods, but the Company has not early adopted them. The adoption of these standards, amendments and interpretations, except for IFRS 15, 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). This standard is not yet endorsed by the EU.

*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 Operations (effective for annual periods beginning on or after January 1, 2018). This standard is not yet endorsed by the EU. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

*Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods beginning on or after January 1, 2016).

*Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for annual periods beginning on or after January 1, 2016).

**Annual Improvements to IFRS 2012-2014 cycle** is a collection of minor improvements to 4 existing standards.

**The disclosure initiative (Amendments to IAS 1)** are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The narrow-focus amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to the following: materiality; order of the notes; subtotals; accounting policies; and disaggregation. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier adoption permitted.

## 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, controlling these risks is very important for the management of the Company. To support its growth and help the 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. The SLT is responsible for identifying and managing risks related to its significant business activities. 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 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, CRS, Telenet's 2nd line of defense and compliance with 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 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 with the issue owners of the high and medium issues. 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. 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, 2015</b>	<b>December 31, 2014</b>
Cash and cash equivalents (including money market funds, certificates of deposits)	277,273	189,076
Trade receivables	157,762	113,626
Derivative financial instruments	8,496	9
Receivables from sale of sports broadcasting rights	1,691	3,465
Outstanding guarantees to third parties for own liabilities (cash paid)	987	888
Loans to equity accounted investees	1,035	—
<b>Total</b>	<b>447,244</b>	<b>307,064</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 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 2015 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 2015 Amended Senior Credit Facility, will be sufficient to fund its currently anticipated working capital needs, capital expenditures and debt service requirements.

The 2015 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. 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. 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, 2015 and 2014 were as follows:

<i>Situation as per December 31, 2015</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>	5,121,487	205,929	194,903	194,217	202,394	196,566	4,127,478
Finance lease obligations <sup>(1)(3)</sup>	455,612	58,499	55,518	53,555	44,775	42,162	201,103
Operating lease obligations	44,174	17,781	8,086	6,230	3,741	2,398	5,938
Other contractual obligations <sup>(2)</sup>	1,259,836	241,252	113,828	60,475	54,975	36,615	752,691
Interest Rate Derivatives <sup>(3)</sup>	125,591	5,365	9,683	22,109	22,091	22,097	44,246
Foreign Exchange Derivatives	45,080	45,080	—	—	—	—	—
Accrued expenses and other current liabilities <sup>(4)</sup>	281,542	281,542	—	—	—	—	—
Trade payables	133,512	133,512	—	—	—	—	—
<b>Total contractual obligations</b>	<b>7,466,834</b>	<b>988,960</b>	<b>382,018</b>	<b>336,586</b>	<b>327,976</b>	<b>299,838</b>	<b>5,131,456</b>

<i>Situation as per December 31, 2014</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>	4,854,119	168,237	168,207	167,830	167,626	176,933	4,005,286
Finance lease obligations <sup>(1)(3)</sup>	492,067	58,466	57,217	55,737	52,944	44,297	223,406
Operating lease obligations	42,788	20,087	8,706	6,391	2,992	1,833	2,779
Other contractual obligations <sup>(2)</sup>	1,303,129	190,146	156,714	97,754	48,004	44,541	765,970
Interest Rate Derivatives <sup>(3)</sup>	205,616	25,895	27,064	26,569	24,494	24,494	77,100
Accrued expenses and other current liabilities <sup>(4)</sup>	248,329	248,329	—	—	—	—	—
Trade payables	114,377	114,377	—	—	—	—	—
<b>Total contractual obligations</b>	<b>7,260,425</b>	<b>825,537</b>	<b>417,908</b>	<b>354,281</b>	<b>296,060</b>	<b>292,098</b>	<b>5,074,541</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, commitments under the agreement with Norkring (Note 5.13.5) 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.

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 3.9% (2014: 2.8%) 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.

The outstanding forward foreign exchange derivatives as of December 31, 2015 and 2014, 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 interest rate swap contracts, interest rate cap contracts, interest rate collar contracts.

The Company implemented a policy on financial risk management. With respect to interest rate risk, the key objectives can be summarized as:

- only long term interest exposures (+ 1 year) are managed;
- 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, 2015 and 2014, are disclosed in more detail in note 5.14 to the consolidated financial statements of the Company.

Under the 2015 Amended Senior Credit Facility, there is a 0% floor. As a result if EURIBOR is below zero, then EURIBOR is deemed to be zero.

### Quantitative disclosures

#### Interest rate sensitivity testing

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

A change of 25 basis points in interest rates at the reporting date would have increased (decreased) the profit for the period and would have changed the fair values of the Company's interest rate derivatives as set out in the table below:

<i>(in thousands of euro)</i>	2015		2014	
	+0.25%	-0.25%	+0.25%	-0.25%
<b>Interest</b>				
2015 Amended Senior Credit Facility	2,763	(207)	3,427	(3,427)
Senior Secured Floating Rate Notes	1,014	(1,014)	1,011	(1,011)
Finance leases	5	(5)	10	(10)
Interest rate derivatives	(4,448)	4,448	(4,422)	4,422
	<b>(666)</b>	<b>3,222</b>	<b>26</b>	<b>(26)</b>
<b>Changes in fair value</b>				
Swaps	30,852	(30,852)	31,455	(31,455)
Caps	61	—	51	(4)
Collars	—	—	3,233	(4,333)
	<b>30,913</b>	<b>(30,852)</b>	<b>34,739</b>	<b>(35,792)</b>
<b>Total</b>	<b>30,247</b>	<b>(27,630)</b>	<b>34,765</b>	<b>(35,818)</b>

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

<b>Situation as per December 31, 2015</b>	<b>Interest payments due by period</b>					
<b>+0.25% (in thousands of euro)</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>
2015 Amended SCF Term Loan W	16,592	16,506	16,506	16,506	16,506	27,496
2015 Amended SCF Term Loan Y	33,150	32,978	32,978	32,978	32,978	87,914
€400 million Senior Secured Notes due 2021	16,252	16,210	16,293	16,168	16,210	8,084
Finance Lease	8	4	—	—	—	—
Interest Derivatives	917	5,233	17,656	17,638	17,644	35,771
<b>Total</b>	<b>66,919</b>	<b>70,931</b>	<b>83,433</b>	<b>83,290</b>	<b>83,338</b>	<b>159,265</b>

<b>Situation as per December 31, 2015</b>	<b>Interest payments due by period</b>					
<b>-0.25% (in thousands of euro)</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>
2015 Amended SCF Term Loan W	15,707	15,622	15,622	15,622	15,622	26,022
2015 Amended SCF Term Loan Y	31,503	31,331	31,331	31,331	31,331	83,521
€400 million Senior Secured Notes due 2021	14,224	14,182	14,266	14,141	14,943	7,070
Finance Lease	1	1	—	—	—	—
Interest Derivatives	9,814	14,132	26,563	26,545	26,551	52,722
<b>Total</b>	<b>71,249</b>	<b>75,268</b>	<b>87,782</b>	<b>87,639</b>	<b>88,447</b>	<b>169,335</b>

<b>Situation as per December 31, 2014</b>	<b>Interest payments due by period</b>					
<b>+0.25% (in thousands of euro)</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>
2010 Amended SCF Term Loan W	16,910	16,956	16,910	16,910	16,910	42,252
2010 Amended SCF Term Loan Y	33,730	33,823	33,730	33,730	33,730	118,010
€400 million Senior Secured Notes due 2021	17,046	17,092	17,046	17,046	17,046	25,592
Finance Lease	12	8	4	—	—	—
Interest Derivatives	21,825	22,654	22,147	20,102	20,102	64,926
<b>Total</b>	<b>89,523</b>	<b>90,533</b>	<b>89,837</b>	<b>87,788</b>	<b>87,788</b>	<b>250,780</b>

<b>Situation as per December 31, 2014</b>	<b>Interest payments due by period</b>					
<b>-0.25% (in thousands of euro)</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>
2010 Amended SCF Term Loan W	14,507	14,546	14,507	14,507	14,507	36,247
2010 Amended SCF Term Loan Y	29,254	29,335	29,254	29,254	29,254	102,350
€400 million Senior Secured Notes due 2021	15,018	15,059	15,018	15,018	15,018	22,547
Finance Lease	2	1	1	—	—	—
Interest Derivatives	29,965	31,474	30,991	28,887	28,887	89,904
<b>Total</b>	<b>88,746</b>	<b>90,415</b>	<b>89,771</b>	<b>87,666</b>	<b>87,666</b>	<b>251,048</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. The Company does not currently have any obligation to redeem fixed rate debt prior to maturity and, accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until the Company would be required to refinance such debt.

#### Foreign currency sensitivity testing

The 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).

December 31, 2015						
	Foreign currency	Amount in foreign currency		10% increase		10% decrease
Trade payables	USD	7,724	(564)	On profit or loss	689	On profit or loss

December 31, 2014						
	Foreign currency	Amount in foreign currency	10% increase		10% decrease	
Trade payables	USD	4,540	(417)	On profit or loss	341	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. The net leverage ratio is calculated as per the 2015 Amended Senior Credit Facility definition, using net total debt, excluding (a) subordinated shareholder loans, (b) capitalized elements of indebtedness under the Clientele and Annuity Fees, (c) any finance leases entered into on or prior to August 1, 2007, and (d) any indebtedness incurred under the network lease entered into with the pure intermunicipalities up to a maximum aggregate amount of €195.0 million, divided by last two quarters' annualized EBITDA.

As of December 31, 2015, the outstanding balance of the 2015 Amended Senior Credit Facility and outstanding cash balance resulted

in a Net Total Debt to Consolidated Annualized EBITDA ratio of 3.4x. Compared to December 31, 2014, the Company's net leverage ratio decreased by 0.3x driven by solid EBITDA growth and the absence of meaningful shareholder distributions apart from the Share Repurchase Program 2015. As a reminder, the Company's net leverage ratio at December 31, 2015 did not yet reflect the acquisition of BASE Company, which was pending formal closing at December 31, 2015. The Company's net leverage ratio at December 31, 2015 was significantly below the covenant of 6.0x and the availability test of 5.0x.

### 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.

December 31, 2015	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	196,000	196,000	196,000	—	—
Derivative financial assets	5.14	8,496	8,496	—	8,496	—
<b>Total financial assets carried at fair value</b>		<b>204,496</b>	<b>204,496</b>	<b>196,000</b>	<b>8,496</b>	<b>—</b>
<b>Financial liabilities</b>						
<b>Financial liabilities carried at fair value</b>						
Derivative financial liabilities	5.14	63,967	63,967	—	63,967	—
<b>Total financial liabilities carried at fair value</b>		<b>63,967</b>	<b>63,967</b>	<b>—</b>	<b>63,967</b>	<b>—</b>
<b>Financial liabilities carried at amortized cost</b>						
Loans, borrowings and finance lease liabilities (excluding deferred financing fees)	5.13					
- 2015 Amended Senior Credit Facility		1,381,726	1,352,713	—	1,352,713	—
- Senior Secured Fixed Rate Notes		1,565,776	1,619,243	1,619,243	—	—
- Senior Secured Floating Rate Notes		400,708	401,208	401,208	—	—
- Global Handset Finco Ltd Loan		12,779	12,779	—	12,779	—
- Finance lease obligations		346,042	306,569	—	306,569	—
- Clientele fee > 20 years		97,743	88,945	—	88,945	—
- 3G Mobile Spectrum		31,079	26,735	—	26,735	—
<b>Total financial liabilities carried at amortized cost</b>		<b>3,835,853</b>	<b>3,808,192</b>	<b>2,020,451</b>	<b>1,787,741</b>	<b>—</b>

December 31, 2014	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>					
Derivative financial assets	5.14	9	9	—	9
<b>Total financial assets carried at fair value</b>		<b>9</b>	<b>9</b>	<b>—</b>	<b>9</b>
<b>Financial liabilities</b>					
<b>Financial liabilities carried at fair value</b>					
Derivative financial liabilities	5.14	142,573	142,573	—	142,573
<b>Total financial liabilities carried at fair value</b>		<b>142,573</b>	<b>142,573</b>	<b>—</b>	<b>142,573</b>
<b>Financial liabilities carried at amortized cost</b>					
Loans, borrowings and finance lease liabilities (excluding deferred financing fees)	5.13				
- 2010 Amended Senior Credit Facility		1,357,903	1,350,837	—	1,350,837
- Senior Secured Fixed Rate Notes		1,528,581	1,651,240	1,651,240	—
- Senior Secured Floating Rate Notes		400,748	403,248	403,248	—
- Finance lease obligations		370,427	327,426	—	327,426
- Clientele fee > 20 years		90,123	80,384	—	80,384
- 3G Mobile Spectrum		38,479	32,406	—	32,406
<b>Total financial liabilities carried at amortized cost</b>		<b>3,786,261</b>	<b>3,845,541</b>	<b>2,054,488</b>	<b>1,791,053</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 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 : - the credit risk of the company were lower (higher) - 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 : - 2015 Amended Senior Credit Facility	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 : - Finance lease obligations - Clientele fee > 20 years - 3G Mobile spectrum - Global Handset FinCo Ltd. Loan	Discounted cash flows.	Discount rate.	The estimated fair value would increase (decrease) if : - the discount rate were lower (higher).

During the year ended December 31, 2015, 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>	Land, buildings, and leasehold improvements	Network	Construction in progress	Furniture, equipment, and vehicles	Total
<b>Cost</b>					
<b>At January 1, 2014</b>	<b>112,125</b>	<b>2,362,362</b>	<b>63,779</b>	<b>51,207</b>	<b>2,589,473</b>
Additions	723	568	280,120	44	281,455
Transfers	4,261	270,182	(278,549)	4,106	—
Disposals	(1,506)	(2,642)	—	(35)	(4,183)
Write off of fully depreciated assets	(399)	(197,201)	—	(4,982)	(202,582)
<b>At December 31, 2014</b>	<b>115,204</b>	<b>2,433,269</b>	<b>65,350</b>	<b>50,340</b>	<b>2,664,163</b>
Additions	447	977	265,002	32	266,458
Transfers	5,510	238,376	(251,481)	7,621	26
Disposals	—	(8,624)	(345)	(2,083)	(11,052)
Write off of fully depreciated assets	(515)	(222,337)	—	(4,699)	(227,551)
<b>At December 31, 2015</b>	<b>120,646</b>	<b>2,441,661</b>	<b>78,526</b>	<b>51,211</b>	<b>2,692,044</b>
<b>Accumulated Depreciation</b>					
<b>At January 1, 2014</b>	<b>40,865</b>	<b>1,124,050</b>	<b>—</b>	<b>38,505</b>	<b>1,203,420</b>
Depreciation charge for the year	6,092	238,021	—	5,065	249,178
Disposals	(784)	(2,587)	—	(21)	(3,392)
Write off of fully depreciated assets	(399)	(197,201)	—	(4,982)	(202,582)
<b>At December 31, 2014</b>	<b>45,774</b>	<b>1,162,283</b>	<b>—</b>	<b>38,567</b>	<b>1,246,624</b>
Depreciation charge for the year	7,119	258,002	—	5,677	270,798
Disposals	—	(7,695)	—	(2,065)	(9,760)
Write off of fully depreciated assets	(515)	(222,337)	—	(4,699)	(227,551)
<b>At December 31, 2015</b>	<b>52,378</b>	<b>1,190,253</b>	<b>—</b>	<b>37,480</b>	<b>1,280,111</b>
<b>Carrying Amount</b>					
At December 31, 2015	68,268	1,251,408	78,526	13,731	1,411,933
At December 31, 2014	69,430	1,270,986	65,350	11,773	1,417,539
<b>Carrying Amount of Finance Leases included in Property and Equipment</b>					
At December 31, 2015	24,073	286,528	—	—	310,601
At December 31, 2014	26,729	290,196	—	—	316,925

Accrued capital expenditures for property and equipment reached €266.5 million for the year ended December 31, 2015, representing the following additions:

- accrued capital expenditures for network growth and upgrades for an amount of €142.4 million;
- capital expenditures for customer installations for an amount of €63.6 million;
- refurbishments and replacements of network equipment for an amount of €47.9 million; and
- set-top box related capital expenditures for an amount of €12.6 million.

