Consolidated Annual Report 08

A word from the Chairman and Chief Executive Officer

Dear Shareholder,

Telenet has many reasons to look back on 2008 with satisfaction. We delivered on our ambitious goals and also strengthened the company to better face many challenges ahead. Although Telenet has not yet been impacted by the economic crisis, the company has reviewed its operations and can react if necessary. The board and management of Telenet believe that the financial performance has been very satisfactory.

Demand for all of our products and services remained very robust. In the second half of the year, we saw a clear acceleration in the number of customers ordering triple-play products. Our 'Shakes', launched in 2008, are another example in the company history of how to translate technology into simple, compelling propositions to consumers.

The successful closure of the Interkabel transaction has finally given Telenet a footprint allowing it to effectively meet the competition on a more equal basis. The almost immediate surge in consumer demand in the Interkabel areas underlined the added value that Telenet can bring to the market. In the professional market we have been able to broaden our customer base and increase the services we offer.

We lived up to our reputation for total commitment to innovation. This focus has been supported by another year of substantial investments in our network, products and new customers. Expanded partnerships with local broadcasters, international media companies and technology providers have also contributed to our positive results.

During 2008 the company engaged in a large number of corporate social projects, either directly or through our Telenet Foundation. This year we aim to issue our first CO_2 footprint assessment along with plans for reducing our emissions.

A mix of sustained experience and new ideas is the best foundation for the future. To that end we have strengthened our company by recruiting fresh talent at multiple levels in the organization. Throughout 2008 Telenet employees worked hard daily, and often into the evening, to deliver the best of themselves and our services. Due to these efforts customer loyalty once again increased. We thank our people, as well as the many employees of our partners, for giving their best to customers and our company.

We do not take anything for granted, not even the business of our most loyal customers. Telenet would not be able to keep growing and innovating without the implicit support of its customers – consumers, companies and public institutions alike.
We thank them for their trust and business and will continue to fulfill their needs every day of the year.

Yours sincerely,

Duco Sickinghe
Chief Executive Officer

Frank Donck
Chairman

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Keeping ahead of the market

Telenet's leading position in the market has not come about by chance. Since it was founded twelve years ago Telenet has kept its challenger's spirit, continuing to differentiate itself as a first-class, innovative video, voice and data services provider. Through sustained investment in its network and in new technologies, and by constantly exceeding customers' expectations, Telenet has remained on a successful path.

In 2008:

- Largest customer growth ever
- Almost 50% of customers subscribed to two or more services
- Over 100,000 new broadband Internet customers
- 70% of fixed telephony lines lost by competitors were acquired by Telenet
- Digital TV penetration reached almost 35% on Telenet network
- Telenet Solutions grew by 16%

Triple play

Telenet's strategic focus has always been on television, Internet and telephony. In 2008 the company delivered outstanding results in all three areas via organic growth.

In 2008 Telenet achieved the highest customer growth ever (with the exception of analogue TV customers), demonstrating the outstanding success of multi-service packages targeted at different market segments. Telenet's triple-play offering accelerated rapidly with the introduction of "Shakes" in 2008. More than 225,000 Shake subscriptions were sold, increasing the number of triple-play customers by 21%. Almost half of Telenet's customer base now subscribes to two or more services and all new customers order more than two. Overall, the average revenue per user (ARPU) rose by €4.00 in Telenet's original footprint area.

Interkabel

Since its foundation, Telenet has been in a partnership with Interkabel, selling broadband and fixed telephony services over the Interkabel networks. In October 2008 Telenet acquired Interkabel's cable network assets and customer base (almost 680,000 analogue and about 70,000 digital customers). This has allowed Telenet to compete more effectively in the triple-play services market across Flanders.

Customers first!

The year 2008 saw a focus on new ways to enhance customer satisfaction. While Telenet already enjoys great loyalty from its customers, any drop in appreciation of the company's products and services could have a significant impact over time. The company therefore adjusted its bonus compensation system, making awards largely dependent on customer satisfaction. To date the new system has been applied to more than 100 managers.

Financial results

Telenet met its guidance for the year. Company revenues grew by 9% and operating profit increased by 16% to €239 million. With a net free cash flow of €124 million, expectations were met. For the near future the focus will continue to remain on free cash flow. Decreasing interest rate levels will enable the company to preserve even more cash.

Telenet continued to make substantial investments amounting to €246 million. Much of this was devoted to installing and facilitating new customers on the network. Significant investment also went into research and testing projects, enabling Telenet to launch at least one innovation per month throughout the year. Such investments, sometimes small-scale, are ensuring that Telenet continues to excite its customers. For example, instead of big-bang fiber projects, the company is gradually splitting key network nodes. Over time this will reduce the number of households-per-node from 1,400 to 500 and thus substantially increase network performance.

Current market environment

To date Telenet has experienced no impact on its business from the current uncertain economic conditions. Key performance indicators – including churn, order cancellations, reminders and ageing of receivables – are stable. At the current churn rate customers will remain with the company for more than 12 years, which should produce stable cash flows in the future.

Debt/EBITDA multiple covenants are well above current levels and provide significant headroom. Indeed, in 2008 as before, Telenet showed a notable capacity to de-lever quickly. This is expected to continue in the near future (unless acquisitions or other strategic projects arise).

The first debt tranche must be repaid in 2012. Telenet could refinance some of its repayments provided the new loans become due after 2015. However, even if the credit market conditions do not improve, Telenet expects to be able to repay all of its debt, including the 2015 tranche.

Broadband Internet

As in previous years, 2008 saw the addition of more than 100,000 new subscribers to Telenet's broadband service. During the year Internet speed was increased to meet customer needs. This, combined with superior service, allowed Telenet to further strengthen its leadership position in the market. Telenet continues to focus on anti-spam and anti-virus services for a safer Internet experience. The company also participated in a European-wide "safer Internet" initiative by Liberty Global, which gives parents better information on how to monitor Internet usage by minors.

Telenet will launch next-generation Internet services using ever-faster technologies, such as EuroDOCSIS 3.0, and will invest in more fiber connections throughout the network. Its stimulating on-line activities attracted more than 4.6 million unique visitors per month in 2008.

Mobile data services will be introduced more broadly in 2009, providing a complementary product offering for fixed-Internet customers.

Telephony

Over the past few quarters the number of fixed telephony lines in Belgium has remained stable. Yet during this period Telenet increased its market share to about 30% by acquiring approximately 70% of lines lost by competitors. This was achieved by offering competitive tariff plans, including FreePhone Europe.

In Telenet's experience, young families and senior citizens prefer fixed telephony services. In addition, service quality and tariffs lower than those of mobile telephony have proved popular in a time of economic uncertainty.

Sales in mobile telephony were modest, but nevertheless encouraging. The sheer volume of Telenet's fixed-line business and the partial use of its distribution channels prevented the company from achieving its full potential. The renewal of the partnership with Mobistar will, however, provide additional flexibility in terms of pricing and product development and should lead to improved results toward the end of 2009.

Television

Telenet lost about 3% of its analogue TV customer base. However, more than 80% of customers migrating from analogue to digital TV opted for Telenet's services. In just three-and-a-half years, Telenet has achieved digital penetration of almost 35% – one of the fastest adoption rates of any recent network technology. The company's rental model has contributed significantly to this trend by reducing the barrier to move to advanced digital services.

Video on demand (VOD) proved highly successful both for movies and local content made available by Telenet's local broadcast partners. In addition, high definition television (HDTV) is offering impressively crisp images to a rapidly growing number of customers.

Telenet's Interactive Digital TV (IDTV) platform has been successful mainly because the company supported and invested in a large number of broadcasters and media production companies, helping them develop platform applications. This spirit of partnership and openness stimulates creativity and is enabling easy access for customers.

Professional communication services

Telenet Solutions realized a revenue growth of 16% and a solid increase in customer numbers. This achievement was due to innovation and a strong focus on meeting the expectations of businesses clearly looking for state-of-the-art voice and data services. Customers were impressed with Telenet Solutions' advanced product mix, leading to high satisfaction and loyalty.

Telenet is confident that new technologies will allow further inroads into this market. These include SIP (Session Initiation Protocol) trunking, for transporting voice traffic over the Internet at attractive prices, and EuroDOCSIS 3.0, the new coax standard for super-fast Internet with guaranteed service levels.

Growth prospects

Cross-selling and up-selling to the current customer base is key for Telenet's strong ARPU growth. In 2008, half of the customer base subscribed to two or more Telenet services. This trend should continue, allowing Telenet to grow without necessarily expanding geographically. The great success of the Shakes offering confirms this potential.

Telenet also firmly believes that there is still growth potential in each of its markets. Internet currently has a penetration of 68% in Belgium. Based on statistics from other countries this could reach 90%. Penetration of fixed telephony on homes passed, currently at low 20's%, will go up to high 20's% in the next 5 years. There is an annual IDTV adoption of 10%, as each year 10% of Telenet's customer base switches to IDTV.

Once a challenger, always a challenger

Throughout its twelve-year history Telenet has always challenged the market, differentiating itself through attractive prices, superior technology, innovation and high service levels. The company also constantly challenges itself to maintain its innovating role. The values of a challenger are firmly embedded in Telenet's culture; a number of internal checks and balances ensure the company lives up to this ideal.

These values stand behind the Telenet brand, one that is nurtured every day by the corporate culture. Daily effort of the Telenet team is part of an ongoing commitment to continually improve the Telenet brand and everything it stands for.

Our CO_2 footprint

In 2008 Telenet undertook a study of its carbon footprint and found that the majority of energy usage is related to set-top box power consumption. The company is working closely with its suppliers to reduce the power consumption of its digital devices. Amplifiers in the network also use a significant amount of energy. The ongoing network node-splitting project will increase fiber penetration and reduce the company's reliance on amplifiers.

All departments within Telenet have devised "green plans" for 2009. The company's progress on reducing CO_2 output will be published regularly.

Consolidated annual report of the board of directors for 2008 to the shareholders of Telenet Group Holding NV

The Board of Directors of Telenet Group Holding NV has the pleasure to submit to you the consolidated annual report of the fiscal year ending December 31, 2008, in accordance with Article 119 of the Belgian Company Code.

In this report the Board of Directors also reports on all relevant corporate governance events that took place during the year 2008 concerning the share capital, the shareholders, the Board of Directors and the management of Telenet Group Holding NV (the "Company") in accordance with the 2004 Belgian Corporate Governance Code.

1 Information on the Company

Telenet is a leading provider of media and communication services in Belgium. Through our broadband network in Flanders and parts of Brussels, we offer our primary products which comprise basic and premium cable television in analog and digital formats, broadband internet and telephony services, primarily to residential subscribers.

1.1 ANALOG TELEVISION

Basic cable television is the principal medium for the provision of television services in Flanders. Almost all Belgian television households are passed by the bi-directional HFC cable network. The high penetration of our basic cable television business has resulted in a steady source of revenue and cash flow.

Subscribers to both basic analog and digital television services reached a total of 2,402,500 at the end of December 2008, compared to 1,705,000 at the end of December 2007. Our subscriber base at year end 2008 included 1,645,500 subscribers on the Telenet Network and 757,000 subscribers on the Telenet PICs Network (the former Partner Network). Our total basic television subscribers comprise 1,729,000 subscribers receiving an analog television service and 673,500 digital television subscribers to either the Telenet Digital TV or the acquired INDI digital service platform.

We experienced a net organic decrease in our basic cable TV subscriber base of 45,000 subscribers during 2008, including the Telenet PICs Network. On the Telenet Network alone, our basic television subscriber base declined by approximately 3% during the year. However, net subscriber loss on the Telenet Network was stable compared to 2007 and within our expectations, despite increased competition from other digital television and satellite providers.

1.2 DIGITAL & PREMIUM TELEVISION

Following the launch of our interactive digital television ("iDTV") service in 2005, customers now receive a wider range of basic digital channels, together with certain interactive features, in addition to a range of basic analog channels. Therefore, iDTV customers have the choice between several set top box types available for purchase or rent. Following the launch of High Definition (HD) on our iDTV platform in 2007, our customers have access to additional HD channels and HD premium content. Our current digital cable television service includes a combination of premium sports and film channels, a wide range of thematic channels, and a variety of on-demand and other interactive features. Customers require a digital set top box to access these offerings. Our premium content is acquired through various studio contracts, including Universal Studios, MGM, Twentieth Century Fox, Paramount, Sony, Disney and Warner Brothers. These contracts generally require us to make payments on the basis of a minimum number of subscribers, with adjustments made on a sliding scale once minimum subscriber levels are satisfied.

As of December 31, 2008, we reported a total of 674,000 subscribers to our digital television services, including 609,000 subscribers to the Telenet Digital TV product and 65,000 subscribers to the INDI digital TV service that we acquired from the PICs (Pure Intercommunales) as of October 1, 2008. On an organic basis, we achieved 218,000 net subscriber additions to our digital TV product during 2008, of which 90,000 were acquired in the fourth quarter of 2008, our highest net digital TV additions for any quarter so far. With the benefit of this strong year end result, we increased our digital TV subscriber base during 2008 by a remarkable 56% on an organic basis compared to the end of the prior year.

The strong progress in our subscriber additions was particularly driven by the combination of the successful launch of our Telenet Digital TV platform in the Telenet PICs Network in October 2008 and by the accelerated uptake on the Telenet Network. Within our record net digital subscriber additions of 90,000 in our final quarter, the vast majority of new subscribers rented the high-end HD set top box with recording capability.

Out of the total television subscribers on the Combined Network (combining the Telenet Network and the Telenet PICs Network) at the end of 2008, 28% watched digital TV through either a Telenet Digital TV or INDI set top box. On the Telenet Network, more than one out of three, or 34%, of our television customers now have Telenet Digital TV.

In addition to the above digital TV platforms, we still have 17,000 subscribers to premium analog PayTV content received through an alternative platform which is only available on the Telenet PICs Network. Over time, we expect these subscribers to migrate to the Telenet Digital TV platform.

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

In order to access our premium iDTV offerings, we offer digital set top boxes in a sale or a rental model. We offer a choice of "Digibox" and "Digicorder" set top boxes with alternative specifications and functionality, such as the ability to record and playback digital content viewed on our service and to allow for High Definition broadcasting. These set top boxes act as an interface between the subscriber and the Telenet Network, and operate on the Multimedia Home Platform ("MHP") standard, an open standard platform that provides us with the flexibility to integrate applications from a variety of sources. There currently is no dominant standard used for digital set top box operating platforms, but the MHP standard has been adopted by CableLabs Inc. under the OCAP or Tru2way standard.

1.3 BROADBAND INTERNET

We are the leading provider of residential broadband internet services in Flanders with an estimated market share of 33% in Belgium. Through our hybrid fiber coaxial upgraded network, we offer our residential subscribers a broadband internet service at a downstream data transfer speed of up to 25 MBps. We believe that our combination of service quality, tiered products offering a range of speeds and brand recognition of our internet offering has enabled us to achieve rapid growth. We also offer narrowband and wireless internet services. Using internet-only cable modems and dual purpose internet and telephony modems to connect subscribers to the Combined Network, our current residential offerings include multiple tiers, which range from Telenet "BasicNet", which allows end users to receive data from the internet at a "downstream" data transfer speed of up to 1 MBps, to "TurboNet XL", which offers end users a downstream speed of up to 25 MBps. Our ability to continue to grow this market, however, will depend in part on increases in the number of households with a personal computer in Flanders. Moreover, we believe that the uptake of notebooks, smartphones, gaming consoles and other IP-enabled equipment will further drive broadband growth in Flanders.

It remains our goal to constantly upgrade the product specifications of our broadband products to underline our speed leadership and the reliability of cable versus competitive offers. During 2008 we increased both the downstream and upstream capacity of all our broadband tiers and created new variations of our broadband products available in our Shakes, yielding a higher downstream capacity than the stand-alone products. The majority of our broadband customer base subscribes to a broadband product that offers a download speed between 12 MBps and 25 MBps, representing 78% of our subscribers at the end of 2008 versus 82% the year before. However, as a result of the rising broadband penetration and the various internet product improvements in our new bundled offerings, we have observed a shift in the proportion of our new customers opting for a lower-tier broadband product, but at the same time we enjoyed a higher customer ARPU through their subscription to a triple play bundle. These trends had a limited impact on our broadband internet revenue and were fully in line with our expectations as indicated previously.

As of December 31, 2008, our total broadband internet subscribers reached 985,000, an increase of 102,000 or 12% compared to a year earlier, yielding a penetration ratio in the Combined Network of 36% of homes passed. This growth represented a similar quantity of net additions compared to last year, despite our steadily increasing broadband penetration, intensified competition and a deteriorating economic climate. We believe that these strong results reflect a positive response to our newly introduced Shakes bundles and to the continuous product specification improvements that we implemented during the second half of 2008. In 2008, churn[1] in this service was 8.3%, a slight improvement to the 8.5% recorded in 2007.

1.4 TELEPHONY

We offer our residential subscribers local, national and international long distance fixed line telephony services, mobile telephony services and a variety of value added features. In Flanders, we believe that we are currently the largest competitor to Belgacom, the Belgian incumbent, due in part to our emphasis on customer service and innovative tariff plans.

We ended 2008 with 629,000 fixed telephony subscribers. Compared to the prior year, our fixed telephony subscriber base grew by 81,000 or 15%, reaching a penetration rate of almost 23% of homes passed in the Combined Network. Churn in 2008 was 8.2%, slightly up from 7.7% in 2007 but demonstrating an improving trend by the end of 2008.

Our "Telenet FreePhone" rate plan was launched in December 2004, providing subscribers unlimited national calls to fixed lines during off-peak hours. Driven by the introduction of our new bundled offerings and our new FreePhone Europe flat fee rate plan, we experienced an increase in fixed telephony subscriber additions towards the end of 2008. FreePhone Europe is now the third rate plan we have introduced within the FreePhone flat fee tariff plans. When originally introduced, our FreePhone plans revived the fixed telephony market in Flanders, and this latest innovation continues along the same path. We believe that the reliability and competitive pricing of this voice connection, particularly as part of a bundle, will remain a cornerstone of our future growth.

1 Churn is calculated as total product disconnects during a quarter (or for the full year, as appropriate), divided by the average subscriber base at the beginning of the quarter (or year) and at the end of the quarter (or year), multiplied in the case of the quarterly churn calculation by four to achieve the annualized result.

The majority of our telephony subscribers use VoIP technology which utilizes the open standards EuroDOCSIS protocol, and through which we are able to provide both internet and telephony services.

Our mobile telephony offer was launched in August 2006 under the Telenet Mobile brand name. Since we do not have our own mobile telecommunications network, this service was established through an MVNO partnership with Mobistar, the second largest mobile operator in Belgium, providing all network services. Customers already subscribing to our fixed line telephony or broadband internet service can subscribe to our mobile telephony service without any additional fixed monthly charge.

Our mobile telephony service gained a net 31,000 subscribers during 2008 to reach a total of 87,000 mobile subscribers by December 31, 2008. These mobile services were primarily sold to existing customers as part of a bundle and hence this growth continues to be achieved without incurring any incremental marketing cost. In February 2009, we extended our existing partnership with Mobistar to a full MVNO agreement, enabling us to develop convergent voice and data offers.

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 a receiver served by another telephony network, the subscriber's network service provider must interconnect to the network serving the receiver. Typically, the network serving the receiver charges the subscriber's service provider a fee to terminate the communication, which is based on a call set-up charge and on the length of the telephone call. Interconnection costs and revenue have a significant impact on our financial results, and we have focused heavily on managing this cost.

Our interconnection practices are subject to comprehensive regulation by the Belgian Institute for Post and Telecommunications. Following the adoption of the new regulatory framework in Belgian law, the BIPT decided in August 2006 to implement a three year gliding path to near reciprocity starting on January 1, 2007. From January 1, 2009 Telenet can only charge to Belgacom the Belgacom termination charge to Telenet plus 15%.

1.5 BUSINESS SERVICES

Telenet Solutions offers a range of voice, data and internet products and services that are tailored to the size and needs of each customer. We provide services to business customers throughout Belgium and parts of Luxembourg. Our business customers include small and medium size enterprises with between five and 100 employees; larger corporations; public, healthcare and educational institutions; and carrier customers that include international voice, data and internet service providers.

Our business service division continued to deliver double-digit top line growth during 2008 through its segmented approach in offering coaxial and fiber based products for voice, data and internet services. Revenue in 2008 reached €102.2 million, up 17% on the prior year. Approximately 65% of this increase was attributable to the sales momentum we achieved throughout 2008 in the carrier and data segment, where particularly our IP-VPN and coax-based product portfolio continued to gain traction. The remainder of this growth was attributable to the acquisition of Hostbasket in the beginning of 2008, through which we provide complementary hosting services in the business market. We believe that the impact of the current economic conditions on our business service divisions was limited, but for the foreseeable future, we remain prudent and do not underestimate the highly competitive and price sensitive environment in which our business-to-business division is operating.

1.6 NETWORK

The Combined Network passes approximately 2.8 million homes and businesses in Flanders, to which we are able to offer analog and digital cable television, broadband and narrowband internet and telephony services.

Following the October 2008 Interkabel agreement, Telenet acquired from the PICs certain cable television assets, including (i) substantially all of the rights that Telenet did not already hold to use the broadband communications network owned by the PICs (the Telenet PICs Network) and (ii) the analog and digital television activities of the PICs, including the entire subscriber base (together with the acquisition of the rights to use the Telenet PICs Network, the Interkabel Acquisition). Previously, in 1996, Telenet acquired the exclusive right to provide point-to-point services, including broadband internet and telephony services, and the right to use a portion of the capacity of the Telenet PICs Network.

The Combined Network includes our high performance optical fiber backbone network which we constructed and which extends over 12,700 kilometers across Flanders and parts of Brussels. Through the Telenet Solutions acquisition, we acquired additional network assets that provide high capacity data transport across Belgium and parts of Luxembourg, where we own the electronic components and currently lease the fiber, the assets of which are also part of the Telenet Network. Through the acquisition of UPC Belgium, we acquired additional network assets that provide access to approximately 187,000 homes in the Brussels and Leuven areas.

Our fiber backbone currently runs several protocols. However, we expect over time that Internet Protocol ("IP") will carry an increasing proportion of our communications traffic. Additional IP-based services may also be supported by our systems in the future. We are able to use multi protocol label switching ("MPLS") to route our IP traffic, which enables us 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.

The fiber backbone of the Combined Network connects to the coaxial local loops of the Combined Network, which extend over 67,000 kilometers throughout Flanders and parts of Brussels. The portion of the network starting at the head end and terminating at the end user is referred to as the HFC access network or the "local loop." Residential customers connect to the Combined Network through a coaxial connection from one of our nodes. Our coaxial network operates at a minimum capacity of 450 MHz. We are in the process of gradually upgrading our network to a minimum capacity of 600 MHz.

Amplifiers are used in the coaxial network to amplify both downstream and return path signals on the local loop. On average, approximately 1,400 homes are served by each of the approximately 2,399 nodes in the Combined Network. These nodes generally offer the homes they serve a total capacity of 2 GBps. Network quality usually deteriorates as customer penetration rates on any particular node increase. When required, the scalability of our network enables us to address this problem, within limits, through node "splits" in which we install additional equipment at the node so that the same 2 GBps capacity serves approximately 550 homes per node or less.

Basic analog services can be delivered directly through a wall socket. Other services require a network interface unit, or "NIU". The NIU separates the incoming signal according to service and enables return path communications without causing interference.

2 Discussion of the consolidated financial statements

2.1 CONSOLIDATED INCOME STATEMENT

	For the years ended December 31,	
	2008	2007
	(in millions of euro, EU GAAP, except per share data)	
Revenue	1,018.8	931.9
Cost of services provided	(589.3)	(553.5)
Gross profit	**429.6**	**378.4**
Selling, general and administrative costs	(190.8)	(173.1)
Operating profit	**238.7**	**205.3**
Net finance expenses	(191.3)	(211.7)
Share of the loss of equity accounted investees	(0.4)	(0.3)
Profit (loss) before income tax	**47.1**	**(6.7)**
Income tax benefit (expense)	(62.3)	27.4
Profit (loss) for the year	**(15.2)**	**20.7**
Basic earnings (loss) per share in euro	(0.14)	0.20
Diluted earnings (loss) per share in euro	**(0.14)**	**0.19**

Our revenue for 2008 increased by 9.3%, reaching €1,018.8 million, compared to €931.9 million in the prior year. This progress was partially attributable to the growth in residential broadband internet, fixed telephony and digital TV subscribers, as well as from a solid contribution by our business services. In addition, we consolidated the acquired television activities of the PICs as of October 1, 2008, which contributed €24.9 million to our annual revenue growth. Excluding the effect of the acquisitions of Interkabel and Hostbasket, we reported an organic revenue increase of 6.2%.

EBITDA ("Earnings Before Income Taxes Depreciation and Amortization") increased by 14% on a year-on-year basis to €505.6 million for 2008, from €443.4 million for 2007. This represents an EBITDA margin of 49.6% compared to 47.6% the prior year, an improvement of 2.0 percentage points.

We recorded a net loss of €15.2 million for 2008. In the prior year, we reported net income of €20.7 million.

2.2 REVENUE BY SERVICE

	For the years ended December 31,	
	2008	**2007**
	(in millions of euro, EU GAAP)	
Cable Television:		
Basic subscribers[1]	244.3	221.7
Premium subscribers[1]	78.0	62.9
Distributors/Other	29.8	35.3
Residential:		
Internet	353.7	324.4
Telephony[2]	210.8	200.5
Business	102.2	87.0
Total revenue	**1,018.8**	**931.9**

Our revenue in 2008 remained well balanced, with analog cable television, residential internet and residential telephony all representing significant proportions of our total revenue.

2.2.1 Cable television

Our aggregate cable television revenue was €352.1 million for 2008, an increase of €32.2 million or 10% compared to 2007.

The impact of the loss in basic cable subscribers was partially offset by the increase of the basic TV subscription fee effective as of August 2007, which was implemented as subscribers renewed on an annual basis. Upon completion of the Interkabel Acquisition, we consolidated their television activities in our basic TV revenue. These factors resulted in total basic TV revenue for 2008 of €244.3 million compared to €221.7 million for the prior year. The acquired television activities of the PICs contributed €22.6 million of this result as from October 1, 2008.

The steadiness of our basic cable revenue reflects the sustained high penetration of our basic cable services and stable basic cable television tariffs. In line with expectations, we continued to observe a net decrease in our basic cable television customer base as a result of increased competition from other digital television and satellite operators in our area.

Total premium television revenue generated by our Telenet Digital TV, INDI and PayTV customers reached €78.0 million in 2008, up from €62.9 million for the prior year, an increase of 24%. This revenue is in addition to basic TV subscription revenue as described before. The revenue impact from the acquired INDI subscribers was not material.

Our reported premium cable television revenue excludes sales of digital TV set top boxes, which are classified under "Distributors/Other" while set top box rentals are included within the recurring premium cable television revenue. In 2008, sales of digital TV set top boxes generated €7.7 million of revenue, compared to €15.2 million for the prior year. This decrease is predominantly attributable to the introduction of set top box rental offerings as of March 2008, which generates recurring revenue under the form of a monthly rental fee, as opposed to the one-time revenue from set top boxes sales. The remaining €22.1 million of the total €29.8 million of "Distributors/Other" revenue represents revenue from cable television activation and installation fees and an increasing share of other services such as online advertising on our portal and community websites.

1 Basic and premium cable television substantially comprises residential customers, but also includes a small proportion of business customers.

2 Residential telephony revenue also includes interconnection fees generated by business customers.

2.2.2 Residential broadband internet

The strong growth in our broadband internet subscriber base, slightly offset by the impact of increased bundling discounts and a somewhat higher share of low-tier products, resulted in broadband internet revenue of €353.7 million in 2008, up by 9% from €324.4 million for the prior year.

While broadband internet continues to perform as a stable product for the Company, it is anticipated that the future mix of broadband internet subscribers may over time be more significantly weighted towards lower-tier options.

