Half Year Report 2011

A word from the Chief Executive Officer

Dear Shareholder,

The first half, and especially the second quarter, has been very eventful for Telenet. These past three months were characterized by a couple of significant strategic directions that will allow us to grow the company even further, both in the mid- and long-term future. We are very pleased with the potential the fourth mobile license will offer and the new excitement in the market following the acquisition of the Belgian top football matches.

Looking back at our first half year operations, we continued to grow our customer base for all our key products, including broadband internet, fixed and mobile telephony and digital TV. While the second quarter is traditionally the weakest quarter for growth in our business, we saw our product mix leaning more towards the high-end, with strong uptake of our high-speed Fibernet products. A substantial proportion of the broadband products sold in Q2 were Fibernet subscriptions that offer download speeds of 50 Mbps and more, further improving our prominent speed leadership position versus competition.

Most importantly, we added more triple-play customers compared to the previous quarter and to last year's second quarter. As a result, the share of triple-play customers expanded to 34%, which at the same time implies ample headroom to convert the remaining 39% of customers taking only one product from us. Fueled by the positive product tier mix, the ARPU per unique subscriber increased to €41.5 in Q2 2011, up almost one euro compared to Q1 2011. Our performance in the professional segment yielded solid double-digit growth rates thanks to a continued strong uptake of our Corporate Fibernet products and the increasing demand for integrated connectivity solutions.

The ongoing demand for Telenet's high-quality services, combined with an unparalleled customer-centric approach, provided for a solid and sustainable trend in our financial results. For the first half of 2011, our revenue grew by 5% to €670 million (Q2: €338 million, up 5%), despite being negatively impacted by the way we recognize certain revenues (as discussed on page 9). Our Adjusted EBITDA grew by 7% to €354 million for the first half year and by 8% to €180 million in Q2 alone. We continued to improve our Adjusted EBITDA margin to 52.9% in H1 2011 from 51.6% in H1 2010. In Q2 2011, our Adjusted EBITDA margin reached 53.2%, up 140 basis points year-on-year. Accrued capital expenditures were €127 million for the first half year, or 19% of revenue and €70 million for Q2. Thanks to our growing profitability, our Free Cash Flow improved by 6% to €140 million in H1 2011, but Q2 reflected higher cash capital expenditures and higher interest expenses following semi-annual interest payments on certain debt instruments.

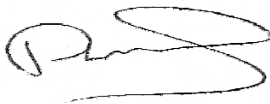
We are delighted with the win of the Belgian football contract for the next three seasons. Customers of Telenet Digital TV will have the great opportunity again to watch the best Belgian and international football matches exclusively on Sporting Telenet, our new sports channels brand. In early July, we announced our new commercial sports offering and are very happy with the demand so far. We have adjusted our full year outlook accordingly.

Last month, we made an important step to secure our mobile future by submitting a formal bid for the fourth 3G-mobile license. As we believe strongly in the future opportunity of mobile data, combined with a high-speed wireless broadband connection at home or in public places, we are committed to grow our mobile business even stronger in the mid-term future. At the same time, owning frequency spectrum acts as an insurance policy against future capacity constraints on existing mobile networks and guarantees attractive access conditions for Telenet in the future. We will now look at all available options to operate our frequencies at maximum capital efficiency, leveraging as much as possible on existing infrastructure assets and seeking a more intense collaboration with the existing Belgian mobile network operators through mutual value-accretive partnerships.

Mid-July, the Belgian regulators disclosed their final decision to regulate the cable networks in Belgium. We strongly believe that the proposed remedies will not create any benefit for the customer but rather the contrary. The current TV broadcast market already reflects a very dynamic and competitive environment, has one of the lowest prices in Europe and provides for strong infrastructure-based competition. The European Commission already expressed serious concerns about the proposed regulation and asked the Belgian regulators to do their utmost to take their recommendations into account. Remarkably, almost none of the EC's recommendations have been reflected in the final decision. Therefore, we will appeal the decision in front of the Brussels' Court of Appeals. We are in favor of regulation to stimulate service offering and innovation, but cannot accept that other players can take free credit for the heavy investments we have done in our network infrastructure. We believe we have very strong arguments, supported by the recommendations from the EC and the OPTA decision in the Netherlands, where a similar competitive landscape exists.