For the year ended December 31, 2015, the Company removed €227.6 million of gross cost and accumulated depreciation related to fully depreciated assets which are no longer used by the Company. (€202.6 million for the year ended December 31, 2014).

Disposals of property and equipment for the year ended December 31, 2015 had a total carrying value at €1.3 million and resulted in a net gain on disposal of €2.3 million and consisted mainly of:

- End of life replacements of network equipment with a loss on disposal equal to the remaining net book value amounting to €1.0 million;
- Write-off of guarantees, resulting in a gain amounting to €0.6 million;

- Sale of set-top boxes with no net book value and scrap material with €0.3 million net book value, resulting in a gain on disposal of respectively €1.1 million and €1.6 million.

Disposals of property and equipment for the year ended December 31, 2014 mainly consisted of:

- Disposal of leasehold improvements with a loss on disposal equal to the remaining net book value amounting to €0.7 million;
- Sale of hard disks from recycled HD Digicorders, set-top boxes and scrap material with a zero net book value, resulting in a gain on disposal of respectively €0.4 million, €0.6 million and €1.7 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. No changes were necessary based on the 2015 re-assessment.

For further information regarding finance lease obligations, we refer to note 5.13.5 to the consolidated financial statements of the Company.

For further information regarding assets pledged as security, we refer to note 5.13.4.

## 5.5 Goodwill

The total amount of goodwill remained unchanged during the year ended December 31, 2015 and stood at €1,241.8 million.

The Company performed its annual review for impairment during the third quarter of 2015 and 2014, respectively. Goodwill was allocated to one cash generating unit. The recoverable amount of the cash generating unit was based on its value in use and was determined by discounting the future cash flows to be generated from its continuing use (Discounted Cash Flow method). The value in use of the cash generating unit for the year ended December 31, 2015 was determined in a similar manner to the year ended December 31, 2014.

The key assumptions for the value in use calculations used to determine the recoverable amount are those regarding the discount rates and expected changes to selling prices, product offerings, direct costs, EBITDA margins and terminal growth rates. The discount rate used is a pre-tax measure estimated based on past experience, and industry average weighted cost of capital. Changes in selling practices and direct costs are based on past practices and expectations of future changes in the market. The calculation uses cash flow projections based on financial budgets approved by management, the Company's Long-Range Plan through 2020, and a pre-tax discount rate of 8.8% (8.7% for the year

ended December 31, 2014) based on current market assessments of the time value of money and the risks specific to the Company. The development of the Long-Range Plan relies on a number of assumptions, including:

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

The assumptions were derived mainly from:

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

For the year ended December 31, 2015, as well as for the year ended December 31, 2014, cash flows beyond the five-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 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, 2015.

## 5.6 Other intangible assets

<i>(in thousands of euro)</i>	Network user rights	Trade name	Software	Customer relationships	Broadcasting rights	Other	Subtotal	Broadcasting rights for resale purposes	Total
<b>Cost</b>									
<b>At January 1, 2014</b>	<b>102,222</b>	<b>121,514</b>	<b>366,813</b>	<b>212,776</b>	<b>129,052</b>	<b>21,125</b>	<b>953,502</b>	<b>—</b>	<b>953,502</b>
Additions	—	—	59,476	—	46,535	—	106,011	114	106,125
Disposals	—	—	(1,463)	—	—	—	(1,463)	(114)	(1,577)
Write-off of fully amortized assets	—	—	(8,852)	—	(98,107)	—	(106,959)	—	(106,959)
<b>At December 31, 2014</b>	<b>102,222</b>	<b>121,514</b>	<b>415,974</b>	<b>212,776</b>	<b>77,480</b>	<b>21,125</b>	<b>951,091</b>	<b>—</b>	<b>951,091</b>
Additions	—	—	69,803	—	47,242	—	117,045	1,360	118,405
Disposals	(71,525)	—	(3,256)	—	—	—	(74,781)	(1,360)	(76,141)
Transfers	—	—	(26)	—	—	—	(26)	—	(26)
Write-off of fully amortized assets	—	—	(4,165)	—	(46,032)	—	(50,197)	—	(50,197)
<b>At December 31, 2015</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>
<b>Accumulated Amortization</b>									
<b>At January 1, 2014</b>	<b>102,222</b>	<b>103,331</b>	<b>273,167</b>	<b>135,197</b>	<b>84,859</b>	<b>2,810</b>	<b>701,586</b>	<b>—</b>	<b>701,586</b>
Amortization charge of the year	—	8,089	32,874	18,753	48,303	262	108,281	—	108,281
Disposals	—	—	(203)	—	—	—	(203)	—	(203)
Write-off of fully amortized assets	—	—	(8,852)	—	(98,107)	—	(106,959)	—	(106,959)
<b>At December 31, 2014</b>	<b>102,222</b>	<b>111,420</b>	<b>296,986</b>	<b>153,950</b>	<b>35,055</b>	<b>3,072</b>	<b>702,705</b>	<b>—</b>	<b>702,705</b>
Amortization charge of the year	—	8,076	46,859	17,729	49,008	290	121,962	—	121,962
Disposals	(71,525)	—	(874)	—	—	—	(72,399)	—	(72,399)
Write-off of fully amortized assets	—	—	(4,165)	—	(46,032)	—	(50,197)	—	(50,197)
<b>At December 31, 2015</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>
<b>Carrying Amount</b>									
At December 31, 2015	—	2,018	139,524	41,097	40,659	17,763	241,061	—	241,061
At December 31, 2014	—	10,094	118,988	58,826	42,425	18,053	248,386	—	248,386

The Company's intangible assets other than goodwill each have finite lives and are comprised primarily of trade name, software development

and acquisition costs, customer relationships, broadcasting rights, out of market component of future leases and contracts with suppliers.

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 2014 and 2015 did not result in any revision to the estimated useful lives of intangible assets.

For the year ended December 31, 2015, the Company removed €50.2 million of gross cost and accumulated amortization related to fully amortized assets which are no longer used by the Company (€107.0 million for the year ended December 31, 2014).

Following a tendering procedure in June 2014, the Company acquired the non-exclusive broadcasting rights of the Belgian football championship for three seasons starting July 2014. The rights related to the second season (2015-2016) met the recognition criteria for intangible assets in 2015, which resulted in additional broadcasting rights of €28.6 million. The agreement entitles the Pro League to grant the broadcasting rights via a different arrangement for the subsequent season (2016-2017).

The write-off of fully amortized assets consists mainly of the broadcasting rights related to the 2014-2015 season, which were written-off upon the end of the season end-May 2015 (€ 28.0 million).

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 owns a 25% stake, acquired the fourth 3G mobile spectrum license in Belgium. The Company recognized the acquired spectrum as an intangible asset for an amount of €71.5 million, equal to the net present value at the acquisition date of the yearly installments. In December 2013, the Company's management determined that it would not be able to utilize the spectrum rights and that the recoverable amount was to be considered zero. Consequently, the 3G mobile spectrum license was fully impaired at year-end 2013. Upon return of the 3G mobile spectrum license to the BIPT, the Company removed the fully impaired asset from its books (€71.5 million) in 2015.

At the time of the acquisition of the 3G mobile spectrum license, the Company opted to pay the corresponding purchase price in annual installments. As the Company agreed upon to continue its contractual obligations, the Company consequently maintained the corresponding liability (€31.1 million) as of December 31, 2015 (note 5.13).

Concurrently with the acquisition of the 3G mobile spectrum license, the Company also exercised its call option to acquire a certain number of 2G mobile spectrum frequencies for a total consideration of €31.5 million, which became available in November 2015. On December 15, 2014, the BIPT published the outcome of its request for offers on the 2G frequencies previously earmarked for Telenet. In December 2015, the Company and the BIPT, acting on behalf of the Belgian State, agreed upon a settlement with respect to the unallocated 2G frequencies for a total amount of €3.9 million which was paid on December 30, 2015. The corresponding expense was recognized as a restructuring cost (see note 5.20).

For information regarding finance leases of intangible assets, see note 5.13.5 to the consolidated financial statements of the Company.

## 5.7 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, 2015</b>	—	1,556	1,556
Additions	58,000	—	58,000
Direct Acquisition Costs	1,013	178	1,191
<b>At December 31, 2015</b>	<b>59,013</b>	<b>1,734</b>	<b>60,747</b>
<b>Share in the result of Associates</b>			
<b>At January 1, 2015</b>	—	(161)	(161)
Share in the result	(4,093)	17	(4,076)
<b>At December 31, 2015</b>	<b>(4,093)</b>	<b>(144)</b>	<b>(4,237)</b>
<b>Loans granted to Associates</b>			
<b>At January 1, 2015</b>	—	—	—
New loans granted	—	1,135	1,135
Accrued interest	—	6	6
<b>At December 31, 2015</b>	<b>—</b>	<b>1,141</b>	<b>1,141</b>
<b>Carrying Amount</b>			
At December 31, 2015	54,920	2,481	57,401
At January 1, 2015	—	1,395	1,395

On June 16, 2014, Telenet signed an agreement for the acquisition of 50% of the capital of De Vijver Media NV, a Belgian media company active in free-to-air broadcasting (through its TV channels "VIER" and "VIJF") and content production (through its production company "Woestijnvis"). The European Commission approved the investment in February 2015 and the 50% stake was acquired by the Company through a combination of share purchases (€26.0 million) and share subscription (€32.0 million). 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 Corelio NV (a Belgian print and online media group).

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. Telenet recognized its €4.1 million share in the net loss of De Vijver Media for the period beginning on the transaction closing date, resulting in a carrying value of the investment of €54.9 million on December 31, 2015.

The fair value adjustments at acquisition can be summarized as follows:

<i>(in thousands of euro)</i>	
Consideration transferred	58,000
Acquisition related costs	1,013
Net assets of De Vijver Media as per February 28, 2015 (50%)	18,462
Goodwill	40,551
<b>Amount recognized as equity investment</b>	<b>59,013</b>

The remaining goodwill mainly relates to future advertising revenues to be realized and future revenues related to new formats.

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 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.

<i>(in thousands of euro)</i>	<b>2015</b>
<b>Net assets</b>	
Non-current assets	120,084
Current assets	59,419
Non-current liabilities	(77,737)
Current liabilities	(73,029)
<b>Net assets (100%)</b>	<b>28,737</b>
<b>Group's share of the net assets (50%)</b>	
Group's share of the net assets (50%)	14,369
Goodwill	40,551
<b>Carrying amount of interest in joint venture</b>	<b>54,920</b>
<b>Profit and total comprehensive income</b>	
Revenue	101,052
Depreciation and amortisation	(7,416)
Interest expense	(4,679)
Total comprehensive loss for 10 months ended December 31, 2015 (100%)	(8,186)
Net loss (100%)	(7,522)
Other comprehensive income (100%)	—
<b>Group's share of the total comprehensive income (50%)</b>	
<b>Group's share of the total comprehensive income (50%)</b>	<b>(4,093)</b>

## 5.8 Trade receivables

### 5.8.1 Non-current

<i>(in thousands of euro)</i>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Trade receivables	4,841	-
Less : allowance for bad debt	(102)	-
<b>Trade receivables, net</b>	<b>4,739</b>	<b>-</b>

Non-current trade receivables comprise of 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>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Trade receivables	153,023	113,626
Less: allowance for bad debt	(7,116)	(1,961)
<b>Trade receivables, net</b>	<b>145,907</b>	<b>111,665</b>

At December 31, 2015 and 2014, 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, 2015	95,264	29,727	8,596	1,972	1,468	15,996	153,023
December 31, 2014	60,394	37,110	3,865	2,141	1,612	8,504	113,626

All invoices related to residential customers are due within 20 days. For other clients, the payment due date is set at 30 or 60 days. In accordance with the Company's accounting policies and based on historical experience, trade receivables that are less than 120 days past due are not considered impaired. At December 31, 2015, a total amount of €41.8 million (2014: 44.7 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%.

At December 31, 2015 current and non-current receivables related to handset sales with a customer credit agreement amount to €5.7 million and €4.7 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, 2015</b>	<b>December 31, 2014</b>
Provision for impairment of trade receivables at the beginning of the year	(1,961)	(3,358)
Additions	(4,938)	(2,718)
Reductions and write-offs	(217)	4,115
<b>Provision for impairment of trade receivables at the end of the year</b>	<b>(7,116)</b>	<b>(1,961)</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>	December 31, 2015	December 31, 2014
Outstanding guarantees to third parties for own liabilities (cash paid)	982	888
Prepaid expense for time-based license	2,026	—
Deferred financing fees	10,228	—
Receivables from sale of sports broadcasting rights	—	1,404
<b>Other non-current assets</b>	<b>13,236</b>	<b>2,292</b>

The Company presents the deferred financing fees related to the undrawn Term Loan AA and the Revolving Credit Facilities X and Z as other non-current assets.

## 5.9.2 Current

<i>(in thousands of euro)</i>	December 31, 2015	December 31, 2014
Recoverable withholding taxes	284	279
Prepaid content	7,455	7,004
Prepayments	15,663	22,900
Unbilled revenue	40,811	41,688
Receivables from sale of sports broadcasting rights	1,446	2,061
Other	3,904	3,937
<b>Other current assets</b>	<b>69,563</b>	<b>77,869</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.

## 5.10 Inventories

As of December 31, 2015, inventories amounted to €19.3 million (2014: €17.1 million) and consisted mainly of mobile handsets as well as tablets, HD Digiboxes, other DTV materials, wireless modems and powerline adaptors. The increase compared to December 31, 2014 of €2.2 million was mainly driven by an increase in the mobile handsets inventory of €4.4 million, an increase in the tablets inventory of €1.5 million, partially compensated by a decrease in the HD Digiboxes inventory of €1.3 million and DTV material of €1.2 million.

For the year ended December 31, 2015, inventories of €73.3 million (2014: €79.3 million) were recognized as an expense during the period and included in "cost of services provided".

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 €1.1 million and €0.7 million for the years ended December 31, 2015 and 2014, respectively.

## 5.11 Cash and cash equivalents

<i>(in thousands of euro)</i>	December 31, 2015	December 31, 2014
Cash at bank and on hand	80,083	155,158
Certificates of deposit	1,190	33,918
Money market funds	196,000	—
<b>Total cash and cash equivalents</b>	<b>277,273</b>	<b>189,076</b>

On December 31, 2015, the certificates of deposit had a weighted average interest rate of (0.13%) (2014: 0.45%) and a daily liquidity (2014: average maturity of 60 days). Cash and cash equivalents are placed with highly rated financial institutions in order to minimize the overall credit risk. The investments of our cash and cash equivalents at December 31, 2015 and 2014 were in compliance with the Company's Risk Management policies. In line with the Company's amended Treasury Policy, as approved by the Audit Committee in March 2015, the bank exposure risk has been restricted to 29% of the total consolidated cash. The investments in money market funds were increased to minimize the overall credit risk.