2.2.3 Residential telephony

In line with our expectations, we continued to experience downward pressure on our fixed telephony revenue, primarily due to (i) the addition of new subscribers on competitively priced bundled and flat-rate tariffs and (ii) lower retail rates for fixed-to-mobile voice traffic as a result of a decrease in mobile termination rates as of October 2007, the benefits of which we passed on to our customers. In addition, following the adoption of the new regulatory framework, we incurred a significant negative impact by way of reduced fixed line termination rates to our network. This framework towards near reciprocity with the incumbent's reference rate was implemented in 2007 over a timeframe of three years. In 2008, we incurred a termination rate decrease of 40% versus prior year, having a negative impact on our revenue of approximately €10 million. Despite these factors, solid growth in our fixed telephony subscriber base and the increase in mobile telephony revenue generated overall telephony revenue of €210.8 million in 2008, up by 5% from €200.5 million for the prior year.

2.2.4 Business services – Telenet Solutions

Our business service division continued to deliver double-digit top line growth during 2008 through its segmented approach in offering coaxial and fiber based products for voice, data and internet services. Revenue for 2008 reached €102.2 million, up 17% on the prior year. Approximately 65% of this increase was attributable to the sales momentum we achieved throughout 2008 in the carrier and data segment, where particularly our IP-VPN and coax-based product portfolio continued to gain traction. The remainder of this growth was attributable to the acquisition of Hostbasket in the beginning of 2008, through which we provide complementary hosting services in the business market. We believe that the impact of the current economic conditions on our business service divisions was limited, but for the foreseeable future, we remain prudent and do not underestimate the highly competitive and price sensitive environment in which our business-to-business division is operating.

2.3 TOTAL EXPENSES

Total operating expenses for 2008 rose 7.4% to €780.1 million from €726.6 million a year ago. Almost one-third of this increase in operating expenses, or €13.8 million, was attributable to the acquired television activities from the PICs, which we consolidated as of October 1, 2008. Excluding the effect of the acquisition of Interkabel and Hostbasket, we reported an organic expense increase of 5.0%.

	For the years ended December 31,	
	2008	**2007**
	(in millions of euro, EU GAAP)	
Cost of services provided	(589.3)	(553.5)
Selling, general and administrative costs	(190.8)	(173.1)
Total expenses	**(780.1)**	**(726.6)**

Compared to our full year revenue growth rate, expenses increased at a much lower pace thanks to the continuing benefit of various efficiency and process improvement projects that we have implemented since 2007. Our full year operating expenses included €4.6 million of stock-based compensation related to the 2008 Employee Stock Purchase Plan and the 2007 Employee Stock Option Plan. Including the impact of acquisitions, but excluding these expenses, our total operating expenses increased by 6.8% in 2008.

As a percentage of total revenue, both our costs of services and SG&A declined by 1 percentage point year-on-year, to 58% and 18% respectively.

2.3.1 Cost of services provided

Costs of services[1] represented €587.7 million of total operating expenses during 2008, an annual increase of 6.2%. This moderate increase was primarily attributable to the consolidation of the acquired television activities from the PICs for one quarter, increased outsourced labour, higher call center capacity requirements, rising copyright and content costs and other network operating costs. The majority of these increases reflect the continued growth of our subscriber base – predominantly in digital television, which was partially offset by lower set top box purchase expenses as a result of the shift from sales to rental.

2.3.2 Selling, general and administrative expenses

Selling, general and administrative[1] (SG&A) expenses represented €187.8 million of total operating expenses during 2008, a year-on-year increase of 8.5%. This increase in SG&A expenses included the impact of the acquired television activities from the PICs for one quarter and moderate increases in personnel, outsourced labour and sales expenses. Through our segmented customer approach and the effective use of the internet and other cheaper sales channels, our marketing expenses increased modestly compared to last year despite the higher sales volumes.

1 Excluding stock-based compensation.

2.4 EXPENSES BY NATURE

Compared to our annual revenue growth rate, expenses increased at a much lower pace thanks to the continuing benefit of various efficiency and process improvement projects that we have implemented since 2007. Our full year operating expenses included €4.6 million of stock-based compensation related to the 2008 Employee Stock Purchase Plan and the 2007 Employee Stock Option Plan. Including the impact of acquisitions, but excluding these expenses, our total operating expenses increased by 6.8% in 2008.

	For the years ended December 31,	
	2008	**2007**
	(in millions of euro, EU GAAP)	
Employee benefits	127.1	122.1
Share based compensation	4.6	0.5
Depreciation	199.5	182.0
Amortisation	54.1	48.2
Amortisation of broadcasting rights	8.6	7.4
Network operating and service costs	281.9	270.2
Advertising, sales and marketing	63.2	59.3
Other costs	41.1	36.9
Total expenses	**780.1**	**726.6**

Our depreciation costs are the result of the large investments we have made in our network as well as to investments we have made to build our subscriber base. In addition, the successful introduction of the set top box rental model further increased our depreciation costs. Amortization costs relate to expenditures on intangible assets, including certain network user rights and IT investments. In addition, under EU GAAP, certain content costs are capitalized and subsequently amortised, rather than reflected as operating expenses incurred. The amortization relating to this impact is reported as "Amortization of broadcasting rights".

Network operating and service costs and advertising, sales and marketing costs increased at a lower pace compared to our subscriber and revenue growth in 2008 - the result of our focus on increased efficiency and operational improvements. The item "Other costs" includes non-payroll overhead costs, other buildings costs and internal IT costs.

2.5 EARNINGS BEFORE TAX, DEPRECIATION AND AMORTIZATION (EBITDA)

EBITDA increased by 14% on a year-on-year basis to €505.6 million in 2008, from €443.4 million for 2007. This represents a full year EBITDA margin of 49.6% compared to 47.6% the prior year, an improvement of 2.0 percentage points, and the result of our continued focus on process improvements, sales and customer care channel mixes, the implementation of our set top box rental model and conscious cost control. Excluding the impact from the acquisitions of Interkabel and Hostbasket, our EBITDA increased organically by 11% year-on-year.

2.6 OPERATING PROFIT (EBIT)

Operating profit increased by 16%, to €238.7 million in 2008, from €205.3 million in 2007, as a result of the factors described above. Our operating profit margins increased to 23% in 2008 from 22% a year before.

2.7 NET FINANCE COSTS

2.7.1 Finance income

Finance income for 2008 was €5.6 million, down versus the €22.4 million we reported last year. This decrease is primarily attributable to the absence of foreign exchange gains in 2008 which yielded a gain of €16.7 million in 2007 related to the currency hedging in place for USD Senior Discount Notes which were repaid during our refinancing operation in 2007.

2.7.2 Net interest expense

Our net interest expenses for totaled €163.9 million in 2008, up from the €122.0 million for the prior year. This increase is primarily attributable to our 2007 refinancing activities in which we increased our debt from €1.2 billion to €1.9 billion as of October 2007, the impact of which was partially offset by a lower average interest rate on the New Senior Credit Facility. On September 26, 2008, we also executed an additional drawdown of €85.0 million from our New Senior Credit Facility under our committed and available Revolving Facility to partly fund the upfront cash payment for the Interkabel Acquisition.

Through our New Senior Credit Facility, we are exposed to changes in interest rates primarily as a result of the underlying fluctuations of the 3 month-EURIBOR rate. We have entered into various derivative instruments to significantly reduce our exposure to increases in the interest rates through the maturity date of our debt facility. Thanks to these interest hedging instruments, we reduced our effective paid interest rate during 2008 from a notional 7.4% to an average effective rate of 7.2%, corresponding to a net saving of €4.3 million of cash interest charges in 2008.

2.7.3 Gains and losses on derivative financial instruments

In line with IFRS accounting standards, these interest rate derivatives are valued on a mark-to-market basis, i.e. at fair value, and differences in fair value are reflected in our income statement. These changes in fair value do not have any impact on our cash flows until such time as the derivatives are fully or partially settled. In 2008, the change in the fair value of our interest rate derivatives yielded a negative impact of €33.0 million. These changes in fair value are affected by changes in the 3 month-EURIBOR interest rate curve through the maturity dates of these instruments. In 2007, changes in the fair value of our interest rate derivatives and foreign exchange forward contracts and releases of other comprehensive income generated a combined loss of €25.5 million.

2.8 INCOME TAX EXPENSES

In 2008, we recorded income tax expenses of €62.3 million, compared to an income tax benefit of €27.4 million in 2007. The income tax benefit in 2007 was a result of the recognition of a non current deferred tax asset related to the net operating losses of Telenet NV, which resulted in a one-off favourable impact of €93.0 million in our net result in 2007. The majority of our income tax expenses of 2008 related to deferred tax expenses, which did not have any current cash consequences.

2.9 NET INCOME (LOSS) FROM CONTINUING OPERATIONS

We recorded a net loss of €15.2 million in 2008, including the negative impact of €33.0 million from the change in fair value of our interest rate hedges. Excluding this effect, we recorded a net profit of €17.8 million. In the prior year, we reported net income of €20.7 million, which included a negative €25.5 million impact from the change in fair value of our interest rate hedges and €86.7 million of charges related to our October 2007 debt refinancing (for further details, we refer to Note 5.11.1 to the consolidated financial statements of the Company), offset by the recognition of €93.0 million of deferred tax assets. Excluding these one-off items in both years, the decrease in net profit was primarily a result of higher recurring interest charges and the lack of foreign exchange gains, partially offset by our much improved operating profit.

2.10 CASH FLOW

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

	For the years ended December 31,	
	2008	**2007**
	(in millions of euro, EU GAAP)	
Cash flows provided by operating activities	352.0	207.4
Cash flows used in investing activities	(433.5)	(194.2)
Cash flows provided by financing activities	70.5	4.5
Net increase / (decrease) in cash and cash equivalents	**(11.0)**	**17.8**

Net cash provided by operating activities. Net cash provided by operating activities increased to €352.0 million in 2008, from €207.4 million in the prior year. For 2007, the net cash provided by operating activities included the significant impact of one-time cash flows totaling €163.7 million that were related to the October 2007 debt refinancing. This sum comprised (i) premiums paid on our new derivative cap contracts and the unwinding of old futures contracts and (ii) the payment of accreted interest on the terminated Senior Discount Notes. Excluding these one-off items, we generated cash from operating activities of €371.5 million for 2007. On this basis, the slight decline in 2008 compared to 2007 is primarily related to the increase in recurring cash interest charges to €147.7 million in 2008 from €89.5 million in 2007, following our October 2007 debt refinancing. Under this refinancing, we optimized our cost of capital and replaced our interest accretive Senior Discount Notes by an all-cash interest bearing New Senior Credit Facility.

Net cash used in investing activities. Net cash used in investing activities was €433.5 million for the full year of 2008, compared to €194.2 million in the prior year. This increase primarily reflects the upfront cash payment for the Interkabel Acquisition for a total of €200.6 million, net of the associated working capital benefits. In addition, cash used in investing activities also increased due to higher cash capital expenditures resulting from the strong success of our digital TV rental boxes offering.

Free cash flow. The Company generated free cash flow[1] of €123.7 million in 2008, compared to €177.2 million in 2007. This decline is primarily the result of higher cash interest expenses following our October 2007 debt refinancing and higher cash capital expenditures, both partially offset by a strong improvement in our EBITDA.

1 Free Cash Flow is defined as net cash provided by operating activities, excluding cash related to the purchase and sale of derivatives and excluding accelerated interest payments under discounted debt instruments; less cash used in investing activities, excluding acquisitions.

Net cash provided by financing activities. Net cash provided by financing activities was €70.5 million in 2008, compared to €4.5 million for the prior year. This increase is mainly a result of the partial drawdown of the outstanding Revolver in our New Senior Credit Facility to fund a portion of the Interkabel Acquisition. Against this, debt and lease repayments in 2008 included the annuity and clientele fee paid in connection with the existing usage rights for broadband and fixed telephony on the Telenet PICs Network and a €12.0 million payment of debt issuance costs in connection with our New Senior Credit Facility. Our net cash provided by financing activities in 2007 mainly reflects the October 2008 debt refinancing in which we replaced our €1.2 billion debt instruments by a €2.3 billion New Senior Credit Facility, of which €1.9 billion was drawn at December 31, 2007. The remainder of these proceeds was used to fund a capital reduction to our shareholders of €6.00 per share on November 19, 2007.

The Company held €65.6 million of cash and cash equivalents as of December 31, 2008, compared to €76.6 million as of December 31, 2007, as increases in cash provided by operating and financing activities were more than offset by an increase in the cash used by investing activities, including €206.1 million paid for acquisitions.

Leverage ratio and availability of funds. As of December 31, 2008, the outstanding balance of our New Senior Credit Facility and outstanding cash balance together represented a net senior debt leverage ratio of 3.7x EBITDA[1], which was well below the covenant of 6.25x and the availability test of 5.0x. Under the New Senior Credit Facility, the Company has access to an additional committed loan capacity of €315.0 million, subject to compliance with the aforementioned covenants, pursuant to the Term Loan B2 and a portion of the Revolving Facility which are available to be drawn up to and including June 30, 2009 and June 30, 2014, respectively, pursuant to the amendment to the New Senior Credit Facility notified on May 23, 2008. On January 30, 2009 and on March 30, 2009, Telenet reimbursed €35.0 million and €30.0 million, respectively, out of the €85.0 million outstanding on the Revolving Facility.

2.11 CAPITAL EXPENDITURE

Accrued capital expenditures[2] were €245.9 million in 2008, representing 24% of revenue, and included €60.7 million of set top box expenditures which accounted for almost 25% of total capital expenditures. The high volume of rental set top boxes in our capital expenditures is due to the increasing success of Telenet Digital TV, especially in the final quarter of the year where we also launched our service in the Telenet PICs Network. In addition to the increased uptake of rental boxes, we also increased our set top box inventory levels to avoid stock shortages and experienced a strong customer preference for the more expensive High Definition PVR-enabled set top box. Our set top box capital expenditures represent an upfront investment, in exchange for which rental customers contribute a monthly recurring rental fee.

In addition to the rental set top boxes, 23% of our total capital expenditures was related to installations and customer equipment and 24% to network growth and expansions, such as the 600 MHz network bandwidth upgrade project and various investments to accommodate our increased subscriber base and broadband speed requirements. This implies that almost three quarters of our capital expenditures are scalable or subscriber growth related. The remainder represents refurbishments and replacements of network equipment, television content acquisition costs and investments in our IT-platform and systems.

By comparison, in 2007, capital expenditures were €223.2 million, representing 24% of revenue, including €15.0 million of set top box expenditures and €14.4 million of investments related to the construction of our office extensions.

1 Calculated as per Senior Credit Facility definition, using net senior debt divided by last two quarters' annualized EBITDA.

2 Accrued capital expenditures are defined as additions to property, equipment and intangible assets, including capital lease additions, as reported in our consolidated balance sheet on an accrued basis.

3 Risk factors

3.1 GENERAL INFORMATION

We conduct our business in a rapidly changing environment that gives rise to numerous risks that we cannot control. Risks that we face include:

- the competition that we face in the internet, telephony and television markets in which we provide services; - including new sources of competition from providers of television services in what had principally been an analog cable television market;
- our high leverage and significant debt service obligations, including the restrictive covenants included in our New Senior Credit Facility. As of December 31, 2008, we had total debt of €2,350.9 million on a consolidated basis;
- the control over our operations that our principal shareholders retain pursuant to the Syndicate Agreement and possible conflicts of interest that we may have with our principal shareholders;

Other risks that we face include, but are not limited to, increasing subscriber acquisition costs; any negative impact on the reputation of and value associated with our brand name; our ability to successfully introduce new technologies or services and our ability to obtain necessary network and other equipment; failure to maintain and upgrade the networks that we own or use or the occurrence of events that damage those networks; the failure to ensure sufficient access to premium content; foreign exchange rate exposure; adverse regulatory, legislative, tax or other judicial developments, an adverse evolution of the social economic climate, our ability to execute our full MVNO agreement and our ability to successfully finalise the integration of the closed Interkabel Acquisition (as defined in Note 5.22.1 to the consolidated financial statements of the Company.

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

Additional risks and uncertainties not currently known to us or that we now deem immaterial may also harm us.

3.2 LEGAL PROCEEDINGS

We refer to Note 5.24.1 to the consolidated financial statements of the Company.

4 Information about subsequent events

We refer to Note 5.27 to the consolidated financial statements of the Company.

5 Information on research and development

In 2008, our main research and development efforts centered around Telenet's mobile strategy.

The outcome of this work is an extension of the partnership with mobile network operator Mobistar, the second largest mobile player in the Belgian market. This new deal enables Telenet to become a full MVNO (mobile virtual network operator), allowing it much more flexibility in product development and allowing the Company to present a truly competitive quadruple play offering to the market.

In another mobile R&D project, Zita Mobile was developed and launched, as a mobile version of Telenet's successful Zita portal. Telenet has also undertaken a lab project involving femtocells, tiny mobile base stations that connect to a broadband connection to boost network coverage inside consumers' homes.

On the fixed network side, work continued on EuroDocsis 3.0 which extends network capacity and enables Telenet to provide customers with very high speed services, up to 200MBps which is four times the maximum speed that can be offered currently. Successful technical trials were carried out in 2008, in preparation of a planned commercial launch.

In general, Telenet continued to invest in a significant amount of research and development to ensure its clients are continually benefiting from advanced applied technology solutions. Telenet also partners with appropriate external experts, such as IBBT (The Interdisciplinary Institute for Broadband Technology) and Cable Europe Labs, an initiative among European cable operators.

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 recognised immediately in the Company's income statement.

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

For further information, we refer to Note 5.12 to the consolidated financial statements of the Company.

7 Corporate governance

The Corporate Governance Charter of the Company can be consulted on the website of the Company (http://investors.telenet.be). 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 2008.

7.1 REGULATORY DEVELOPMENTS AND THEIR IMPACT ON TELENET

In 2008, Telenet witnessed again some important legal and regulatory developments relating to corporate governance.

The Act of December 14, 2005 on the abolition of bearer securities and the related Royal Decree of January 12, 2006 aim at gradually abolishing all bearer securities and allowing only registered or dematerialized securities. Since January 1, 2008 new shares may be issued only in registered or in dematerialized form. Consequently, on January 1, 2008 all bearer shares of Telenet held in a bank account were automatically converted into dematerialized Telenet shares. Owners of registered or dematerialized Telenet shares will no longer be able to request physical delivery of shares, and existing physical Telenet shares will have to be converted into registered or dematerialized shares by December 31, 2013.

The Act of May 2, 2007 implementing the EU Directive 2004/109/EC (Transparency Directive) came into force on September 1, 2008. Under this Act, any person or entity acting alone or in concert must notify Belgium's Banking, Finance and Insurance Commission and the company concerned whenever they exceed or drop below the threshold of 5%, or any multiple of 5%, of the voting rights in a listed Company. A company may also stipulate that such notification must be made when there are movements above or below the thresholds of 1%, 2%, 3%, 4% and 7.5%. The applicable notification period is four working days. The Articles of Association of the Company stipulate that a notification must be made when there are movements above or below the threshold of 3% (or any multiple of 3%).

We refer to section 7.2.3 for an overview of the transparency declarations received by the Company.

The Act of December 17, 2008 implementing the EU Directive 2006/43/EG came into force on January 8, 2009. Under this Act, listed companies must establish an (internal) Audit Committee. It also requires listed companies (and their statutory auditors) to provide additional information in their annual reports concerning this Audit Committee. We refer to section 7.3.3 and to the report of our statutory auditor for further information in this respect.

7.2 CAPITAL AND SHAREHOLDERS

7.2.1 Capital and securities

The share capital of the Company amounted to €1,089,598,548.40 as at December 31, 2008 and was represented by 110,299,104 shares without nominal value. All shares are ordinary shares, listed on Euronext Brussels, with the exception of 30 Golden Shares and 1,665,087 Liquidation Dispreference Shares to which certain specific rights or obligations are attached, as described in the Articles of Association and the Corporate Governance Charter.

In 2004, the Company issued profit certificates of class A and B and options on these profit certificates. The profit certificates were issued subject to the exercise of the options. The options were granted to staff members of Telenet within the framework of a stock option plan (the 2004 ESOP). Under certain conditions the profit certificates can be converted into shares. On December 31, 2008, there were 1,236,274 options of class A, 444,254 options of class B, 100,000 profit certificates of class A and 87,558 profit certificates of class B outstanding under the 2004 ESOP. More details on the outstanding options and profit certificates under the 2004 ESOP can be found in Note 5.10.1 to the consolidated financial statements of the Company.

On December 27, 2007, the extraordinary shareholders' meeting of the Company approved a new employee stock option plan (the ESOP 2007) whereby 3,300,000 new warrants were issued in view of the granting of these warrants to selected participants under the 2007 ESOP (most of them hold senior or middle management positions). Each warrant gives the right to subscribe to one new share under the conditions set out in the terms and conditions of the 2007 ESOP. The Board of Directors or the HRO Committee can grant the warrants to selected beneficiaries over a maximum period of 3 years as from the issue date. Once subscribed to by the selected beneficiaries, the warrants vest on a quarterly basis over a period of four years. The HRO Committee and the Board of Directors have organised three grants under the ESOP 2007 for an aggregate number of 1,134,100 warrants. More details on the outstanding warrants under the ESOP 2007 can be found in Note 5.10.1 to the consolidated financial statements of the Company.

On May 31, 2007 the extraordinary shareholders' meeting of the Company approved a new employee share purchase plan ("ESPP") whereby the capital of the Company could be increased by a maximum of €23,500 and mandated the Board of Directors to implement this purchase plan by December 31, 2007. The extraordinary shareholders' meeting of December 27, 2007 extended the mandate granted to the Board of Directors to implement the plan until April 30, 2008. The ESPP was implemented in the first quarter of 2008 ("ESPP 2008") and has resulted in an increase of the Company's capital on April 18, 2008 of €6.9 million; a total amount of €1.5 million was recorded as an issue premium. More details about the ESPP 2008 can be found in Note 5.10.2 to the consolidated financial statements of the Company.

On May 29, 2008, the extraordinary shareholders' meeting partly withdrew the employee stock option plan approved on December 27, 2007 (the ESOP 2007), cancelling 317,000 warrants created on December 27, 2007. A new employee stock option plan (the ESOP 2008) was approved, whereby 317,000 new warrants were issued in view of the granting of these warrants to the CEO of the Company. Each warrant gives the right to subscribe to one share under the conditions set out in the terms and conditions of the ESOP 2008. The CEO accepted these 317,000 warrants on May 29, 2008. More details on the outstanding warrants under the ESOP 2008 can be found in Note 5.10.1 to the consolidated financial statements of the Company.

7.2.2 Evolution of the share capital of Telenet Group Holding NV

The following capital movements took place in 2008:

- On April 18, 2008, 693,217 new shares in Telenet Group Holding NV were issued to employees under the employee share purchase plan approved by the extraordinary shareholder's meeting of the Company on May 31, 2007. The share capital was increased by €6.9 million. An amount of €1.5 million was recorded as issue premium.
- On May 29, 2008, the share capital was increased by €0.4 million through the conversion of 62,736 profit certificates of class B into an equal number of shares.
- On September 24, 2008, the share capital was increased by €0.1 million through the conversion of 16,032 profit certificates of class B into an equal number of shares.
- On December 17, 2008, the share capital was increased by €1.1 million through the conversion of 166,550 profit certificates of class A and 47,030 profit certificates of class B into an equal number of shares, bringing the capital of the Company to €1,089,598,548.40 and the total number of shares to 110,299,104.

7.2.3 Shareholders

In the course of 2008 the Company received the following transparency declarations:

- On April 15, 2008, the Company received a transparency declaration from Fortis Investment Management SA, according to which it held on the date of the declaration 4.28% of the outstanding voting securities of the Company.
- On May 30, 2008, the Company received a transparency declaration from Fortis Investment Management SA, according to which it held on the date of the declaration 5.01% of the outstanding voting securities of the Company.
- On June 20, 2008, the Company received a transparency declaration from the surviving parties to the Syndicate Agreement acting in concert, according to which the members of the Liberty Global Consortium together with the

members of the Financial Consortium held on the date of the declaration 54.41% of the outstanding voting securities of the Company.
- On July 31, 2008, the Company received a transparency declaration from Fortis Investment Management SA, according to which it held on the date of the declaration 5.04% of the outstanding voting securities of the Company.
- On October 23, 2008, the Company received a transparency declaration from Fortis Investment Management SA, according to which it held on September 1, 2008 5.74% of the outstanding voting securities of the Company.
- On October 31, 2008, the Company received a transparency declaration from the surviving parties to the Syndicate Agreement acting in concert, according to which, on September 1, 2008, the members of the Liberty Global Consortium held 51.70% of the outstanding voting securities and the Financial Consortium held 3.65% of the outstanding voting securities of the Company.

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

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

The shareholder structure of the Company per December 31, 2008 was as follows:

Shareholders	Outstanding shares	Percentage	(Options on) PCs	Warrants	Total (fully diluted)	Percentage
Liberty Global Consortium[1]	56,911,314	51.60%			56,911,314	49.38%
Financial Consortium[2]	4,022,538	3.65%			4,022,538	3.49%
Fortis Invesment Management NV	6,315,291	5.73%			6,315,291	5.48%
Employees	993,250	0.90%	1,868,086	3,300,000	6,161,336	5.35%
Public	42,056,711	38.13%			42,056,711	36.31%
Total	**110,299,104**	**100.00%**	**1,868,086**	**3,300,000**	**115,467,190**	**100.00%**

On February 19, 2009 the Company received two transparency declarations from the members of the Liberty Global Consortium, the Financial Consortium and the KBC Group, acting in concert, mentioning an internal transfer of shares within the Liberty Global Consortium dated February 13, 2009. Following this transfer, the Liberty Group has terminated its syndicate agreement with CDP Investissements Belgique Inc. As a result, CDP Investissements Belgique Inc. is no longer part of the Liberty Global Consortium. After this transfer of February 13, 2009 the Liberty Global Consortium held 50.65% of the outstanding shares in the Company.

On March 9, 2009 the Company received two transparency declarations from the members of the Liberty Global Consortium, the Financial Consortium and the KBC Group, acting in concert, mentioning that following certain market transfers by members of the KBC Group, the participation of the KBC Group has dropped below 3% of the outstanding shares on March 5, 2009 (2.96%). As a consequence, the Syndicate Agreement between the Liberty Global Consortium and the Financial Consortium is terminated as of March 5, 2009.

7.2.4 Relationship with and between shareholders

On October 14, 2005, the shareholders pertaining to the Liberty Global Consortium, the GIMV-group, the Mixed Intercommunales and Electrabel-group and the Financial Consortium, Interkabel Vlaanderen CVBA and the Company entered into a shareholders agreement (the "Syndicate Agreement") in which arrangements were made with respect to the shareholder structure and the management of the Company and its subsidiaries. This Syndicate Agreement provided, among other things, for nomination rights for directors, limitations on the transferability of shares within the Syndicate and arrangements on the decision-making process of general shareholder's and Board meetings. The Syndicate

1 As of February 13 2009, the Liberty Global Consortium consists of LGI Telenet 1 BV and Binan Investments BV. Before, Investco Belgian Cable 1 sarl, Investco Belgian Cable 2 sarl and CDP Investissements Belgique Inc. were also included.

2 The Financial Consortium consists of Ibel NV, KBC Private Equity NV and Sofinim NV.

Agreement was initially valid until 2026 with the exception of voting rights which were only valid until 2015. Further information regarding the Syndicate Agreement can be obtained in the Corporate Governance Charter.

However, following the exercise by Liberty Global in June 2007 of the so-called 2002-2003 Call Options on Telenet shares held by other parties to the Syndicate Agreement, the Syndicate Agreement was terminated vis-à-vis the Mixed Intercommunales and Electrabel-group, GIMV-group and Interkabel Vlaanderen CVBA on July 4, 2007 because they no longer held a stake in Telenet exceeding 3% of the share capital. As from that date, Electrabel and the Mixed Intercommunales no longer form an Aggregation, as defined in the Syndicate Agreement. The Syndicate Agreement remained in place between the Liberty Global Consortium and the Financial Consortium.