The acquisition of the exclusive broadcasting rights for the top end of the Belgian football league and our bid for the valuable mobile spectrum together with our Walloon cable partner Tecteo have laid the foundations for further growth this year and in the years to come. For the full year 2011, we are pleased to increase our revenue growth outlook to "between 5.5% and 6.0%" (from "around 5.5%"). We expect our Adjusted EBITDA margin to remain "above last year's level", even after considering additional football-related operating and marketing costs and potential costs in relationship to the set-up of a wholesale reference offer following the CRC's decision to regulate certain services over cable networks in Belgium. Excluding projected one-off accrued capital expenditures related to the football rights and the mobile spectrum, we still anticipate our total accrued expenditures to account for "around 21% of revenue" for the full year 2011. Finally, the forecasted cash payments related to the football rights will result in a projected Free Cash Flow of "at least €240.0 million" (from "at least €250.0 million" previously). We remain confident that our strong underlying business growth and improved cash flow flexibility following the refinancing operations of the past nine months will translate into healthy future shareholder returns.

Yours sincerely,



Duco Sickinghe

Chief Executive Officer

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Introduction

Introduction

Telenet Group Holding NV (hereafter collectively referred to as the “Company” or “Telenet”) is a company organized under the laws of Belgium. Other notations and definitions herein apply as presented in our 2010 Annual Report which was published on April 1, 2011 (the “Annual Report”), a copy of which is available on our website at http://investors.telenet.be and http://jaarverslag2010.telenet.be.

Presentation of financial and other information

The condensed consolidated Interim Financial Statements of Telenet Group Holding NV as of and for the period ended June 30, 2011 and 2010 and the audited annual financial statements as of and for the year ended December 31, 2010 have in each case been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“EU GAAP”). The financial information included in this report is not intended to comply with SEC reporting requirements.

Forward-looking statements

Various statements contained in this document constitute “forward-looking statements” as that term is defined under the U.S. Private Securities Litigation Reform Act of 1995. Words like “believe,” “anticipate,” “should,” “intend,” “plan,” “will,” “expects,” “estimates,” “projects,” “positioned,” “strategy,” and similar expressions identify these forward-looking statements related to our financial and operational outlook, dividend policy and future growth prospects, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted whether expressed or implied, by these forward-looking statements. These factors include: potential adverse developments with respect to our liquidity or results of operations; potential adverse competitive, economic or regulatory developments; our significant debt payments and other contractual commitments; our ability to fund and execute our business plan; our ability to generate cash sufficient to service our debt; interest rate and currency exchange rate fluctuations; the impact of new business opportunities requiring significant up-front investments; our ability to attract and retain customers and increase our overall market penetration; our ability to compete against other communications and content distribution businesses; our ability to maintain contracts that are critical to our operations; our ability to respond adequately to technological developments; our ability to develop and maintain back-up for our critical systems; our ability to continue to design networks, install facilities, obtain and maintain any required governmental licenses or approvals and finance construction and development, in a timely manner at reasonable costs and on satisfactory terms and conditions; our ability to have an impact upon, or to respond effectively to, new or modified laws or regulations, our ability to make value-accretive investments, and our ability to sustain or increase shareholder distributions in future periods. We assume no obligation to update these forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

About Telenet

Telenet is a leading provider of media and telecommunication services. Its business comprises the provision of cable television, high speed internet and fixed and mobile telephony services, primarily to residential customers in Flanders and Brussels. In addition, Telenet offers services to business customers across Belgium under the brand Telenet Solutions. Telenet is listed on the Euronext Brussels Stock Exchange under the ticker symbol TNET and is part of the BEL20 stock market index. Additional information on Telenet and its products can be obtained from our website http://www.telenet.be. Further information regarding the operating and financial data presented herein can be downloaded from the investor relations pages of this website (http://investors.telenet.be).

Highlights for the six months ended June 30, 2011

- Revenue of €669.9 million, up 5% yoy, driven by triple-play and business services growth notwithstanding the impact from the reporting change on certain premium voice and SMS content services;
- Adjusted EBITDA[1] up 7% yoy to €354.1 million, underlying margin expanded by 130bps to 52.9% despite investments in growth and mobile, driven by cost efficiencies and customer bundling;
- Net profit of €58.5 million, up 168% yoy, including non-cash gain on interest rate derivatives of €20.4 million;
- Accrued capital expenditures[2] up 18% yoy to €127.1 million, reflecting higher success-based capital expenditures, including expenditures on broadband internet migrations to Fibernet, and network upgrades;
- Free Cash Flow[3] of €139.7 million, representing 21% of revenue, with lower Free Cash Flow in Q2 2011 because of higher cash capital expenditures and certain semi-annual cash interest payments;
- Increased intake of triple-play subscribers, representing 34% of Telenet's overall customer base at June 30, 2011;
- Uptake of high-end products remained solid with Fibernet high-speed products representing a significant proportion of gross sales in Q2 2011;
- Full year 2011 outlook adjusted to reflect the acquisition of the exclusive broadcasting rights for the top fixtures of the Belgian football championship and the acquisition of valuable mobile spectrum.