On December 31, 2015, the Money Market funds had a weighted average interest rate of (0.13%) and a daily liquidity whereas certificates of deposit yielded 0.45% in 2014 with an average maturity of 60 days. Cash and cash equivalents are placed with highly rated financial institutions in order to minimize the overall credit risk. The investments of our cash and cash equivalents at December 31, 2015 and 2014 were in compliance with the Company's Risk Management policies.



## 5.12 Shareholders' equity

### 5.12.1 Shareholders' equity

On December 31, 2015, Telenet Group Holding NV had the following shares outstanding, all of which are treated as one class in the earnings per share calculation:

117,278,706 ordinary shares (2014: 116,813,166 shares), including:

- 94,843 Liquidation Dispreference Shares (2014: 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 (2014: 30 shares) held by the financing intermunicipalities. The financing intermunicipalities, currently holding the Golden Shares, are: IFIGGA, FINEA, FINGEM, IKA, FINILEK, FINIWO and FIGGA. , which have the same rights as the ordinary shares and which also give their holders the right to appoint representatives to the Regulatory Board, which oversees the public interest guarantees related to Telenet's offering of digital television.

As of December 31, 2015, the Company's share capital amounted to €12.8 million (2014: €12.7 million).

#### Own shares

On February 12, 2015, the Company announced the initiation of a share repurchase program, referred to as the "Share Repurchase Program

2015". 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 €50.0 million, within a six months period as from February 12, 2015. The Company purchased a total of 989,381 shares under the Share Repurchase Program 2015, for a total amount of €50.0 million. All repurchased shares are being held by the Company to cover the Company's obligations under existing stock option plans. In 2014, a total of 1,100,000 shares were purchased for a total amount of €48.2 million under a similar share repurchase program.

On December 17, 2014, the Company borrowed 200,000 shares from its majority shareholder Binan Investments B.V. under a "Stock Lending Agreement". These shares were borrowed to cover the Company's obligations under existing stock option plans. On June 17, 2015, the Company returned the 200,000 shares to Binan Investments B.V.

After the delivery of 57,800 own shares by the Company to the beneficiaries following the exercise of stock options under the ESOP 2013 and the ESOP 2014 plans during the year ended December 31, 2015 (see below), the Company paid €38.5 million to increase its own shares under the Share Repurchase Program 2015 from 34,478 shares to 766,059 shares. €38.5 million, representing 0.65% of the total outstanding shares as of December 31, 2015. Taking into account a par value of €0.11 per share on December 31, 2015, this represents an amount of €84,266.49 in the share capital of the company.

### 5.12.2 Employee share based compensation

#### Warrant Plan 2010

The details regarding the Warrant Plan 2010 issued by the Company with outstanding warrants as per December 31, 2015, are summarized in the table below:

Warrant Plan	Issuance of warrants		Name of the grant	Warrants granted			Beneficiaries
	Date approved by the extraordinary shareholders' meeting	Total number of warrants issued		Date offered	Number of warrants offered	Number of warrants accepted	
Warrant Plan 2010	April 28, 2010	2,800,000	Warrant Plan 2010 ter	August 11, 2011	184,500	147,500	certain employees

Under the aforementioned plan, the warrants vest in equal parts per quarter over a period of four years and each warrant gives the holder the right to subscribe to one new share of the Company.

As of September 29, 2015, there were no more warrants outstanding under the Warrant Plan 2007 septies and the Warrant Plan 2010 primo. As of December 11, 2015, there were no more warrants outstanding under the Warrant Plan 2010 bis.

#### 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 2015, beneficiaries of the ESOP 2013 plan exercised a total of 54,500 stock options, resulting in the delivery of a total of 54,500 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 2015, beneficiaries of the ESOP 2014 plan exercised a total of 3,300 stock options, resulting in the delivery of a total of 3,300 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.

## 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.

## 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 and 2014, the first tranche of 50,000 stock options vested on July 4, 2014 and the second tranche of 100,000 stock options vested on July 4, 2015.

As the achievement of the additional performance criteria for 2015 have been met, the Remuneration Committee of February 9, 2016 determined that the last tranche of 50,000 stock options will vest on July 4, 2016.

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

## 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. Subject to 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 will vest on June 26, 2016 and the second tranche of 46,250 stock options can vest on March 1, 2017, subject to the achievement of the performance criteria for 2016 as determined by the Remuneration Committee. On February 9, 2016, the Remuneration Committee determined that the first tranche of 138,750 stock options will vest on June 26, 2016 as the applicable performance criteria for 2015 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.

### 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. On February 10, 2015, the Remuneration Committee determined that the first tranche of 45,000 stock options will vest on July 15, 2015.

Subject to the achievement of the performance criteria for 2014 and 2015 as determined by the Remuneration Committee, the second tranche of 67,500 stock options will vest on July 15, 2016 and the last tranche of 67,500 stock options can vest on July 15, 2017 if the

performance criteria for 2014, 2015 and 2016 are achieved. On February 9, 2016, the Remuneration Committee determined that the second tranche of 67,500 stock options will vest on July 15, 2016.

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.

### 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. On February 9, 2016, the Remuneration Committee determined that the first tranche of 55,000 stock options will vest on March 13, 2016.

Subject to the achievement of the (cumulative) performance criteria for 2016 as determined by the Remuneration Committee, the second tranche of 63,000 stock options can vest on March 13, 2017 if the performance criteria for 2015 and 2016 are achieved.

Subject to the achievement of the (cumulative) performance criteria for 2016 as determined by the Remuneration Committee, the last tranche of 62,000 stock options can vest on March 13, 2018 if the performance criteria for 2015, 2016 and 2017 are achieved.

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			Stock options granted		Beneficiaries
		Total number of stock options issued	Name of the grant	Date offered	Number of stock options offered	Number of stock options accepted	
Specific Stock Option Plan 2010-2014	March 24, 2010	850,000	SSOP 2010-2014	September 4, 2010	850,000	850,000	Former CEO
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

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. For these latter plans the grant date is not deemed to be achieved and therefore 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:

Warrant Plan	Issuance of warrants			Warrants granted			Beneficiaries
	Date approved by the extraordinary shareholders' meeting	Total number of warrants issued	Name of the grant	Date offered	Number of warrants offered	Number of warrants accepted	
Warrant Plan 2007	December 27, 2007	3,300,000	Warrant Plan 2007 septies	September 28, 2010	189,900	189,900	certain employees
Warrant Plan 2010	April 28, 2010	2,800,000	Warrant Plan 2010 primo	September 28, 2010	1,147,600	1,006,700	certain employees
			Warrant Plan 2010 bis	December 10, 2010	70,500	50,500	certain employees
			Warrant Plan 2010 ter	August 11, 2011	184,500	147,500	certain employees

	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%
"	December 31, 2015 (*)	12.51 (*)	49.77 (*)	39.38	-	22.2% (*)	2.9 years (*)	0.0% (*)	-0.11% (*)
"	December 31, 2015 (*)	12.21 (*)	49.77 (*)	39.38	-	21.3% (*)	2.9 years (*)	0.0% (*)	-0.11% (*)
CEO SOP 2015 Stock Options	December 31, 2015 (*)	7.40 (*)	49.77 (*)	50.57	-	21.8% (*)	3.5 years (*)	0.0% (*)	0.00% (*)
"	December 31, 2015 (*)	7.24 (*)	49.77 (*)	50.57	-	21.4% (*)	3.5 years (*)	0.0% (*)	0.00% (*)
"	December 31, 2015 (*)	6.96 (*)	49.77 (*)	50.57	-	20.6% (*)	3.5 years (*)	0.0% (*)	0.00% (*)

\* 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, 2014.

## All plans

A summary of the activity in the Company's stock option and warrant plans for the years ended December 31, 2015, and 2014 is as follows:

### Outstanding Options and warrants

	Number of Options and Warrants	Average Exercise Prices (in euro)
<b>January 1, 2014</b>	<b>3,612,432</b>	<b>20.09</b>
<b>Granted</b>		
CEO Stock Options Plan 2014	185,000	38.88
CEO Stock Options Plan 2014 bis	180,000	39.38
<b>Exercised</b>		
Warrant Plan 2007 quater warrants exercised	(339,900)	8.00
Warrant Plan 2007 sexies warrants exercised	(7,161)	10.90
Warrant Plan 2007 septies warrants exercised	(104,435)	15.21
Warrant Plan 2010 primo warrants exercised	(332,429)	15.21

Warrant Plan 2010 bis warrants exercised	(17,312)	18.23
Warrant Plan 2010 ter warrants exercised	(35,000)	19.37
Specific Stock Option Plan 2010-2014 options exercised	(1,342,624)	—
Stock Option Plan 2013 primo stock options exercised	(127,050)	34.33
Stock Option Plan 2013 bis stock options exercised	(14,300)	36.75

### Forfeited

Warrant Plan 2010 primo warrants forfeited	(493)	15.21
Warrant Plan 2010 ter warrants forfeited	(4,251)	19.37
Stock Option Plan 2013 primo stock options forfeited	(3,000)	34.33

### Lapsed

Warrant Plan 2007 quater warrants lapsed	(2,155)	8.00
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**December 31, 2014**

**1,647,322**

**30.69**

### Granted

Employee Stock Option Plan 2014 stock options	766,500	45.27
Employee Stock Option Plan 2015 stock options	402,350	50.87
CEO Stock Options Plan 2015	180,000	50.57

### Exercised

Warrant Plan 2007 septies warrants exercised	(38,414)	15.21
Warrant Plan 2010 primo warrants exercised	(304,539)	15.21
Warrant Plan 2010 bis warrants exercised	(5,962)	18.23
Warrant Plan 2010 ter warrants exercised	(21,752)	19.37
Stock Option Plan 2013 primo stock options exercised	(52,500)	34.33
Stock Option Plan 2013 bis stock options exercised	(2,000)	36.75
Stock Option Plan 2014 stock options exercised	(3,300)	45.27

### Forfeited

Stock Option Plan 2013 primo stock options forfeited	(4,250)	34.33
Stock Option Plan 2014 stock options forfeited	(3,100)	45.27

### Lapsed

Warrant Plan 2010 primo warrants lapsed	(1,540)	15.21
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**December 31, 2015**

**2,558,815**

**41.71**

The options and warrants in the table below were exercised resulting in the receipt of payments of €7.8 million and €36.1 million during the years ended December 31, 2015 and 2014, respectively. Warrant Plan 2007 and Warrant Plan 2010 warrants were exchanged on a one-for-

one basis for newly issued ordinary shares. ESOP 2013 and ESOP 2014 stock options were exchanged on a one-for-one basis for existing ordinary shares of the Company.

Class of options and warrants	Number of options and warrants exercised	Exercise date	Exercise price at exercise date (in euro)	Share price at exercise date (in euro)
Warrant Plan 2007 septies warrants	8,535	13/07/2015	15.21	48.69
	29,879	5/10/2015	15.21	51.50
Warrant Plan 2010 primo warrants	81,847	13/04/2015	15.21	54.53
	32,246	13/07/2015	15.21	48.69
	190,446	5/10/2015	15.21	51.50
Warrant Plan 2010 bis warrants	5,962	21/12/2015	18.23	47.43
Warrant Plan 2010 ter warrants	6,207	13/04/2015	19.37	54.53
	300	13/07/2015	19.37	48.69
	9,394	5/10/2015	19.37	51.50
	5,851	21/12/2015	19.37	47.43
ESOP 2013 primo stock options	41,750	13/04/2015	34.33	54.53
	1,650	13/07/2015	34.33	48.69
	3,300	5/10/2015	34.33	51.50
	5,800	21/12/2015	34.33	47.43
ESOP 2013 bis stock options	2,000	13/04/2015	36,75	54.53
ESOP 2014 stock options	2,700	5/10/2015	45.27	51.50
	600	21/12/2015	45.27	47.43
<b>TOTAL:</b>	<b>428,467</b>			

The following table summarizes information about stock options and warrants outstanding and exercisable as of December 31, 2015:

Class of options and warrants	Number of options and warrants outstanding	Number of options and warrants exercisable	Weighted average remaining contractual life	Current exercise prices (in euro)
Warrant Plan 2010 ter warrants	56,917	56,917	7 months	19.37
ESOP 2013 primo stock options	552,748	301,736	30 months	34.33
ESOP 2013 bis stock options	417,000	18,500	34 months	36.75
ESOP 2014 stock options	760,100	303,300	47 months	45.27
ESOP 2015 stock options	402,350	—	58 months	50.87
SOP 2013 stock options	200,000	—	30 months	34.33
SOP 2014 stock options	185,000	—	54 months	38.88
SOP 2014 bis stock options	180,000	—	42 months	39.38
SOP 2015 stock options	180,000	—	50 months	50.57
<b>TOTAL OUTSTANDING</b>	<b>2,558,815</b>			

Total compensation expense associated with the Company's option and warrant plans amounted to €9.2 million in 2015 (2014: €8.3 million).

## Performance shares

In October 2012, Telenet granted its Senior Leadership Team members (other than its chief executive officer) and one other manager a total of 33,896 performance shares ("the 2012 Telenet Performance Shares"). The performance target applicable to the 2012 Telenet Performance Shares is the achievement of a compound annual growth rate (CAGR) for operating free cash flow (OFCF), when comparing 2014 OFCF to 2011 OFCF. A performance range of 75% to 150% of the target OFCF CAGR would generally result in award recipients earning between 50% to 150% of their 2012 Telenet Performance Shares, subject to reduction or forfeiture based on individual performance and

service requirements. On February 10, 2015, the Remuneration & Nomination Committee and the Board of Directors decided that the performance criteria for the 2012 Telenet Performance Shares have been achieved, and as a consequence, the earned 2012 Telenet Performance Shares will vest on October 24, 2015. On October 27, 2015 the Remuneration and 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 €1.7 million following the specific decision of the Remuneration Committee. It was decided upon that the cash settlement of this particular equity award did not trigger a modification of the equity classification of all performance shares outstanding, because the decision to settle in cash was a one-off decision due to certain circumstances. As the performance shares have been fair-valued, the cash paid to settle the 2012 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 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 will vest at 110.95% on October 25, 2016. Any compensation costs attributable to the 2013 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 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 a compound annual growth rate (CAGR) for Adjusted EBITDA, 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. The earned 2014 Telenet Performance Shares will vest 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.

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 a compound annual growth rate (CAGR) for Operating Cash Flow (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.

In 2015, Telenet recognized €1.2 million of compensation expense in respect of the Telenet Performance Shares plans (2014: €0.4 million).

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### 5.12.3 Employee share purchase plan 2014

In 2014, the board of directors approved the issuance of a new Employee Share Purchase Plan (the “Employee Share Purchase Plan 2014” or “ESPP 2014”) within the limits of the authorized capital as approved by the extraordinary shareholder’s meeting of April 25, 2012, for a maximum amount of €5.0 million (excluding share premium). In March 2014, 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 2014 at a discount of 16.67% to the average share purchase price over the 20 business day period following March 31, 2014. Based on the average share price of €42.78 during this 20 business day period, the shares were offered to the personnel at a subscription price of €35.65. As the shares were fully vested at the time of the transaction, the Company recognized €3.0 million as compensation expense in 2014 for the 352,650 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, 2015 and 2014.