Following the exercise of the so-called 2002-2003 Call Options, the Liberty Global Consortium acquired over 50% of the shares of the Company. As a consequence, certain agreements set out in the Syndicate Agreement, some of which are also incorporated in the articles of association of the Company, lapsed or were changed in accordance with the terms of the Syndicate Agreement. This was among others the case for certain agreements related to the composition of the Board of Directors, the requirement for special majority decisions within the Board of Directors and the restrictions on the transferability of shares that are subject to the Syndicate Agreement.

As mentioned under Section 7.2.3. Shareholders, the Syndicate Agreement between the Liberty Global Consortium and the Financial Consortium was terminated as of March 5, 2009.

7.2.5 General meeting of shareholders

According to our articles of association, the annual meeting of shareholders takes place on the last Thursday of the month of May at 3 p.m. In 2009, this will be on May 28.

The rules governing the convening, admission to meetings, their workings and the exercise of voting rights, and other details can be found in the Articles of Association and in the Corporate Governance Charter, which are available on the Company's website (http://investors.telenet.be).

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

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

- A comprehensive overview of the capital structure of the Company can be found in Note 5.10 to the consolidated financial statements of the Company.
- Restrictions on the transfer of shares extend only to the Golden Shares.
- Any major shareholdings of third parties that exceed the thresholds laid down by law and by the articles of association of the Company are listed in Section 7.2.3.
- On December 31, 2008 the Company had 1,665,087 Liquidation Dispreference Shares and 30 Golden Shares outstanding. The Liquidation Dispreference Shares can be converted into ordinary shares on a 1.04 to 1.00 ratio. The Golden Shares attribute certain rights to the financing intercommunales (who hold all 30 Golden Shares) in relation to the public interest guarantees, as further described in the articles of association and the Corporate Governance Charter of the Company.
- Share option and share purchase plans are described in Notes 5.10.1 and 5.10.2 to the consolidated financial statements of the Company. The employee stock option plans of 2007 and 2008 provide that all outstanding warrants (if granted to selected beneficiaries) would immediately vest upon a change of control over the Company. This provision has been approved by the extraordinary general shareholders' meeting of December 27, 2007 and May 29, 2008 in accordance with article 556 of the Belgian Company Code.
- The Company is unaware of any agreement with any shareholder that may restrict either the transfer of shares or the exercise of voting rights.

- Board members 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 to propose that the shareholders' meeting pass a resolution to that effect. For amendments to the articles of association the shareholders' meeting must comply with the quorum and majority requirements laid down in the articles of association and in the Belgian Company Code.
- The Board is authorised by the shareholders' meeting of September 20, 2005 to increase the capital subject to strict conditions. This authorization can only be used to issue shares to personnel within the framework of a Monory-Bis offering up to a total amount of €5.0 million. This authorization is valid until October 13, 2010. The authorised capital was not used in 2008.
- The Board is authorised by the shareholders' meeting of May 29, 2008 to buy-back shares of the Company under certain conditions. This authorization is valid for 18 months, i.e. until November 29, 2009.
- In 2007, the Company has concluded new financing agreements with a banking consortium whereby all existing debts of the Telenet group were refinanced. Certain provisions of these new financing agreements 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 have been approved by the extraordinary shareholders' meeting of August 17, 2007 in accordance with article 556 of the Belgian Company Code. Otherwise, the Company is not party to any major agreement that would either become effective, be amended and/or be terminated due to any change of control over the Company as a result of a public takeover bid. It is likely that the final MVNO agreement to be concluded between Telenet NV and Mobistar NV will contain change of control wording.
- The Company has not concluded an agreement with its Board members or employees, which would allow the disbursement of special severance pay in the case of termination of employment as a result of a public takeover bid.

7.3 BOARD OF DIRECTORS

7.3.1 Composition

On December 31, 2008, the Board of Directors of the Company was composed of 16 members. With the exception of the Managing Director (CEO), all directors are non-executive directors.

At its meeting of May 29, 2008 the annual ordinary shareholders' meeting reappointed the following persons as directors of the Company:

- Mr. Franck Donck (chairman/non-executive)
- Mr. Duco Sickinghe (CEO)
- Mr. Charles H.R. Bracken (non-executive)
- Mr. Alex Brabers (non-executive)
- Mr. André Sarens (non-executive)
- Mr. James Shane O'Neill (non-executive)
- Mr. Friso van Oranje-Nassau (independent)
- Cytifinance NV (with its permanent representative Mr. Michel Delloye) (independent)

There are three independent directors within the meaning of article 524 § 4 of the Belgian Company Code and the Belgian Corporate Governance Code: Mr. Friso van Oranje-Nassau, De Wilde J. Management BVBA (with as permanent representative Mr. Julien De Wilde) and Cytifinance NV (with as permanent representative Mr. Michel Delloye).

These directors (as well as their permanent representatives) are considered independent directors since they all fulfill the independence criteria set out in the articles of association of the Company and in article 524 §4 of the Belgian Company Code.

In addition, Telenet Communications NV, a direct subsidiary of the Company, also has three independent directors appointed in the meaning of Article 524 §4 Belgian Company Code and the Corporate Governance Code: Abaxon BVBA (with as permanent representative Mr. Guido De Keersmaecker), JRoos BVBA (with as permanent representative Mr. Jozef Roos) and Mr. Michel Allé. The remaining members of the Board of Directors of Telenet Communications NV are identical to those of Telenet Group Holding NV (with the exception of the three independent directors of the latter).

The mandates of Mr. Diederik Karsten, Mr. Bernard G. Dvorak, Mr. Manuel Kohnstamm, Mr. Niall Curran, Mrs. Ruth Elisabeth Pirie, Mr. Gene W. Musselman, Mr. Jim Ryan and De Wilde J. Management BVBA expire at the annual shareholders' meeting of 2011. All other director mandates expire at the annual shareholders' meeting of 2012, except the mandate of Mr. Friso van Oranje-Nassau which expires at the annual shareholders' meeting of 2010.

On December 31, 2008, the Board and the different Board Committees of Telenet Group Holding NV and Telenet Communications NV were composed as follows:

Name	Function	Nominated by	Director TGH	Director Communications	Audit Committee	HRO Committee	Strategic Committtee	Nomination Committee
Frank Donck	Executive Director 3D NV	Financial Consortium	CM	CM		CM		
Michel Allé	Chief Financial Officer SNCB Holding - Belgian Railways	Independent Director		●	●			
Alex Brabers	Executive Vice President Technology, GIMV		●	●	CM		●	●
Charles H. Bracken	Co-Chief Financial Officer, Principal Financial Officer Liberty Global Inc.	Liberty Global Consortium			●			
Guido De Keersmaecker (Abaxon BVBA)	Director of companies	Independent Director		●		●		
Michel Delloye (Cytifinance NV)	Director of companies	Independent Director	●		●		●	
Julien De Wilde (De Wilde J. Management BVBA)	Director of companies	Independent Director	●				CM	CM
James S. O'Neill	President Chello Media BV, Chief Strategy Officer Liberty Global Inc.	Liberty Global Consortium	●	●		●	●	●
Jozef Roos (JROOS BVBA)	Chairman of the Catholic University of Leuven	Independent Director		●		●		
André Sarens	Grid Participations Manager Electrabel		●	●	●			
Duco Sickinghe	Chief Executive Officer & Managing Director Telenet		●	●				
Friso van Oranje-Nassau	Director of companies	Independent Director	●				●	●
Diederik Karsten	Managing Director UPC Nederland	Liberty Global Consortium	●	●				
Bernard G. Dvorak	Senior Vice President and Co-Chief Financial Officer (Principal Accounting Officer) of Liberty Global, Inc	Liberty Global Consortium	●	●	●			

Name	Function	Nominated by	Director TGH	Director Communications	Audit Committee	HRO Committee	Strategic Committtee	Nomination Committee
Manuel Kohnstamm	Managing Director Public Policy & Communications UPC Corporate	Liberty Global Consortium	●	●				
Niall Curran	Chief Operating Officer Chello Media BV	Liberty Global Consortium	●	●				
Ruth Elisabeth Pirie	CFO UPC Corporate	Liberty Global Consortium	●	●				
Gene W. Musselman	President & Chief Operating Officer UPC Corporate	Liberty Global Consortium	●	●				
Jim Ryan	MD Strategy & Corp. Development UPC Corporate	Liberty Global Consortium	●	●				

CM: Chairman

7.3.2 Functioning of the board

The Board determines the values and strategy of the Company, supervises and monitors the organization and execution thereof, decides on the risk appetite 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 convenes as often as the interest of the Company requires and in any case at least four times a year. The functioning of the Board of Directors is regulated by the articles of association and the provisions of the Corporate Governance Charter.

The meetings of the Board of Directors and Committees of Telenet Group Holding NV and Telenet Communications NV take place together to the extent there are no conflicts of interest between them. In 2008, eight board meetings took place of which six were scheduled meetings and two were ad hoc meetings. In principle the decisions are taken by a simple majority of votes. The Board of Directors strives to take the resolutions by consensus.

7.3.3 Board committees

In accordance with the Articles of Association of the Company the Board of Directors has established the following Board Committees: an Audit Committee, a Human Resources and Organization Committee (the "HRO Committee"), a Strategic Committee and a Nomination Committee.

The Audit Committee

The principal tasks of the Audit Committee include regularly convening to assist and advise the Board of Directors with respect to the monitoring of the financial reporting by the Company and its subsidiaries, the monitoring of the effectiveness of the systems for internal control and risk management of the Company, monitoring of the internal audit and his effectiveness, monitoring of the legal control of the annual accounts and the consolidated accounts including follow-up on questions and recommendations of the statutory auditor and assessment and monitoring of the independent character of the statutory auditor, taking into account the delivering of additional services to the Company.

The Audit Committee also meets once a year with the external auditor without the presence of the executive management.

The Committee is composed of six members including one independent director of Telenet Group Holding NV, one independent director of Telenet Communications NV and four non-executive directors of whom one is the chairman. Two members are directors nominated by the LGI Consortium. This composition conforms to the new article 526bis §1 of the Belgian Company Code regarding the composition of Audit Committees within listed companies, as introduced in December 2008. Michel Delloye (representing Cytifinance NV) serves as independent director on the Audit Committee and has a broad experience in financial matters. In addition, all other members contribute broad experience and skills regarding financial items, which have a positive impact on the committee's operation. The meetings are attended by Mr. Michel Allé, independent director of Telenet Communications NV, provided there is no conflict of interest.

In 2008, the Committee convened six times to review and discuss the quarterly, semi-annual and annual financial statements each before submission to the Board of Directors and, subsequently, publication.

The Committee further addressed specific financial items occurring during the year or brought up by the statutory auditor, discussed and advised the Board of Directors about procedures for and monitoring of financial reporting to its majority shareholder Liberty Global and about the implementation of procedures aimed at complying with requirements of the US Sarbanes-Oxley Act. Finally, the audit committee, together with the internal audit function (which is partially outsourced, see under "Internal Audit") monitored the functioning and efficiency of the internal audit processes.

The Company has established a whistleblowing procedure, which has been reviewed by the Audit Committee and approved by the Board of Directors. The company implemented the whistleblowing procedure in December 2008. This policy allows employees of the Company to raise concerns about possible improprieties in accounting, internal control or audit matters in confidence via a telephone line or a reporting website. The employees can remain anonymous if they want to. Complaints received trough 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 reported on the matters discussed in the Audit Committee to the Board of Directors after each meeting and presented the recommendations of the Audit Committee to the Board for decision-making.

In 2008, the Audit Committee has discussed the appointment of a new auditor. The Audit Committee advised the Board of Directors to propose to the shareholders to appoint KPMG Bedrijfsrevisoren CVBA as new auditor for the Company (and other members of the Telenet Group). On May 29, 2008, the annual ordinary shareholders' meeting appointed KPMG Bedrijfsrevisoren CVBA as new auditor for the Company (and other members of the Telenet Group) for a 3-year period.

The HRO Committee

The principal tasks of the HRO Committee include formulating proposals to the Board of Directors with respect to the remuneration policy of non-executive directors and executive management, the hiring and retention policy, and assisting the CEO with the appointment and succession planning of executive management.

The Committee is composed exclusively of non-executive directors and has four members. Two of the members are independent directors of Telenet Communications NV. The chairman of the Board of Directors also serves as chairman of the HRO Committee. Although half of the members are independent directors, it should be noted that these individuals are directors of Telenet Communications NV (a 100% subsidiary of the Company) rather than directors of Telenet Group Holding NV. This is explained, among other things, by the historic objective of the Syndicate Agreement to have a similar composition of the boards of directors and committees of the different companies within the Telenet Group and the specific skills of the individuals concerned. The Board of Directors is of the opinion that the human resources and organizational experience and skills of the members on the one hand and the independent character of the members who are director of Telenet Communications NV on the other hand, justify the current composition.

In 2008, the HRO Committee met four times, in the presence of the chairman of the Board of Directors and the CEO (except for matters where the CEO was conflicted). Among other matters, the Committee addressed headcount evolution, a share purchase plan for employees, a new employee stock option plan, the evaluation of the Executive Team and the CEO and recommendations on their remuneration (including bonuses) and recommendations on the remuneration of the directors.

The chairman of the HRO Committee reports on the matters discussed in the HRO Committee to the Board of Directors after each meeting and presents the recommendations of the HRO Committee to the Board for decision-making.

The Nomination Committee

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

The Nomination Committee consists entirely of non-executive directors (five), of whom three are independent directors, among whom the chairman.

The Nomination Committee met once to evaluate the interaction between management and the Board of Directors and to make recommendations to the Board.

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

The Strategic Committee

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

The Committee is chaired by an independent director and is further composed of two other independent directors and two non-executive directors.

The Strategic Committee convened two times in 2008, particularly to discuss potential joint venture and acquisition projects.

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

7.3.4 Application of legal rules regarding conflicts of interest

In the meeting of the Board of Directors of February 15, 2008, article 523 of the Belgian Company Code was applied. At this meeting the Board discussed the determination of the variable remuneration for the CEO for 2007 and a possible change of his fixed remuneration for 2008. The minutes of that meeting mention in this respect the following:

> *"Prior to deliberating and resolving on the item of the determination of the bonus and merit of the CEO, Duco Sickinghe (CEO and director) informs the Board that he has a financial conflict of interest regarding this decision in the meaning of article 523 of the Belgian code of companies since it concerns the determination of his variable remuneration for 2007 and a possible change in his fixed compensation for 2008.*
>
> *The CEO declares that he will inform the Company's auditor of this conflict of interest. He then leaves the meeting.*
>
> *The Board also asks the other managers to leave the meeting.*
>
> *Guido De Keersmaecker (representing Abaxon BVBA), Chairman of the HRO Committee, reports to the Board on the discussions held within the HRO Committee immediately preceding this Board meeting, among others on the evaluation of the CEO and the determination of his bonus and merit, …*

The Chairman of the HRO Committee explains in further detail the Committee's evaluation of the CEO and the proposal for his bonus for 2007 and increase of his fixed compensation for 2008.

After discussion, and upon proposal of the HRO Committee, the Board unanimously resolves to approve a bonus for the CEO for 2007 equal to 100% of the CEO's yearly fixed compensation in 2007 and a 5% increase of his fixed compensation as from March 1, 2008."

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

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

7.4 DAILY MANAGEMENT

The Managing Director and CEO of Telenet is Mr. Duco Sickinghe.

The Managing Director is responsible for the daily management of the Company.

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

Following a reorganization of the Company in January 2008, the executive Team was composed as from February 1, 2008 as follows:

Name	Age	Position
Duco Sickinghe	51	Chief Executive Officer and Managing Director
Jan Vorstermans	49	Executive Vice President - Technology, Infrastructure and Telenet Solutions
Jo Van Gorp	44	Executive Vice President - Residential Markets
Luc Machtelinckx	47	Senior Vice President and General Counsel
Patrick Vincent	45	Executive Vice President - Residential Sales and Care
Piet Spiessens	44	Senior Vice President - Innovation and Business Development
Renaat Berckmoes	43	Executive Vice President and Chief Financial Officer
Ronny Verhelst	46	Executive Vice President - Corporate Staff

As of April 2009, Saskia Schatteman joined the Executive Team as Executive Vice President Marketing.

The Managing Director is authorised 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.

Duco Sickinghe

Duco Sickinghe has worked for more than 23 years in the technology and media industry. He holds a Dutch Master's degree in Law from Utrecht University and a Master's degree in Business Administration from Columbia University. His focus has been on finance, marketing, strategy and general management. Mr. Sickinghe started his career in finance with Hewlett Packard in its European headquarters in Switzerland. He then moved to Germany to become head of marketing of the LaserJet product line for Europe. He concluded his tenure at HP Europe by building out its indirect sales channels.

He served at NeXT Computer, first as Vice President Marketing Europe and then as General Manager for France. After leaving NeXT, Mr. Sickinghe became co-founder and Chief Executive Officer of Software Direct, which later became a joint venture with Hachette in Paris. Mr. Sickinghe joined Wolters Kluwer in 1996, and as General Manager of Kluwer Publishing in the Netherlands oversaw its transition to electronic media and re-engineered the Company's traditional business. He joined Cable Partners Europe in early 2001 and was appointed as Chief Executive Officer of Telenet in the summer of 2001. Mr. Sickinghe has lived in Belgium, the United States, France, Germany, Switzerland and the Netherlands. Mr. Sickinghe is also a member of the Board of Directors of Zenitel NV (Belgium) and of Central Media Enterprises Ltd. (US).

Jan Vorstermans

Jan Vorstermans joined the Telenet group as Senior Vice President - Technology, Engineering and Network Operations in February 2003. As of January 2008, Mr. Vorstermans assumed additional responsibilities for Telenet Solutions, the business-to-business unit within the group. From 1994 to 2003, Mr. Vorstermans held several executive positions in British Telecom's Belgian operations, including as Director Customer Service Belgium, Director Operations Belgium and, most recently, Vice President Global Network Operations.

Jo Van Gorp

Jo Van Gorp joined Telenet in 2004 as General Counsel, a post which he held until the end of 2006, when he was appointed as Executive Vice President Residential Markets. As of the beginning of 2009, he became Executive Vice President Strategic Projects. Prior to joining Telenet, Mr. Van Gorp served as Vice President and General Counsel of Level 3 Communications NV in Europe from 1998 to 2004, in which capacity he was responsible for all of Level 3's European legal, regulatory and corporate affairs. Mr. Van Gorp also served as Chief Executive Officer of Level 3 Communications NV between 2000 and 2004. He also worked in similar executive positions for MCI International and MFS International. Mr. Van Gorp started his career at British Telecom plc in 1991.

Luc Machtelinckx

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 Intercommunales, 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 Senior Vice President and General Counsel as of January 2008. 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.

Patrick Vincent

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

Piet Spiessens

Piet Spiessens has been working for Telenet since 1996 and has overseen multiple many aspects of the Company's technological development. During Telenet's initial operations, he was responsible for the development of the Company's internet platform. From 2001, as Vice President Product Engineering, he led new developments in the internet, telephony and digital television operations of Telenet including the introduction of Voice over IP telephony ("VoiP") and interactive digital television ("iDTV"). In 2006, Mr. Spiessens was appointed Vice President Technology Strategy, and since 2007, has been responsible for Innovation and Business Development. Mr. Spiessens is a Doctor of Computer Sciences, and from 1993 to 1996, worked on numerous research and development projects in the New Developments department at Belgacom. He was simultaneously active in academic circles and lectured on networks and data communications topics. Mr. Spiessens is currently Deputy Chairman of ISPA, Belgium's Internet Service Providers Association, and Chairman of DNS Belgium, the institution responsible for the management of Belgian Internet domain names.

Renaat Berckmoes

Renaat Berckmoes joined Telenet as Treasurer in November 2001 and until the end of 2006 was Group Treasurer and Director Investor Relations. In these roles, his principal responsibilities involved all of Telenet's financing transactions and acquisitions. Among the key acquisitions that Mr. Berckmoes oversaw were the acquisition of the cable assets of the Mixed Intercommunales, Canal+ Flanders, Codenet and UPC Belgium. The most significant financings he was involved in were the Company's public bond issues in 2003, the initial public offering in 2005 and various refinancing of the Company's Senior Credit Facility. Prior to joining Telenet, Mr. Berckmoes worked at Solutia (Chemicals) from 1998 to 2001, where he worked as Credit Manager EMEA and European Treasurer, and from 1993 to 1998 at KBC Bank.

Ronny Verhelst

Ronny Verhelst joined the Telenet group in June 2001 as Vice President-Customer Operations and since January 2007 has served as Senior Vice President Purchasing and Public Affairs. As of January 2008, Mr. Verhelst assumed additional responsibilities for Human Resources and Internal and External Communication. Prior to joining the Telenet group, Mr. Verhelst served as Senior Manager at PricewaterhouseCoopers and as Customer Service Manager at Anhyp. From 1984 to 1997, Mr. Verhelst held several customer service and project management roles at Belgacom, serving most recently as Customer Service Manager for Flanders.

Saskia Schatteman

Saskia Schatteman joined Telenet in April 2009 as Executive Vice President Residential Marketing. From May 2005 till March 2009 she was Director Marketing & Communications at De Lijn, the Flemish Public Transport company. From 1994 till 2005 Ms. Schatteman worked in marketing at Procter & Gamble in Belgium and the UK, on local and global businesses in different product categories and Global New Business Development. From 1992 till 1994 Ms. Schatteman worked for Kraft General Foods on the confectionary business in Hong Kong and Belgium. Her first business experience was in International Business for the Belgian Government, based in France in 1991-1992.

7.5 REMUNERATION OF DIRECTORS AND EXECUTIVE MANAGEMENT

7.5.1 Remuneration of directors

The general meeting of shareholders of the Company approved a similar remuneration system for directors for 2008 as was applicable for 2007. Each director's remuneration consists of a fixed and a variable part. Independent directors receive an annual lump sum amount of €24,000 each. The other non-executive directors each receive a lump sum amount of €12,000. The chairman of the Board receives €48,000. The annual lump sum amounts are only due if the director attends at least half of the scheduled board meetings. For each physically attended meeting of the Board, directors receive an amount of €2,000. No additional remuneration is attributed for Committee meetings. The independent directors of Telenet Communications NV are paid in the same way as the independent directors of Telenet Group Holding NV. In principle no additional remuneration is paid to the directors by other companies of the Telenet Group.

For the year 2008 the remuneration of the members of the Board of Directors amounted to €326,000 for the Company and to €104,000 for Telenet Communications NV (see table for individual remuneration). The Board of Directors resolved that one special ad hoc Board meeting would not be remunerated because of the short duration of this meeting. The CEO is not remunerated for the exercise of his board mandate.

Directors further receive a price reduction or other benefits in kind with respect to Telenet products they order. The Belgian Corporate Governance Code recommends that non-executive directors do not receive any benefits in kind. It is however considered to be important that directors are familiar with and have a good view on the products and services of Telenet.

Non-executive board members do not receive any profit-related incentives, option rights, shares or other fees. In accordance with Belgian legislation and regulations, details of (transactions in) stock options and shares held by all board members (or persons related to them or entities fully controlled by them) are reported to the Belgian Banking, Finance and Insurance Commission.

We set out below the attendance overview of the board and Committee meetings as well as the individual remuneration of each board member.

Name	Function	Nominated by	Board of Directors (8)	Audit Committee (6)	HRO Committee (4)	Strategic Committee (2)	Nomination Committee (2)	Remuneration in €
Frank Donck	Executive Director 3D NV	Financial Consortium	8 (CM)		(new CM)			60,000
Michel Allé	Chief Financial Officer SNCB Holding - Belgian Railways	Independent Director	7	5				34,000
Alex Brabers	Executive Vice President Technology, GIMV		8	5 (CM)		1	1	24,000
Charles H. Bracken	Co-Chief Financial Officer, Principal Financial Officer Liberty Global Inc.	Liberty Global Consortium	7	1				22,000
Guido De Keersmaecker (Abaxon BVBA)	Director of companies	Independent Director	6		4 (CM)			34,000
Michel Delloye (Cytifinance NV)	Director of companies	Independent Director	8	6		2		36,000
Julien De Wilde (De Wilde J. Management BVBA)	Director of companies	Independent Director	7			2 (CM)	1 (CM)	36,000
James S. O'Neill	President Chello Media BV, Chief Strategy Officer Liberty Global Inc.	Liberty Global Consortium	5		1	1	1	4,000
Jozef Roos (JROOS BVBA)	Chairman of the Catholic University of Leuven	Independent Director	8		3			36,000
André Sarens	Grid Participations Manager Electrabel		8	5				24,000
Duco Sickinghe	Chief Executive Officer & Managing Director Telenet		8					0
Friso van Oranje-Nassau	Director of companies	Independent Director	4			2	1	28,000
Diederik Karsten	Managing Director UPC Nederland	Liberty Global Consortium	5					18,000

Name	Function	Nominated by	Board of Directors (8)	Audit Committee (6)	HRO Committee (4)	Strategic Committee (2)	Nomination Committee (2)	Remuneration in €
Bernard G. Dvorak	Senior Vice President and Co-Chief Financial Officer (Principal Accounting Officer) of Liberty Global, Inc	Liberty Global Consortium	2	0				0
Manuel Kohnstamm	Managing Director Public Policy & Communications UPC Corporate	Liberty Global Consortium	6					20,000
Niall Curran	Chief Operating Officer Chello Media BV	Liberty Global Consortium	7					20,000
Ruth Elisabeth Pirie	CFO UPC Corporate	Liberty Global Consortium	4					4,000
Gene W. Musselman	President & Chief Operating Officer UPC Corporate	Liberty Global Consortium	1					0
Jim Ryan	MD Strategy & Corp. Development UPC Corporate	Liberty Global Consortium	4					18,000

CM: Chairman

7.5.2 Remuneration of executive management team

In 2008, the Managing Director (CEO) was granted the following remuneration: (i) a fixed remuneration of €745,500, (ii) a variable remuneration of €745,500, (iii) paid premiums for group insurance in the amount of €46,015 and (iv) benefits in kind valued at €24,744.

Per December 31, 2008, the CEO owned options to acquire 1,078,910 Class A profit certificates, which under certain conditions can be converted into an equal number of shares, all of which have vested and having an exercise period until June 15, 2009. The CEO also holds 317,000 warrants under the ESOP 2008.

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

In 2008, the Company paid a total amount of remunerations of €2,533,344 to the other members of the Executive Team (not including the CEO).

This amount is composed of the following elements (for all members jointly, excluding the CEO): (i) a fixed salary of €1,596,017, (ii) a variable salary of €710,383, (iii) paid premiums for group insurance in the amount of €105,900 and (iv) benefits in kind valued at €121,044. All amounts are gross without employer's social security contributions.

On December 31, 2008, the current members of the Executive Team (excluding the Managing Director) held no more outstanding Class A options and 84,876 of the outstanding Class B options (all of which were vested on December 31, 2008) under the ESOP 2004.

The remaining 359,378 Class B options outstanding on December 31, 2008, all of which are vested, are held by about 23 other employees (the majority of whom hold management positions).

All options allocated, grant the right to receive profit certificates upon exercise. These profit certificates can be converted into ordinary shares under certain conditions.

After adjustment of the exercise price of the Class A and Class B options following the payment of the capital decrease on November 19, 2007 the exercise price per Class A option was €5.08 and the exercise price per Class B option was €6.35.

All members of the Executive Team (excluding the CEO) were granted warrants under the 2007 ESOP on March 5, 2008, with an exercise price of €14.50. The members of the Executive Team accepted in aggregate 485,000 warrants under this grant. 25,000 of these warrants were forfeited in the course of 2008. Each warrant gives the right to subscribe to one share. The vesting of these warrants occurs progressively (per quarter) over a period of four years. The CEO has been granted 317,000 warrants under the ESOP 2008.

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

7.6 Audit of the company

External audit by statutory auditors

For details on the audit and non-audit fees paid to the auditor in 2008, we refer to Note 5.28 to the consolidated financial statements of the Company.

Internal audit

Deloitte Bedrijfsrevisoren BV ovv CVBA was entrusted by the Company with the concrete execution of the internal audit function of the Company and its subsidiaries for 2008. 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 controlling environment.

As from 2009, the Company has appointed PriceWaterhouseCoopers Bedrijfsrevisoren BV ovv CVBA as its new internal auditor for a period of three years.