As of and for the six months ended	June 2011	June 2010	Change %
FINANCIAL HIGHLIGHTS (€ in millions, except per share amounts)			
Revenue	669.9	638.6	5%
Operating Profit	180.4	170.8	6%
Net Profit	58.5	21.8	168%
Basic Earnings Per Share	0.52	0.19	174%
Diluted Earnings Per Share	0.51	0.19	168%
Adjusted EBITDA [1]	354.1	329.6	7%
Adjusted EBITDA margin %	52.9%	51.6%	
Accrued Capital Expenditures [2]	127.1	107.9	18%
Accrued Capital Expenditures as % of revenue	19%	17%	
Free Cash Flow [3]	139.7	131.4	6%
OPERATIONAL HIGHLIGHTS (Serviced premises)			
Total Cable TV	2,233,900	2,303,000	-3%
Analog Cable TV	914,900	1,185,500	-23%
Digital Cable TV (Telenet Digital TV + INDI)	1,319,000	1,117,500	18%
Broadband internet	1,263,700	1,174,100	8%
Fixed telephony	847,300	779,800	9%
Mobile telephony	221,300	169,500	31%
Triple-play customers	751,500	688,600	9%
Services per customer relationship [4]	1.94	1.85	5%
ARPU per customer relationship (€ / month) [4] [5]	41.0	38.0	8%

Definitions

(1) EBITDA is defined as profit before net finance expense, income taxes, depreciation, amortization and impairment. Adjusted EBITDA is defined as EBITDA before stock-based compensation and restructuring charges, and before operating charges or credits related to successful or unsuccessful acquisitions or divestures. Operating charges or credits related to acquisitions or divestures include (i) gains and losses on the disposition of long-lived assets and (ii) due diligence, legal, advisory and other third-party costs directly related to the Company's efforts to acquire or divest controlling interests in businesses. Adjusted EBITDA is an additional measure used by management to demonstrate the Company's underlying performance and should not replace the measures in accordance with IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable IFRS measure. A reconciliation of this measure to the most directly comparable IFRS measure is disclosed in Exhibit 1 on page 27.

(2) Accrued capital expenditures are defined as additions to property, equipment and intangible assets, including additions from capital leases and other financing arrangements, as reported in the Company's consolidated balance sheet on an accrued basis.

(3) Free Cash Flow is defined as net cash provided by the operating activities of Telenet's continuing operations less capital expenditures of its continuing operations, each as reported in the Company's consolidated statement of cash flows. Free Cash Flow is an additional measure used by management to demonstrate the Company's ability to service debt and fund new investment opportunities and should not replace the measures in accordance with IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable IFRS measure.

(4) Customer relationships are equal to the sum of analog and digital basic cable TV subscribers on the Combined Network, including the network covered by the long-term lease with the pure intermunicipalities as defined on page 12.

(5) Average monthly revenue (ARPU) per revenue generating unit (RGU) and ARPU per customer relationship are calculated as follows: average total monthly recurring revenue (including revenue earned from carriage fees and set-top box rentals and excluding interconnection revenue, installation fees, mobile telephony revenue and set-top box sales) for the indicated period, divided by the average of the opening and closing RGU base or customer relationships, as applicable, for the period.

Important Reporting Change

Billing of premium voice and SMS content services: As of January 1, 2011, Telenet adjusted its financial collecting model for certain premium voice and SMS content services following a change in the Belgian legislation. This legislation states that the operator is no longer carrying legal responsibilities for the collection of these services, hence will only act on behalf of the third-party content providers going forward. As a result, the costs related to these premium voice and SMS content services are now netted off against revenue. If Telenet was to retroactively apply the new financial collecting model as if it had been introduced as of January 1, 2010, Telenet's revenue for the six months ended June 30, 2010 and the year ended December 31, 2010 would have been reduced by approximately €4.0 million and €8.0 million, respectively. This reporting change has no impact on Telenet's Adjusted EBITDA.