<i>(in thousands of euro)</i>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>2015 Amended Senior Credit Facility:</b>		
Revolving Credit Facility S	—	74
Revolving Credit Facility X	943	699
Revolving Credit Facility Z	240	—
Term Loan W	476,781	474,128
Term Loan Y	888,323	883,002
Term Loan AA	15,439	—
<b>Senior Secured Fixed Rate Notes:</b>		
€500 million Senior Secured Notes due 2020	—	504,073
€300 million Senior Secured Notes due 2021	307,508	307,508
€450 million Senior Secured Notes due 2022	460,625	460,625
€250 million Senior Secured Notes due 2024	256,375	256,375
€530 million Senior Secured Notes due 2027	541,268	—
<b>Senior Secured Floating Rate Notes:</b>		
€400 million Senior Secured Notes due 2021	400,708	400,748
Global Handset Finco Ltd Loan	12,779	—
Finance lease obligations	346,042	370,427
3G Mobile Spectrum	31,079	38,479
Clientele fee > 20 years	97,743	90,123
	3,835,853	3,786,261
Less: deferred financing fees	(41,975)	(52,773)
	<b>3,793,878</b>	<b>3,733,488</b>
Less: current portion	(110,558)	(78,757)
<b>Total non-current loans and borrowings</b>	<b>3,683,320</b>	<b>3,654,731</b>

As of December 31, 2015 and 2014, all loans and borrowings were denominated in euro. Fixed interest rates applied to 52.09% of the total loans and borrowings (2014: 51.94%). The weighted average interest rates at December 31, 2015, were 5.92% on fixed rate loans (2014: 6.37%) and 3.49% on floating rate loans (2014: 3.55%).

### 5.13.1 2015 Amended Senior Credit Facility

Throughout the year ended December 31, 2015 the Company modified the 2010 Senior Credit Facility including, amongst others, changes to certain guarantees and covenants.

In March 2014, the Company launched an extension offer for Term Loans Q, R and T under its 2015 Amended Senior Credit Facility and the redemption of its Senior Secured Notes due 2016 ("Facility N").

As a result of the aforementioned refinancing, which was completed in April 2014, the Company issued a new €474.1 million floating rate Term Loan under the 2015 Amended Senior Credit Facility ("Term Loan W") due June 30, 2022 carrying a margin of 3.25% over EURIBOR. In addition, the Company issued a new €882.9 million floating rate Term Loan under the 2015 Amended Senior Credit Facility ("Term Loan Y") due June 30, 2023 carrying a margin of 3.50% over EURIBOR. The net proceeds of these new issuances, together with available cash and cash equivalents, were used to fully redeem the outstanding amounts under

Term Loans Q, R and T and the €100.0 million Senior Secured Notes due 2016.

In addition, as part of the 2015 Senior Credit Facility amendments, lenders under Revolving Credit Facility S ("Facility S") were asked to renew and extend their commitments into a new Revolving Credit Facility ("Facility X"), resulting in a reduction of the existing Facility S (with availability up to December 31, 2016) to €36.9 million and a new Facility X (with availability up to September 30, 2020) of €286.0 million.

The unamortized deferred financing fees related to Term Loan Q, R and T (€3.9 million) and related to the €100.0 million Senior Secured Notes due 2016 (€3.5 million) were accounted for in 2014 as a loss on extinguishment of debt upon early redemption.

In April 2015, Telenet issued two new debt facilities under the 2015 Amended Senior Credit Facility for an aggregate amount of €1,000 million linked to the acquisition of BASE Company. Through Telenet International Finance S.à.r.l., which acts as the group's financing center, Telenet issued a floating rate €800.0 million Term Loan ("Term Loan AA") with a maturity of June 30, 2023 and a 3.50% margin over EURIBOR. In addition, Telenet secured an additional €200.0 million Revolving Credit Facility ("Facility Z") with a maturity of June 30, 2018 and a margin of 2.25% over EURIBOR. Term loan AA and Facility Z were undrawn at December 31, 2015.

In July 2015, the Company upsized the available commitments under its Facility X by €95.0 million to an aggregate of €381.0 million by



transferring €10.0 million of its commitment under Facility S and generating €85.0 extra commitments. The remaining €26.9 million commitment available under Facility S was canceled in September 2015.

Term Loan AA (€800.0 million), Facility Z (€200.0 million) and a part of Facility X (€217.0 million) were drawn for an aggregate of €1,217 million on February 11, 2016 to fund the acquisition of BASE Company after the approval of the European Commission on February 4, 2016.

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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) were 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.

#### 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 Telenet International Finance S.à r.l. ("TIF").

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

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

#### 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 Telenet International Finance S.à r.l. ("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.

### 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.

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### 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 as of December 31, 2015 are shown in the following table:

<i>(in thousands of euro)</i>	Total Facility as per	Drawn amount	Undrawn amount	Maturity Date	Interest rate	Interest payments due
<b>December 31, 2015</b>						
<b>2015 Amended Senior Credit Facility:</b>						
Term Loan W	474,084	474,084	-	June 30, 2022	Floating   3-month Euribor + 3.25%	Quarterly (Jan., April, July and Oct.)
Term Loan Y	882,916	882,916	-	June 30, 2023	Floating   3-month Euribor + 3.50%	Quarterly (Jan., April, July and Oct.)
Term Loan AA	800,000	-	800,000	June 30, 2023	Floating   3-month Euribor + 3.50%	Not applicable
Revolving Credit Facility (Facility X)	381,000	-	381,000	September 30, 2020	Floating   1-month Euribor + 2.75%	Not applicable
Revolving Credit Facility (Facility Z)	200,000	-	200,000	June 30, 2018	Floating   1-month Euribor + 2.25%	Not applicable
<b>Senior Secured Fixed Rate Notes:</b>						
€300 million Senior Secured Notes due 2021	300,000	300,000	—	February 15, 2021	Fixed   6.625%	Semi-annually (Feb. and Aug.)
€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>Senior Secured Floating Rate Notes:</b>						
€400 million Senior Secured Notes due 2021	400,000	400,000	—	June 15, 2021	Floating   3-month Euribor + 3.875%	Quarterly (March, June, Sep. and Dec.)
<b>Total notional amount</b>	<b>4,668,000</b>	<b>3,287,000</b>	<b>1,381,000</b>			

### 5.13.4 Guarantees and covenants

As at 31 December 2015, Telenet NV and Telenet International Finance S.à r.l. guaranteed (and continue to guarantee) the obligations of each of Telenet NV and Telenet International Finance S.à r.l. under the 2015 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 2015 Amended Senior Credit Facility by Telenet Group Holding NV, Telenet Service Center BVBA, Telenet NV, Telenet Vlaanderen NV and Telenet International Finance S.à r.l. over substantially all their assets.

The above-mentioned security interests include:

- pledges of all shares of Telenet NV, 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 NV), (ii) €625 million granted by the former MixtICS NV (succeeded by Telenet NV), (iii) €625 million granted by Telenet Vlaanderen NV, and (iv) €50 million granted by the former Telenet Solutions NV (succeeded by Telenet NV); 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 NV (formerly called Telenet BidCo NV), (ii) €450 million granted by the former Telenet Operaties NV (succeeded by Telenet NV), (iii) €450 million granted by the former MixtICS NV (succeeded by Telenet NV) and (iv) €450 million granted by Telenet Vlaanderen NV;
- floating charges (*pand op handelszaak*) of (i) €1.25 billion granted by the former Telenet Operaties NV (succeeded by Telenet NV), (ii) €135 million granted by Telenet NV, (iii) €250 million granted by Telenet NV (formerly called Telenet BidCo NV), (iv) €865 million granted by the former MixtICS NV (succeeded by Telenet NV), (v) €865 million granted by Telenet Vlaanderen NV, (vi) €75 million granted by the former PayTVCo NV (succeeded by Telenet NV) and (vii) €75 million granted by the former Codenet NV (afterwards renamed to Telenet Solutions NV and succeeded by Telenet NV); 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 NV, which is granted in a non-joined (non-cumulative) manner with the floating charges referred to in (i), (iv), (vi) and (vii) above;
- pledges of all present and future receivables owed to Telenet Group Holding NV, Telenet NV and Telenet Vlaanderen NV;

- pledges of all present and future securities (other than shares in subsidiaries) held by Telenet NV 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 NV, Telenet Luxembourg Finance Center S.à r.l. and Finance Center Telenet S.à r.l.; and
- pledges on all present and future bank accounts of Telenet Group Holding NV, Telenet NV, Telenet Vlaanderen NV and Telenet International Finance S.à r.l.

The total executable principal amount under the mortgages and floating charges, taking into account non-cumulation within and between floating charges and mortgages, was €2,375,000,000 on December 31, 2015.

As of December 31, 2015, the Company was in compliance with all of its financial covenants.

In respect of the obligations under the notes issued by Telenet Finance III 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 III Luxembourg S.C.A.;
- all of the issued shares of Telenet Finance III S.à r.l. (Telenet Finance III Luxembourg S.C.A.'s general partner);
- all of Telenet Finance III Luxembourg S.C.A.'s rights, title and interest under the 2012 Amended Senior Credit Facility, the intercreditor agreement dated October 10, 2007 and the additional facility O accession agreement pursuant to which Telenet Finance III Luxembourg S.C.A. has become a lender under the 2010 Amended Senior Credit Facility;
- all of Telenet Finance III Luxembourg S.C.A.'s rights, title and interest under the fee letter and the service agreement related to the notes issuance; and
- all sums of money held from time to time in Telenet Finance III Luxembourg S.C.A.'s bank account.

Telenet International Finance S.à r.l.'s payment obligations under the fee letter and the service agreement are guaranteed by Telenet NV to Telenet Finance III Luxembourg S.C.A.

In respect of the obligations under the notes issued by Telenet Finance IV Luxembourg S.C.A., 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 IV Luxembourg S.C.A.;
- all of the issued shares of Telenet Finance IV S.à r.l. (Telenet Finance IV Luxembourg S.C.A.'s general partner);
- all of Telenet Finance IV Luxembourg S.C.A.'s rights, title and interest under the 2010 Amended Senior Credit Facility, the intercreditor agreement dated October 10, 2007 and the additional facility P accession agreement pursuant to which

Telenet Finance IV Luxembourg S.C.A. has become a lender under the 2010 Amended Senior Credit Facility;

- all of Telenet Finance IV Luxembourg S.C.A.'s rights, title and interest under the fee letter and the service agreement related to the notes issuance; and
- all sums of money held from time to time in Telenet Finance IV Luxembourg S.C.A.'s bank account.

Telenet International Finance S.à r.l.'s payment obligations under the fee letter and the service agreement are guaranteed by Telenet NV to Telenet Finance IV Luxembourg S.C.A.

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 2010 Amended Senior Credit Facility, the intercreditor agreement dated October 10, 2007, 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 2010 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 NV 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 2010 Amended Senior Credit Facility, the intercreditor agreement dated October 10, 2007, 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 2010 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 NV to Telenet Finance VI Luxembourg S.C.A.

On February 11, 2016 the acquisition of BASE Company NV by Telenet Group Holding NV was completed. As of February 11, 2016, BASE Company NV guarantees the obligations of each of Telenet NV, BASE Company NV and Telenet International Finance S.à r.l. under the 2015 Amended Senior Credit Facility, to the extent permitted by law and subject to any applicable guarantee limitations. In addition, the following security was granted on that date with respect to substantially all of the assets of BASE Company NV:

- pledges of all shares of BASE Company NV;

- a non-exercised floating charge mandate of €800 million granted by BASE Company NV;

- pledges of all present and future receivables owed to BASE Company NV; and

- pledges on all present and future bank accounts of BASE Company NV.

### 5.13.5 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, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Within one year	58,499	58,466	21,230	22,487	37,269	35,979
In the second to fifth year, inclusive	196,009	210,196	58,462	65,205	137,547	144,991
Thereafter	201,104	223,405	34,518	39,095	166,586	184,310
<b>Total minimum lease payments</b>	<b>455,612</b>	<b>492,067</b>	<b>114,210</b>	<b>126,787</b>	<b>341,402</b>	<b>365,280</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, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Buildings	20,261	22,365	3,377	3,681	16,884	18,684
Canon	435,351	438,077	110,833	115,305	324,518	322,772
Norkring (Digital Terrestrial Television)	—	31,625	—	7,801	—	23,824
<b>Total minimum lease payments</b>	<b>455,612</b>	<b>492,067</b>	<b>114,210</b>	<b>126,787</b>	<b>341,402</b>	<b>365,280</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 31 years remained at the end of 2015). 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, 2015, the average effective borrowing rate for the three above mentioned fees was 6.32% (2014: 6.51%).

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

As per December 31, 2015 and 2014, 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, 2015</b>	<b>December 31, 2014</b>
Outstanding lease debt Annuity / Clientele / Canon		
Annuity agreement	12,621	15,123
Clientele agreement	15,757	19,940
Canon agreement	299,774	292,385
Out of Market Component on initial Canon leases acquired as part of a business combination	(3,634)	(4,676)
	<b>324,518</b>	<b>322,772</b>
Outstanding non-lease related Clientele debt		
Clientele fee > 20 years	97,743	90,123
Intangible asset related to Canon agreement		
Out of Market Component on future Canon leases acquired as part of a business combination	17,762	18,055

## Norkring

On May 4, 2010, the Company signed an agreement with Norkring België NV concerning the use of capacity on the latter's broadcasting infrastructure network enabling Telenet to offer digital TV and radio services through Norkring's digital frequency channels in Flanders and Brussels, also referred to as "DTT". Generally, the Company's services are available through the cable network, however through this agreement, the Company would also be able to offer digital TV and radio services - beyond the traditional home - to secluded homes, caravans, holiday homes and cars.

The initial Norkring agreement provided a right to use Norkring's frequency channels contained in three of their multiplexers (MUX) on an exclusive and non-exclusive basis. This agreement contained a lease with respect to certain capacity for which the Company obtained the exclusive rights, the so-called "MUX 1 capacity". Regarding this MUX 1 capacity, an intangible lease asset was originally recognized under "network user rights" for a net book value of €30.1 million at December 31, 2010. In 2011, the Company recognized an impairment loss of €28.5 million related to this asset, reducing its carrying value to zero as of December 31, 2011. The average effective borrowing rate for the Norkring fee was 6.23% (2014: 6.23%). Payments under the Norkring agreement not related to the "MUX 1 capacity" are accounted for as operating expenses as incurred.

With respect to the Company's decision in the fourth quarter of 2013 to discontinue the provision of DTT services and the related restructuring provision recognized as of December 31, 2013 and 2014, we refer to note 5.16.

As a result of the amendment to the DTT capacity agreement in December 2015 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.

## Other leases

The Company leases certain assets under finance leases including buildings and certain vehicles with average lease terms of 20 and 5 years, respectively.

For the year ended December 31, 2015, the average effective borrowing rate was 4.30% (2014: 4.36%). All leases are on a fixed repayment schedule and no arrangements include contingent rental payments. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

## 5.13.6 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, 2015 and 2014, the average effective borrowing rate for the 3G mobile spectrum was 2.75%.

With respect to the impairment loss on the intangible asset related to this 3G mobile spectrum license recognized during the fourth quarter of 2013, and for details on the 2G settlement, we refer to note 5.6.