Mechelen, April 27, 2009

On behalf of the Board of Directors

Telenet Group Holding NV consolidated financial statements

1 Consolidated balance sheet

	Note	December 31, 2008	December 31, 2007
Assets		(in thousands of euro)	
Non-current assets:			
Property and equipment	5.4	1,286,128	1,008,556
Goodwill	5.5	1,186,277	1,096,033
Other intangible assets	5.6	357,780	259,116
Deferred tax assets	5.13	-	60,647
Derivative financial instruments	5.12	14,889	31,320
Other assets		1,508	1,868
Total non-current assets		**2,846,582**	**2,457,540**
Current assets:			
Inventories		4,106	5,466
Trade receivables	5.7	67,767	91,875
Derivative financial instruments	5.12	230	2,499
Other current assets	5.8	38,403	33,278
Cash and cash equivalents	5.9	65,641	76,611
Total current assets		**176,147**	**209,729**
Total assets		**3,022,729**	**2,667,269**
Equity and liabilities			
Equity:			
Share capital	5.10	1,089,599	1,081,098
Share premium and other reserves	5.10	898,005	891,187
Retained loss		(1,817,442)	(1,802,222)
Total equity		**170,162**	**170,063**
Non-current liabilities:			
Loans and borrowings	5.11	2,282,127	1,999,901
Derivative financial instruments	5.12	14,934	5,307
Deferred revenue	5.17	10,704	12,745
Deferred tax liabilities	5.13	16,838	15,034
Other liabilities	5.14	47,297	28,746
Total non-current liabilities		**2,371,900**	**2,061,733**
Current liabilities:			
Loans and borrowings	5.11	34,530	18,529
Trade payables		45,401	47,722
Accrued expenses and other current liabilities	5.16	265,970	245,038
Deferred revenue	5.17	129,418	123,495
Derivative financial instruments	5.12	5,348	689
Total current liabilities		**480,667**	**435,473**
Total liabilities		**2,852,567**	**2,497,206**
Total Equity and liabilities		**3,022,729**	**2,667,269**

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

2 Consolidated income statement

		For the years ended December 31,	
	Note	2008	2007
		(in thousands of euro, except per share data)	
Revenue	5.17	1,018,846	931,896
Cost of services provided	5.18	(589,267)	(553,481)
Gross profit		**429,579**	**378,415**
Selling, general and administrative expenses	5.18	(190,833)	(173,134)
Operating profit		**238,746**	**205,281**
Finance income		5,615	22,390
Finance expense		(196,878)	(234,123)
Net interest expense		(163,892)	(121,957)
Net losses on derivative financial instruments		(32,986)	(25,487)
Loss on extinguishment of debt		-	(86,679)
Net finance expenses	**5.19**	**(191,263)**	**(211,733)**
Share of the loss of equity accounted investees		(433)	(261)
Profit (loss) before income tax		47,050	(6,713)
Income tax benefit / (expense)	5.20	(62,270)	27,382
Profit (loss) for the year		**(15,220)**	**20,669**
Basic earnings (loss) per share in €	5.21	(0.14)	0.20
Diluted earnings (loss) per share in €	5.21	(0.14)	0.19

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

3 Consolidated statement of changes in shareholders' equity

	Note	Number of shares	Share capital	Share premium and other reserves	Heging reserves	Retained loss	Total
January 1, 2007		**101,085,455**	**1,656,645**	**891,502**	**(3,599)**	**(1,822,891)**	**721,657**
			(in thousands of euro, except share data)				
Unrealised net loss on derivative contracts recognised directly in equity	5.12	-	-	-	(217)	-	(217)
Transfer of accumulated hedging reserve upon discontinuance of hedge accounting	5.12	-	-	-	3,816	-	3,816
Profit for the year		-	-	-	-	20,669	20,669
Total recognised profit for 2007		**-**	**-**	**-**	**3,599**	**20,669**	**24,268**
Recognition of share-based compensation	5.10	-	-	507	-	-	507
Proceeds received upon exercise of Class A and Class B Options	5.10	-	-	1,510	-	-	1,510
Ordinary shares issued upon exercise of the Debt Warrants	5.10	7,953,653	78,002	-	-	-	78,002
Issuance of share capital via exchange of Class A and Class B Profit Certificates	5.10	293,655	2,332	(2,332)	-	-	-
Issuance of ordinary shares upon exchange of dispreference shares	5.10	(19,224)	-	-	-	-	-
Repayment of capital	5.10	-	(655,881)	-	-	-	(655,881)
December 31, 2007		**109,313,539**	**1,081,098**	**891,187**	**-**	**(1,802,222)**	**170,063**
Loss for the year		-	-	-	-	(15,220)	(15,220)
Total recognised loss for 2008		**-**	**-**	**-**	**-**	**(15,220)**	**(15,220)**
Recognition of share-based compensation	5.10	-	-	2,936	-	-	2,936
Proceeds received upon exercise of Class A and Class B Options	5.10	-	-	2,311	-	-	2,311
Issuance of share capital via exchange of Class A and Class B Profit Certificates	5.10	292,348	1,645	(1,645)	-	-	-
Issuance of share capital through Employee Share Purchase Plan	5.10	693,217	6,856	1,538	-	-	8,394
Compensation cost related to the Employee Share Purchase Plan	5.10	-	-	1,678	-	-	1,678
December 31, 2008		**110,299,104**	**1,089,599**	**898,005**	**-**	**(1,817,442)**	**170,162**

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

4 Consolidated statement of cash flows

	Note	For the years ended December 31, 2008	2007
		(in thousands of euro)	
Cash flows provided by operating activities:			
Profit (loss) for the year	2	(15,220)	20,669
Adjustments for:			
Depreciation, amortisation and impairment	5.18	261,588	237,626
Income tax expense (benefit)	2	62,270	(27,382)
Provision for liabilities and charges		(7,592)	7,901
Increase / (decrease) in allowance for bad debt	5.7	(8,736)	4,132
Finance income	5.19	(5,615)	(22,390)
Net interest expense	5.19	163,892	121,957
Net losses on derivative financial instruments	5.19	32,986	25,487
Loss on extinguishment of debt	5.19	-	86,679
Other		5,706	2,045
Change in:			
Trade receivables	5.7	33,552	(9,720)
Other assets	5.8	(3,265)	4,417
Deferred revenue	5.17	(24,344)	(1,764)
Trade payables		(237)	6,106
Accrued expenses and other current liabilities	5.16	4,773	7,304
Cash provided by operations		**499,758**	**463,067**
Interest paid		(170,244)	(172,830)
Interest received		22,518	5,575
Income taxes paid		-	(2,450)
Cash paid for derivatives		-	(348,188)
Cash received for derivatives		-	262,249
Net cash provided by operating activities		**352,032**	**207,423**
Cash flows provided by investing activities:			
Purchases of property and equipment		(200,388)	(167,275)
Purchases of intangibles		(30,395)	(26,593)
Acquisitions of subsidiaries and affiliates, net of cash acquired	5.22	(205,131)	(288)
Proceeds from sale of property and equipment and other intangibles		2,409	-
Net cash used in investing activities		**(433,505)**	**(194,156)**
Cash flows provided by financing activities:			
Repayments of loans and borrowings	5.11	(7,924)	(1,222,486)
Proceeds from loans and borrowings	5.11	85,000	1,900,000
Payments of finance lease liabilities		(4,307)	(2,444)
Payments for debt issuance costs		(12,227)	(28,214)
Payments of redemption premiums		-	(66,970)
Proceeds from Employee Share Purchase Plan	3	8,394	-
Proceeds from exercise of Class A and Class B options	3	2,311	1,511
Proceeds received from issuance of debt warrants		-	78,002
dividend	3	(744)	(654,899)
Net cash provided by financing activities		**70,503**	**4,500**
Net increase (decrease) in cash and cash equivalents		**(10,970)**	**17,767**
Cash and cash equivalents:			
at January 1		76,611	58,844
at December 31		65,641	76,611

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

5 Notes to the consolidated financial statements for the year ended December 31, 2008

5.1 REPORTING ENTITY AND BASIS OF PREPARATION

5.1.1 Reporting entity

The accompanying consolidated financial statements present the operations of Telenet Group Holding NV and its subsidiaries (hereafter collectively referred to as the "Company" or "Telenet"). Through its broadband network the Company offers cable television, including premium television services, broadband internet and telephony services to residential subscribers in Flanders and certain communes in Brussels as well as broadband internet, data and voice services in the business market throughout Belgium. The Company also offers mobile telephony services as a mobile virtual network operator (MVNO) which acquires wholesale airtime capacity from the Belgian mobile telephone operator Mobistar. Telenet Group Holding and its principal subsidiaries are limited liability companies organised under Belgian law. The Company is managed and operates in one operating segment, broadband communications.

5.1.2 Basis of preparation

In accordance with the EU Regulation 1606/2002 of July 19, 2002, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs as adopted by the EU"). The financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value. The methods used to measure fair values are discussed further in Note 5.2.7. The principal accounting policies are set out below.

5.1.3 Functional and presentation currency

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

5.1.4 Use of estimates and judgments

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

- Note 5.5: Goodwill
- Note 5.12: Financial instruments
- Note 5.13: Deferred taxes
- Note 5.15: Employee benefits
- Note 5.22: Acquisitions of subsidiaries

5.1.5 Reclassifications in presentation

As a result of a reclassification in the presentation of non-current versus current derivatives on the consolidated balance sheet, we adjusted accordingly the corresponding figures of 2007 in Note 5.2.18 to the consolidated financial statements of the Company.

Whereas in 2007 finance income/(expense) was presented in the consolidated income statement on a net basis, we have presented finance income and expenses for the year ended December 31, 2008 on a gross basis and have adjusted the 2007 figures for comparative purposes.

Certain comparative amounts in the consolidated cash flow statement have been reclassified for purposes of more appropriate comparison between the figures of the years ended December 31, 2008 and 2007.

These consolidated financial statements were authorised for issue by the Board of Directors on April 27, 2009.

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 accounting policies have been made, except for the early adoption of IAS 23 (Revised) *Borrowing Costs*.

5.2.1 Basis of consolidation

Subsidiaries

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

Associates and jointly controlled entities

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

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

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

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

Jointly controlled operations

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

5.2.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, 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 recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

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

- Buildings and improvements 10-33 years
- Operating facilities 3-20 years
- Other equipment 2-10 years

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

The costs associated with the construction of cable transmission and distribution facilities and also analogue and digital cable, internet, and telephony and interactive digital television ("iDTV") service installation costs are capitalized and depreciated over 2 to 20 years.

Government grants related to assets are recorded as a deduction from the cost in arriving at the carrying amount of the asset. The grant is recognised in the income statement over the life of a depreciable asset as a reduction of depreciation expense. Until the year ended December 31, 2007, borrowing costs were recognised in profit and loss as incurred. As from the year ended December 31, 2008, the Company applies the guidance of IAS 23 (Revised) *Borrowing Costs* and includes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day-to-day servicing of property and equipment are recognised in the income statement as incurred.

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

5.2.3 Intangible assets

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

- Network user rights	10 or 20 years
- Trade name	15 years
- Customer relationships and supply contracts	5 to 15 years
- Broadcasting rights	Life of the contractual right
- Software development costs	3 years
- Out of market component on future lease obligations	Term of the lease agreement

Costs associated with maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised 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 amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised 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 and are amortised on a straight-line basis over contractual life.

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 recognised in the income statement 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 other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

5.2.4 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 amortised 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. For the purposes of assessing impairment, intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Tangible assets are grouped on one level.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

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

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The Company has determined that its tangible fixed assets constitute a single cash-generating unit for the purpose of impairment testing.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised 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 recognised 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 recognised.

5.2.5 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

Goodwill is tested for impairment annually, or more frequently when there is an indication that it may be impaired. The Company has identified one cash-generating unit to which all goodwill was allocated. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets pro-rata on the basis of the carrying amount of each asset. An impairment loss recognised for goodwill is not reversed in a subsequent period.

5.2.6 Foreign currency transactions

The Company's functional and presentation currency is the euro ("€"), which is also the functional currency of each of the Company's subsidiaries. Transactions in currencies other than the euro are translated at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on translation are included in profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity. In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward contracts and options (see below for details of the Company's accounting policies in respect of such derivative financial instruments).

5.2.7 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Cash and cash equivalents

Cash equivalents consist principally of commercial paper and certificates of deposit with original maturities of three months or less. They are carried at amortised 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 amortised 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 issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis using the effective interest method and are recorded as a component of the related debt to the extent that they are not settled in the period in which they arise.

Trade payables

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

Derivative financial instruments

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

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

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

The Company has entered into various derivative instruments to manage interest rate and foreign currency exchange rates exposure. With the exception of the foreign exchange forwards that were purchased historically to hedge the US dollar foreign exchange risk related to the US dollar denominated Senior Discount Notes, the Company does not apply hedge accounting to its derivative instruments. Accordingly, changes in the fair values of all other derivative instruments are recognised immediately in the income statement.

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 income statement.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated 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.

The fair values of interest rate swaps and foreign exchange forwards are calculated by the Company based on swap curves flat, taking into account the credit risk of both the Company and the respective counterparties to the instruments.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

5.2.8 Revenue recognition

Subscription fees for telephony, internet and premium cable television are prepaid by subscribers on a monthly basis and recognised in revenue as the related services are provided, i.e. in the subsequent month. Subscription fees for basic cable television are prepaid by subscribers predominantly on an annual basis and recognised 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 recognised on actual usage.

Where consideration has been received or is separately receivable in respect of installation, such installation fees are recognised as revenue by reference to the stage of completion of the installation. As installation ordinarily does not take long, installation fees are recognised generally as revenues on completion of the installation.

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

5.2.9 Operating expenses

Operating expenses consist of interconnection costs, network operating, maintenance and repair costs and cable programming costs, including employee costs and related depreciation and amortization charges. The Company capitalizes most of its installation cost, including labour cost. Copyright and license fees paid to the holders of these rights and their agents are the primary component of the Company’s cable programming costs. Other direct costs include costs that the Company incurs in connection with providing its residential and business services, such as interconnection charges as well as bad debt expense. Network costs consist of costs associated with operating, maintaining and repairing the Company’s broadband network and customer care costs necessary to maintain its customer base.

5.2.10 Provisions

Provisions are recognised 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.

5.2.11 Leases

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 income statement over the lease period. All other leases are classified as operating lease payments and recognised in profit or loss on a straight-line basis over the term of the lease.

5.2.12 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 recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised 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 recognised 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 recognised 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 utilised. 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 realised. Current and deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the current or deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

5.2.13 Employee benefits

Pension obligations

The Company provides both defined benefit and defined contribution plans to its employees, directors and certain members of management. The defined benefit pension plans pay benefits to employees at retirement using formulas based upon years of service and compensation rates near retirement. The schemes are generally funded by payments from the participants and the Company to insurance companies as determined by periodic actuarial calculations.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The corridor approach is applied to actuarial gains and losses. Such gains and losses are the result of changes in actuarial assumptions on retirement and similar commitments. Accordingly, all gains and losses exceeding 10% of the greater of the present value of the defined benefit obligation and the fair value of any plan assets are recognised over the expected average remaining working life of the employees participating in the plan. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised actuarial losses and past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and unrecognised actuarial gains and losses, and as reduced by the fair value of plan assets. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Other employee benefit obligations

The Company provides long term service awards, health care premiums, early retirement plans and death benefits, among others, to its employees and/or retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age or the completion of a minimum service period, as appropriate. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the related employees.

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 recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural 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 recognises the cumulative impact of the revision of original estimates, if any, in the income statement, 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 recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

5.2.14 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of sale, and a reasonable profit margin based on the effort required to sell the inventories.

5.2.15 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 share options granted to employees.

5.2.16 Finance income and expenses

Finance income mainly comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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

Foreign currency gains and losses are reported on a net basis.

5.2.17 Acquisition accounting

Business combinations are accounted for using acquisition accounting. The date of acquisition is the date on which control is transferred to the acquirer.

Consideration transferred is the sum of the fair values of the assets transferred to the previous owners of the acquiree, liabilities incurred, equity interests issued, and any contingent consideration. Consideration transferred includes acquisition-related costs.

Adjustments to provisionally determined amounts in a business combination can be made only within the measurement period, which cannot exceed 12 months from the acquisition date. Adjustments are made retrospectively and comparatives are revised.

5.2.18 Reclassifications for comparison purposes

As a result of certain reclassifications in the presentation of the consolidated balance sheet, we adjusted the corresponding figures for 2007 accordingly. These changes can be summarised as follows:

	December 31, 2007 reclassifications		
	(in thousands of euro)		
	Initially reported	**Reclass**	**Adjusted 2007 figures for comparison purposes**
Derivative financial instruments			
Non current assets	-	+31,320	31,320
Current assets	31,182	-28,683	2,499
		+2,637	
Derivative financial instruments			
Non current liabilities	-	+5,307	5,307
Current liabilities	3,359	-2,670	689
		+2,637	
Current assets			
Inventories	-	+5,466	5,466
Trade receivables	110,771	-18,896	91,875
Other current assets	19,848	+13,430	33,278
		-	
Current liabilities			
Trade payables	230,369	-182,647	47,722
Accrued expenses and other current liabilities	62,391	+182,647	245,038
		-	

As a result of clarifications in IAS 1, the presentation of derivative financial instruments has been adjusted. For comparison purposes, the 2007 amounts have been adjusted accordingly.

Whereas in the past inventories were included under other current assets, they are currently presented as a separate line. The reclassification from trade receivables to other current assets represents the unbilled revenue.

The reclassification impacting trade payables consists of:

- Accrued programming fees
- Accrued capital expenditure
- Accrued other liabilities

which are now presented under accrued expenses and other current liabilities.

Whereas in 2007 finance income/(expense) was presented in the consolidated income statement on a net basis, we have presented finance income and expenses for the year ended December 31, 2008 on a gross basis and have adjusted the 2007 figures for comparative purposes.

Certain comparative amounts in the consolidated cash flow statement have been reclassified for purposes of more appropriate comparison between the figures of the years ended December 31, 2008 and 2007.

5.2.19 New standards, interpretations and amendments

Standards, amendments and interpretations effective or early adopted in 2008

IAS 23 (Revised) *Borrowing Costs* requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The amendments to IAS 23 eliminate the option available under the previous version of the Standard to recognise all borrowing costs immediately as an expense. The Company adopted IAS 23 (Revised) prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2008 but it did not have a material impact on the Company's accounts.

In addition to Amendments to IAS 39 and IFRS 7 *Reclassification of Financial Assets*, three Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") are effective for the current period. These are: IFRIC 11, *IFRS 2 – Group and Treasury Share Transactions*; IFRIC 12, *Service Concession Arrangements*; and IFRIC 14, *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The adoption of these Amendments and Interpretations did not have a material impact on the Company's accounts.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2009 or later periods, but the Company has not early adopted them:

- IFRS 3 (Revised 2008) *Business Combinations* (effective from January 1, 2010) will be applied prospectively to business combinations for which the acquisition date is on or after the date of adoption. It introduces several significant changes including the following changes that are likely to be relevant to the Company's operations:
    - The definition of a business has been broadened which may result in more transactions being treated as business combinations.
    - Costs incurred to effect a business combination, other than share or debt issue costs, are expensed in the period incurred.
    - Contingent consideration is measured at fair value at the acquisition date and changes resulting from events after the acquisition date are recognised in profit and loss.
- IFRS 8, *Operating Segments* (effective from January 1, 2009) replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The group will apply IFRS 8 from January 1, 2009, but does not expect that there will be a substantial impact to the manner in which the Company reports its results as its operations are managed and operated as one segment.
- IAS 1 (Revised 2007) *Presentation of Financial Statements* (effective from January 1, 2009) introduces, among other items, new disclosure requirements relating to comprehensive income and makes changes to the titles of some of the financial statements. Other than the required changes in presentation, IAS 1 (Revised 2007) will not have a material impact on the Company's accounts.
- IAS 27 (Revised 2008) *Consolidated and Separate Financial Statements* (effective from January 1, 2010) requires accounting for changes in ownership interests by the Company in a subsidiary, while maintaining control, to be recognised as an equity transaction. If the Company loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit and loss. The amendments to IAS 27 are not expected to have a material impact on the Company's accounts.
- Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* (effective from January 1, 2009) clarifies the definition of vesting conditions and the accounting treatment of cancellations by the counterparty to a share-based arrangement. The Company has not yet determined the potential effect of the amendment.
- Amendments to IAS 32 and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation* (effective from January 1, 2009) requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments are not expected to have a material impact on the Company's accounts.

Interpretations to existing standards that are not yet effective and not relevant for the Company's operations

The following interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2009 but are not currently relevant for the Company's operations:

- IFRS 1 (revised) *First-time Adoption of IFRSs*
- Amendments to IFRS 1 and IAS 27 *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to IAS 39 *Eligible Hedged Items*
- IFRIC 13 *Customer loyalty programmes*
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 17 *Distributions of Non-cash Assets to Owners*

5.3 RISK MANAGEMENT

5.3.1 Credit risk

Qualitative disclosures

Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to the Company in relation to lending, hedging, settlement and other financial activities. The Company is exposed to credit risk from its operating activities and treasury activities.

The largest share of the gross assets subject to credit risk from operating activities are trade receivables from residential and small business customers located throughout Belgium. Accordingly, the Company has no significant concentration of credit risk. The risk of material loss from non-performance from these customers is not considered likely. The Company establishes reserves for doubtful accounts receivable to cover the potential loss from non-payment by these customers.

In regards to credit risk on financial instruments, the Company maintains credit risk policies with regard to its counterparties to minimize overall credit risk. These policies include an evaluation of a potential counterparty's financial condition, credit rating and other credit criteria and risk mitigation tools as deemed appropriate. The Company maintains a policy of entering into such transactions only with highly rated European and US financial institutions. To minimize the concentration of counterparty credit risk, the Company enters into derivative transactions with a portfolio of financial institutions. Likewise, cash equivalents, certificates of deposit and commercial paper are placed with highly rated financial institutions.

Quantitative disclosures

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

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Cash and cash equivalents (including commercial paper/certificates of deposits)	65,641	76,611
Trade receivables	81,274	113,986
Derivative financial instruments	15,103	33,757
Outstanding guarantees to third parties for own liabilities (cash paid)	909	823
Total	**162,927**	**225,177**

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

5.3.2 Liquidity risk

Qualitative disclosures

The principal risks to our 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 our interconnection dispute that is currently the subject of litigation. Our ability to service our debt and to fund our ongoing operations will depend on our ability to generate cash. Although we anticipate generating positive cash flow after deducting interest and taxes, we cannot assure you that this will be the case. We may not generate sufficient cash flow to fund our capital expenditures, ongoing operations and debt obligations.

Telenet Group Holding NV and Telenet Communications NV are holding companies with no source of operating income. They are therefore dependent on capital raising abilities and dividend payments from subsidiaries to generate funds. The terms of the New Senior Credit Facility contain a number of significant covenants that restrict our ability, and the ability of our subsidiaries to, among other things, pay dividends or make other distributions, make capital expenditure, incur additional debt and grant guarantees. The agreements and instruments governing our debt contain restrictions and limitations that could adversely affect our ability to operate our business.

We believe that our cash flow from operations and our existing cash resources, together with available borrowings under the New Senior Credit Facility, will be sufficient to fund our currently anticipated working capital needs, capital expenditures and debt service requirements.

On August 1, 2007, a New Senior Credit Facility agreement was executed in order to refinance the 2006 Senior Credit Facility, the Senior Notes, the Senior Discount Notes and to finance a distribution to the Company's shareholders by way of a capital reduction. Our New Senior Credit Facility is discussed in greater detail in Note 5.11.1 to the consolidated financial statements of the Company.

The Company has access to undrawn facilities under the New Senior Credit Facility. As of December 31, 2008, €90.0 million under the revolving credit facility (€175.0 million as of December 31, 2007) and €225.0 million under tranche B2 of the New Senior Credit Facility was available to the Company subject to our being in compliance with certain financial covenants and other conditions.

On October 10, 2007 the Company redeemed the Senior Notes and Senior Discount Notes which bore fixed interest rates of 9% and 11.5% respectively and replaced them by floating rate debt (Euribor) under the New Senior Credit Facility. In order to hedge its increased exposure to floating rate debt, the Company concluded interest rate cap contracts in 2007 for a total nominal amount of €1,500 million.

The Company has implemented a policy on financial risk management. With respect to liquidity and funding risks, the key objectives can be summarised as:

- ensure that at all times the Company has access to sufficient cash resources to meet its financial obligations as they fall due and to provide funds for capital expenditure and investment opportunities as they arise;
- ensure that the Company has sufficient excess liquidity to ensure that the Company can meet its non-discretionary financial obligations in the event of unexpected business disruption;
- ensure compliance with borrowing facilities covenants and undertakings.

A minimum liquidity buffer of cash and cash equivalents is maintained in order to meet unforeseen cash expenses. The Company's funding requirements and funding strategy is reviewed annually. More detailed information has been disclosed under Note 5.9 to the consolidated financial statements of the Company.

A limit has been set regarding the maximum amount that can be invested per derivative product type. On top of this limit, the authorised financial counterparties have been determined and limits have been set for each counterparty by reference to their long term credit rating.

Quantitative disclosures

Our aggregate contractual obligations as at December 31, 2008 and 2007 were as follows:

Situation as per December 31, 2008	Payments due by period						
Contractual obligations	Total	Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
	(in thousands of euro)						
Long term debt [1]	2,653,569	111,174	111,174	111,174	629,791	280,504	1,409,752
Finance lease obligations [1]	459,579	48,702	43,571	42,137	40,576	37,908	246,686
Operating lease obligations	27,141	9,083	5,406	4,356	3,163	2,516	2,617
Other contractual obligations [2]	1,120,092	61,516	39,105	32,146	31,004	29,611	926,710
Interest Rate Derivatives	21,689	5,283	6,702	6,047	3,658	-	-
Foreign Exchange Derivatives [3]	3,000	3,000	-	-	-	-	-
Trade payables [4]	45,401	45,401					
Total contractual obligations	**4,330,471**	**284,159**	**205,958**	**195,860**	**708,192**	**350,539**	**2,585,765**

Situation as per December 31, 2007	Payments due by period						
Contractual obligations	Total	Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
	(in thousands of euro)						
Long term debt [1]	2,911,093	150,500	149,957	149,149	148,687	663,244	1,649,556
Finance lease obligations [1]	73,214	6,421	6,746	6,514	6,433	6,142	40,958
Operating lease obligations	32,765	9,629	7,054	5,583	3,985	3,867	2,647
Other contractual obligations [2]	64,582	24,837	21,344	9,739	5,268	1,199	2,195
Interest Rate Derivatives	1,115	425	426	132	132	-	-
Foreign Exchange Derivatives [3]	7,582	7,582	-	-	-	-	-
Trade payables [4]	47,722	47,722	-	-	-	-	-
Total contractual obligations	**3,138,073**	**247,116**	**185,527**	**171,117**	**164,505**	**674,452**	**1,695,356**

5.3.3 Market risk

We are exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily as between the US dollar and euro, and use financial instruments to manage our 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 utilising forward foreign exchange contracts.

Our functional currency is the euro. However, we conduct, and will continue to conduct, transactions in currencies other than the euro, particularly the US dollar. Less than 5% of our costs of operations (primarily the costs of network hardware equipment and software and premium cable television rights) were denominated in US dollars, while all of our revenue was generated in euros. We have significant US dollar obligations with respect to the contracts we are party to

1 Interest included.

2 Represents fixed minimum commitments under certain programming and purchase agreements and in the 2008 period, amounts associated with certain operating costs resulting from the Interkabel acquisition. See Note 5.22.

3 Gross cash outflows arising from foreign exchange forward contracts disclosed in the table above will be accompanied by a related US Dollar denominated inflow.

4 Including trade payables, as well as the accrued trade payables for invoices to be received at year end.

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 our US dollar denominated costs and expenses, while increases in the value of the euro relative to the US dollar would have the reverse effect.