Management's Discussion & Analysis of the six months ended June 30, 2011

The following discussion and analysis is based on the condensed consolidated Interim Financial Statements of Telenet Group Holding NV as of and for the six months ended June 30, 2011 and 2010 and the audited consolidated financial statements of Telenet Group Holding NV as of and for the year ended December 31, 2010, prepared in accordance with EU GAAP. We have included selected financial information on Telenet Group Holding NV as of and for the relevant periods. You should read the condensed consolidated interim financial statements attached hereto, including the notes thereto, together with the following discussion and analysis.

1 Review of operations

About Telenet

Telenet is the largest cable television operator in Belgium. Telenet's hybrid fiber-coaxial cable network spans the Flanders region, covers 61% of Belgium by homes passed and includes the metropolitan centers of Antwerp and Ghent and approximately one-third of Brussels. Telenet's shares are listed on the Euronext Brussels Stock Exchange under the ticker symbol TNET and it is part of the BEL20 stock market index.

Telenet offers analog and digital cable television and digital pay television, including high definition and on-demand television, high-speed broadband internet and fixed and mobile telephony services to residential subscribers who reside in Telenet's network area. Telenet also combines its services into packages, or bundles, which offer subscribers the convenience of being able to purchase television, broadband internet and telephony services from a single provider at an attractive and discounted price. In addition, Telenet offers voice and data services to small and medium-sized businesses throughout Belgium and parts of Luxembourg.

As of June 30, 2011, Telenet had 2,233,900 unique residential subscribers, which represented 79% of the 2,831,300 homes passed by its network. As of June 30, 2011, all of Telenet's 2,233,900 unique residential subscribers subscribed to its basic cable television services, 1,263,700 subscribed to its broadband internet services and 847,300 subscribed to its fixed telephony services. In addition, 59% of its basic cable television subscribers had upgraded from analog to digital television. For the six months ended June 30, 2011, Telenet achieved revenue of €669.9 million, an increase of 5% over the six months ended June 30, 2010, and it generated €354.1 million of Adjusted EBITDA, representing a 7% increase over the six months ended June 30, 2010.

Telenet's business was founded on the provision of high speed broadband internet and fixed telephony services, but following its acquisition of the cable television businesses of the mixed intermunicipalities (the "MICs") in 2002, the provision of standard cable television services became its largest business activity. Because consumers are increasingly looking to receive all of their media and communications services from one provider at attractive prices in the form of bundles, Telenet has been increasingly focused on offering its subscribers broadband internet and telephony subscriptions and services together with its basic cable television services in the form of attractively priced multiple-play bundles ("Shakes"). Telenet has derived, and believes it can continue to derive, substantial benefits from the trend towards bundled subscriptions, through which it is able to sell more products to individual subscribers, resulting in significantly higher average monthly subscription revenue per average revenue generating unit and, in its experience, the reduction of customer churn. For the six months ended June 30, 2011, Telenet's ARPU per unique subscriber was €41.0 per month, a €3.0 per month increase over Telenet's ARPU per unique subscriber for the six months ended June 30, 2010.

Telenet's entire cable network has been upgraded to bi-directional capability, is fully EuroDocsis 3.0 enabled and provides a spectrum bandwidth capacity of 600 MHz. As a result, Telenet believes its network today offers sufficient capacity for television and broadband internet services. In February 2010, Telenet announced its "Digital Wave 2015" upgrade project, under which it will split optical nodes thereby reducing the number of homes connected to an optical node from an average of 1,400 homes per node to an average of 500 per node. This increase in the number of nodes throughout Telenet's footprint will allow Telenet to build a next-generation network, with increased download and upload speeds, supporting new internet applications and enhanced services and technology.

Prior to October 2008, Telenet offered all services to the approximately 1,933,100 homes passed by its network but was only able to offer broadband internet and telephony services to the approximately 829,500 homes passed by the network owned by Interkabel and the pure intermunicipalities (the "PICs") which encompassed about one third of Flanders (the "Partner Network" and together with Telenet's network, the "Combined Network"). Pursuant to an agreement entered into on June 28, 2008 between Telenet, Interkabel, INDI ESV and four PICs in Flanders (the "PICs Agreement"), which effectively closed in October 2008, Telenet acquired full rights to use substantially all of the Partner Network under a long-term lease (*erfpacht/emphytéose*) for an initial period of 38 years, for which Telenet is required to pay recurring fees in addition to the fees paid under certain pre-existing agreements with the PICs. The PICs remain the legal owners of the Partner Network. Following the PICs Agreement, Telenet now has the direct customer relationship with the analog and digital television subscribers on the Partner Network and is able to make all of its services available to all of the homes passed in the Partner Network.