## 5.13.7 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".

## 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, 2015 and 2014, the outstanding forward foreign exchange derivatives were as follows:

<i>(in thousands of euro)</i>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Forward Purchase Contracts</b>		
Notional amount in US dollar	49,550	—
Weighted average strike price (US dollar per euro)	1.099	—
Maturity	From January to December 2016	—

As of December 31, 2015 and 2014, the outstanding interest rate derivatives were as follows:

<i>(in thousands of euro)</i>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Interest Rate Swaps</b>		
Notional amount	2,557,000	1,957,000
Average pay interest rate	0.76%	1.68%
Average receive interest rate	EURIBOR 3M	EURIBOR 3M
Maturity	From 2015 to 2023	From 2015 to 2023

### **Caps**

Notional amount	50,000	51,239
Average cap interest rate	4.5%	4.53%
Maturity	2017	2017

### **Collars**

Notional amount	1,389	650,000
Average floor interest rate	5.50%	2.00%
Average cap interest rate	6.50%	4.00%
Maturity	2017	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>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Current assets	940	—
Non-current assets	7,556	9
Current liabilities	(6,181)	(28,421)
Non-current liabilities	(57,786)	(114,152)
	<b>(55,471)</b>	<b>(142,564)</b>
Interest rate derivatives	(55,737)	(142,478)
Foreign exchange forwards	307	—
Embedded derivatives	(41)	(86)
	<b>(55,471)</b>	<b>(142,564)</b>

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

<i>(in thousands of euro)</i>	December 31, 2015	December 31, 2014
Early termination of derivative financial instruments	(72,973)	(75,548)
Change in fair value		
Interest rate derivatives	86,410	7,582
Foreign exchange forwards	307	689
Embedded derivatives	45	(93)
Total change in fair value	86,762	8,178
<b>Net gain (loss) on derivative financial instruments</b>	<b>13,789</b>	<b>(67,370)</b>

To optimize the hedging of the interest rate risk, the Company paid €73.0 million for the year ended December 31, 2015 for the early termination of interest derivatives that were out of the money. The aforementioned derivative contracts were replaced by new interest rate

## 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

derivatives with a lower base rate, hence reducing the Company's cash interest expense for derivative financial instruments from the year ending December 31, 2016 onwards.

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.

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:

<i>(in thousands of euro)</i>	January 1, 2015	(Charged) credited to the statement of profit or loss and other comprehensive income	December 31, 2015
<b>Deferred tax assets:</b>			
Financial instruments	41,796	(25,499)	16,297
Lease obligation	7,272	(7,272)	—
Pensions	—	—	—
Receivables	—	7,273	7,273
Tax loss carry-forwards	51,726	34,135	85,861
Other	9,990	(1,320)	8,670
<b>Total Deferred tax assets</b>	<b>110,784</b>	<b>7,317</b>	<b>118,101</b>
<b>Deferred tax liabilities:</b>			
Lease obligation	—	(464)	(464)
Property and equipment	(60,766)	(6,776)	(67,542)
Provisions	(45,229)	25,391	(19,838)
Goodwill	(27,028)	(394)	(27,422)
Intangible assets	(1,130)	(10,378)	(11,508)
Receivables	(1,178)	1,178	—
Deferred Financing Fees	(6,311)	(575)	(6,886)
Other	(605)	145	(460)
<b>Total Deferred tax liabilities</b>	<b>(142,247)</b>	<b>8,127</b>	<b>(134,120)</b>



<i>(in thousands of euro)</i>	Statement of profit or loss and other comprehensive income	Statement of financial position
Deferred tax assets	7,317	118,101
Deferred tax liabilities	8,127	(134,120)
	<b>15,444</b>	<b>(16,019)</b>

### Statement of profit or loss and comprehensive income (see Note 5.22)

Deferred tax expense in profit or loss (see Note 5.22)	(15,444)	
<b>Total deferred tax expense</b>	<b>(15,444)</b>	
Current tax expense (see Note 5.22)	115,096	
<b>Total Comprehensive Income</b>	<b>99,652</b>	
<b>Total profit or loss</b>	<b>99,652</b>	

### Balance Sheet

Deferred tax assets		108,493
Deferred tax liabilities		(124,512)
		<b>(16,019)</b>

<i>(in thousands of euro)</i>	January 1, 2014	(Charged) credited to the statement of profit or loss and	December 31, 2014
<b>Deferred tax assets:</b>			
Financial instruments	44,213	(2,417)	41,796
Lease obligation	8,521	(1,249)	7,272
Tax loss carry-forwards	32,756	18,970	51,726
Other	15,584	(5,594)	9,990
<b>Total Deferred tax assets</b>	<b>101,074</b>	<b>9,710</b>	<b>110,784</b>

### Deferred tax liabilities:

Property and equipment	(47,503)	(13,263)	(60,766)
Provisions	(36,572)	(8,657)	(45,229)
Goodwill	(25,858)	(1,170)	(27,028)
Intangible assets	(4,571)	3,441	(1,130)
Receivables	(5,372)	4,194	(1,178)
Deferred Financing Fees	(5,587)	(724)	(6,311)
Other	(2,930)	2,325	(605)
<b>Total Deferred tax liabilities</b>	<b>(128,393)</b>	<b>(13,854)</b>	<b>(142,247)</b>

<i>(in thousands of euro)</i>	Statement of profit or loss and other comprehensive income	Statement of financial position
Deferred tax assets	9,710	110,784
Deferred tax liabilities	(13,854)	(142,247)
	<b>(4,144)</b>	<b>(31,464)</b>

### Statement of profit or loss and comprehensive income (see Note 5.22)

Deferred tax expense in profit or loss (see Note 5.22)	3,400
Deferred tax expense in OCI	744
<b>Total deferred tax expense</b>	<b>4,144</b>
Current tax expense (see Note 5.22)	88,358
<b>Total Comprehensive Income</b>	<b>92,502</b>
Less: Deferred tax expense in OCI	(744)
<b>Total profit or loss</b>	<b>91,758</b>

### Balance sheet

Deferred tax assets	101,984
Deferred tax liabilities	(133,448)
	<b>(31,464)</b>

As of December 31, 2015, Telenet Group Holding NV and its subsidiaries had available combined cumulative tax loss carry forwards of €819.9 million (2014: €581.8 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.

Telenet did not recognize deferred tax assets of €171.7 million (2014: €129.6 million) in respect of losses amounting to €505.2 million (2014: €381.3 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.

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.

## 5.16 Other non-current liabilities

<i>(in thousands of euro)</i>	Note	December 31, 2015	December 31, 2014
Employee benefit obligations	5.17	15,640	16,184
Other personnel related obligations		829	1,012
Long service awards	5.17	8,060	7,670
Interkabel out of market opex		14,604	14,065
Asset retirement obligations		1,913	1,912
Liabilities regarding sports broadcasting rights	5.6	4,192	8,342
Restructuring liability Norkring		12,412	29,385
Other		1,412	3,963
<b>Total Other non-current liabilities</b>		<b>59,062</b>	<b>82,533</b>

During the three months ended December 31, 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 as at December 31, 2013. The Company measured the required provision 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” and recognized the initial €33.9 million provision as a restructuring expense at December 31, 2013. The remaining non-current and current liabilities related to this restructuring liability amounted to respectively €29.4 million and €4.5 million at December 31, 2014 (note 5.18).

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 €12.4 million and €25.8 million at December 31, 2015 (note 5.18). The decrease in the total liability resulting from the adjusted future installments was recognized as a credit in restructuring costs, amounting to €13.2 million (note 5.20).

Total non-current and current liabilities regarding sports broadcasting rights amounted to €4.2 million, respectively €17.4 million (see note 5.18) at December 31, 2015 (2014: €8.3 million, respectively €18.8 million) and of which €1.3 million and €12.4 million was related to the 2015-2016 Belgian football broadcasting rights and €0.3 million and €1.0 million was related to the 2014-2015 Belgian football broadcasting rights, respectively.

The operational expenses charged to Telenet by Interkabel for the maintenance of its network are higher than the Company’s benchmark expenses for similar operations and therefore 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, 2015 amounted to €14.6 million (2014: €14.1 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:

(in thousands of euro)	Note	December 31, 2015			December 31, 2014		
		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
		note 5.17			note 5.17		
Defined benefit pension plans		2,351	2,351	—	2,521	2,521	—
Other post-retirement plans		13,289	—	13,289	13,663	—	13,663
<b>Total LT employee benefit obligations</b>	5.16	<b>15,640</b>	<b>2,351</b>	<b>13,289</b>	<b>16,184</b>	<b>2,521</b>	<b>13,663</b>
<b>Total LT service awards</b>	5.16	<b>8,060</b>	—	—	<b>7,670</b>	—	—
<b>Total employee benefit plans liability/(asset)</b>		<b>23,700</b>	<b>2,351</b>	<b>13,289</b>	<b>23,854</b>	<b>2,521</b>	<b>13,663</b>

### The Telenet Pension Plan

The majority of Telenet's employees participate in the Telenet Pension Plan, which requires initial contributions funded into a pension fund. The contributions paid to the pension fund are based on the respective employee's salary.

By law, employers are required to provide an average minimum guaranteed rate of return over the employee's career with the Company. As from 1 January 2016 onwards, the minimum rate will equal 65% of the average yield of 10-year government bonds with a minimum of 1.75% and a maximum of 3.75% (previously 3.25% on employer contributions and 3.75% on employee contributions). The 65% may be increased to 75% in 2018 and 85% in 2020 subject to a positive advice

of the Belgian Central Bank. 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.

Since the minimum guaranteed reserves were entirely covered by plan assets and there were no recoverable contributions, no amounts were recognized in the consolidated statement of financial position at December 31, 2015 and 2014.

The fair value of the plan assets and the amounts recognized in the consolidated statement of financial position reconcile as follows for this plan:

(in thousands of euro)	Fair value of plan assets	
	2015	2014
<b>At January 1</b>	<b>53,969</b>	<b>46,212</b>
Contributions paid by the employer (incl. taxes)	3,814	3,569
Contributions paid by the employee	1,651	1,545
Return on plan assets	1,613	3,357
Benefits paid (incl. taxes)	(796)	(714)
<b>At December 31</b>	<b>60,251</b>	<b>53,969</b>
<b>To be compared with:</b>		
Minimum guaranteed reserves	47,386	42,062
<b>Sum of individual deficits (intrinsic value)</b>	<b>—</b>	<b>—</b>

The Company's pension fund is actively managed by two independent asset management firms. The investment strategy is based a balanced neutral risk profile with a long-term investment horizon. The Company's pension fund primarily contains investments in investment funds, either active or passive, with a balanced strategic allocation comprising a mix of 49% equities, 43% bonds, 2% real estate and 5% short term investments. 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.

The expected employer contributions (including taxes) for the year ending December 31, 2016 amount to €3.9 million.

The average age of plan participants, weighted based on their accumulated contributions, equaled 45.3 at December 31, 2015.

### Long service awards

The Company has also recognized a liability of €8.1 million at December 31, 2015 (2014: €7.7 million) for long service awards, which have the form of jubilee benefits.

### Defined benefit pension plans and other post-retirement benefit plans

Former Electrabel (ICS) employees, as well as some other employees, are covered by defined benefit pension plans, which provide 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, which provide a guaranteed rate of return. 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. The plan assets, which correspond to the insurance reserves, do not include any shares issued by Telenet or property occupied by Telenet.

Telenet also provides post-retirement health care benefits to former Electrabel (ICS) employees. These obligations are financed directly by the Company. Those 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 (excluding the Telenet Pension Plan):

<i>(in thousands of euro)</i>	Defined Benefit Obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2015	2014	2015	2014	2015	2014
<b>At January 1</b>	<b>30,956</b>	<b>25,755</b>	<b>(14,772)</b>	<b>(12,355)</b>	<b>16,184</b>	<b>13,400</b>

### Components of defined benefit cost included in profit or loss

Current service cost (incl. administration costs)	1,934	1,669		16	1,934	1,685
Interest cost / (income)	609	831	(267)	(441)	342	390
	<b>2,543</b>	<b>2,500</b>	<b>(267)</b>	<b>(425)</b>	<b>2,276</b>	<b>2,075</b>

### Components of defined benefit cost included in OCI

#### Remeasurements

Actuarial loss (gain) arising from:

changes to demographic assumptions	(238)	-			(238)	
changes to financial assumptions	(1,317)	4,497			(1,317)	4,497
experience adjustments	(1,626)	(1,588)			(1,626)	(1,588)
Return on plan assets excluding interest income			1,922	(605)	1,922	(605)
	<b>(3,181)</b>	<b>2,909</b>	<b>1,922</b>	<b>(605)</b>	<b>(1,259)</b>	<b>2,304</b>

#### Other

Contributions paid by the employee	200	333	(200)	(333)	—	—
Contributions paid by the employer (incl. taxes)			(1,428)	(1,595)	(1,428)	(1,595)
Benefits paid (incl. taxes)	(1,043)	(541)	910	541	(133)	—
	<b>(843)</b>	<b>(208)</b>	<b>(718)</b>	<b>(1,387)</b>	<b>(1,561)</b>	<b>(1,595)</b>
<b>At December 31</b>	<b>29,475</b>	<b>30,956</b>	<b>(13,835)</b>	<b>(14,772)</b>	<b>15,640</b>	<b>16,184</b>

#### Represented by :

	2015	2014
Defined Benefit Pension Plans	2,351	2,521
Other post-retirement plans	13,289	13,663
<b>Total</b>	<b>15,640</b>	<b>16,184</b>

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

#### Actuarial assumptions at December 31

	Defined Benefit Pension Plans		Other post-retirement plans	
	2015	2014	2015	2014
Discount rate	2.25%	2.00%	2.25%	2.00%
Rate of compensation increase	2.75%	2.85%	—	—
Underlying inflation rate	1.75%	1.75%	1.75%	1.75%
Increase of medical benefits	—	—	4.00%	4.00%
Mortality tables	IA BE	MR/FR-3	IA BE	MR/FR-3

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

<b>Sensitivity analysis</b>			
<i>(in thousands of euro)</i>	<b>Change</b>	<b>Defined Benefit Obligation</b>	
	<b>(-) / (+)</b>	<b>decrease (-)</b>	<b>increase (+)</b>
Discount rate	0.25%	30,777	28,227
Rate of compensation increase	0.25%	28,384	30,607
Increase of medical benefits	0.25%	28,746	30,222
Mortality tables	1 year	28,861	30,101

The sensitivity analysis reflects the impact of a change in one assumption while keeping all other assumptions constant. In practice, this is unlikely to be the case as some assumptions may be correlated.

The weighted average duration of the benefit obligations equals 15 years.

The contributions towards defined benefit plans for the year ended December 31, 2015 are estimated at €1.6 million.

## 5.18 Accrued expenses and other current liabilities

<i>(in thousands of euro)</i>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Customer deposits	21,984	22,797
Compensation and employee benefits	55,302	51,272
VAT and withholding taxes	13,469	25,589
Copyright fees		
Dividend payable to shareholders	989	1,012
Current portion of "Interkabel out of market component" liability		
Accrued programming fees	54,199	44,676
Accrued capital expenditure	28,661	31,213
Accrued other liabilities - invoices to receive regarding:		
Goods received and services performed	37,710	35,538
Professional fees	10,408	15,571
Warehouse items received	3,480	3,814
Interconnect	21,383	20,172
Advertising, marketing and public relations	3,818	7,231
Infrastructure	7,128	9,933
Other	17,596	19,463
Accrued interest on derivatives	516	4,193
Accrued deferred financing costs	7,780	—
Accounts receivable with credit balance	21,460	—
Restructuring provision Norkring	25,750	4,480
Liabilities regarding sports broadcasting rights	17,430	18,812
Liabilities resulting from stock lending	4	9,288
Other current liabilities	1,246	136
<b>Total Accrued expenses and other current liabilities</b>	<b>350,313</b>	<b>325,190</b>

Total accrued expenses and other current liabilities increased by €25.1 million to €350.3 million as of December 31, 2015.