We have historically covered a portion of our US dollar cash outflows arising on anticipated and committed purchases through the use of foreign exchange derivative instruments. The Company uses forward foreign exchange contracts to hedge the exchange rate risk arising from:

- purchases of goods and services in foreign currency;
- capital equipment priced in foreign currency or subject to price changes due to movements in exchange rates;
- accruals of interest on the Senior Discount Notes (redeemed on October 10, 2007)
- payments of royalties, franchise or licence fees denominated in a foreign currency.

Although we take steps to protect ourselves 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.

During the last quarter of 2007, we entered into foreign exchange contracts which cover a significant portion of our US dollar obligations in respect of our agreements for the supply of content for our premium cable television service and purchases of goods and services. Our policy is to enter into such foreign exchange hedging arrangements for periods of up to 18 months at any one time, and as we approach the expiration of each foreign exchange contract, we will review our hedging strategy with respect to future US dollar obligations relating to our premium content agreements.

In order to hedge the foreign exchange exposure resulting from the issuance of the $558 million Senior Discount Notes by Telenet Group Holding NV, we entered into a series of foreign exchange forward contracts ("FECs") (for the purchase of US dollars in exchange for euros) for a total nominal amount of $558 million with a maturity at the end of accretion period of the Senior Discount Notes on December 15, 2008 (the "Full Accretion Date"). These FECs were dealt with an effective date close to the issuance of the Senior Discount Notes. The underlying rationale of our hedging strategy is that the maximum accreted nominal amount is hedged given that our functional currency is the euro. As a consequence of the full redemption of our Senior Discount Notes in 2007, the FECs were terminated on October 10, 2007.

As referred to above, the outstanding forward foreign exchange derivatives as of December 31, 2008 and 2007, are disclosed in more detail in Note 5.12 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, finance leases and operating leases. The risk is managed by maintaining an appropriate mix of interest rate swap contracts, interest rate cap contracts and interest rate collar contracts.

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

- only long term interest exposures (+ 1 year) are managed
- cash debt servicing costs, from movements in interest rates, are minimized
- all hedging instruments used are designated to actual interest exposures and are authorised under the policy
- interest cover ratios included in borrowing covenants are complied with.

On October 10, 2007 the Company redeemed the Senior Notes and Senior Discount Notes which bore fixed interest rates of 9% and 11.5% respectively and replaced them by floating rate debt (Euribor) under the New Senior Credit Facility. Through this debt refinancing the Company was able to extend the average maturity of its financing and to lower the interest cost on existing debt. On December 31, 2008 fixed interest rates applied to 10.98% of the total financial debt (2007: 3.58%).

Under the New Senior Credit Facility, the Company has a contractual obligation to hedge at least 50% of all outstanding amounts under the Facilities. However based on its internal policy on financial risk management, the Company wishes to hedge at least 80% of its floating interest rate risk.

Interest rate risk is managed by the use of interest rate swap contracts, interest rate cap contracts and interest rate collar contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite. In order to hedge its increased exposure to floating rate debt as a result of the refinancing in 2007, the Company concluded new interest rate cap contracts for a total notional amount of €1,500 million. Through the use of interest rate cap contracts the risk of increasing interest rates has been limited and the Company is still able to benefit from decreases in interest rates.

As referred to above, the outstanding interest rate derivatives as of December 31, 2008 and 2007, are disclosed in more detail in Note 5.12 to the consolidated financial statements of the Company.

Quantitative disclosures

Interest rate sensitivity testing

For financial instruments held, the Company has used a sensitivity analysis technique that measures the change in the fair value and cash flows of the Company's financial instruments for hypothetical changes in the relevant base rate applicable at year-end, holding all other factors constant. The sensitivity of profit or loss and equity due to changes in the relevant risk variables as at December 31, 2008 and 2007 are set out in the table below. The estimated change in fair values for changes in market interest rates are based on an instantaneous increase or decrease of 25 basis points at the reporting date, with all other variables remaining constant.

The sensitivity analysis is for illustrative purposes only – in practice market rates rarely change in isolation and are likely to be interdependent. The positive (negative) pre-tax impacts on our results of changes in the relevant risk variables for the years 2008 and 2007 can be summarised as follows:

	2008				2007			
	+0.25%		-0.25%		+0.25%		-0.25%	
	(in thousands of euro)							
Interest								
New Senior Credit Facility	(4,806)	*On P&L*	4,806	*On P&L*	(4,750)	*On P&L*	4,750	*On P&L*
Finance leases	(43)	*On P&L*	43	*On P&L*	(152)	*On P&L*	(88)	*On P&L*
Interest rate derivatives	4,305	*On P&L*	(3,211)	*On P&L*	5,795	*On P&L*	276	*On P&L*
	(544)	*On P&L*	**1,638**	*On P&L*	**893**	*On P&L*	**4,938**	*On P&L*
Changes in fair value								
Swaps	3,299	*On P&L*	(3,299)	*On P&L*	607	*On P&L*	(614)	*On P&L*
Caps	4,982	*On P&L*	(4,186)	*On P&L*	9,630	*On P&L*	(8,141)	*On P&L*
Collars	213	*On P&L*	(229)	*On P&L*	423	*On P&L*	(259)	*On P&L*
	8,495	*On P&L*	**(7,716)**	*On P&L*	**10,660**	*On P&L*	**(9,014)**	*On P&L*
Total	**7,951**	*On P&L*	**(6,078)**	*On P&L*	**11,553**	*On P&L*	**(4,076)**	*On P&L*

If interest rates had been 25 basis points higher and all other variables were held constant, this would have had a positive effect on the results of the Company for 2008 of €8 million (2007: €11.5 million). This is mainly attributable to the change in fair value of the new interest rate cap contracts concluded end of 2007 as a result of the refinancing for the notional amount of €1,500 million. At December 31, 2008 the notional amount of the caps was €1,526 million. The analysis is prepared assuming that the amounts of interest rate derivatives at year end 2007 were outstanding for the whole year.

If interest rates had been 25 basis points lower and all other variables were held constant, the Company's results would have been impacted in 2008 in a negative way for an amount of €6.1 million (2007: €4.1 million)

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

Situation as per December 31, 2008	Interest payments due by period					
+0.25%	**Less than 1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**After 5 years**
	(in thousands of euro)					
New SCF Term loan A	29,410	29,410	29,410	17,243	-	-
New SCF Term loan B1	17,843	17,843	17,843	17,892	9,891	505
New SCF Term loan C	64,345	64,345	64,345	64,521	64,345	101,894
Finance leases	1,916	1,749	1,579	1,405	1,214	4,815
Interest Rate Derivatives	4,359	5,593	5,033	2,992	-	-
Revolver	4,609	4,609	4,609	4,622	4,609	3,447

Situation as per December 31, 2008	Interest payments due by period					
-0.25%	**Less than 1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**After 5 years**
	(in thousands of euro)					
New SCF Term loan A	26,723	26,723	26,723	15,668	-	-
New SCF Term loan B1	16,284	16,284	16,284	16,328	9,027	461
New SCF Term loan C	58,958	58,958	58,958	59,120	58,958	93,364
Finance leases	1,839	1,682	1,523	1,360	1,182	4,785
Interest Rate Derivatives	6,208	7,810	7,061	4,323	-	-
Revolver	4,178	4,178	4,178	4,189	4,178	3,125

Situation as per December 31, 2007	Interest payments due by period					
+0.25%	**Less than 1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**After 5 years**
	(in thousands of euro)					
New SCF Term loan A	37,589	37,486	37,486	37,486	21,978	-
New SCF Term loan B1	22,590	22,529	22,529	22,529	22,590	13,126
New SCF Term loan C	80,756	80,536	80,536	80,536	80,756	208,069
Finance leases	2,390	2,198	1,995	1,788	1,572	6,262
Interest Rate Derivatives	(5,028)	(4,703)	(4,905)	(4,786)	(4,677)	(9,899)

Situation as per December 31, 2007	Interest payments due by period					
-0.25%	**Less than 1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**After 5 years**
	(in thousands of euro)					
New SCF Term loan A	34,895	34,800	34,800	34,800	20,403	-
New SCF Term loan B1	21,027	20,970	20,970	20,970	21,027	12,218
New SCF Term loan C	75,355	75,149	75,149	75,149	75,355	194,153
Finance leases	2,327	2,142	1,947	1,746	1,539	6,217
Interest Rate Derivatives	446	518	379	309	(76)	(171)

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. We do not currently have any obligation to prepay fixed rate debt prior to maturity and, accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt.

Foreign currency sensitivity testing

The Company is mainly exposed to market risks relating to fluctuations in foreign exchange rates between the US dollar and euro.

The following table details the Company's sensitivity to a 10% increase and decrease of the relevant foreign exchange rate. 10% is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes the effect on our US dollar denominated costs and expenses (primarily the costs of network hardware equipment, software and premium cable television rights) and forward foreign exchange contracts.

December 31, 2008			Impact in thousands of euro			
	Foreign currency	Amount in foreign currency	10% increase		10% decrease	
Trade payables	USD	1,204	(96)	*On P&L*	78	*On P&L*
	GBP	11	(1)	*On P&L*	*1*	*On P&L*

December 31, 2007			Impact in thousands of euro			
	Foreign currency	Amount in foreign currency	10% increase		10% decrease	
Trade payables	USD	4,425	(337)	*On P&L*	276	*On P&L*
	GBP	(26)	4	*On P&L*	(3)	*On P&L*
	CHF	36	(2)	*On P&L*	*2*	*On P&L*

As a consequence of the 100% cash flow hedge on the former $362.7 million Senior Discount Notes, the Company had no exposure to changes in the US dollar / euro exchange rate relating to these notes. Following the full redemption of the Senior Discount Notes in 2007, the related forward exchange contracts were terminated on October 10, 2007.

5.3.4 Categories of financial assets and financial liabilities

In accordance with IAS 39, financial assets and liabilities are to be classified in four primary classification categories. Their carrying amounts can be summarised as of December 31, 2008 and 2007 as follows:

		Fair Value				
		Categories according to IAS 39				
December 31, 2008	**Carrying Amount**	**Financial assets or liabilities at fair value through P&L**	**Loans and receivables / Other financial liabilities**	**Available for sale financial assets**	**Financial liabilities measured at amortised cost**	**Out of Scope IAS 39**
	(in thousands of euro)					
Assets						
Current						
Trade receivables	67,767		67,767			
Other current assets	38,403		38,403			
Cash and cash equivalents	65,641		65,641			
Derivative financial assets transactional	230	230				
Total current assets	**172,041**					
Non current						
Derivative financial assets	14,889	14,889				
Other non current assets	1,508					1,508
Total other non current assets	**16,397**					
Liabilities						
Financial debts						
Non current						
Long term debt	2,282,127				2,117,310	
Derivative financial liabilities	14,934	14,934				
Current						
Current portion of long term debt	34,530				34,530	
Derivative financial liabilities	5,348	5,348				
Trade payables	**45,401**		**45,401**			
Other liabilities						
Non current	74,839					74,839
Current	395,388					395,388
Total liabilities	**2,852,567**					
Net Gains / (Losses)						
On foreign exchange transactions	511		511			
On cash and cash equivalents (interest income)	5,104		5,104			
On derivative financial instruments	(32,986)	(32,986)				
On extinguishment of debt						
On financial debts	(163,892)	4,323			(168,215)	

December 31, 2007	Carrying Amount	Financial assets or liabilities at fair value through P&L	Loans and receivables / Other financial liabilities	Available for sale financial assets	Financial liabilities measured at amortised cost	Out of Scope IAS 39
		Fair Value				
		Categories according to IAS 39				
		(in thousands of euro)				
Assets						
Current						
Trade receivables	91,875		91,875			
Other current assets	33,278		33,278			
Cash and cash equivalents	76,611		76,611			
Derivative financial assets						
- transactional	2,499	2,499				
Total current assets	**204,263**					
Non current						
Derivative financial assets	31,320	31,320				
Other non current assets	1,868				-	1,868
Total other non current assets	**33,188**					
Liabilities						
Financial debts						
Non current						
Long term debt	1,999,901				1,949,273	
Derivative financial liabilities	5,307	5,307				
Current						
Current portion of long term debt	18,529				18,529	
Short term borrowings	-					
Derivative financial liabilities	689	689				
Trade payables	**47,722**		**47,722**			
Other liabilities						
Non current	56,525					56,525
Current	368,533					368,533
Total liabilities	**2,497,206**					
Net Gains / (Losses)						
On foreign exchange transactions	16,730		361		16,369	
On cash and cash equivalents (interest income)	5,660		5,660			
On derivative financial instruments	(25,487)	(25,487)				
On extinguishment of debt	(86,679)				(86,679)	
On financial debts	(121,957)	(785)			(121,172)	

5.4 PROPERTY AND EQUIPMENT

	Land, buildings, and leasehold improvements	Network	Construction in progress	Furniture, equipment, and vehicles	Total
	(in thousands of euro)				
Cost					
At January 1, 2007	**54,900**	**1,609,428**	**45,419**	**38,850**	**1,748,597**
Acquisition of subsidiaries	1,339	19,420	-	201	20,960
Additions	30,001	15,246	151,558	726	197,531
Transfers	3,550	140,757	(147,105)	2,798	-
Impairment	-	(1,457)	-	-	(1,457)
Disposals	-	(1,290)	-	(476)	(1,766)
At December 31, 2007	**89,790**	**1,782,104**	**49,872**	**42,099**	**1,963,865**
Acquisition of subsidiaries	-	195,656	-	1,219	196,875
Additions	130	72,048	134,727	443	207,348
Transfers	3,382	285,008	(150,607)	5,316	143,099
Disposals	(79)	(10,660)	-	(1,092)	(11,831)
At December 31, 2008	**93,223**	**2,324,156**	**33,992**	**47,985**	**2,499,356**
Accumulated Depreciation					
At January 1, 2007	**7,514**	**743,811**	**-**	**23,893**	**775,218**
Depreciation charge for the year	3,043	171,578	-	5,959	180,580
Eliminated on disposal	-	(25)	-	(464)	(489)
At December 31, 2007	**10,557**	**915,364**	**-**	**29,388**	**955,309**
Depreciation charge for the year	4,309	188,314	-	6,386	199,009
Transfer		69,275			69,275
Eliminated on disposal	(21)	(9,957)	-	(387)	(10,365)
At December 31, 2008	**14,845**	**1,162,996**	**-**	**35,387**	**1,213,228**
Carrying Amount					
At December 31, 2008	78,378	1,161,160	33,992	12,598	1,286,128
At December 31, 2007	79,233	866,740	49,872	12,711	1,008,556
Carrying Amount of Finance Leases included in Property and Equipment					
At December 31, 2008	43,174	271,289	-	689	315,152
At December 31, 2007	45,868	4,082	-	256	50,206

An impairment of €1.5 million was recorded during 2007 for non-recoverable items of equipment.

As part of the Interkabel acquisition, network user rights have been transferred from intangible assets to tangible assets (property and equipment). These network user rights represented a gross cost of €143.1 million and a net book value of €73.8 million at October 1, 2008.

For detailed information regarding the acquisitions in 2008, see Note 5.22 to the consolidated financial statements of the Company.

For information regarding finance leases, see Note 5.11.6 to the consolidated financial statements of the Company.

5.5 GOODWILL

The Company performed its annual review for impairment during the third quarters of 2008 and 2007. Following the acquisition of Interkabel on October 1, 2008, an additional impairment review was performed in the fourth quarter of 2008. Goodwill was allocated to one reporting unit. 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 and direct costs during the period. 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, and a discount rate of 9.0% (2007: 7.9%) based on current market assessments of the time value of money and the risks specific to the Company. Cash flows beyond the five-year period have been extrapolated using a steady 2% growth rate based on historical known data. This growth rate does not exceed the long-term average growth rate for the industry. Management believes that any reasonably possible changes in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

A reconciliation of the changes in goodwill is depicted below:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Beginning balance	1,096,033	1,148,745
Use of net operating losses acquired in business combinations (Note 5.20)	-	(30,898)
Acquisition of subsidiaries and adjustments to allocation of purchase price (Note 5.22)	90,244	(21,814)
Goodwill	**1,186,277**	**1,096,033**

For detailed information regarding the acquisitions of subsidiaries in 2008, see Note 5.22 to the consolidated financial statements of the Company.

5.6 OTHER INTANGIBLE ASSETS

	Network user rights	Trade name	Software	Customer relationships	Other	Total
	(in thousands of euro)					
Cost						
At January 1, 2007	**140,555**	**121,000**	**126,299**	**84,732**	**17,019**	**489,605**
Acquisition of subsidiary	9,731	-	-	459	-	10,190
Additions	2,513	-	18,349	-	4,840	25,702
Disposals	-	-	-	-	(5,433)	(5,433)
At December 31, 2007	**152,799**	**121,000**	**144,648**	**85,191**	**16,426**	**520,064**
Acquisition of subsidiary	-	-	1,044	181,411	15,600	198,055
Transfers	(143,099)	-	-	-	-	(143,099)
Additions		-	31,244	-	7,311	38,555
Disposals	-	-	(1,874)	-	(6,394)	(8,268)
At December 31, 2008	**9,700**	**121,000**	**175,062**	**266,602**	**32,943**	**605,307**
Accumulated Depreciation						
At January 1, 2007	**49,785**	**46,383**	**79,685**	**29,561**	**5,378**	**210,792**
Charge of the year	12,398	8,067	18,792	8,199	8,133	55,589
Disposals	-	-	-	-	(5,433)	(5,433)
At December 31, 2007	**62,183**	**54,450**	**98,477**	**37,760**	**8,078**	**260,948**
Charge of the year	9,228	8,067	23,399	12,923	8,962	62,579
Transfer	(69,275)	-	-	-	-	(69,275)
Disposals	-	-	(331)	-	(6,394)	(6,725)
At December 31, 2008	**2,136**	**62,517**	**121,545**	**50,683**	**10,646**	**247,527**
Carrying Amount						
At December 31, 2008	7,564	58,483	53,517	215,919	22,297	357,780
At December 31, 2007	90,616	66,550	46,171	47,431	8,348	259,116

The Company's intangible assets other than goodwill each have a finite life and are comprised primarily of network user rights, trade name, software development and acquisition costs, customer relationships, broadcasting rights, out of market component of future leases and contracts with suppliers. These intangible assets are amortised on a straight-line basis over their estimated useful lives. The Company evaluates the estimated useful lives of its finite intangible assets each reporting period to determine whether events or circumstances warrant revised estimates of useful lives.

As part of the Interkabel acquisition, network user rights have been transferred from intangible assets to tangible assets (property and equipment). These network user rights represented a gross cost of €143.1 million and a net book value of €73.8 million at October 1, 2008.

For detailed information regarding the acquisitions in 2008, see Note 5.22 to the consolidated financial statements of the Company.

5.7 TRADE RECEIVABLES

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Trade receivables	81,274	113,986
Less: provision for impairment of trade receivables	(13,507)	(22,111)
Trade receivables, net	**67,767**	**91,875**

At year end 2008 and 2007, respectively, the ageing of our current trade receivables can be detailed as follows:

		Past due					
	Not due	1-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
	(in thousands of euro)						
December 31, 2008	30,643	17,761	5,102	4,123	2,202	21,443	81,274
December 31, 2007	44,488	16,355	5,611	3,514	2,720	41,298	113,986

All invoices related to residential customers are due within 20 days. For other clients, the payment due date is set at 30 or 60 days. In accordance with the Company's accounting policies and based on historical experience, trade receivables that are less than four months past due are not considered impaired. At December 31, 2008 a total amount of €29.2 million (2007: €28.2 million) is due but not impaired. With respect to these trade receivables, there are no indications that the debtors will not meet their payment obligations.

Outstanding trade receivables due for more than 120 days are considered as potentially impaired and are subject to detailed analysis at customer level, and a provision for impairment of trade receivables is established based upon objective evidence that the Company will not be able to collect the amounts. Significant financial difficulties of the debtor, defaults in payments, and other adverse debtor circumstances are considered indicators that the trade receivable is impaired. Based on the necessary and appropriate underlying documentation, the receivables more than 120 days due for which it is likely that the amount due will be recovered, are excluded for the calculation of the allowance for bad debts. For the remaining receivables more than 120 days past due, a bad debt allowance is accounted for at 100%.

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, we believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The following table shows the development of the allowance on trade receivables:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Allowance at the beginning of the year	(22,111)	(17,979)
Additions	(7,300)	(8,660)
Write-offs	15,904	4,528
Allowance at the end of the year	**(13,507)**	**(22,111)**

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. The loss on impairment on trade receivables has been included in cost of services provided in the consolidated income statement. The Company does not hold any receivables in foreign currency.

5.8 OTHER CURRENT ASSETS

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Recoverable withholding taxes	1,194	958
Recoverable VAT	119	2,533
Prepaid content	4,433	3,979
Prepayments	4,415	4,335
Unbilled revenue	28,085	18,896
Other	157	2,577
Other current assets	**38,403**	**33,278**

5.9 CASH AND CASH EQUIVALENTS

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Cash at bank and on hand	25,948	15,990
Commercial paper	-	19,839
Certificates of deposits	39,693	40,782
Total cash and cash equivalents	**65,641**	**76,611**

The Company held no commercial paper on December 31, 2008. On December 31, 2007 the weighted average interest rate of commercial paper was 4.77% with an average maturity of 62 days. As at December 31, 2008, the certificates of deposits had a weighted average interest rate of 2.39% (2007: 3.89%) and an average maturity of 12 days (2007: 7 days).

5.10 SHAREHOLDERS' EQUITY

On December 31, 2008 Telenet Group Holding NV has the following shares outstanding, all of which are treated as one class in the earnings (loss) per share calculation:

- 108,633,987 ordinary shares (2007: 107,648,422 shares);
- 1,665,087 Liquidation Dispreference Shares (2007: 1,665,087 shares) that are held by Interkabel and the Liberty Global Consortium, which have the same rights as the ordinary shares except that they are subject to an €8.02 liquidation dispreference, such that in any liquidation of Telenet Group Holding NV the Liquidation Dispreference Shares would only participate in the portion of the proceeds of the liquidation that exceeded €8.02 per Share. Liquidation Dispreference Shares may be converted into ordinary Shares at a rate of 1.04 to 1; and
- 30 Golden Shares (2007: 30 shares) held by the financing intercommunales, which have the same rights as the ordinary shares and which also give their holders the right to appoint representatives to the Regulatory Board, which oversees the public interest guarantees related to our offering of digital television.

As of December 31, 2008, share capital amounted to €1,090 million (2007: €1,082 million).

Capital reduction

On August 17, 2007, the extraordinary shareholders meeting of Telenet Group Holding NV approved a capital reduction of €6.00 per share. This was executed as a repayment of capital to all shareholders of Telenet Group Holding NV at the moment of the closing of trading on Euronext Brussels on November 16, 2007 with the payment of €655.9 million made in 2007 and €0.7 million in 2008. No changes to the outstanding number of shares occurred as result of this transaction.

Capital risk management

The Company manages its capital to ensure that the Company's entities will be able to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the leverage ratio. The drawn amount of the New Senior Credit Facility (see Note 5.11.1 to the consolidated financial statements of the Company) represents a net leverage ratio of 3.7x EBITDA and is calculated as per terms of the New Senior Credit Facility, using the previous two quarters' EBITDA. Within the New Senior Credit Facility, the Company has access to an additional committed loan capacity of €315.0 million, subject to compliance with applicable covenants, composing the Term Loan B2 and Revolving Facility which are available to be drawn up to and including June 30, 2009 and June 30, 2014 respectively pursuant to the amendments of the New Senior Credit Facility notified on May 23, 2008. On January 30, 2009 and on March 30, 2009, Telenet reimbursed €35.0 million and €30.0 million, respectively, out of the €85.0 million outstanding on the Revolving Facility.

5.10.1 Employee share based compensation

Class A and class B options

In August 2004, the Company granted 1,500,000 Class A Options to certain members of management to subscribe to 1,500,000 Class A Profit Certificates ("Class A Options"). Except for 506,712 Class A Options that vested immediately upon grant, the vesting period of the Class A Options extends to a maximum of 40 months and can be exercised through June 2009.

In December 2004, the Company offered 1,251,000 of the 1,350,000 authorised Class B Options to certain members of management to subscribe to 1,251,000 Class B Profit Certificates ("Class B Options"). Of the 1,251,000 Class B Options offered by the Company, 1,083,000 were accepted in February 2005. The remaining 267,000 Class B Options were cancelled. Except for 105,375 Class B Options that vested immediately upon grant, the Class B Options vest over 4 years and can be exercised through December 2009.

Prior to November 19, 2007, the Class A and the Class B options were required to be exercised in multiples of three, giving the right to acquire three Class A Profit Certificates for €20 or three Class B Profit Certificates for €25. The Class A and Class B Profit Certificates are exchangeable into shares of the Company on a one for one basis, subject to certain conditions being met. Upon exercise, these profit certificates give the holders the right to receive dividends equal to dividends distributed, if any, to the holders of the Company's shares.

Upon the payment of the capital reduction on November 19, 2007, the Company amended both the Class A and Class B Options. Telenet has obtained a tax ruling supporting the conclusion that, in this case, the Company has the legal obligation (in conformity with art. 501 of the Belgian Company Code) to amend the options to ensure that benefits granted to the option holders were not reduced. The options were increased and the exercise price was decreased by a factor of 0.762564 which is the ratio of the quoted market price of the Telenet Group Holding NV shares before the capital reduction less the capital reduction of €6.00 per share versus the quoted market price before the capital reduction. The outstanding numbers of Class A and B options, at that time 1,146,000 and 506,256 options respectively, were increased by 356,824 and 157,627, respectively, as a result of the amendment. At the same time, the exercise prices of the options were adjusted with the same factor bringing the exercise price for the Class A Options from €6.66 to €5.08 and the Class B Options from €8.33 to €6.35. As a result of these adjustments, fair values of the options before and after the transaction remain exactly the same for all option holders resulting in no additional compensation expense. From November 19, 2007, the Class A and Class B Options must no longer be exercised in multiples of three.

Stock option plan 2007 and stock option plan 2008

The extraordinary shareholders' meeting of December 27, 2007 decided to issue 3,300,000 warrants ("Stock Option Plan 2007"). The above mentioned stock options can be granted to employees of Telenet Group Holding NV and its affiliates and to the Chief Executive Officer. The Board of Directors authorised three separate grants of options under the Stock Option Plan 2007 during 2008.

The extraordinary shareholders' meeting of May 29, 2008 decided to issue 317,000 warrants ("Stock Option Plan 2008"). These stock options could be granted to the Chief Executive Officer.

For accounting purposes, the grant dates of the above mentioned grants were defined as respectively January 27, 2008, April 19, 2008, September 25, 2008 and May 29, 2008.

Under both the Stock Option Plan 2007 and Stock Option Plan 2008, the options vest in equal parts per quarter over a period of four years and each option gives the holder the right to subscribe to one new share of Telenet Group Holding NV.

	Stock Option Plan 2007	Stock Option Plan 2007bis	Stock Option Plan 2007ter	Stock Option Plan 2008
Fair value at grant date	3.83	2.79 - 4.34	3.15 - 4.62	3.02 - 4.78
Grant date	January 27, 2008	April 19, 2008	September 25, 2008	May 29, 2008
Number granted	55,000	1,294,000	63,000	317,000
Number accepted	27,500	1,058,600	43,000	317,000

The fair values of the share options granted during 2008 and 2007 were determined using the Black-Scholes option-pricing model with the following assumptions:

	Stock Option Plan 2007	Stock Option Plan 2007bis	Stock Option Plan 2007ter	Stock Option Plan 2008
Share price	18.04	14.41	14.78	15.89
Exercise price	19.40	14.50	14.69	15.86
Expected volatility	25.5%	24.2% - 27.7%	25.9% - 28.5%	24.3% - 27.6%
Expected option life	3.61 years	3.61 years	3.61 years	3.61 years
Expected dividends	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate	3.50%	4.07% - 4.20%	4.17% - 4.39%	4.48% - 4.51%

All plans

A summary of the activity of the Company's stock options for the years ended December 31, 2008 and 2007 is as follows:

	Outstanding Options	
	Number of Options	Weighted Average Exercise Prices (in euro)
January 1, 2007	**1,793,514**	**7.23**
Class A Options exercised	(39,000)	6.67
Class B Options exercised	(164,994)	7.58
Additional Class A Options issued upon plan amendment	356,824	5.08
Additional Class B Options issued upon plan amendment	157,627	6.35
Class B Options forfeited	(6,273)	6.35
December 31, 2007	**2,097,698**	**5.44**
Stock Option Plan 2007 options granted	27,500	19.40
Stock Option Plan 2007bis options granted	1,058,600	14.50
Stock Option Plan 2007ter options granted	43,000	14.69
Stock Option Plan 2008 options granted	317,000	15.86
Class A Options exercised	(266,550)	5.08
Class B Options exercised	(150,620)	6.35
Stock Option Plan 2007bis options forfeited	(25,000)	14.50
December 31, 2008	**3,101,628**	**9.76**

The options in the table below were exercised versus payments of €2.3 million and €1.5 million during the years ended December 31, 2008 and 2007, respectively. Upon exercise, the Class A and Class B options were exchanged on a one-for-one basis for Class A and Class B Profit Certificates and were accounted for as increases in Other Reserves within Equity. These reserves are transferred from Other Reserves to Share Capital when the Profit Certificates are exchanged for shares of the Company and resulted in a transfer of €1.6 million and €2.3 million between Other Reserves and Share Capital within Equity in 2008 and 2007, respectively.