Overview & multiple-play

Telenet's continued focus on triple-play growth, characterized by cross-selling bundled offers to its existing single-play customer base and pulling new customers to any of its attractive bundled propositions, yielded promising results for the six months ended June 30, 2011. For the six months ended June 30, 2011, Telenet added 32,300 net new triple-play subscribers, bringing the total number of customers subscribing to all three fixed services to 751,500 at June 30, 2011 (+9% year-on-year), representing 34% of its overall customer base compared to 30% a year earlier. In the second quarter of 2011 specifically, Telenet recorded a strong uptake of 16,800 triple-play subscribers driven by its repositioned multiple-play bundles as customers can now add digital TV and fixed telephony to their stand-alone broadband product for an additional €10 per month.

In the course of the six months ended June 30, 2011, Telenet also began to market Fibernet, its next-generation of broadband products using EuroDocsis 3.0, on a larger scale across the Company's entire footprint. As part of the Company's overall Fibernet strategy, Telenet started focusing on migrating existing broadband customers to Fibernet, in essence delivering them an unrivalled user experience and unmatched download speeds. While the uptiering of existing broadband subscribers to Fibernet results in a further ARPU increase and hence flows directly to Telenet's top line, it does not add to the total number of services that Telenet reports.

The robust inflow of high-quality triple-play subscribers, together with the Fibernet migrations, have managed to fully offset fairly mild sales volumes across all product lines driven by a lower-than-expected inflow of low-end customers. This effect, which started to show at the end of the three months ended March 31, 2011, continued throughout most of the three months ended June 30, 2011, which is traditionally a weak quarter for growth. As of mid-June 2011, since Telenet announced the acquisition of the exclusive broadcasting rights for the most important fixtures of the Belgian football championship, Telenet has recorded improved sales inflow for all fixed products. As these customers were not yet installed at June 30, 2011, they did not count as active subscribers and hence will only show in the three months ended September 30, 2011.

At June 30, 2011, Telenet provided its 2,233,900 unique subscribers a total of 4,344,900 services, a 2% increase compared to the six months ended June 30, 2010 and excluding Telenet's mobile RGUs. Consequently, the number of services per customer relationship (excluding mobile telephony) reached 1.94 at June 30, 2011 as compared to 1.85 at June 30, 2010. The 5% year-on-year increase was the direct result of Telenet's successful bundling strategy.

Since 39% of Telenet's customer base is still subscribing to only one of its products, Telenet continues to see sound growth opportunities from upselling its remaining single-play subscribers to its attractive multiple-play propositions. At the same time, Telenet will focus on converting its remaining analog TV subscribers to its digital TV platform. Both directional movements are expected to increase the ARPU per customer relationship and hence be supportive to Telenet's top line growth.

ARPU per customer relationship

Telenet considers the ARPU per customer relationship to be one of its key operational metrics since Telenet seeks to obtain a larger share of its customers' spending on media, entertainment and telecommunications services. The ARPU per customer relationship of €41.0 for the six months ended June 30, 2011 grew 8% as compared to the six months ended June 30, 2010 despite the impact of lower telephony revenue in 2011 as a result of the reporting change, as previously discussed on page 9. Telenet's recorded year-on-year growth in the ARPU per customer relationship would have been approximately 1% higher when adjusting its ARPU per customer relationship for the six months ended June 30, 2010 for the loss of revenue on premium rate services.

In line with previous quarters, ARPU per customer relationship growth continued to be propelled by the successful execution of Telenet's proven multiple-play strategy and a larger proportion of higher ARPU generating digital TV subscribers. This more than outweighed the pressure Telenet continues to experience on the individual product ARPUs as a result of a growing proportion of bundle and other price discounts as well as competitive pressures. The ARPU per customer relationship, as mentioned above, excludes the recurring revenue generated by Telenet's increasing base of postpaid mobile subscribers.