This was mainly due to (i) a €21.3 million increase in restructuring provisions related to the Norkring DTT spectrum license, (ii) accrued deferred financing costs for €7.8 million and (iii) a €4.0 million increase in accrued compensation and employee benefits.

The €21.3 million increase of the current restructuring provision related to the DTT capacity agreement with Norkring was the result of the 2015 amendment to the contract as agreed upon in December 2015 and which resulted in a higher one-off payment due in the year ending December 31, 2016 and lower remaining payments due for the remaining years (note 5.16)

The accrued deferred financing costs (€7.8 million) mainly related to the Original Issue Discount ("OID") incentive fee and the arrangement fee due on the undrawn €800.0 million Term Loan AA under the 2015 Amended Senior Credit Facility as these are not contingent to the closing of the BASE Company acquisition.

The €33.1 million increase as described above was partially offset by a €9.3 million decrease in liability related to the stock lending agreement with Binan Investments B.V. as the Company redeemed its outstanding. The Company's revenue is comprised of the following:

liability under the stock lending agreement by returning the 200,000 shares it borrowed on December 17, 2014 from its main shareholder Binan Investments B.V. to cover its obligations under the existing stock option plans on June 15, 2015.

## 5.19 Revenue

<i>(in thousands of euro)</i>	For the years ended December 31,	
	2015	2014
Subscription revenue		
Video	552,087	542,885
Broadband internet	546,007	509,964
Fixed-line telephony	226,889	211,133
<b>Cable Subscription revenue</b>	<b>1,324,983</b>	<b>1,263,982</b>
Mobile telephony	203,408	181,070
<b>Total Subscription revenue</b>	<b>1,528,391</b>	<b>1,445,052</b>
Business services	118,058	109,382
Other	161,938	152,663
<b>Total Revenue</b>	<b>1,808,387</b>	<b>1,707,097</b>

For the year ended December 31, 2015, the Company generated revenue of €1,808.4 million, representing a 6% increase compared to the year ended December 31, 2014 when the Company produced revenue of €1,707.1 million. All of the revenue growth for the year ended December 31, 2015 was organic and directly driven by (i) solid multiple-play growth with the number of triple-play subscribers at December 31, 2015 up 6% compared to December 31, 2014, (ii) the

benefit from the selective price adjustment on certain fixed services in January 2015, (iii) a €22.4 million higher contribution from the mobile activities, driven by robust mobile postpaid subscriber growth, and (iv) a 8% increase in the business services revenue.

The Company also had deferred revenue as follows:

<i>(in thousands of euro)</i>	December 31, 2015	December 31, 2014
Subscription revenue		
Video	25,752	28,893
Broadband internet	12,657	12,213
Fixed-line telephony	7,870	7,540
<b>Cable Subscription revenue</b>	<b>46,279</b>	<b>48,646</b>
Mobile telephony	6,961	6,382
<b>Total Subscription revenue</b>	<b>53,240</b>	<b>55,028</b>
Business services	10,936	8,701
Other	10,044	11,028
<b>Total Deferred Revenue</b>	<b>74,220</b>	<b>74,757</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



<i>(in thousands of euro)</i>	Note	<b>For the years ended December 31,</b>	
		<b>2015</b>	<b>2014</b>
Employee benefits:			
Wages, salaries, commissions and social security costs		131,845	130,881
Other employee benefit costs		23,923	22,880
		<b>155,768</b>	<b>153,761</b>
Depreciation	5.4	270,798	249,178
Amortization	5.6	72,954	59,978
Amortization of broadcasting rights	5.6	49,008	48,303
Restructuring charges DTT		(13,870)	1,938
Gain on disposal of property and equipment and other intangible assets		(2,362)	(2,049)
Network operating and service costs		569,044	524,523
Advertising, sales and marketing		74,215	67,055
Share-based payments granted to directors and employees		10,370	8,311
Operating charges related to acquisitions or divestitures		9,736	2,135
Other costs		65,702	61,727
<b>Total costs and expenses</b>		<b>1,265,301</b>	<b>1,174,860</b>

For the year ended December 31, 2015, Telenet incurred total operating expenses of €1,265.3 million, representing an increase of 8% compared to the year ended December 31, 2014 when total operating expenses amounted to €1,174.9 million.

Operating expenses for the year ended December 31, 2015 included a €13.8 million favorable impact from the reversal of restructuring charges as a result of a settlement with Norkring België related to the DTT spectrum license and a €7.6 million favorable impact from the resolution of a contingency associated with universal service obligations, partially offset by a €3.9 million settlement with the Belgian telecoms regulator BIPT with regards to the 2G mobile spectrum license. Operating expenses for the year ended December 31, 2014 reflected a €12.5 million favorable impact from the settlement of certain operational contingencies. Excluding these nonrecurring benefits for the year ended

December 31, 2015 and 2014, the underlying increase of total operating expenses would have been slightly higher and was primarily driven by (i) higher network operating and service costs including higher programming costs as a result of Telenet's connected entertainment strategy, (ii) a 10% increase in depreciation and amortization charges, (iii) €7.1 million higher advertising, sales and marketing costs, and (iv) higher direct acquisition costs and other costs primarily linked to the acquisition and pre-integration of BASE Company NV.

The number of full-time equivalents employed by the Company at December 31, 2015 was 2,318 (2014: 2,262).

## 5.21 Finance income / expense

<i>(in thousands of euro)</i>	Note	For the years ended December 31,	
		2015	2014
<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		561	715
Interest income on receivables		93	248
Net foreign exchange gain		2,100	1,423
		<b>2,754</b>	<b>2,386</b>
<b>Net gain on derivative financial instruments</b>			
Change in fair value	5.14	86,762	—
Early termination of derivative financial instruments		(72,973)	—
		<b>13,789</b>	<b>—</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		(217,127)	(208,613)
Net interest expense on derivatives at fair value through profit or loss		(25,481)	(44,169)
Amortization of financing cost		(6,784)	(6,480)
Net foreign exchange loss		—	—
		<b>(249,392)</b>	<b>(259,262)</b>
<b>Net loss on derivative financial instruments</b>			
Early termination of derivative financial instruments		—	(75,548)
Change in fair value		—	8,178
		<b>—</b>	<b>(67,370)</b>
<b>Loss on extinguishment of debt</b>			
		<b>(30,847)</b>	<b>(7,412)</b>
<b>Net finance expenses</b>		<b>(263,696)</b>	<b>(331,658)</b>

For the year ended December 31, 2015, net finance expenses totaled €263.7 million compared to €331.6 million of net finance expenses incurred for the year ended December 31, 2014. Despite a €30.8 million loss on the extinguishment of debt following the prepayment of the €500.0 million Senior Secured Notes due 2020 in August 2015, net finance expenses for the year ended December 31, 2015 decreased 20% compared to the year ended December 31, 2014 as the Company realized a non-cash gain on its derivatives of €13.8 million in the year ended December 31, 2015 whereas the year ended December 31, 2014 showed a loss of €67.4 million in this respect. In addition, Telenet incurred €9.8 million lower net interest expenses for the year ended

December 31, 2015 following the early redemption of the remaining outstanding amounts under certain Term Loans following the April 2014 refinancing and the favorable effects of the partial unwinding of its derivatives portfolio in December 2014. These favorable impacts were partly offset by slightly higher accrued interest expenses as a result of commitment fees incurred on the undrawn financing facilities related to the BASE Company acquisition, which began to accrue in the third quarter of 2015.

## 5.22 Income tax expense

<i>(in thousands of euro)</i>	For the years ended December 31,	
	2015	2014
Current tax expense	115,096	88,358
Deferred tax expense (Note 5.15)	(15,444)	3,400
<b>Income tax expense</b>	<b>99,652</b>	<b>91,758</b>
<b>Effective Tax Rate</b>	<b>36.20%</b>	<b>45.65%</b>

The effective tax rate was 36.20% for the year ended December 31, 2015, which was below the effective tax rate of 45.65% for the year ended December 31, 2014. 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>	<b>For the years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Profit before tax	275,314	201,023
Income tax expense at the Belgian statutory rate of 33.99%	93,579	68,328
Income not taxable	(41,251)	(47,892)
Expenses not deductible for tax purposes (incl. prior year adjustments)	9,861	26,379
Benefit of the investment deduction	(6,464)	(5,557)
Recognition of previously unrecognized tax assets	—	(4,020)
Utilization of previously unrecognized tax losses	—	(1)
Tax losses and temporary differences for which no deferred tax asset was recognized	42,080	54,620
Expiration of tax losses	908	920
Adjustments recognized in the current year in relation to the filings for prior years	3,648	1,360
Impact of different tax rates	(3,993)	(3,833)
Tax on capital gain on shares	—	—
Penalty for insufficient prepayments	1,284	1,453
<b>Tax expense for the year</b>	<b>99,652</b>	<b>91,758</b>

The tax losses and temporary differences for which no deferred tax asset is recognized amounted to €42.1 million for the year ended December 31, 2015 (€54.6 million for the year ended December 31, 2014) 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.

There's no recognition of previously unrecognized tax assets for the year ended December 31, 2015 (€4.0 million for the year ended December 31, 2014) related to positions for which in the past no deferred tax asset was recognized.

Recognition of previously unrecognized tax assets amounting to €4.0 million for the year ended December 31, 2014 related to positions for which in the past no deferred tax asset was recognized as it was not

deemed probable that taxable profit would be available in future years against which the tax losses could be utilized. In the current year, based on the most recent results, it became sufficiently probable that they can be utilized and therefore the previously unrecognized tax assets were recognized.

## 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:

<i>(in thousands of euro, except share and per share data)</i>	<b>For the years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Net profit attributable to the equity holders of the Company	175.639	109.262
Weighted average number of ordinary shares	116,492.339	115,940.077
<b>Weighted average number of shares used in the calculation of basic earnings per share</b>	<b>116,492.339</b>	<b>115,940.077</b>
Basic earnings per share in €	1.51	0.94

### 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, 2015, the Company had four categories of dilutive potential ordinary shares:

- Warrant Plan 2007 septies
- Warrant Plan 2010 primo
- Warrant Plan 2010 bis

- Warrant Plan 2010 ter

For the year ended December 31, 2014, the Company had six categories of dilutive potential ordinary shares:

- Warrant Plan 2007 quater
- Warrant Plan 2007 sexes
- Warrant Plan 2007 septies

- Warrant Plan 2010 primo

- Warrant Plan 2010 bis
- Warrant Plan 2010 ter

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.

	<b>For the years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Weighted average number of shares used in the calculation of basic earnings per share	116,492,339	115,940,077
Adjustment for:		
Warrant Plan 2007 quater Warrants	—	142,333
Warrant Plan 2007 sexes Warrants	—	2,878
Warrant Plan 2007 septies Warrants	19,048	52,503
Warrant Plan 2010 primo Warrants	130,044	330,333
Warrant Plan 2010 bis Warrants	3,704	9,342
Warrant Plan 2010 ter Warrants	44,156	55,456
<b>Weighted average number of shares used in the calculation of diluted earnings per share</b>	<b>116,689,291</b>	<b>116,532,922</b>
Diluted earnings per share in €	1.51	0.94

## 5.24 Acquisition of subsidiary

On April 18, 2015, Telenet entered into a definitive agreement (the "BASE Agreement") to acquire BASE Company NV for a purchase price of €1,324.4 million in order to secure its future as a leading provider of integrated telecommunications services. BASE is the third-largest mobile network operator in Belgium. Through this acquisition, Telenet will become the owner of a mobile network. This will enable Telenet to effectively compete for the growth opportunities in the mobile telecommunications market. In this way, Telenet hopes to meet the growing demand from both private and business customers for the full range of fixed and mobile telecom services. On February 4, 2016, the European Commission announced that it had approved the proposed acquisition of BASE Company NV by Telenet. Following the approval from the European Commission, the acquisition of BASE Company was closed on February 11, 2016.

On November 19, 2015, Telenet confirmed that it had entered into conditional agreements with MEDIALAAN for, among other things, the sale by BASE Company to MEDIALAAN of all JIM Mobile customers and of its 50% stake in VikingCo NV, the entity that operates the Mobile Vikings brand in Belgium. These agreements were concluded in the context of the investigation by the European Commission into the proposed acquisition of BASE Company. As a result of the approval from the European Commission, and the Belgian Competition Authority's recent approval of the transaction with MEDIALAAN, BASE Company's sale of its 50% stake in VikingCo NV to MEDIALAAN was completed on February 11, 2016, subsequent to Telenet's acquisition of BASE Company. In time, BASE will also transfer the JIM Mobile clients to MEDIALAAN, and MEDIALAAN will become a 'full MVNO player' on the BASE network, for both the JIM Mobile and the Mobile Vikings

customers. The transaction creates a platform for MEDIALAAN to become a new, high-performing MVNO player.

### Consideration transferred

The total purchase price of €1,324.4 million was settled on February 11, 2016 by means of a cash consideration paid.

### Acquisition-related costs

The Company incurred acquisition-related costs of €9.2 million on legal fees and due diligence costs. These have been included in 'Selling, general and administrative expenses'.

### Identifiable assets acquired and liabilities assumed

The following table summarizes the provisional assets acquired and liabilities assumed at the acquisition date:

<b>Assets</b>		<i>(in thousands of euro)</i>
<b>Non-current assets:</b>		
Property and equipment		475,281
Goodwill		55,755
Other intangible assets		277,402
Deferred tax assets		66,065
Other assets		32,146
<b>Total non-current assets</b>		<b>906,649</b>
<b>Current assets:</b>		
Inventories		9,571
Trade receivables		61,954
Other current assets		42,786
Cash and cash equivalents		132,824
Assets held for sale		1,304
<b>Total current assets</b>		<b>248,439</b>
<b>Total assets</b>		<b>1,155,088</b>

<b>Equity and Liabilities</b>	
<b>Equity:</b>	
Share capital	484,958
Share premium and other reserves	72,624
Retained loss	265,759
<b>Total equity</b>	<b>823,341</b>
<b>Non-current liabilities:</b>	
Deferred revenue	14,768
Deferred tax liabilities	17,600
Other liabilities	33,801
<b>Total non-current liabilities</b>	<b>66,169</b>
<b>Current liabilities:</b>	
Trade payables	98,978
Accrued expenses and other current liabilities	119,217
Deferred revenue	38,044
Other liabilities	9,339
<b>Total current liabilities</b>	<b>265,578</b>
<b>Total liabilities</b>	<b>331,747</b>
<b>Total Equity and liabilities</b>	<b>1,155,088</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.

### Provisional goodwill

Provisional goodwill arising from the acquisition is as follows:

		<i>(in thousands of euro)</i>
Total consideration transferred		1,321,863
Fair value of identifiable net assets		823,341
<b>Provisional goodwill arising from the acquisition</b>		<b>498,522</b>

## 5.25 Non cash investing and financing transactions

<i>(in thousands of euro)</i>	<b>For the years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Acquisition of property and equipment in exchange for finance lease obligations	31,280	44,845
Acquisition of sports broadcasting rights in exchange for investing obligations	35,906	34,271

## 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 Cour de Cassation (the Belgian Supreme Court), which confirmed the appeal judgment in September 2010. On April 6, 2009, the Court of First Instance of Antwerp ruled in favor of the PICs and Telenet in the civil procedure on the merits, dismissing Proximus's 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 is now also seeking compensation for damages should the 2008 PICs Agreement not be rescinded. 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 (\$1.5 billion).