Class of Option	Number of Options Exercised	Exercise Date	Share Price at Exercise Date (in euro)
Class A Options	39,000	02/02/2007	24.00
Class B Options	44,532	22/03/2007	23.80
Class B Options	57,726	15/06/2007	24.92
Class B Options	62,736	27/12/2007	19.80
Class B Options	16,032	18/04/2008	14.51
Class A Options	166,550	17/07/2008	13.75
Class B Options	47,030	17/07/2008	13.75
Class B Options	5,392	16/10/2008	12.65
Class A Options	100,000	17/12/2008	11.40
Class B Options	82,166	17/12/2008	11.40

The following table summarises information about stock options outstanding and exercisable as of December 31, 2008:

Class of Option	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Prices (in euro)
Class A Options	1,236,274	1,236,274	6 months	5.08
Class B Options	444,254	444,254	12 months	6.35
Stock Option Plan 2007	27,500	6,875	50 months	19.40
Stock Option Plan 2007bis	1,033,600	196,658	50 months	14.50
Stock Option Plan 2007ter	43,000	2,686	56 months	14.69
Stock Option Plan 2008	317,000	59,436	50 months	15.86

Total compensation expense associated with the Company's stock option plans amounted to €4.6 million (2007: €0.5 million).

5.10.2 Employee share purchase plan

On May 31, 2007 the extraordinary shareholders meeting of Telenet Group Holding NV approved the issuance of a new Employee Share Purchase Plan ("ESPP") for a maximum amount of €23.5 million. In January 2008, the Board of Directors offered to all of Telenet's employees the opportunity to purchase new shares of Telenet Group Holding NV under the terms of the ESPP at a discount of 16.67% to the average share price over the 30 days preceding March 20, 2008. Based on the average share price of €14.53 during this 30 day period, the shares were offered to the personnel at a subscription price of €12.11. As the shares were fully vested at the time of the transaction, the Company recognised €1.7 million as compensation expense in April 2008 for the 693,217 shares that were purchased.

5.10.3 Subordinated debt warrants

The Company had 3,426,000 Subordinated Debt Warrants outstanding (the ''Subordinated Debt Warrants'') which were held by the Liberty Global Consortium, the GIMV, the Financial Consortium and the MICs. Each Subordinated Debt Warrant entitled the holder thereof to three shares of Telenet Group Holding NV upon payment of an exercise price of €40. Alternatively, holders could opt for a "cashless" exercise of the Subordinated Debt Warrants. In such a case, they were entitled to acquire a reduced number of shares of Telenet Group Holding NV, using the value of their Subordinated Debt Warrants (measured by the market value of the shares of Telenet Group Holding NV at the time of exercise less the exercise price of the Subordinated Debt Warrants) to acquire shares of Telenet Group Holding NV at their market value. The Subordinated Debt Warrants could be exercised at any time during the exercise period ending on August 9, 2009.

On March 22, 2007, 412,869 new shares in Telenet Group Holding NV were issued to Chellomedia Investments BV (a Company of the Liberty Global Consortium) following the exercise by Chellomedia Investments BV of 137,623 Subordinated Debt Warrants. Each Subordinated Debt Warrant was exercised at a price of €40.00. The capital of Telenet Group Holding NV was therefore increased by €5.5 million.

On August 10, 2007 all 3,288,377 remaining Subordinated Debt Warrants were exercised. A total of 1,475,960 Subordinated Debt Warrants were exercised at the Penny Exercise Price (i.e. a cashless exercise) in exchange for the issuance of 2,103,533 new shares in Telenet Group Holding NV for an aggregate exercise price of €0.06. A total of 1,812,417 Subordinated Debt Warrants were exercised at the Normal Exercise price (€40.00 per Subordinated Debt Warrant) against issuance of 5,437,251 new shares of Telenet Group Holding NV for an aggregate exercise price of €72.5 million.

There were no more Subordinated Debt Warrants outstanding at December 31, 2008.

5.11 LOANS AND BORROWINGS

The debt balances specified below include accrued interest as of December 31, 2008 and 2007.

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
New Senior Credit Facility:		
Term Loan A	530,000	530,396
Term Loan B1	307,500	307,738
Term Loan B2	115	343
Term Loan C	1,062,500	1,063,353
Revolving Credit Facility	85,381	223
Clientele Fee	-	43,968
Annuity Fee	-	47,942
Finance lease obligations	322,575	52,329
Favourable component of future lease obligations (1)	42,814	
	2,350,885	2,046,292
Less: deferred financing fees	(34,228)	(27,862)
	2,316,657	2,018,430
Less: current portion	(34,530)	(18,529)
Total non-current loans and borrowings	**2,282,127**	**1,999,901**

As of December 31, 2008 and 2007, all debts are denominated in euros. Fixed interest rates applied to 10.98% of the total financial debt (2007: 3.58%). The weighted average interest rates at year end were 6.92% on fixed interest rate loans (2007: 8.73%) and 5.21% on floating interest rate loans (2007: 6.95%).

1 Regarding the Interkabel Acquisition, see 5.22.1.

5.11.1 New senior credit facility

On August 1, 2007 (the "Signing Date"), Telenet Bidco NV (the "Borrower"), an indirect subsidiary of Telenet Group Holding NV, executed a New Senior Credit Facility agreement, as amended and restated (the "New Senior Credit Facility"). The New Senior Credit Facility provides for (i) a €530.0 million Term Loan A Facility (the "New Telenet TLA Facility") maturing five years from the Signing Date, (ii) a €307.5 million Term Loan B1 Facility (the "New Telenet TLB1 Facility") maturing seventy-eight months from the Signing Date, (iii) a €225.0 million Term Loan B2 Facility (the "New Telenet TLB2 Facility") maturing seventy-eight months from the Signing Date, (iv) a €1,062.5 million Term Loan C Facility (the "New Telenet TLC Facility") maturing eight years from the Signing Date, and (v) a €175.0 million Revolving Facility (the "New Telenet Revolving Facility") maturing seven years from the Signing Date.

On October 10, 2007, the New Telenet TLA Facility, the New Telenet TLB1 Facility and the New Telenet TLC Facility were drawn in full (the "October 2007 debt refinancing"). The New Telenet TLB2 Facility, which was undrawn as of December 31, 2007, is available to be drawn up to and including June 2009 pursuant to the amendment to the New Senior Credit Facility notified on May 23, 2008. The New Telenet Revolving Facility is available to be drawn through June 2014. The proceeds of the New Telenet TLA Facility, the New Telenet TLB1 Facility and the first €462.5 million drawn under the New Telenet TLC Facility have been used primarily to (i) redeem in full the Telenet Senior Discount Notes, (ii) redeem in full the Telenet Senior Notes and (iii) repay in full the amounts outstanding under the 2006 Senior Credit Facility. The New Telenet TLB2 Facility may be used for general corporate purposes (including permitted acquisitions) and to provide funding to Telenet, via a dividend or intercompany loan, for a distribution to Telenet's shareholders by way of a capital reduction. The New Telenet Revolving Facility may be used for general corporate purposes (including acquisitions). On September 26, 2008 €85.0 million of the Telenet Revolving Facility was used to fund the Interkabel acquisition. On January 30, 2009 and on March 30, 2009, Telenet reimbursed €35.0 million and €30.0 million, respectively of this latter facility.

The applicable margin for the New Telenet TLA Facility and for the New Telenet TLC Facility is 2.25% and 2.75% per annum over EURIBOR respectively. The applicable margin for the New Telenet TLB1 Facility and the New Telenet TLB2 Facility is 2.50% per annum over EURIBOR. The applicable margin for the New Telenet Revolving Facility is 2.125% per annum over EURIBOR.

The New Telenet TLA Facility and the New Telenet TLC Facility will be repaid in full at maturity. The New Telenet TLB1 Facility and the New Telenet TLB2 Facility will each be repaid in three equal instalments, with the first instalment due in February 2013, the second instalment due in August 2013 and the final instalment due in February 2014. Advances under the New Telenet Revolving Facility will be repaid at the end of the applicable interest period and all advances outstanding will be repaid in full at maturity.

In addition to customary restrictive covenants, prepayment requirements and events of default, the New Senior Credit Facility requires compliance with a Net Total Debt to Consolidated Annualized EBITDA covenant and a Consolidated EBITDA to Total Cash Interest covenant, each capitalized term as defined in the New Senior Credit Facility. The Borrower under the New Senior Credit Facility is permitted to make certain distributions and restricted payments to its shareholders subject to compliance with applicable covenants. The New Senior Credit Facility is secured by (i) pledges over the shares of the Borrower, Telenet Bidco NV, and certain of its subsidiaries, (ii) pledges over certain intercompany and subordinated shareholder loans and (iii) pledges over certain receivables, real estate and other assets of the Borrower, Telenet Group Holding NV and certain other subsidiaries, in line with the 2006 Senior Credit Facility.

The New Telenet TLB2 Facility has a commitment fee on undrawn and uncancelled commitments of 40% of the applicable margin of the New Telenet TLB2 Facility subject to a maximum of 1.00%. The New Telenet Revolving Facility has a commitment fee on undrawn and uncancelled commitments of 40% of the applicable margin of the New Telenet Revolving Facility subject to a maximum of 0.75% p.a.

5.11.2 2006 senior credit facility

Until replaced by the New Senior Credit Facility in August 2007, Telenet Bidco NV, Telenet NV and Telenet Vlaanderen NV (as Borrowers and Guarantors), had a 2006 Senior Credit Facility (the "2006 Senior Credit Facility"). The major terms and conditions of the various tranches of the 2006 Senior Credit Facility were as follows:

- Tranche A provided a €600.0 million amortising loan facility which was drawn in full upon closing. It was repayable in quarterly instalments commencing on March 31, 2007 and called for a final repayment of €370.0 million on March 31, 2011;
- Tranche B was a €200.0 million revolving credit facility of which the undrawn availability was €100.0 million as of January 1, 2007;
- Tranche C was an uncommitted facility of up to €200.0 million or, if utilised for the acquisition of certain Belgian cable assets, up to €350.0 million.

Interest on Tranches A and B of the 2006 Senior Credit Facility was payable at a margin of 0.90% over EURIBOR, and could vary from 0.70% to 1.25% subject to an interest margin ratchet mechanism based on the ratio of Net Cash Pay Debt to Consolidated EBITDA. A commitment fee was payable quarterly in arrears on undrawn amounts of the Tranche B Loan at the rate of 40% of the applicable margin of the Tranche B Loan.

5.11.3 Senior notes

In 2003, Telenet Communications NV received net proceeds of €482.3 million for Senior Notes issued with a principal amount of €500.0 million. Interest was payable semi-annually at an annual rate of 9% and were to mature on December 15, 2013. Prior to 2007, Telenet Communications NV redeemed notes with a principal value at the time of redemption of €131.6 million.

Telenet Communications NV redeemed all of remaining Senior Notes on October 10, 2007 (the redemption date) for a total redemption price of €413,476€413.5 million, equal to 100% of the outstanding principal amount, plus accrued and unpaid interest up to the redemption date, plus the applicable premium.

5.11.4 Senior discount notes

In 2003, the Company received net proceeds of €242.5 million for Senior Discount Notes issued at 57.298% of par value with a principal amount at maturity of $558.0 million (or €450.7 million using the exchange rate obtained upon the issuance of $1.2382 per €1.00). Interest accreted at an annual rate of 11.5%, compounded semi-annually, and interest would have been payable semi-annually from June 15, 2009 until maturity on June 15, 2014. Prior to 2007, Telenet Group Holding NV redeemed notes with a principal value at the time of redemption of $138.7 million.

Telenet Group Holding NV redeemed all of remaining Senior Discount Notes on October 10, 2007 (the redemption date) for a total redemption price of $363.8 million, equal to 100% of the outstanding principal amount, plus accrued and unpaid interest (if any) up to the redemption date, plus the applicable premium.

5.11.5 Clientele and annuity agreements

In 1996, the Company entered into a Clientele Agreement and an Annuity Agreement with the Pure Intercommunales ("PICs"), through Interkabel Vlaanderen CVBA ("Interkabel"), which was at that time a shareholder of the Company.

Upon completion of the Interkabel Acquisition, the 2008 PICs Agreement, which supersedes the agreement-in-principle that the parties signed on November 26, 2007, provides that the PICs will remain the legal owners of the Telenet PICs Network, and that Telenet will receive full rights to use the Telenet PICs Network under a long-term lease for a period of 38 years, for which it will pay recurring fees in addition to the fees paid under the existing 1996 PICs Agreements. As a result of the Interkabel Acquisition and change in nature, the Clientele and Annuity are accounted for as finance lease obligations as from October 1, 2008, as described in Note 5.11.6 to the consolidated financial statements of the Company.

5.11.6 Finance lease obligations

	Future minimum lease payments		Interest		Present value of future minimum lease payments	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	(in thousands of euro)					
Within one year	48,702	6,421	23,268	2,743	25,434	3,678
In the second to fifth years, inclusive	200,861	25,835	77,229	8,770	123,632	17,065
Thereafter	210,017	40,958	45,108	9,744	164,909	31,214
Total minimum lease payments	**459,580**	**73,214**	**145,605**	**21,257**	**313,975**	**51,957**

"Canon Lease"

The clientele fee payable under the Clientele Agreement is payable by the Company in return for access to the cable network customer database owned and controlled by the PICs. The clientele fee is payable as long as the Company maintains its usage rights to the cable network, and is adjusted periodically depending on the level of inflation. Such payments allow the PICs to recover part of their historical investment to upgrade the original cable network to allow for two-way communication (the "HFC Upgrade"). Considering this, the present value of the clientele fee payments over the first 20 years (being the life of the longest lived assets that are part of the HFC Upgrade) has been accounted for as network user rights under intangible assets, and is amortised over 10 or 20 years depending on the useful life of the underlying assets that make up the HFC Upgrade. The old Clientele Fee, which represents the obligation for the first 20 years of the original 50 year agreement, remains unchanged. However, upon the October 2008 acquisition Telenet obtained the ownership and control over the entire network, including the obligation beyond 20 years under the original 50 year Clientele fee agreement.

In accordance with the terms of the Annuity Agreement, the PICs charge an annuity fee, which in substance covers the remaining 60% of the cost of the HFC Upgrade incurred by the PICs, to the Company. Payments under the Annuity Agreement are due over a period of 10 or 20 years, depending on the useful life of the underlying assets that make up the HFC Upgrade incurred by the PICs. The present value of the future payments under the Annuity Agreement was capitalized until October 1, 2008 as network user rights under intangible assets, and is amortised over 10 or 20 years depending on the useful life of the underlying assets that make up the HFC Upgrade. The old Annuity fee remains unchanged. New capex spending from October 1, 2008 will be added to the network under the network lease agreement (Canon fee) and paid in instalments.

For the year ended December 31, 2008, the average effective borrowing rate for the canon fee was 6.73%.

Other leases

The Company leases certain assets under finance leases including buildings, head-ends and certain vehicles with average lease terms of 20, 20 and 5 years, respectively. Leases of head-ends include the equipment used to receive signals of various devices, whether directly from the transmitter or from a microwave relay system. These devices are used, among other things, to transmit data and telephony and television signals. For the year ended December 31, 2008, the average effective borrowing rate was 4.44% (2007: 5.13%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

On July 20, 2006, Telenet NV entered into an arrangement to finance the construction of a new building for a maximum amount of €30.0 million. As from July 1, 2007 (end of the construction period) the Company started paying quarterly lease payments, based on fixed capital repayments, in order to repay the total amount financed (€30.0 million) plus applicable interest charges. The lease period lasts for 15 years starting at the end of the construction period and the Company has a bargain purchase option at the end of the lease. A contractual interest margin of 1.00% is payable over a fixed rate of 3.89% for the term of this finance arrangement.

During the construction phase, the Company paid interest on amounts drawn under the finance arrangement based on 3-month Euribor plus a 1.00% margin. At the end of the construction period a sale and lease back was accounted for whereby the lease back is a finance lease.

5.11.7 Repayment schedule

Aggregate future principal payments on the total borrowings under all of the Company's debt agreements other than finance leases are shown in the following table.

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
On demand or within one year	-	7,597
In the second year	-	7,892
In the third year	-	7,614
In the fourth year	530,000	7,688
In the fifth year	205,000	537,479
After five years	1,292,814	1,418,810
Total repayments	**2,027,814**	**1,987,080**

5.11.8 Guarantees and covenants

Before the refinancing on October 10, 2007, obligations under the Senior Notes, Senior Discount Notes and the 2006 Senior Credit Facility were guaranteed and cross-guaranteed by certain subsidiaries of Telenet Group Holding NV. The obligations were also secured by mortgages and by pledges of certain equity interests, material contracts, and other rights and claims held by certain of Telenet Group Holding NV's subsidiaries including, on a consolidated basis, property and equipment, intangible assets, trade receivables and other current assets.

Telenet BidCo NV, Telenet NV and UPC Belgium NV guarantee in 2007 the obligations of the borrower under the New Senior Credit Facility (being Telenet BidCo NV), to the extent permitted by law. The New Senior Credit Facility is secured by the same security as that for the 2006 Senior Credit Facility. This means that security has been given by all members of the Telenet group (except for Telenet Group Holding NV, Telenet Communications NV, Hostbasket NV and T-VGAS NV) under the 2007 Senior Credit Facility over substantially all their assets of which the carrying amounts as of December 31, 2008 and 2007 can be detailed as follows:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Property and equipment (excluding leases)	970,227	958,350
Other intangible assets	357,279	259,116
Trade receivables	66,510	91,875
Inventories	4,106	5,466
Other current assets	38,403	33,278
	1,436,525	**1,348,085**

The above mentioned securities include:

- a pledge of all shares of all members of the Telenet group (other than Telenet Group Holding NV and Telenet Communications NV);
- a non-joined (non-cumulative) mortgage of (i) €800 million from Telenet NV, (ii) €625 million from Telenet Vlaanderen NV and former MixtICS NV (succeeded by Telenet NV), and (iii) €50 million from former Telenet Solutions NV (succeeded by Telenet NV);

- a non-joined (non-cumulative) floating charge of (i) €1.25 billion granted by Telenet NV, (ii) €135 million granted by Telenet NV and (iii) €615 million granted by Telenet Vlaanderen NV and former MixtICS NV (succeeded by Telenet NV); a floating charge of €250 million granted by Telenet BidCo NV, of €250 million granted by Telenet Vlaanderen NV, of €250 million granted by former MixtICS (succeeded by Telenet NV) and of €75 million granted by former PayTVCo NV (succeeded by Telenet NV) and former Telenet Solutions NV (succeeded by Telenet NV); a portion of the floating charges being granted in a non-joined manner (non-cumulative) with certain mortgages;
- a non-exercised floating charge mandate of €865 million granted by Telenet NV;
- non-exercised mortgage mandates for a total value of €650 million granted by Telenet BidCo NV and of €450 million granted by Telenet NV, Telenet Vlaanderen NV and former MixtICS NV (succeeded by Telenet NV); and
- pledges on bank accounts, and pledges, as appropriate, of all present and future receivables.

In addition, the Company's obligations under finance leases are secured by the lessor's title to the leased assets. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

As of December 31, 2008 and 2007, the Company was in compliance with all of its financial covenants.

5.12 DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into various derivative instruments to manage interest rate and foreign currency exposure.

As of December 31, 2008 and 2007, the outstanding forward foreign exchange derivatives were as follows:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Forward Purchase Contracts		
Notional amount in US dollar	3,768	-
Weighted average strike price (US dollar per euro)	1.256	-
Maturity	From January to March 2009	-
Option Contracts		
Notional amount in US dollar	-	11,000
Weighted average strike price (US dollar per euro)	-	1.420
Maturity	-	From January to April 2008

As of December 31, 2008 and 2007, the outstanding interest rate derivatives were as follows:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Interest Rate Contracts		
Notional amount	422,699	159,431
Average pay interest rate	4.51%	4.81%
Average receive interest rate	5.29%	4.13%
Maturity	From 2009 to 2012	From 2008 to 2011
Caps		
Notional amount	1,525,596	1,537,426
Average cap interest rate	4.71%	4.70%
Maturity	From 2009 to 2017	From 2009 to 2017
Collars		
Notional amount	75,000	375,000
Average floor interest rate	2.50%	2.50%
Average cap interest rate	4.83%	5.37%
Maturity	2011	From 2009 to 2011

On January 1, 2007, the Company stopped applying hedge accounting for its Senior Credit Facility which resulted in a full release of €0.1 million of hedge reserves relating to the interest rate derivatives for which cash flow hedge relationships were discontinued.

Cash flow hedge accounting on the Senior Discount Note was discontinued on June 30, 2007 because the hedged forecasted transaction of the USD repayment at maturity of the Senior Discount Note could no longer be considered as being "probable" since it was known that the debt/equity structure of the Group would be modified. On September 5, 2007 Telenet Group Holding NV notified the holders of the Senior Discount Notes of the redemption of all of the outstanding Notes, to be executed on October 10, 2007 (the redemption date). As a consequence, the cash flow hedge reserve amounting to €3.7 million was released in September 2007.

Upon the discontinuance of hedge accounting, changes in the fair values of all other derivative instruments are recorded in realised and unrealised gains (losses) on financial and derivative instruments in our consolidated income statement.

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

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Current asset	230	2,499
Non-current asset	14,889	31,320
Current liability	(5,348)	(689)
Non-current liability	(14,934)	(5,307)
	(5,163)	27,823
Interest rate exchange contracts	(4,889)	28,025
Foreign exchange options and forwards	(233)	(264)
Embedded derivatives	(41)	62
	(5,163)	27,823

Realised and unrealised gains (losses) on financial and derivative instruments comprise the following amounts:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Interest rate exchange contracts	(32,913)	(3,290)
Foreign exchange options and forwards	31	(22,259)
Embedded derivatives	(104)	62
	(32,986)	(25,487)

5.12.1 Summary

The cumulative impact of the all of the derivative instruments has been allocated between hedging reserves and earnings as follows:

	Increase (decrease) in fair value	Cash paid (received)	Increase (decrease) in hedging reserves	Increase (decrease) in earnings
		(in thousands of euro)		
January 1, 2007	**(36,205)**	**4,955**	**(3,599)**	**(37,561)**
Fair value of foreign exchange forward contracts	31,490		(6,831)	38,321
Change in fair value of foreign exchange forward contracts reclassified into earnings			6,614	(6,614)
Unwinding of the historic Forward Exchange Contracts concluded by Telenet Bidco for the purchase of USD to redeem the Senior Discount Notes on 15/12/2008		45,903		(45,903)
Settlement of Forward Exchange Contract concluded by Telenet Bidco for the purchase of USD to redeem the Senior Discount Notes on 10/10/2007		9,428		(9,428)
Spot purchase of USD 3.806.235 to redeem the Senior Discount Notes on 10/10/2007 [1]		23		(23)
Change in fair value of foreign exchange option contracts	(37)			(37)
Settlement of put/calls concluded by Telenet Bidco and exercised on 10/10/2007		(5,070)		5,070
Prepaid hedge premiums caps	35,655	35,655		
Change in fair value of interest rate derivatives not qualifying for hedge accounting	(3,142)			(3,142)
Embedded derivatives at fair value through P&L	62			62
Release of hedge reserve upon discontinuance of hedge accounting on IRS			148	(148)
Release of hedge reserve upon discontinuance of hedge accounting on futures			3,668	(3,668)
December 31, 2007	**27,823**	**90,894**	**0**	**(63,071)**

	Increase (decrease) in fair value	Cash paid (received)	Increase (decrease) in hedging reserves	Increase (decrease) in earnings
		(in thousands of euro)		
January 1, 2008	**27,823**	**90,894**		**(63,071)**
Change in fair value of foreign exchange option and forward contracts	31			(31)
Change in fair value of interest rate derivatives not qualifying for hedge accounting	(32,913)			32,913
Embedded derivatives at fair value through P&L	(104)			104
December 31, 2008	**(5,163)**	**90,894**		**(30,085)**

1 The spot purchase of $3.8 million resulted in a foreign exchange loss of €0.02 million.

5.12.2 Fair value

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

	December 31, 2008		December 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands of euro)			
Long-term debt (including short-term maturities)	(2,350,885)	(2,151,840)	(2,046,292)	(1,995,625)
Foreign exchange options and forwards	(233)	(233)	(264)	(264)
Interest rate swaps	(19,062)	(19,062)	(1,094)	(1,094)
Caps	14,693	14,693	30,228	30,228
Collars	(519)	(519)	(1,109)	(1,109)
Embedded derivatives	(42)	(42)	62	62
Total derivative instruments	**(5,163)**	**(5,163)**	**27,823**	**27,823**
Total	**(2,356,048)**	**(2,157,003)**	**(2,018,469)**	**(1,967,802)**

The fair value of interest rate swaps and foreign exchange forwards are calculated by the Company based on swap curves flat, taking into account the credit risk of both the Company and the respective counterparties to the instruments. Confirmations of the fair values received from the contractual counterparties, which are all commercial banks, are used to validate the internal calculations. The fair value of derivative instruments containing option-related features are determined by commercial banks and validated by management.

The fair values of our long-term debt instruments are derived as the lesser of either the call price of the relevant instrument or the market value as determined by quoted market prices at each measurement date, where available, or, where not available, at the present value of future cash flows discounted at rates consistent with comparable maturities with similar credit risk to the appropriate measurement date.

The carrying amounts for financial assets classified as current assets and the carrying amounts for financial liabilities classified as current liabilities approximate fair value due to the short maturity of such instruments. The fair values of other financial instruments for which carrying amounts and fair values have not been presented are not materially different than their related carrying amounts.

Management has applied its judgment in using market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company would realise in a current market exchange.

5.13 DEFERRED TAXES

As of December 31, 2008, Telenet Group Holding NV and its subsidiaries had available combined cumulative tax loss carry forwards of €728.0 million (2007: €765.8 million). Under current Belgian tax laws, these loss carry forwards have an indefinite life and may be used to offset the future taxable income of Telenet Group Holding NV and its subsidiaries. Taxable profit is reduced by a notional interest deduction which can be carried forward for 7 years. A subsidiary acquired in a previous business combination made taxable profits of €156.7 million during the year ended December 31, 2007, and utilised tax loss carry forwards which had not been previously recognised as deferred tax assets. During 2007, the last portion of acquired tax loss carry forwards for this profitable subsidiary were recorded through goodwill resulting in a reduction of goodwill and a deferred tax expense of €30.9 million.

The utilisation of unrecognised tax losses carried forward from previous business combinations is recorded as a reduction of goodwill using the historic tax rate of 40.17% applicable at the time of the acquisition while the deferred tax asset is established using the current tax rate of 33.99%. During 2007, the Company utilised the last €76.9 million of acquired tax loss carry forwards for this subsidiary. As a result, the benefit of utilizing the remaining tax loss carry forwards will now be recorded directly through profit and loss.

Telenet Group Holding NV and its consolidated subsidiaries each file separate tax returns in accordance with Belgian tax laws. For financial reporting purposes, Telenet Group Holding NV and its subsidiaries calculate their respective tax assets and liabilities on a separate-return basis. These assets and liabilities are combined in the accompanying consolidated financial statements.

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax entity, is as follows:

	January 1, 2007	(Charged) credited to income statement	Reversal of write-downs to income statement	Reversal of write-downs to goodwill	Acquisition of Subsidiary	December 31, 2007
	(in thousands of euro)					
Deferred tax assets:						
Financial instruments	-	416	1,071	-	-	1,487
Property and equipment	-	44	457	-	-	501
Provisions	-	(2,670)	7,260	-	-	4,590
Tax loss carry-forwards	-	(65,763)	122,968	30,898	473	88,576
Total Deferred tax assets	**-**	**(67,973)(1)**	**131,756(1)**	**30,898**	**473**	**95,154(2)**
Deferred tax liabilities:						
Intangible assets	(5,171.0)	3,395	(36,009)	-	(3,464)	(41,249)
Property and equipment	(1,261.0)	376	(1,221)	-	(5,863)	(7,969)
Other	(44.0)	(72)	(251)	-	44	(323)
Total Deferred tax liabilities	**(6,476.0)**	**3,699(1)**	**(37,481)(1)**	**-**	**(9,283)**	**(49,541)(2)**

	Income Statement(1)	Balance Sheet(2)
	(in thousands of euro)	
Deferred tax assets	63,783	95,154
Deferred tax liabilities	(33,782)	(49,541)
	30,001	**45,613**
Income Statement (see Note 5.20)		
Deferred tax (benefit) / expense	(30,001)	
Current tax expense	2,619	
	(27,382)	
Balance Sheet		
Deferred tax asset		60,647
Current tax liability		(15,034)
		45,613

	January 1, 2008	(Charged) credited to income statement	Acquisition of Subsidiary	December 31, 2008
	(in thousands of euro)			
Deferred tax assets:				
Financial instruments	1,487	554	-	2,041
Property and equipment	501	(501)	-	-
Provisions	4,590	(4,827)	9,619	9,382
Tax loss carry-forwards	88,576	(58,208)	241	30,609
Other	-	345	-	345
Total Deferred tax assets	**95,154.0**	**(62,637)[1]**	**9,860**	**42,377[2]**
Deferred tax liabilities:				
Intangible assets	(41,249)	3,660	(5,702)	(43,291)
Property and equipment	(7,969)	(3,327)	(4,520)	(15,816)
Other	(323)	215	-	(108)
Total Deferred tax liabilities	**(49,541.0)**	**548[1]**	**(10,222)**	**(59,215)[2]**

	Income Statement[1]	Balance Sheet[2]
	(in thousands of euro)	
Deferred tax assets	(62,637)	42,377
Deferred tax liabilities	548	(59,215)
	(62,089)	**(16,838)**
Income Statement (see Note 5.20)		
Deferred tax (benefit) / expense	62,089	
Current tax expense	181	
	62,270	
Balance Sheet		
Deferred tax asset		-
Current tax liability		(16,838)
		(16,838)

Deferred tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. During 2007, the Company determined that it was probable that the tax loss carry forwards for the subsidiary discussed above would be utilised based on both the actual usage in the prior periods and the expected taxable profit for the future. As a result, a net deferred tax asset was recognised for the tax loss carry forwards and other temporary differences.

As Telenet Group Holding NV and virtually all of its subsidiaries with tax loss carry forwards have never realised any substantial taxable profits, no deferred tax assets have been recognised other than those discussed in the previous paragraphs and one acquired in a business combination in 2008. Telenet did not recognise deferred tax assets of €216.8 million (2007: €170.7 million) in respect of losses amounting to €638.0 million (2007: €502.3 million) that can be carried forward against future taxable income. Additionally, Telenet did not recognise net deferred tax assets of €8.6 million (2007: €2.3 million) related primarily to temporary differences on financial instruments, property and equipment and deferred financing fees, because it is not considered more likely than not that these net deferred tax assets will be utilised in the foreseeable future.

5.14 OTHER LIABILITIES

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Employee benefit obligations [1]	7,436	6,730
Copyright fees	2,117	2,751
Other personnel related obligations	7,946	9,778
Long service awards	3,647	3,655
Claims	2,345	2,157
Interkabel out of market opex [2]	17,000	-
Asset retirement obligation	2,313	-
Other	4,493	3,675
Total Other liabilities	**47,297**	**28,746**

5.15 EMPLOYEE BENEFIT PLANS

Defined contribution plans

The majority of Telenet's employees participate in defined contribution plans funded through a group insurance or pension fund. The accumulated assets in the pension fund amount to €15.4 million at December 31, 2008 (2007: €18.5 million).

By law, those plans provide an average minimum guaranteed rate of return over the employee's career equal to 3.75% on employee contributions and 3.25% on employer contributions paid as from January 1, 2004 onwards. Taking into account these minimum guaranteed rates of return and the actual returns obtained by the pension fund, and based on actuarial calculations performed, the benefit obligation exceeded the fair value of the plan assets by €1.2 million at December 31, 2008 (2007: €0). This shortfall is treated as an unrecognised actuarial loss.

Long service awards

The Company has also recognised a liability of €3.6 million at December 31, 2008 (2007: €3.7 million) for long service awards.

Defined benefit pension plans and other post-retirement plans

The funded defined benefit pension plans are financed through insurance contracts which provide a guaranteed rate of return. The plan assets do not include any shares issued by Telenet or property occupied by Telenet.

Telenet also provides medical and other post-retirement benefits to certain employees. These obligations are financed directly by the Company. The corresponding liabilities are calculated at every reporting date and are recognised on the Company's balance sheet to reflect these obligations under post-retirement plans.

1 For information on the most significant benefit plans, see Note 5.15 of the consolidated financial statements of the Company.

2 Regarding the Interkabel Acquisition, see Note 5.22.1 of the consolidated financial statements of the Company.

The amounts recognised in the balance sheet with respect to the defined benefit plans are as follows:

	Defined Benefit Pension Plans		Other post-retirement plans	
	2008	**2007**	**2008**	**2007**
	(in thousands of euro)			
Present value of funded obligations	7,559	5,097	-	-
Fair value of plan assets	(5,303)	(3,228)	-	-
	2,256	**1,869**	**-**	**-**
Present value of unfunded obligations		-	7,149	6,053
Unrecognised net actuarial loss	(2,481)	(1,742)	(439)	(139)
Net (asset) liability in balance sheet	**(225)**	**127**	**6,710**	**5,914**

The amounts recognised in the income statement are as follows:

	Defined Benefit Pension Plans		Other post-retirement plans	
	2008	**2007**	**2008**	**2007**
	(in thousands of euro)			
Service cost	1,434	1,866	476	821
Interest cost	382	283	365	277
Expected return on plan assets	(204)	(227)	-	-
Losses / (gains) on curtailments	-	-	-	397
Losses / (gains) on settlements	-	430	-	-
Actuarial losses recognised in the year	115	73	18	29
Total	**1,727**	**2,425**	**859**	**1,524**

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

	Defined Benefit Pension Plans		Other post-retirement plans	
	2008	**2007**	**2008**	**2007**
	(in thousands of euro)			
Opening defined benefit obligation	5,097	7,080	6,052	6,351
Service cost	1,434	1,866	476	821
Interest cost	382	283	365	277
Plan participants contributions	56	52	-	-
Losses / (gains) on curtailments	-	-	-	397
Actuarial loss (gain)	590	(982)	318	(1,688)
Benefits paid	-	(3,202)	(62)	(105)
Closing defined benefit obligation	**7,559**	**5,097**	**7,149**	**6,053**

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

	Defined Benefit Pension Plans		Other post-retirement plans	
	2008	2007	2008	2007
	(in thousands of euro)			
Opening fair value of plan assets	3,228	6,185	-	-
Expected return on plan assets	204	227	-	-
Company contributions	2,080	1,513	62	105
Plan participants contributions	56	52	-	-
Actuarial (loss) gain	(265)	(1,547)	-	-
Benefits paid	-	(3,202)	(62)	(105)
Closing fair value of plan assets	**5,303**	**3,228**	**-**	**-**

The actual return on plan assets for the plans shown was €(0.1) million (2007: €(1.3) million).

A 1% change in assumed medical cost increase would have the following effects on:

	1% increase	1% decrease
	(in thousands of euro)	
a) aggregate amount of service cost and interest cost	96	(76)
b) defined benefit obligation	552	(452)

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

	2008	2007	2006	2005	2004
	(in thousands of euro)				
Defined benefit obligation	14,708	11,150	13,431	8,189	4,120
Fair value of plan assets	5,303	3,228	6,185	1,878	1,462
(Surplus) / deficit	9,405	7,922	7,246	6,311	2,658
Experience adjustments on plan liabilities	(590)	(831)	1,634	-	-
Experience adjustments on plan assets	(265)	(1,547)	(615)	(1,018)	-

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

	Defined Benefit Pension Plans		Other post-retirement plans	
	2008	2007	2008	2007
Discount rate at December 31	5.35%	5.35%	5.35%	5.35%
Rate of compensation increase	3.10%	3.11%	-	-
Expected return on plan assets	4.89%	4.82%	-	-
Underlying inflation rate	2.00%	2.00%	2.00%	2.00%
Increase of medical benefits	-	-	3.00%	3.00%

The expected rate of return reflects the guaranteed interest rates under the insurance contracts and expected insurance dividends.

5.16 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Customer deposits	24,008	24,569
Compensation and employee benefits	39,693	29,950
VAT and withholding taxes	5,840	1,465
Copyright fees	767	3,942
Dividend payable to shareholders	239	983
Interkabel out of market component [1]	9,170	-
Accrued programming fees	41,206	30,564
Accrued capital expenditure	16,052	12,462
Accrued other liabilities	127,827	139,621
Other current liabilities	1,168	1,482
Total Accrued expenses and other current liabilities	**265,970**	**245,038**

5.17 REVENUE

The Company's revenue is comprised of the following:

	For the years ended December 31,	
	2008	2007
	(in thousands of euro)	
Cable television:		
Basic Subscribers [1]	244,325	221,730
Premium Subscribers [1]	77,985	62,892
Distributors/Other	29,820	35,299
Residential:		
Internet	353,682	324,435
Telephony [2]	210,845	200,530
Business	102,189	87,010
Total Revenue	**1,018,846**	**931,896**

1 Regarding the Interkabel Acquisition, see Note 5.22.1 of the consolidated financial statements of the Company.

The Company also has deferred revenue as follows:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Cable television:		
Basic Subscribers [1]	97,011	95,344
Premium Subscribers [1]	1,514	21,296
Distributors/Other	27,772	6,359
Residential:		
Internet	10,361	9,841
Telephony [2]	2,871	2,745
Business	593	655
Total Revenue	**140,122**	**136,240**
Current portion	129,418	123,495
Long term portion	10,704	12,745

Deferred revenue is generally fees prepaid by the customers and, as discussed in Note 5.2.8 to the consolidated financial statements of the Company, is recognised in the income statement on a straight-line basis over the related service period.

5.18 EXPENSES BY NATURE

	For the years ended December 31,	
	2008	2007
	(in thousands of euro)	
Employee benefits:		
Wages, salaries, commissions and social security costs	107,113	101,983
Other employee benefit costs	20,006	20,088
	127,119	**122,071**
Depreciation and impairment	199,535	182,037
Amortisation	54,140	48,161
Amortisation of broadcasting rights	8,572	7,428
Network operating and service costs	281,877	270,238
Advertising, sales and marketing	63,171	59,282
Share-based payments granted to directors and employees	4,614	507
Other costs	41,072	36,891
Total costs and expenses	**780,100**	**726,615**

The number of full time equivalents employed by the Company at the year ended December 31, 2008 was 1,597 (2007: 1,592).

1 Basic and premium cable television substantially comprises residential customers, but also includes a small portion of business customers.

2 Residential telephony revenue also includes interconnection fees generated by business customers.

5.19 FINANCE INCOME / EXPENSE

	For the years ended December 31,	
	2008	2007
	(in thousands of euro)	
Recognised in profit or loss		
Finance income		
Interest income on bank deposits and commercial paper	5,104	5,660
Net foreign exchange gains/(losses)	511	16,730
	5,615	**22,390**
Interest expense, net		
Interest expense on financial liabilities measured at amortised cost	(162,354)	(115,675)
Interest expense on derivatives at fair value through profit or loss	(13,151)	(1,199)
Interest income on derivatives at fair value through profit or loss	17,474	414
Amortisation of financing cost	(5,861)	(5,497)
	(163,892)	**(121,957)**
Net gains/(losses) on derivative financial instruments		
Net change in fair value of derivatives at fair value through profit or loss	(32,986)	(15,057)
Net change in fair value of foreign exchange forward contracts reclassified into earnings	-	(6,614)
Transfer of accumulated hedging reserve to profit and loss upon discontinuance of hedge accounting	-	(3,816)
	(32,986)	**(25,487)**
Loss on extinguishment of debt	**-**	**(86,679)**
Net finance expense recognised in profit or loss	**(191,263)**	**(211,733)**
Recognised directly in equity		
Net change in fair value of derivatives (loss) recognised directly in equity	-	(217)
Transfer of accumulated hedging reserve to profit and loss upon discontinuance of hedge accounting	-	3,816
Net finance income recognised directly in equity	**-**	**3,599**

5.20 INCOME TAX (BENEFIT) / EXPENSE

	For the years ended December 31,	
	2008	2007
	(in thousands of euro)	
Current tax expense	181	2,619
Deferred tax (benefit) expense (Note 5.13)	62,089	(30,001)
Income tax (benefit) / expense	**62,270**	**(27,382)**

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

	For the years ended December 31,	
	2008	2007
	(in thousands of euro)	
Profit (loss) before tax	47,050	(6,713)
Income tax expense (benefit) at the Belgian statutory rate of 33.99%	15,992	(2,282)
Expenses not deductible for tax purposes	916	5,014
Notional interest deduction	(5,143)	(4,398)
Deferred tax benefit arising from the reversal of a previous write-down of deferred tax assets	(998)	(86,589)
Expiration of tax losses	212	-
Adjustments recognised in the current year in relation to the filings for prior years	(360)	-
Recognition of previously unrecognised acquired tax losses through goodwill at the historic Belgian statutory rate of 40.17%	-	30,898
Utilisation of previously unrecognised tax losses	-	(26,171)
Tax losses and temporary differences for which no deferred revenue tax asset was recognised	51,555	56,115
Other	96	31
Tax expense (benefit) for the year	**62,270**	**(27,382)**

5.21 EARNINGS (LOSS) PER SHARE

5.21.1 Basic

The earnings and weighted average number of shares used in calculating basic earnings (loss) per share are:

	For the years ended December 31,	
	2008	2007
	(in thousands of euro, except share and per share data)	
Net profit (loss) attributable to the equity holders of the Company	(15,220)	20,669
Weighted average number of ordinary shares	109,851,262	104,525,939
Weighted average number of Class A Profit Certificates	73,650	27,964
Weighted average number of Class B Profit Certificates	56,582	61,533
Weighted average number of shares used in the calculation of basic earnings per share	**109,981,494**	**104,615,436**
Basic earnings (loss) per share in €	(0.14)	0.20

5.21.2 Diluted

Diluted earnings (loss) per share are calculated by using the treasury stock method by adjusting the weighted average number of shares used in the calculation of basic earnings per share to assume full conversion of all dilutive potential ordinary shares. During the year ended December 31, 2008, the Company had six categories of dilutive potential ordinary shares:

- Class A Options
- Class B Options
- Stock Option Plan 2007
- Stock Option Plan 2007bis
- Stock Option Plan 2007ter
- Stock Option Plan 2008

During the year ended December 31, 2007, the Company had three categories of dilutive potential ordinary shares:

- Class A Options
- Class B Options
- Subordinated Debt Warrants

The effects of the dilutive potential ordinary shares were not included in the calculation of diluted earnings (loss) per share for the year ended December 31, 2008 because they are anti-dilutive. The earnings (loss) used in the calculation of diluted earnings (loss) per share measures are the same as those for the basic earnings (loss) per share measures, as outlined above.

	For the years ended December 31,	
	2008	**2007**
Weighted average number of shares used in the calculation of basic earnings per share	109,981,494	104,615,436
Adjustment for:		
Class A Options	-	933,790
Class B Options	-	401,292
Subordinated Debt Warrants	-	2,637,997
Weighted average number of shares used in the calculation of diluted earnings per share	**109,981,494**	**108,588,515**
Diluted earnings per share in €	(0.14)	0.19

5.22 ACQUISITIONS OF SUBSIDIARIES

5.22.1 Acquisition of Interkabel

Pursuant to an agreement with four associations of municipalities in Belgium, which we refer to as the pure intercommunales or the "PICs", that was executed on June 28, 2008 (the 2008 PICs Agreement), Telenet acquired from the PICs, effective October 1, 2008, certain cable television assets (Interkabel), including (i) substantially all of the rights that Telenet did not already hold to use the broadband communications network owned by the PICs (the Telenet PICs Network) and (ii) the analog and digital television activities of the PICs, including the entire subscriber base (together with the acquisition of the rights to use the Telenet PICs Network, the Interkabel Acquisition). As further described below, Telenet had previously acquired in 1996 the exclusive right to provide point-to-point services, including broadband internet and telephony services, and the right to use a portion of the capacity of the Telenet PICs Network. Telenet completed the Interkabel Acquisition in order to achieve certain financial, operational and strategic benefits by obtaining full access to the Telenet PICs Network and integrating (i) the PICs digital and analog television activities and (ii) Telenet's digital interactive television services with the broadband internet and telephony services already offered by Telenet over the Telenet PICs Network.

In connection with the Interkabel Acquisition, (i) Telenet paid net cash consideration of €224.9 million before working capital adjustments and direct acquisition costs and (ii) entered into a long-term lease of the Telenet PICs Network, as further described below. The €224.9 million of cash consideration includes €10.5 million representing compensation to the PICs for the acquisition of certain equipment and other rights, net of compensation to Telenet for the transfer of certain liabilities to Telenet. In addition, the PICs paid Telenet cash of €27.0 million during the fourth quarter of 2008 in connection with certain working capital adjustments. Telenet borrowed an additional €85.0 million under the New Senior Credit Facility in September 2008 to fund a portion of the €224.9 million of net cash consideration paid to the PICs. The remaining cash consideration was funded by existing cash and cash equivalent balances. Telenet incurred €2.7 million of direct acquisition costs associated with this transaction.

Among other matters, the 2008 PICs Agreement, which supersedes the agreement-in-principle that the parties signed on November 26, 2007, provides that the PICs will remain the legal owners of the Telenet PICs Network, and that Telenet will receive full rights to use the Telenet PICs Network under a long-term lease for a period of 38 years, for which it will pay recurring fees in addition to the fees paid under the existing 1996 PICs Agreements, as described below. The fees payable under the 2008 PICs Agreement include (i) principal payments of €13.0 million per year (payable in quarterly instalments) through October 2023 on the €195.0 million value assigned to the initial leased asset base, (ii) payments to the PICs over the life of the 2008 PICs Agreement to reimburse for capital expenditures and compensate for network operating costs incurred by the PICs with respect to the Telenet PICs Network and (iii) interest on the outstanding amount of the initial leased asset base and all capital additions to the initial leased asset base at a rate of 6.25% per annum over the life of the 2008 PICs Agreement. All capital expenditures associated with the Telenet PICs Network will be initiated by Telenet but executed and pre-financed by the PICs through an addition to the long-term capital lease, and will follow a 15-year reimbursement schedule.

Including amounts payable under the existing 1996 PICs Agreements, as described below, payments for network operating costs incurred by the PICs will total €34.8 million during the first year of the 2008 PICs Agreement and will decrease by a fixed annual amount through the sixth year of the 2008 PICs Agreement, when the annual reimbursement will be €28.7 million. Thereafter, the percentage change in the amount of reimbursed network operating costs will be based on changes in the network operating costs incurred by Telenet with respect to its own networks. Payments to the PICs for network operating costs are included in operating expenses in our consolidated statements of operations.

The 2008 PICs Agreement also provides that Telenet will (i) retain certain of the former employees of the PICs at least through the first quarter of 2010 and (ii) allow the PICs to use limited bandwidth on the Telenet PICs Network throughout the life of the 2008 PICs Agreement for certain well-defined (public) services. The 2008 PICs Agreement has the form of an emphyotic lease agreement, which under Belgian law, is the legal form that is closest to ownership of a real estate asset without actually having the full legal ownership.

The 2008 PICs Agreement will expire on September 23, 2046 and cannot be terminated earlier (except in case of non-payment or bankruptcy of the lessee). In the event no agreement has been reached between the parties before or on September 23, 2034 to extend or terminate the 2008 PICs Agreement, the 2008 PICs Agreement will be extended until 2107 if (i) the PICs have not informed Telenet on September 23, 2034 of their intention to terminate the 2008 PICs Agreement and (ii) Telenet has informed the PICs of its intention to extend the 2008 PICs Agreement. In case the agreement is so extended, it can be terminated by either party by giving 12 years' notice.

In the event a court would require Telenet and the PICs to pay a penalty or indemnification to a third party on grounds that the PICs did not organise a market consultation procedure before entering into the agreements, the PICs will be liable to pay such indemnity up to a maximum amount of €20.0 million. Any amount above €20.0 million would be payable by Telenet. The arrangement covers claims introduced on or before June 28, 2018.

Pursuant to certain agreements that Telenet and the PICs entered into in 1996 (the 1996 PICs Agreements), Telenet acquired the exclusive right to provide point-to-point services and the non-exclusive right to provide certain other services on a portion of the Telenet PICs Network. In return for these usage rights, Telenet issued equity to the PICs and, in addition, agreed to make various payments to the PICs, including payments associated with the capital upgrade of the Telenet PICs Network so that the Telenet PIC Network would be technologically capable of providing two-way communications services (the two-way upgrade). The discounted value of the amounts payable by Telenet through 2016 under the 1996 PICs Agreements that corresponded to the two-way upgrade of the Telenet PICs Network was reflected as a financed obligation within our other debt balances, with corresponding amounts reflected as intangible assets associated with Telenet's right to use a portion of the Telenet PICs Network. Following the completion of the Interkabel Acquisition, we began including these financed obligations (€83.5 million balance at October 1, 2008) and intangible assets (€81.5 million net carrying value at October 1, 2008) together with the respective lease obligations and assets associated with the 2008 PICs Agreement to arrive at the total obligations and assets that we report in our consolidated balance sheet with respect to the capital lease of the Telenet PICs Network. See Note 5.11.6 to the consolidated financial statements of the Company. Telenet's obligation to make additional annual payments from 2017 through 2046 under the 1996 PICs Agreements was not terminated by the 2008 PICs Agreement. The discounted value of these payments as of December 31, 2008 (€41.8 million) is included in our other debt balances in our consolidated balance sheet.

Telenet has accounted for the Interkabel Acquisition using the purchase method of accounting, whereby the total purchase price has been allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. The purchase price allocation, as reflected in these consolidated financial statements, is preliminary and subject to adjustment based on Telenet's final assessment of the fair values of the acquired identifiable assets and liabilities. Although most items in the valuation process remain open, we expect that the most significant adjustments to the preliminary allocation will involve long-lived assets and deferred taxes.

The Interkabel Acquisition had the following effect on the Company's assets and liabilities on acquisition date.

	(in thousands of euro)
Current assets, net of cash acquired	500
Property and equipment	195,532
Intangible assets	196,200
Non current assets	9,620
Liabilities assumed	(286,471)
Goodwill	85,226
Total cash consideration paid	**200,607**

Before the acquisition, Interkabel was not reporting under IFRSs as adopted by the EU. Consequently, the pre-acquisition carrying amounts of the assets and liabilities under IFRSs as adopted by the EU are not disclosed.

5.22.2 Other acquisitions

Hostbasket NV

On January 7, 2008, Telenet acquired all of the shares in Hostbasket NV ("Hostbasket"), a leading Belgian hosting provider in the SME market. Hostbasket was founded in 2000 and privately held. In 2005, Hostbasket was awarded "EMEA service provider of the Year" by Microsoft. Hostbasket has built its market leader position through its comprehensive partner and reseller channel, its in-depth technological and market expertise, and a unique – internally developed – extremely scalable and flexible hosting platform. Hostbasket's activities mainly consist of domain name registration, e-mail hosting and website hosting. The agreed purchase price consists of a fixed amount €4.7 million at closing and an earn-out amount based on EBITDA and revenue targets for 2008 and 2009.

During 2008, the Company finalised its allocation of the consideration paid over the net assets as follows:

	(in thousands of euro)
Current assets, net of cash acquired	882
Property and equipment	1,343
Intangible assets	1,855
Non current assets	258
Liabilities assumed	(5,032)
Goodwill	5,018
Total cash consideration paid	**4,324**

Before the acquisition, Hostbasket was not reporting under IFRSs as adopted by the EU. Consequently, the pre-acquisition carrying amounts of the assets and liabilities under IFRSs as adopted by the EU is not disclosed.

City Live NV

Upon the capital increase performed by City Live NV in January 2008, the Company participated in this capital increase for an amount of €0.2 million. On September 4, 2008, the Company sold all its shares in City Live NV. City Live NV was qualified as an associate and as a result was accounted for using the equity method.

5.23 NON CASH INVESTING AND FINANCING TRANSACTIONS

	For the years ended December 31,	
	2008	2007
	(in thousands of euro)	
Acquisition of property and equipment in exchange for debt	7,665	-
Acquisition of network user rights in exchange for debt	-	2,347
Acquisition of property and equipment in exchange for short-term borrowings and refinancing of short-term borrowings with finance lease	-	(15,545)
Refinance of short-term borrowings with finance leases	-	30,000

5.24 COMMITMENTS AND CONTINGENCIES

5.24.1 Pending litigations

We are involved in a number of legal proceedings that have arisen in the ordinary course of our business. We discuss below certain pending lawsuits in which we are involved, which may or have had in the recent past significant effects on our financial position or profitability. Other than as discussed below, we do not expect the legal proceedings in which we are involved or with which we have been threatened to have a material adverse effect on our business or consolidated financial position. We note, however, that the outcome of legal proceedings can be extremely difficult to predict with certainty, and we offer no assurances in this regard.

Litigation concerning the in-principle agreement concluded between Telenet and the pure intercommunal cable operators, Interkabel and IN.DI (together the “PICs”)

In November 2007, Telenet signed an in-principle agreement with the PICs concerning a possible collaboration whereby Telenet would take over all analogue and digital TV services from the PICs for a fixed amount of €170 million (as a remuneration for the customer base) as well as an annual payment for the operational expenses of the network. The PICs would retain bandwidth for some of their own internal public services.

The successful conclusion of this in-principle agreement led to Belgacom, Telenet's main competitor, taking action in a number of court cases to have it overturned. Belgacom brought cases before a civil court in Antwerp, the Council of State and the Government Commissioner.

On December 26, 2007, Belgacom lodged summary proceedings with the President of the Court of First Instance of Antwerp with a view to obtaining a provisional injunction preventing the PICs from effecting the agreement-in-principle. Belgacom's claim is based on the allegation that the PICs should have organised a market consultation prior to entering into the agreement-in-principle. The PICs are challenging this allegation, and Telenet intervened in this litigation in order to protect its interests. On March 11, 2008 the Antwerp civil court ruled in favour of Belgacom, temporarily suspending the implementation of the in-principle agreement. On June 4, 2008 this decision was overruled by the court of appeal in Antwerp. The court declared itself incompetent to consider the claim in short cause by Belgacom. As a consequence this claim was rejected. Belgacom has appealed against this decision.

On February 1, 2008 Belgacom has also initiated legal proceedings before the Council of State, an administrative court, with a view to obtaining a provisional injunction preventing the PICs from effecting the agreement-in-principle. On May 22, 2008 this claim for a provisional injunction was rejected by the Council of State.

In December 2007, Telenet's main competitor also filed a complaint with the Government Commissioner. The Government Commissioner and the Minister have not deemed it necessary to suspend the agreement-in-principle in light of the pending legal proceedings referred to above.