Telenet is in the process of evaluating the resumed proceedings and claim for damages and intends to defend itself vigorously. 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 only responsible for damages in excess of €20.0 million (\$21.7 million). We do not expect the ultimate resolution of this matter to have a material impact on our results of operations, cash flows or financial position. 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, the members of the CRC (BIPT, VRM, CSA and Medienrat) published their respective draft decisions reflecting the results of their analysis of the broadcasting market in Belgium. At the same time, the BIPT published its draft decision regarding the analysis of the broadband market in Belgium. After a public consultation, the draft decisions were submitted by the CRC to the European Commission.

The European Commission issued a notice on the draft decisions which criticized the analysis of the broadcasting markets on several grounds, including the fact that the CRC failed to analyze upstream wholesale markets. It also expressed doubts as to the necessity and proportionality of the various remedies.

The CRC nevertheless 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 (i) an obligation to make a resale offer at "retail minus" of the cable analog package available to third party operators (including Proximus), (ii) an obligation to grant third-party operators (except Proximus) access to digital television platforms (including the basic digital video package) at "retail minus," and (iii) an obligation to make a resale offer at "retail minus" of broadband internet access available to beneficiaries of the digital television access obligation that wish to offer bundles 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 taxes and copyrights, and further deducting the retail costs avoided by offering the wholesale service (such as, for example, costs for billing, franchise, consumer service, marketing, and sales).

After Telenet submitted draft reference offers in February 2012 to meet the three obligations described above in each of Flanders and Brussels, the CRC made its observations and launched a national consultation process and consulted with the European Commission. Although the European Commission expressed doubts regarding the proportionality of the analog resale obligation on August 8, 2013, the European Commission did not object to the CRC draft decision on the reference offers. On September 9, 2013, the CRC then published the final decisions that it had issued on September 3, 2013. According to the CRC decision, the regulated wholesale services must be available within six months after a third-party operator files a letter of intent and pays an advance payment to each cable operator.

On April 2, 2013, the CRC 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 CRC 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 CRC adopted such retail minus tariffs on December 11, 2013.

On December 27, 2013, wireless operator Mobistar submitted a letter of intent to Telenet to obtain access to three regulated products of Telenet: (i) resale of the analog television offering; (ii) access to the digital television platform; and (iii) resale of the broadband access offering. Mobistar paid the advance payment on January 10, 2014. Telenet implemented the access obligations as described in its reference offers, and complied with its implementation obligation towards Mobistar in due time, i.e. within the period of six months as set forth by the regulator. Since June 23, 2014, access to the Telenet network has become operational and can be applied by Mobistar to offer analog television, digital television and the bundle television plus broadband internet to its clients (but it has not yet done so). On November 14, 2014, Proximus

also submitted a request to start access negotiations. The VRM and BIPT are currently considering the reasonableness of this request.

On December 14, 2015, the Belgium Regulatory Authorities published a draft decision, which amended previously-issued decisions, that sets forth the “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. The draft decision was notified to the European Commission and a final decision was adopted on February 19, 2016.

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 and accepted Proximus’ claim that Proximus should be allowed access to Telenet’s (among other operators) broadband internet and digital television platforms. Telenet has filed an appeal against this decision with the Supreme Court on November 30, 2015. On February 20, 2014, Telenet also filed an appeal with the Brussels Court of Appeal against the decisions regarding the qualitative and the quantitative aspects (*i.e.* tariffs) of the reference offer. Telenet and the CRC have in the meantime agreed to end the proceedings with respect to the qualitative aspects (the case was revoked on May 24, 2015). A decision regarding the quantitative aspects is not expected before the second quarter of 2016.

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 (i) limit the bandwidth available to Telenet to provide new or expanded products and services to the customers served by its network and (ii) adversely impact Telenet’s ability to maintain or increase its revenue and cash flows. The extent of any such adverse impacts ultimately will be dependent on the extent that competitors take advantage of the resale access ultimately afforded to Telenet’s network and other competitive factors or market developments.

#### **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 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. The case is currently pending.

#### **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. 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 not yet issued its judgment in this matter. In the meantime Numéricable has reached a settlement with the collecting societies, and withdrew 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.

#### Legal proceedings regarding the MVNO Arrangement

Telenet and Mobistar are currently in dispute over amounts payable to Mobistar with respect to certain provisions of the MVNO Arrangement. As part of this dispute, Mobistar initiated legal proceedings against Telenet claiming, among other things, that the migration period after termination or expiration of the MVNO Arrangement should be shortened from 24 months to 6 months. Telenet believes it has strong arguments against Mobistar's claims and intends to defend itself vigorously. We cannot currently predict the outcome of these proceedings; however, in the unlikely event that the migration period is shortened, Telenet's mobile business could be adversely impacted. The oral hearing in this matter is currently scheduled for September 23, 2016.

## 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 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 Mediaaan 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 personal video recorder (PVR) functionality. Telenet is required to pay a higher fee for each customer using these functionalities.

#### Other

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.

## 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, 2015 and 2014, the future minimum lease payments under cancelable and non-cancelable operating leases:

<i>(thousands of euro)</i>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Within one year	17.781	20.087
In the second to fifth year, inclusive	20.455	19.922
Thereafter	5.938	2.779
<b>Total minimum lease payments</b>	<b>44.174</b>	<b>42.788</b>
<b>Minimum lease payments recognized as an expense in the year</b>	<b>25.411</b>	<b>24.638</b>

The Company's operating leases as at December 31, 2015 and December 31, 2014 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 2015 and 2014. 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>	December 31, 2015	December 31, 2014
<b>Trade receivables</b>		
Liberty Global Consortium (parent)	2,946	2,650
Associates	399	453
<b>Trade payables and accrued trade liabilities</b>		
Liberty Global Consortium (parent)	20,764	28,057
Associates	472	454
<b>Accrued other liabilities</b>		
Liberty Global Consortium (parent)	—	9,288
Loans and borrowings payable		
Liberty Global Consortium (parent)	12,740	—
<b>Loans and borrowings receivable</b>		
Associates	400	—
<b>Property and equipment</b>		
Liberty Global Consortium (parent)	66,784	31,677

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 December 31	
	2015	2014
<b>Revenue</b>		
Liberty Global Consortium (parent)	2,946	1,313
Associates	925	1,385
<b>Operating expenses</b>		
Liberty Global Consortium (parent)	2,356	2,063
Associates	1,394	1,603

### 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 December 31,	
	2015	2014
Salaries and other short-term employee benefits	7,006	6,949
Post-employment benefits	508	479
Share-based payments (compensation cost recognized)	6,561	4,778
	<b>14,075</b>	<b>12,206</b>

## 5.28 Subsidiaries

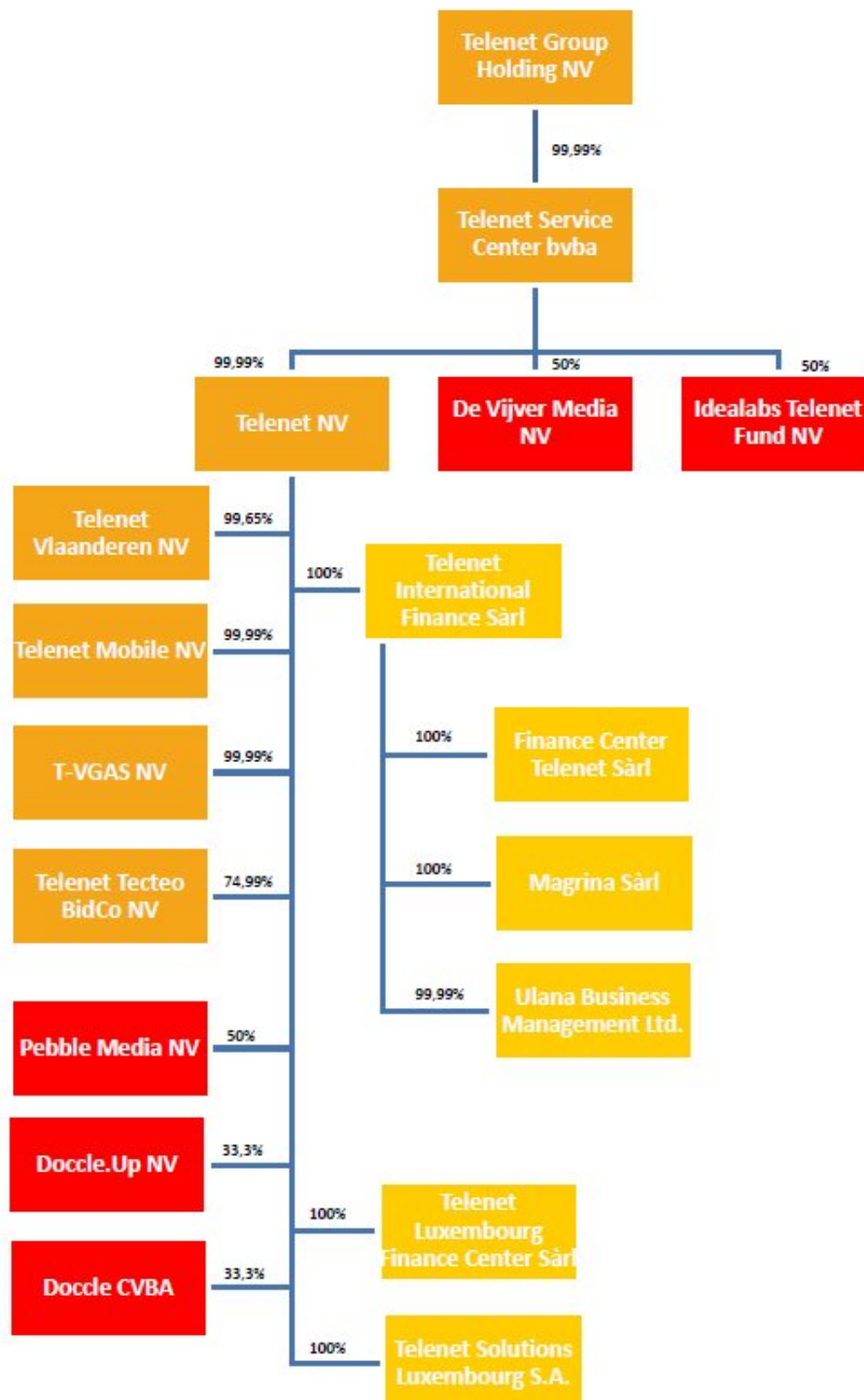
### 5.28.1 Subsidiaries

Details of the Company's subsidiaries as of December 31, 2015 are as follows:

Company	National number/ Trade Register number	Registered office	% Held	Consolidation Method
Telenet Group Holding NV	0477.702.333	Liersesteenweg 4, 2800 Mechelen, Belgium	—	Parent company
Telenet NV	0473.416.418	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet Vlaanderen NV	0458.840.088	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
T-VGAS NV	0808.321.289	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet Mobile NV	0813.219.195	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
TELENET TECTEO BIDCO NV	0835.821.779	Liersesteenweg 4, 2800 Mechelen, Belgium	74.99%	Fully consolidated
Telenet Service Center BVBA	0842.132.719	Liersesteenweg 4, 2800 Mechelen, Belgium	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
Magrina S. à r.l.	B-182.173	40, Avenue Monterey, L-2163 Luxembourg, Luxembourg	100%	Fully consolidated
Ulana Business Management Ltd.	536635	Commercial House, Millbank Business Park, Lucan, Co. Dublin, Ireland (*)	100%	Fully consolidated

\* Registered office was changed to Building P2, Eastpoint Business Park, Clontarf, Dublin 3, Ireland on January 16, 2014.

The group chart as of December 31, 2015 is as follows



## 5.28.2 Other consolidated companies

Company	Trade Register Number	Address	% Held	Consolidation Method
Telenet Finance Luxembourg S.C.A. <sup>(1)</sup>	RCS B.155.894	2, rue Peternelchen, L-2370 Howald, Luxembourg		0% Fully consolidated
Telenet Finance Luxembourg II S.A. <sup>(2)</sup>	RCS B.156.414	2, rue Peternelchen, L-2370 Howald, Luxembourg		0% Fully consolidated
Telenet Finance III Luxembourg S.C.A. <sup>(3)</sup>	RCS B.158.666	2, rue Peternelchen, L-2370 Howald, Luxembourg		0% Fully consolidated
Telenet Finance IV Luxembourg S.C.A. <sup>(4)</sup>	RCS B.161.083	2, rue Peternelchen, L-2370 Howald, Luxembourg		0% Fully consolidated
Telenet Finance V Luxembourg S.C.A. <sup>(5)</sup>	RCS B.164.890	2, rue Peternelchen, L-2370 Howald, Luxembourg		0% Fully consolidated
Telenet Finance VI Luxembourg S.C.A. <sup>(6)</sup>	RCS B.171.030	2, rue Peternelchen, L-2370 Howald, Luxembourg		0% Fully consolidated
Telenet Finance VII Luxembourg S.C.A. <sup>(7)</sup>	RCS B 199.998	2, rue Peternelchen, L-2370 Howald, Luxembourg		0% Fully consolidated
Telenet Finance BVBA <sup>(8)</sup>	0628.452.013	Liersesteeweg 4, 2800 Mechelen, Belgium		0% Fully consolidated

(1) Telenet Finance Luxembourg S.C.A. was incorporated on September 28, 2010 as a structured finance entity ("SE") for the primary purpose of facilitating the offering of a High Yield Bond. This entity was incorporated at the request of the Telenet Group under the laws of the Grand Duchy of Luxembourg and is owned 99.99% by a Dutch charitable trust, called Stichting Telenet Finance Luxembourg and 0.01% by Telenet Finance S.à.r.l., a 100% affiliate of this Stichting. The Indenture relating to the High Yield Bond offering prohibits the Issuer from engaging in any activities other than certain limited activities permitted. The SE set up for the issuance of the High Yield Bond is designed to operate in a predetermined way so that no entity has explicit decision-making authority over the 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 Luxembourg II S.A. was incorporated on October 28, 2010 as a structured finance entity for the primary purpose of facilitating the offering of a Private Placement Bond. This entity was incorporated at the request of the Telenet Group under the laws of the Grand Duchy of Luxembourg and is owned 100.00% by a Dutch charitable trust, called Stichting Telenet Finance Luxembourg II. The Trust Deed relating to the Private Placement offering prohibits the Issuer from engaging in any activities other than certain limited activities permitted. The SE set up for the issuance of the Private Placement Bond is designed to operate in a predetermined way so that no entity has explicit decision-making authority over the 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 Private Placement Bond.

(3) Telenet Finance III Luxembourg S.C.A. was incorporated on January 28, 2011 as a structured finance entity ("SE") for the primary purpose of facilitating the offering of a High Yield Bond. This entity was incorporated at the request of the Telenet Group under the laws of the Grand Duchy of Luxembourg and is owned 99.99% by a Dutch charitable trust, called Stichting Telenet Finance III Luxembourg and 0.01% by Telenet Finance III S.à.r.l., a 100% affiliate of this Stichting. The Indenture relating to the High Yield Bond offering prohibits the Issuer from engaging in any activities other than certain limited activities permitted. The SE set up for the issuance of the High Yield Bond is designed to operate in a predetermined way so that no entity has explicit decision-making authority over the 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.