Seen the positive decisions in the procedures in summary proceedings before the court of appeal in Antwerp and the Council of State, Telenet and the PICs were able to resume their discussions about the execution of the in-principle agreement in June 2008. These resumed discussions led to the signing of final agreements on June 28, 2008. These final agreements confirm the take over of all analogue and digital TV services from the PICs for a fixed amount as well as an annual payment for the operational expenses of the network. The transaction took effect as of October 1, 2008.

Belgacom used the approval of the final agreements by the PICs to start new procedures before the Council of State on July 23, 2008. The claim by Belgacom to order a provisional injunction to the PICs was rejected again on November 27, 2008.

For the moment, there are still two procedures on the merits pending before the Council of State. These procedures on the merits aim to cancel the decisions of the boards of directors of the PICs approving the final agreements. It will take several years before the Council of State will render a judgment in theses cases. Even if this judgment would be negative for Telenet, this would not necessarily affect the existence and the validity of the final agreements.

On March 9, 2009 a procedure on the merits was pleaded before the Court of First Instance in Antwerp. In this procedure, Belgacom asked the court to cancel the final agreements. On April 6, 2009, the Court of First Instance in Antwerp decided in favor of the PICs and Telenet. That judgment can always be appealed. We estimate that the handling of this appeal would probably take one and a half to two years.

If the court annuls the final agreements, this could make our take over of the television activities of the PICs more difficult and/or impossible. Also in this context Telenet could be held to pay compensations.

Litigation between Telenet and the PICs concerning interactive television services in certain service areas

In 2007, Telenet and the PICs were discussing the PICs' desire to provide video-on-demand and related digital interactive services over the Telenet PICs Network. These discussions were complicated by differences in the parties' interpretation of the precise scope of the long-term exclusive right to provide point-to-point services over the Telenet PICs Network that the PICs contributed to Telenet in exchange for stock in 1996. Telenet learned that the PICs intended to launch certain digital interactive services in breach of Telenet's exclusive right to provide point-to-point services on the Telenet PICs Network and therefore lodged summary proceedings with the President of the Court of First Instance of Brussels to protect its rights. On July 5, 2007, the President issued an injunction, prohibiting the PICs from offering video-on-demand and other interactive services on the Telenet PICs Network.

The PICs appealed the court decision on July 28, 2007. If the appeal were to be determined in a manner unfavourable to Telenet, Telenet's operations and revenue are likely to be adversely affected, although the extent of such adverse effect is difficult to predict at this time. However, in view of the final agreements that Telenet concluded with the PICs in the meanwhile concerning the take over of the cable television activities of the PICs, the appeal has become without object.

Interconnection litigation

We have been involved in regulatory and court proceedings with Belgacom related to the increased interconnection fees that we began charging telephone operators to terminate calls made to receivers on the Combined Network in August 2002 (see also section 1.4 of the consolidated annual report of the Board of Directors). Traditionally, interconnection fees between fixed line telephony operators had been charged on a reciprocal basis—the interconnection termination rates that Belgacom charged us were the same as the interconnection termination rates we charged Belgacom. This fee arrangement made it difficult for us to provide telephony services at a profitable level, because we did not have the benefit of scale to be able to achieve the same unit cost as Belgacom. We requested permission from the BIPT to increase our domestic and international interconnection rates.

On August 12, 2002, Belgacom increased the retail tariffs that it charges its telephony subscribers calling Telenet numbers to reflect our increased termination rates. In a series of rulings in June and August of 2002, the regulator of the Belgian telephony industry, the Belgian Institute for Postal Services and Telecommunications (*Belgisch Instituut voor Postdiensten en Telecommunicatie*) (the "BIPT"), approved, under protest of Belgacom, our request to increase the rates we charge other telephone operators to terminate domestic calls on the Combined Network. We raised our interconnection termination rates for inboud domestic calls on August 13, 2002, from €0.009 to €0.0475 and Belgacom appealed the BIPT's decision to the Council of State, the highest administrative court in Belgium.

On July 3, 2002, the Council of State rejected an emergency request from Belgacom to suspend the implementation of the increased interconnection termination rate. In the meantime the auditor of the Council of State has advised the Council on the merits of the case to annul the BIPT decision as it was not sufficiently motivated. We expect a definitive decision of the Council of State by mid 2009. In the meantime Belgacom has filed a compensation claim of €75 million before the Court of First Instance in Brussels. For the moment, this case was sent to the docket awaiting the final judgment by the Council of State.

Separately, Belgacom challenged the higher rates before the commercial court (*Rechtbank van Koophandel*) of Mechelen, alleging that the new rates constituted abusive pricing.

The court found no indication that Telenet's interconnection tariffs breached the unfair trade practices law, competition law or pricing regulations as alleged by Belgacom. The court decided that the only potential claim of Belgacom was limited to a contractual claim, making the commercial court of Mechelen not competent to rule over this claim. As a result, the court dismissed the claim. The Court of Appeal of Antwerp rejected Belgacom's appeal of this decision on March 17, 2005.

In February 2006, Belgacom brought the case before the Belgian Supreme Court (*Hof van Cassatie*), which will review only whether the lower courts have made an error in law or have breached certain formal procedural requirements in the case. A final decision may take up to two years, since the Supreme Court can refer the case back to the Court of Appeal if it is indeed of the opinion that certain rules were not properly followed or that there was an error in law.

If Belgacom would be successful in its claim, it is possible that Telenet would be required to refund the excess amounts that we have collected since August 2002, which would result in a substantial liability.

Following the transposition of the new European regulatory framework in Belgian law, the BIPT decided to implement a three year gliding path to near reciprocity starting on January 1, 2007.

In October 2006, Belgacom submitted an appeal to the Court of Appeal in Brussels arguing for a faster reduction in our interconnection rates. Telenet has also launched an appeal with the Brussels Court of Appeal arguing that the reduction in our interconnection rates should be cost oriented. If Belgacom should be successful in this appeal, the results of which are not expected before end 2009, we could be required to pay back part of our interconnection revenues, leading to a substantial liability. However independent legal advice obtained by the Company has concluded that the probability of a retroactive claim is remote. In addition, a new article will be included into the Belgian Telecommunications Act, allowing the Regulator to repair annulled BIPT decisions retro-actively, which could be in Telenet’s advantage if the 2002 BIPT decision were indeed annulled by the Council of State.

Copyright litigation

As of December 31, 2008, we retained an accrual of €3.2 million for liabilities arising from settlements of copyright litigation in which we have been involved. Together with other Belgian cable television operators, we pay fees to copyright collection agencies and broadcasters for the content that we distribute to end users on our network. In September 1995, copyright collection agencies and broadcasters began to dispute the terms for the payment of these fees. These disputes ultimately resulted in extensive litigation between the majority of the copyright collection agencies and broadcasters and the Belgian cable television operators, including us, represented through 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").

In November 2002, we, together with other Belgian cable operators, began to reach settlements with the copyright agencies and broadcasters pursuant to which we agreed to make certain upfront payments as well as to make increased payments over time. Consequently, in August 2003, we increased the copyright fee we charge our subscribers.

The amounts that we expect to pay as a result of these settlements have been accrued for in our financial statements. We remain involved in one further case involving copyright claims. In July 2004, the Association for the Collection, Distribution and Protection of the Rights of the Artists, Interpreters and Performers (CVBA Vereniging voor de inning, repartitie en de verdediging van de vertolkende en uitvoerende kunstenaars) ("Uradex") filed a claim against 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 (the "Period"). Based on our market share during the Period, we estimate that we would be liable for approximately €24 million plus interest if Uradex received a judgment for the full amount of its claim. We dispute Uradex's claims and intend to defend the lawsuit vigorously through the RTD. Although we cannot provide assurance that this claim will be unsuccessful, based on our assessment of our potential liability, we have not accrued or reserved any amounts for this claim.

Equipment supplier litigation

On November 31, 2005, we terminated our agreement with M-Tec NV, a network equipment supplier, for the delivery of amplifiers for use in our Expressnet upstream upgrade project, following persistent issues with the quality of the equipment delivered by M-Tec. Separately, we provisioned expenses resulting from our decision to write off certain equipment delivered by M-Tec during the 2005. Following our termination of M-Tec's contract, M-Tec filed litigation against Telenet, claiming €1.6 million for unpaid invoices and €5.0 million in damages for unlawful termination. The Court of First Instance has awarded M-Tec €287,356 plus interest and costs, which Telenet paid into a blocked account. In a second proceeding before the Court of First Instance, M-Tec is claiming a further €396,520 for unpaid invoices, the judgment for which remains pending. A former supplier of M-Tec for the Expressnet contract, Unitron NV, also initiated proceedings against Telenet. Unitron has significant outstanding invoices owed by M-Tec for the delivery of Expressnet equipment and aims to recover these directly from Telenet. Telenet filed an appeal against the judgment of the Court of First Instance on September 25, 2006, the Court of Appeal of Antwerp revoked the previous judgment that was against Telenet in Telenet's favour. Following this, sums previously paid by Telenet on the basis of the first judgment were restituted. Two judicial experts - one technical, one financial - have been appointed by the Court of Appeal to investigate the underlying facts of the case. The technical expert started his work. The first phase consisted of an inventory of all delivered products. The second phase will focus on the acceptance testing and criteria in order to determine whether the products were fit for the purpose for which they were destined. The technical expert however has stopped work as he found the mandate of the Court was unclear with regard to his objectives. The decision of the Court of Appeal is pending in this matter. Meanwhile Telenet proceeded with a conservatory seizure of funds on the bank accounts of M-Tec. This has been contested successfully by M-Tec in first instance. Telenet filed for appeal.

5.24.2 Operating leases

The Company leases facilities, vehicles and equipment under cancellable and non-cancellable operating leases. The following schedule details, at December 31, 2008 and 2007, the future minimum lease payments under cancellable and non-cancellable operating leases:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Within one year	9,083	9,629
In the second to fifth year, inclusive	15,441	20,489
Thereafter	2,617	2,647
Total minimum lease payments	**27,141**	**32,765**
Minimum lease payments recognised as an expense in the year	**25,722**	**20,719**

5.25 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 2008 and 2007.

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

5.25.1 Balance sheet

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Trade receivables	-	10
Trade payables	239	260

5.25.2 Income statement

	For the years ended December 31,	
	2008	**2007**
	(in thousands of euro)	
Operating		
Leases and other operating expenses	(481)	(389)
Other operating income	164	128

5.25.3 Key management compensation

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

	For the years ended December 31,	
	2008	**2007**
	(in thousands of euro)	
Salaries and other short-term employee benefits	4,655	5,491
Post-employment benefits	168	213
Share-based payments	1,626	162
	6,449	**5,866**

5.26 SUBSIDIARIES

Details of the Company's significant subsidiaries as of December 31, 2008 are as follows:

Company	National Number	Address	% Held	Consolidation Method
Telenet Group Holding NV	0477.702.333	Liersesteenweg 4, 2800 Mechelen, Belgium	-	Parent company
Telenet Communications NV	0473.416.814	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet Bidco NV	0473.416.418	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet NV	0439.840.857	Liersesteenweg 4, 2800 Mechelen, Belgium	100% (1)	Fully consolidated
Telenet Vlaanderen NV	0458.840.088	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet Solutions Luxembourg SA	1.999.223.4426	Rue de Neudorf 595, L-2220 Luxembourg, Luxembourg	100%	Fully consolidated
Hostbasket NV	0472.225.692	Antwerpsesteenweg 19, 9080 Lochristi, Belgium	100% (2)	Fully consolidated
T-VGAS NV	0808.321.289	Ballaerstraat 99, 2018 Antwerpen, Belgium	90% (3)	Fully consolidated

On September 4, 2008 Telenet NV sold its 25.68% stake in City Live NV to the management of City Live NV for one euro (€1.00). See also Note 5.22.2 to the consolidated financial statements of the Company.

5.27 SUBSEQUENT EVENTS

5.27.1 Pebble Media NV

On January 22, 2009, Telenet NV invested in the equity of a new company, Pebble Media NV, together with Vlaamse Audiovisuele Regie (VAR) NV and Concentra Media NV. The VAR is a subsidiary of the Flemish public broadcaster VRT and manages the advertising strategy of the various public radio and television brands. The Concentra Group publishes various national, regional and specialized newspapers and magazines and owns three regional television stations. Telenet NV holds 33.33% of the voting and dividend rights in this venture. This joint-venture will be active in intermediation services for the sale of online advertising space and will also offer certain ancillary online advertising services.

1 In order to simplify the internal corporate structure of the Company and to align the corporate structure with the operating functioning of the Company, on February 1, 2008 Telenet NV merged with UPC Belgium NV with effect from January 1, 2008 (with Telenet NV as surviving entity).

2 On January 7, 2008 Telenet NV acquired Hostbasket NV as a 100% owned subsidiary. On December 24, 2008 Telenet NV has transferred one share of Hostbasket NV to Telenet Group Holding NV. See also Note 5.22.2 of the consolidated financial statements of the Company.

3 On December 9, 2008 Telenet NV incorporated a new company, T-VGAS NV. Telenet NV holds 90% of the economic interests in this venture. An individual, Frank Molnar, holds 10% of the economic interests. Telenet holds 100% of the ordinary shares issued and Frank Molnar holds profit certificates corresponding to a 10% economic interest.

5.27.2 Full MVNO agreement with Mobistar

On February 12, 2009, Mobistar and Telenet announced the extension of their strategic partnership for a period of at least three years. The new partnership has evolved into a full MVNO (mobile virtual network operator) agreement. This implies that Telenet will develop its own MSC (mobile switching centre) to strengthen the its offering of fixed-mobile convergence services and will collaborate with Mobistar for its voice and data radio infrastructure. Mobistar will be able to rent Telenet's fiber optic network to optimize its backhaul.

The experience and the offer of the two operators will contribute to real convergence opportunities for fixed and mobile, internet and voice, as well as operational synergies. This partnership agreement will enable Telenet to further expand its mobile voice and data offer with the support of Mobistar's radio infrastructure and experience. Telenet can also access the extensive handset and smartphone catalogue of Mobistar.

5.27.3 NYSE Liffe launches options on Telenet Group Holding NV

On March 3 2009, NYSE Liffe, the European based derivatives business of NYSE Euronext, launched options on shares of Telenet Group Holding NV on its Brussels market. The options were launched following our Company's increasing profile and the growing trading volumes in our shares. Options offer all investors the opportunity to hedge their positions in shares, to benefit from future share price increases or to protect against future share price decreases.

At the same time, Telenet entered the BEL 20 index, an index featuring the top 20 listed companies in terms of market capitalization on the Brussels Stock Exchange.

5.28 EXTERNAL AUDIT

(all amounts in euro)

The general shareholders' meeting of May 29, 2008 has appointed KPMG Bedrijfsrevisoren CVBA ("KPMG"), represented by Jos Briers, as statutory auditor of the Company for a period of three years.

The general shareholders' meeting determined the fee of KPMG Bedrijfsrevisoren CVBA for the audit of the consolidated financial statements of Telenet Group Holding NV and the audit of the statutory financial statements of Telenet Group Holding NV and its subsidiaries, excluding Hostbasket NV, at €499,650.

The general shareholders' meeting of Hostbasket NV, held on June 19, 2008, appointed KPMG Bedrijfsrevisoren CVBA, represented by Jos Briers, as statutory auditor of Hostbasket NV for a period of three years. The fee of KPMG Bedrijfsrevisoren for the audit of the statutory financial statements of Hostbasket NV amounts to €10,000.

Fees paid to KPMG for other engagements prescribed by Belgian Company Law amounted to €4,000 for the year ended December 31, 2008. Fees paid to KPMG for engagements other than those described above amounted to €30,300 for the year ended December 31, 2008. These related primarily to additional audit-related services to Telenet NV.
For other advisory services, during the year ended December 31, 2008, fees of €90,822 were paid to KPMG Advisory CVBA.

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF TELENET GROUP HOLDING NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

In accordance with legal and statutory requirements, we report to you on the performance of our audit mandate. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements

We have audited the consolidated financial statements of Telenet Group Holding NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated balance sheet as of December 31, 2008 and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as the summary of significant accounting policies and the other explanatory notes. The total of the consolidated balance sheet amounts to €3,022,729,000 and the consolidated income statement shows a loss for the year of €15,220,000.

The Board of Directors of the company is responsible for the preparation of these consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the company'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. We have also evaluated the appropriateness of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole.

Finally, we have obtained from management and responsible officers of the company the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's net worth and financial position as of December 31, 2008 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Additional comment

The preparation of the management report and its content are the responsibility of the Board of Directors of the company.

Our responsibility is to supplement our report with the following additional comment which does not modify our audit opinion on the consolidated financial statements:

The management report on the consolidated financial statements includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the group is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, April 27, 2009

KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises
Statutory auditor
represented by

Jos Briers
Réviseur d'Entreprises/Bedrijfsrevisor

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

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

The auditor issued an unqualified opinion on the 2008 Telenet Group Holding NV statutory annual accounts for Telenet Group Holding NV for the year ended on December 31, 2008. The second part of the audit report also includes the additional paragraph similar to that included in the auditor's report on the consolidated financial statements, as well as a number of specific paragraphs in respect of procedures in the context of article 523 of the Belgian Company Code (conflict of interest reported by members of the Board of Directors).

The full version of the annual accounts will be filed with the National Bank of Belgium and are available on the Company's website (http://investors.telenet.be).

1 Abridged non-consolidated balance sheet

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Assets		
Non-current assets:		
Formation expenses	2,976	6,943
Financial assets	1,558,539	1,558,539
Total non-current assets	**1,561,515**	**1,565,482**
Current assets:		
Amounts receivable after more than 1 year	-	-
Amounts receivable within 1 year	531	467
Other investments and deposits	10,000	700
Cash at bank and in hand	2,435	4,941
Deferred charges and accrued income	227	225
Total current assets	**13,193**	**6,333**
Total assets	**1,574,708**	**1,571,815**

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Equity and Liabilities		
Equity:		
Capital	1,089,599	1,081,098
Share premium account	62,573	61,034
Reserves	1,067	401
Accumulated losses	(76,546)	(33,055)
Total equity	**1,076,693**	**1,109,478**
Liabilities		
Amounts payable after more than 1 year	497,189	459,155
Amounts payable within 1 year	826	3,182
Accrued charges and deferred income	-	-
Total liabilities	**498,015**	**462,337**
Total Equity and liabilities	**1,574,708**	**1,571,815**

2 Abridged non-consolidated income statement

	For the years ended December 31,	
	2008	2007
	(in thousands of euro)	
Operating income	-	-
Operating charges	(5,322)	(5,688)
Operating profit/(loss)	**(5,322)**	**(5,688)**
Financial income	(38,168)	3,953
Extraordinary (loss) / income	-	(4,322)
Profit/(Loss) to be appropriated	**(43,490)**	**(6,057)**

3 Capital

	2008	
Issued capital	(in thousands of euro)	(number of shares)
January 1, 2008	**1,081,098**	**109,313,539**
18/04/08 Capital increase employee share purchase plan	6,856	693,217
29/05/08 Capital increase conversion of profit certificates B	398	62,736
24/09/08 Capital increase conversion of profit certificates B	102	16,032
17/12/08 Capital increase conversion of profit certificates A+B	1,145	213,580
December 31, 2008	**1,089,599**	**110,299,104**
Composition of the capital		
Dispreference shares	16,449	1,665,087
Golden shares	0	30
Ordinary shares without nominal value	1,073,150	108,633,987

4 Accounting policies

4.1 GENERAL

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

Every component of the assets is valued individually. Depreciation was calculated on an annual basis up to 2001 and on a monthly basis from 2002 onwards. As a general rule, each component of the assets is valued at its acquisition cost, and shown in the balance sheet at that amount, minus any depreciation or write-downs. The amounts receivable are also shown, in principle, at their nominal value.

4.2 SPECIFIC ACCOUNTING POLICIES

4.2.1 Expenses for formation and capital increase

These expenses are shown at their acquisition value and amortised using the straight –line method over 4 years. Expenses for formation and capital increase in foreign currency are kept at the historic exchange rate. That value is used for the calculation of amortization and write-downs.

The capitalised issue expenses relating to the Senior Discount Notes and the Senior Notes were spread over the term of the loan and included in the result in proportion to the monthly amount of interest.

4.2.2 Financial assets

Investments are recorded at their acquisition value. For the holdings and shares held recorded under the heading "Financial fixed assets", an impairment loss is accounted for in case of permanent capital loss or decline in value, justified by the situation, profitability or outlook of the company in which the shares are held.

4.2.3 Amounts receivable within one year

Amounts receivable are recorded on the balance sheet at their nominal value. An appropriate write-down will be made if part or all of the payment on the due date is uncertain, or if the recoverable amount on the date of closure of the annual accounts is lower than the book value.

Amounts receivable in foreign currency are converted at the official exchange rate applicable on the date when the invoice is posted. At the end of the financial year, they are converted using the official exchange rate on the balance sheet date.

4.2.4 Cash and cash equivalents

Balances held with financial institutions are valued at their nominal value. Securities are valued at their acquisition value. Cash equivalents are shown at their nominal value. The additional expenses are charged immediately to earnings. Write-downs are accounted for if the recoverable amount on the balance sheet date is lower than the book value.

4.2.5 Creditors, amounts due in more than one year and within one year

Creditors are shown in the balance sheet at their nominal value. Trade creditors in foreign currency are shown at the exchange rate on the date when the incoming invoice was posted. At the end of the financial year, they are converted using the official exchange rate on the balance sheet date.

4.2.6 Income statement

Income and expenses are calculated for the period to which they relate.

4.2.7 Derivative financial instruments and hedge accounting

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

The Company seeks to reduce its foreign currency 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 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 fair value of the derivative instruments are recognised immediately in the income statement.

Only for foreign exchange forwards that were purchased historically to hedge the US dollar foreign exchange risk related to the US dollar denominated Senior Discount Notes, hedge accounting was applied until June 30, 2007.

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

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

5.1 COMMENTS ON THE BALANCE SHEET

5.1.1 Formation expenses

The net book value of formation expenses amount to €3.0 million. Depreciation on these formation expenses amounts to €4.0 million. The depreciation charge as recorded in 2007 includes an exceptional release of the related debt issuance costs of €4.3 million due to the redemption of the Senior Discount Notes.

5.1.2 Financial assets

The participating interests amounting to €1,558.5 million consist primarily of shares held in Telenet Communications NV at €1,555.0 million. Furthermore, Telenet Group Holding NV has a stake in Telenet NV amounting to €3.2 million and in Telenet Vlaanderen NV amounting to €0.3 million.

5.1.3 Amounts receivable within one year

Amounts receivable within one year consist of withholding taxes amounting to €0.5 million.

5.1.4 Other investments and deposits

The investments contain term accounts / deposits realisable within one year for an amount of €10.0 million (versus €0.7 million at the end of 2007).

5.1.5 Capital

The changes in Capital during 2008 can be summarised as follow:

		(in euro)
18/04/2008	Capital increase employee share purchase plan	6,855,916.13
29/05/2008	Capital increase conversion of profit certificates B	398,373.60
24/09/2008	Capital increase conversion of profit certificates B	101,803.20
17/12/2008	Capital increase conversion of profit certificates A+B	1,144,714.50
		8,500,807.43

5.1.6 Share premium account

Upon the issuance of the employee share purchase plan, an amount of €1.5 million was accounted for as share premium account, in addition to €6.9 million share capital. As a result, share premium account amounts to €62.6 million at the end of 2008.

5.1.7 Amounts payable after more than one year

In 2007, Telenet BidCo NV funded the payment of the capital reduction of €656.0 million by Telenet Group Holding NV to shareholders which resulted in an intercompany debt of Telenet Group Holding NV to Telenet Communications NV for an amount of €459.3 million. Due to interest expenses charged in 2008, the outstanding debt to Telenet Communications NV amounts to €497.2 million.

5.1.8 Amounts payable within one year

Amounts payable within one year amount to €0.8 million and consist mainly of accounts payable/invoices to receive for €0.6 million and other amounts payable for an amount of €0.2 million, being the amounts payable related to the capital decrease of November 2007.

5.2 COMMENTS ON THE INCOME STATEMENT

The income statement shows a loss of €43,490,564.34 for the financial year ended December 31, 2008 (versus a loss of €6,057,148.73 in 2007). Net operating loss for the year amounts to €5,322,352.87 (compared to a loss of €5,687,609.85 in 2007).

Financial income amounts to €0.3 million and consists of the proceeds on term deposits for a total amount of €0.3 million. Financial income in 2007 amounted to €39.9 million which was mainly the result of the interest income of €36.6 million on loans granted to Telenet Communications NV as well as interest income on term accounts for an amount of €3.1 million.

Cost of debt (€38.5 million) consists almost entirely of interest due to Telenet Communications NV (€38.0 million). Last year this interest charge amounted to €9.6 million. The total cost of debt in 2007 included in addition to this €9.6 million also the interest expense on Senior Discount Notes (€18.7 million) as well as the depreciation expenses on the issuance costs until October 10, 2007 (€0.4 million).

Other financial expenses (€0.5 million) consist primarily of bank charges. The significant decrease compared to last year can be explained by the fact that the other financial expenses in 2007 (€7.3 million) also consisted of the exchange rate difference on the Senior Discount Notes (€3.4 million), as well as the release of the report costs of €2.4 million, and bank charges at €1.5 million.

The exceptional loss of €4.3 million in 2007 consisted of the amortization of deferred financing as a result of the refinancing transaction. No exceptional losses were incurred in 2008.

We propose to the General Shareholders' Meeting to carry forward both this year's loss of €43,490,564.34 as well as the loss brought forward from prior years amounting to €33,055,580.88. As a result, the loss to be carried forward amounts to €76,546,145.22 as of December 31, 2008.

5.3 INFORMATION ON RESEARCH AND DEVELOPMENT

We refer to the consolidated annual report of the Board of Directors.

5.4 RISK FACTORS

We refer to the consolidated annual report of the Board of Directors.

5.5 INFORMATION ABOUT SUBSEQUENT EVENTS

We refer to the consolidated annual report of the Board of Directors.

5.6 GOING CONCERN

The going concern of the Company is entirely dependent on that of the Telenet Group.

Currently, the Telenet group still has a substantial amount of losses carry forward on the balance sheet, but succeeded to deliver solid margins and stable cash flows. This is entirely aligned to our long range plan, which encompasses a continued development of our profit generating activities in order to absorb the losses carry forward over time. Because of the strong growth in the number of subscribers on telephony, internet and premium television and a further focus on cost control and process improvements, we were again able to strongly increase our operating result and margins.

Following our balance sheet optimisation in 2007, the total debt drawn at the end of 2008 amounted to €1.985 billion as a result of the New Senior Credit Facility at Telenet Bidco NV. However, thanks to our strong autonomous deleverage capacity, our leverage ratio decreased from 4.0x at the end of 2007 to 3.7x at the end of 2008, including the Interkabel acquisition in the fourth quarter of 2008 – partly funded by debt - and far below the 6.25x EBITDA covenant as per the New Senior Credit Facility agreement.

Taking into account the growing positive EBITDA results of the current year, the Board of Directors believes that the Telenet group will be able to fund the further development of its operations and to meet its obligations and believes that the current valuation rules, as enclosed in the annual account, and in which the continuity of the Company is assumed, are correct and justified under the current circumstances.

5.7 APPLICATION OF LEGAL RULES REGARDING CONFLICTS OF INTEREST

We refer to the consolidated annual report of the Board of Directors.

5.8 BRANCH OFFICES OF THE COMPANY

Telenet Group Holding NV has no Branch Offices.

5.9 EXTRAORDINARY ACTIVITIES AND SPECIAL ASSIGNMENTS CARRIED OUT BY THE AUDITOR

We refer to the notes of the consolidated accounts 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 May 28, 2009 to grant discharge to the directors and the statutory auditors of their responsibilities assumed in the financial year 2008.

5.12 INFORMATION REQUIRED PURSUANT TO ARTICLE 34 OF THE BELGIAN ROYAL DECREE OF NOVEMBER 14, 2007

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, April 27, 2009

On behalf of the Board of Directors

Duco Sickinghe
Chief Executive Officer

Frank Donck
Chairman

telenet

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