(4) Telenet Finance IV Luxembourg S.C.A. was incorporated on May 23, 2011 as a structured finance entity ("SE") for the primary purpose of facilitating the offering of a High Yield Bond. This entity was incorporated at the request of the Telenet Group under the laws of the Grand Duchy of Luxembourg and is owned 99.99% by a Dutch charitable trust, called Stichting Telenet Finance IV Luxembourg and 0.01% by Telenet Finance IV S.à.r.l., a 100% affiliate of this Stichting. The Indenture relating to the High Yield Bond offering prohibits the Issuer from engaging in any activities other than certain limited activities permitted. The SE set up for the issuance of the High Yield Bond is designed to operate in a predetermined way so that no entity has explicit decision-making authority over the 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.

(5) 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.

(6) 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).

(7) 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).

(8) 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

### European Commission approved BASE Company NV acquisition

On February 4, 2016, the European Commission announced that it had approved the proposed acquisition of BASE Company NV by Telenet. In April 2015, Telenet announced that it had entered into a definitive agreement to acquire BASE Company from Koninklijke KPN N.V. for an amount of € 1,325.0 million in order to secure its future as a leading provider of integrated telecommunications services. Through this acquisition, Telenet will become the owner of a mobile network. This will enable Telenet to effectively compete for the growth opportunities in the mobile telecommunications market. In this way, Telenet hopes to meet the growing demand from both private and business customers for the full range of fixed and mobile telecom services. Following the approval from the European Commission, the acquisition of BASE Company was closed on February 11, 2016. On November 19, 2015, Telenet confirmed that it had entered into conditional agreements with MEDIALAAN for, among other things, the sale by BASE Company to MEDIALAAN of all JIM Mobile customers and of its 50% stake in VikingCo NV, the entity that operates the Mobile Vikings brand in Belgium. These agreements were concluded in the context of the investigation by the European Commission into the proposed acquisition of BASE Company. As a result of the green light approval from the European Commission, and the Belgian Competition Authority's recent approval of the transaction with MEDIALAAN, BASE Company's sale of its 50% stake in VikingCo NV to MEDIALAAN was completed on February 11, 2016 subsequent to Telenet's acquisition of BASE

Company is finalized. In time, BASE will also transfer the JIM Mobile clients to MEDIALAAN, and MEDIALAAN will become a 'full MVNO player' on the BASE network, for both the JIM Mobile and the Mobile Vikings customers. The transaction creates a platform for MEDIALAAN to become a new, high-performing MVNO player.

## 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 2015, in relation to services provided by KPMG Bedrijfsrevisoren, amounted to EUR 709,400 (2014: EUR 645,800), which was composed of audit services for the annual financial statements of EUR 597,800 (2014: EUR 571,900) and audit related services of EUR 111,600 (2014: EUR 73,900). Audit related services mainly related to services in connection with attestation reports required by Belgian Company Law as well as other ad hoc attestation reports.

Audit and audit related fees for 2015 in relation to services provided by other offices in the KPMG network amounted to EUR 82,500 (2014: EUR 81,500), which was composed of audit services for the annual financial statements.





## Statutory auditor's report to the general meeting of Telenet Group Holding NV as of and for the year ended 31 December 2015

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our report on the consolidated financial statements as of and for the year ended 31 December 2015, as defined below, as well as our report on other legal and regulatory requirements.

### **Report on the consolidated financial statements - unqualified opinion**

We have audited the consolidated financial statements of Telenet Group Holding NV ("the Company") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR'000 3.598.485 and the consolidated statement of profit or loss and other comprehensive income shows a profit for the year of EUR'000 175.662.

### ***Board of directors' responsibility 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 the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Statutory auditor's responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the Company's officials and the board of directors 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 unqualified opinion.

### ***Unqualified opinion***

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and consolidated financial position as at 31 December 2015 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.

### **Report on other legal and regulatory requirements**

The board of directors is responsible for the preparation and the content of the annual report on the consolidated financial statements.

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, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not modify the scope of our opinion on the consolidated financial statements:

- The annual report on the consolidated financial statements includes the information required by law, is consistent, in all material respects, with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 22 March 2016

KPMG Bedrijfsrevisoren  
Statutory Auditor  
represented by

Filip De Bock  
Bedrijfsrevisor



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

This section contains an abridged version of the statutory (non-consolidated) annual accounts and annual report of Telenet Group Holding NV (TGH).

The statutory auditor issued an unqualified opinion on the statutory accounts of Telenet Group Holding NV as of and for the year ended December 31, 2015. 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>	For the years ended December 31,	
	2015	2014
<b>Assets</b>		
<b>Non-current assets:</b>		
Financial assets	6,823,349	6,823,349
<b>Total non-current assets</b>	<b>6,823,349</b>	<b>6,823,349</b>
<b>Current assets:</b>		
Amounts receivable within 1 year	34,746	26,709
Other investments and deposits	39,487	15,276
Cash at bank and in hand	540	839
Deferred charges and accrued income	1	—
<b>Total current assets</b>	<b>74,774</b>	<b>42,824</b>
<b>Total assets</b>	<b>6,898,123</b>	<b>6,866,173</b>

## Equity and Liabilities

### Equity:

Capital	12,752	12,711
Share premium	61,271	55,565
Reserves	106,330	69,291
Profit to be carried forward	4,052,163	4,220,056
<b>Total equity</b>	<b>4,232,516</b>	<b>4,357,623</b>

### Liabilities:

Provisions	19,310	12,315
Amounts payable after more than 1 year	2,400,148	2,276,659
Amounts payable within 1 year	2,915	30,545
Accrued charges and deferred income	243,234	189,031
<b>Total liabilities</b>	<b>2,665,607</b>	<b>2,508,550</b>

### Total Equity and Liabilities

**6,898,123****6,866,173**

## 2. Abridged non-consolidated income statement

<i>(in thousands of euro)</i>	For the years ended December 31,	
	2015	2014
Operating Income	22,188	2,200
Operating expenses	(9,111)	31,235
<b>Operating profit / (loss)</b>	<b>13,077</b>	<b>33,435</b>
Finance income	5	3,185
Finance expenses	(143,936)	(204,688)
Taxes	—	(260)
<b>Profit/(loss) to be appropriated</b>	<b>(130,854)</b>	<b>(168,328)</b>

# 3. Capital

	2015	
	(in thousands of euro)	(number of shares)

## Issued capital

January 1, 2015	12,711	116,908,039
13/04/15 Capital increase exercise of warrants 2010 primo	9	81,847
13/04/15 Capital increase exercise of warrants 2010 ter	—	6,207
13/07/15 Capital increase exercise of warrants 2007	1	8,535
13/07/15 Capital increase exercise of warrants 2010 primo	3	32,246
13/07/15 Capital increase exercise of warrants 2010 ter	—	300
05/10/15 Capital increase exercise of warrants 2007	1	9,394
05/10/15 Capital increase exercise of warrants 2010 primo	21	190,446
05/10/15 Capital increase exercise of warrants 2010 ter	3	29,879
21/12/15 Capital increase exercise of warrants 2010 bis	1	5,962
21/12/15 Capital increase exercise of warrants 2010 ter	1	5,851
<b>December 31, 2015</b>	<b>12,751</b>	<b>117,278,706</b>

## Composition of the capital

Dispreference shares	10	94,843
Golden shares	—	30
Ordinary shares without nominal value	12,741	117,183,833

# 4. Accounting Policies

## 4.1 General

The Accounting Policies have been determined in accordance with the conditions of Chapter II of the Royal Decree of January 30, 2001 on the financial statements of companies.

Every component of the assets is valued individually. Depreciation was calculated on an annual basis up to 2001 and on a monthly

## 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.

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basis from 2002 onwards. As a general rule, each component of the assets is valued at its acquisition cost, and shown in the balance sheet at that amount, minus any depreciation or write-downs. The amounts receivable are also shown, in principle, at their nominal value.

### 4.2.4 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

The investments amounted to €6,823.3 million (2014: €6,823.3 million) and consisted of:

<i>(in euro)</i>	For the years ended December 31,	
	2015	2014
<b>Investees</b>		
Telenet Vlaanderen NV	249,438	249,438
Telenet Service Center BVBA	6,823,061,412	6,823,061,412
Telenet Mobile NV	38,062	38,062
T-VGAS NV	11	11
Telenet Tecteo Bidco NV		
<b>Investees</b>	<b>6,823,348,923</b>	<b>6,823,348,923</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 €19.3 million (2014: €12.3 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 NV, the entity in which the beneficiaries are employed and all personnel expenses are incurred. The outstanding receivable at year-end 2015 amounted to €31.4 million (2014: €24.3 million). Together with other recharged expenses to Telenet NV of €3.2 million (2014: €2.2 million), this resulted in a total outstanding receivable on Telenet NV as per December 31, 2015 amounting to €34.6 million (2014: €26.5 million).

Other short term receivables at year-end 2015 amounted to €0.2 million and consisted mainly of withholding taxes (2014: €0.2 million).

### 5.1.3 Other investments, deposits and cash

The investments as reported at year-end 2015 for an amount of €39.5 million consisted mainly of own shares. The 2014 amount of €15.3 million consisted primarily of term accounts/deposits realizable within one year. Composition of these investments can be summarized as follows:

<i>(in euro)</i>	For the years ended December 31,	
	2015	2014
<b>Other investments and deposits</b>		
Own shares	38,487	1,448
Short term deposits	1,000	13,828
<b>Other investments and deposits</b>	<b>39,487</b>	<b>15,276</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 2015, the Company delivered 57,800 own shares in exchange for stock options exercised (2014: 1,283,974 shares).

### 5.1.4 Capital

The changes in capital during 2015 can be summarized as follows:

<i>(in euro)</i>	
13/04/15 Capital increase exercise of warrants 2010 primo	8,897
13/04/15 Capital increase exercise of warrants 2010 ter	675
13/07/15 Capital increase exercise of warrants 2007	928
13/07/15 Capital increase exercise of warrants 2010 primo	3,505
13/07/15 Capital increase exercise of warrants 2010 ter	33
05/10/15 Capital increase exercise of warrants 2007	3,249
05/10/15 Capital increase exercise of warrants 2010 primo	20,707
05/10/15 Capital increase exercise of warrants 2010 ter	1,021
21/12/15 Capital increase exercise of warrants 2010 bis	648
21/12/15 Capital increase exercise of warrants 2010 ter	636
	<b>40,299</b>

### 5.1.5 Share premium

Upon the exercise in 2015 of warrants, an amount of €5.7 million was accounted for as share premium (2014: €22.9 million).

### 5.1.6 Reserves

Total reserves at year-end 2015 amounted to €106.3 million (2014: €69.3 million):

<i>(in euro)</i>	December 31, 2015	December 31, 2014
<b>Reserves</b>		
Legal reserve	64,798	64,798
Reserves unavailable for distribution		
- for own shares	38,487	1,448
- other		
Untaxed reserves	3,044	3,044
<b>Reserves</b>	<b>106,330</b>	<b>69,291</b>

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.

provision amounting to €19.3 million (2014: €12.3 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 amounted to €2,400.1 million at year-end 2015 (2014: 2,276.7 million) and consisted of:

### 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

<i>(in euro)</i>	For the years ended December 31,	
	2015	2014
<b>Amounts payable after more than one year</b>		
Telenet International Finance S.à r.l.	1,580,052	1,456,563
Finance Center Telenet S.à r.l.	820,096	820,096
<b>Amounts payable after more than one year</b>	<b>2,400,148</b>	<b>2,276,659</b>

### 5.1.9 Amounts payable within one year

Amounts payable within one year amounted to €2.9 million compared to €30.5 million at year-end 2014 and can be detailed as follows:

<i>(in euro)</i>	For the years ended December 31,	
	2015	2014
<b>Amounts payable within one year</b>		
Trade debts	625	9,442
Taxes, remuneration and social security	1,301	20,091
Other amounts payable	989	1,012
<b>Amounts payable within one year</b>	<b>2,915</b>	<b>30,545</b>

Trade debt amounted to €0.6 million (compared to €9.4 million as of December 31, 2014) and consist almost entirely of invoices to receive.

The taxes, remuneration and social security outstanding as of December 31, 2015 amounted to €1.3 million (2014: €20.1 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 €0.8 million (2014: €0.9 million).

The taxes, remuneration and social security outstanding as of December 31, 2014 consisted primarily of the 0.412% tax on the capital gain on the Telenet NV shares realized by the Company in 2013 which was paid in 2015.

The other amounts payable for an amount of €1.0 million (2014: €1.0 million) consisted of past dividends and capital reductions payable, but which were as of December 31, 2015 not yet claimed.

<i>(in euro)</i>	For the years ended December 31,	
	2015	2014
<b>Accrued charges and deferred income</b>		
- Telenet International Finance S.à r.l.	168,692	158,240
- Finance Center Telenet S.à r.l.	74,543	30,791
<b>Accrued charges and deferred income</b>	<b>243,234</b>	<b>189,031</b>

The accrued charges consisted integrally of the monthly interest accruals accounted for during the year on the long-term debt to Telenet International Finance S.à r.l. amounting to €168.7 million (2014: €158.2 million) and Finance Center Telenet S.à r.l. amounting to €74.5 million (2014: €30.8 million).

## 5.2 Comments on the income statement

### 5.1.10 Accrued charges and deferred income

Accrued charges and deferred income within one year amounted to €243.2 million (2014: €189.0 million) and can be detailed as follows:

The income statement showed a loss of €130,853,622.08 for the financial year ended December 31, 2015 (versus a loss of €168,328,273.93 in 2014). Net operating profit for the year amounted to €13,077,369.13 (compared to a profit of €33,434,398.30 in 2014).

Finance expense amounted to €143.9 million for the year ended December 31, 2015 compared to €204.7 million prior year and consists of:

<i>(in euro)</i>	For the years ended December 31,	
	2015	2014
<b>Finance expense</b>		
Interest charges		
- Bank	16	3
- Telenet International Finance S.à r.l.	97,941	99,720
- Finance Center Telenet S.à r.l.	43,752	63,001
Sale of treasury shares	2,076	35,705
Amortization of financing cost	54	6,229
Other finance expense	96	30
<b>Finance expense</b>	<b>143,936</b>	<b>204,688</b>

The Company proposes to the general shareholders' meeting to:

- bring forward the profit brought forward at the prior year-end amounting to €4,220,056,150.75, resulting in a profit available for appropriation amounting to €4,089,202,528.67 at December 31, 2015;
- allocate an amount of €37,039,308.63 to the reserves unavailable for distribution for own shares

As a result, the profit to be carried forward amounted to €4,052,163,220.04 as of December 31, 2015.

## 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, 2015, the Company carried a total debt balance (including accrued interest) of €3,793.9 million, of which €1,365.0 million principal amount is owed under the 2015 Amended Senior Credit Facility (consisting of the Term Loans W and Y issued in April 2014) and €1,983.0 million principal amount is related to the remaining four Notes. The Company's total debt balance at December 31, 2015 also included €31,079.0 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 27, 2016 to grant discharge to the directors and the statutory auditors of their responsibilities assumed in the financial year 2015.

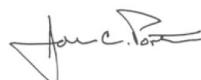
## 5.12 Information required pursuant to article 34 of the Belgian Royal Decree of November 14, 2007 and the law of April 6, 2010

We refer to the consolidated annual report of the board of directors.

This report shall be deposited in accordance with the relevant legal provisions and is available at the registered office of the Company.

Mechelen, **xxx**

On behalf of the board of directors



John Porter  
Chief Executive Officer



Bert De Graeve  
Chairman



Notes

Lined area for notes, consisting of 30 horizontal lines.







**Corporate Communications**

T. 015 33 30 00 - [www.telenet.be](http://www.telenet.be)

**Responsible editor**

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