Telenet Group Holding NV – Consolidated operating statistics

As of and for the six months ended	June 2011	June 2010	Change %
Total Services			
Homes passed - Combined Network	2,831,300	2,806,300	1%
Television			
Analog Cable TV			
Total Analog Cable TV	**914,900**	**1,185,500**	**-23%**
Digital Cable TV			
Digital Cable TV (Telenet Digital TV)	1,262,300	1,056,300	20%
Digital Cable TV (INDI)	56,700	61,200	-7%
Total Digital Cable TV	**1,319,000**	**1,117,500**	**18%**
Total Cable TV	**2,233,900**	**2,303,000**	**-3%**
Internet			
Residential Broadband Internet	1,223,300	1,139,300	7%
Business Broadband Internet	40,400	34,800	16%
Total Broadband Internet	**1,263,700**	**1,174,100**	**8%**
Telephony			
Residential Telephony	834,600	767,300	9%
Business Telephony	12,700	12,500	2%
Total Telephony	**847,300**	**779,800**	**9%**
Mobile telephony (active customers)	221,300	169,500	31%
Total Services (excl. Mobile)	**4,344,900**	**4,256,900**	**2%**
Churn			
Basic cable television	9.0%	9.4%	
Broadband internet	7.2%	6.7%	
Telephony	7.3%	6.5%	
Customer relationship information - Combined Network			
Triple-play customers	751,500	688,600	9%
Total customer relationships	2,233,900	2,303,000	-3%
Services per customer relationship	1.94	1.85	5%
ARPU per customer relationship (in € / month)	41.0	38.0	8%

1.1 BASIC CABLE TELEVISION

Basic cable television is the principal medium for the provision of television services in Flanders and Telenet is the largest provider of cable television services in Belgium. Almost all Flemish television households are passed by the bi-directional HFC network. The high penetration of Telenet's basic cable television business has resulted in a steady source of revenue and cash flow. Currently, traditional terrestrial broadcasting and direct-to-home satellite broadcasting are less popular in Flanders or elsewhere in Belgium. Telenet mainly competes with the Belgian incumbent's IPTV platform.

All of Telenet's basic cable television subscribers have access to at least 25 basic analog television channels and an average of 20 analog radio channels, without any additional equipment and with the possibility to connect up to four television sets in the home. Telenet generally provides its basic cable television services under individual contracts with its subscribers, the majority of whom pay monthly. Subscribers to Telenet's basic cable television service pay a single monthly subscription fee for basic tier content, irrespective of the broadcasting format or number of channels received in the basic tier, although subscribers using a digital set-top box benefit from a lower VAT rate. The monthly subscription fee includes a copyright fee for the content received from public broadcasters that is broadcast over Telenet's network. These fees contribute to the cost Telenet bears in respect of copyright fees paid to copyright collection agencies for certain content provided by the public broadcasters.

As of June 30, 2011, Telenet provided its basic cable television services to all of its approximately 2,233,900 unique residential subscribers, or 79% of homes passed by its network. This represents a net organic loss of 68,700 basic cable television subscribers as compared to June 30, 2010. This organic loss excludes migrations to Telenet's digital television platform and represents customers churning to competitor's platforms, such as other digital television providers and satellite operators, or customers terminating their television service or having moved out of Telenet's service footprint. Telenet's annualized cable TV churn reflects the intensely competitive environment in the TV market with consumers now having the choice between a wide range of TV providers ranging from cable, IPTV and satellite to DTT and OTT in the near future, whilst at the same time basic TV prices remain one of the lowest within a wider European context. Given the historically high level of cable penetration in its footprint, the limited expansion of the number of homes passed and the availability of competing digital television platforms, Telenet anticipates that the number of basic cable TV subscribers will continue to decline moderately. Telenet believes, however, that the anticipated erosion in the number of TV-only subscribers will be more than offset by further growth in multiple-play subscribers, generating a much higher ARPU relative to the basic cable TV ARPU.

1.2 DIGITAL & PREMIUM TELEVISION

Historically, Telenet only offered basic analog television services to homes passed by its network. Telenet's interactive digital television service was launched in September 2005 and includes both basic and premium offerings. In general, digital technology compresses video signals into a smaller amount of bandwidth than is currently used by analog transmissions, while also enhancing the audio and visual quality of the transmissions. Telenet is able to broadcast a significantly greater number of channels by converting channels currently used for analog broadcasts into use for digital channels. Current digital interactive capabilities enable subscribers greater flexibility in choosing what content to watch and when, to participate in certain types of programs, to communicate with others through their television set and to review viewing options using facilities such as electronic program guides ("EPG"), among other features.

Telenet's basic cable television subscribers who have installed a set-top box and activated a smart card have access to the same 25 or more television channels simulcast in digital, providing a total of approximately 80 digital channels and approximately 36 digital radio channels, for no additional fee. Telenet offers its basic cable television services in digital for no additional fee in order to encourage its subscribers to migrate to digital cable television so they can access Telenet's digital pay television services, including video-on-demand ("VOD") and other interactive television services.

In order to access Telenet's premium interactive digital television ("iDTV") offerings, subscribers need to install a set-top box, which acts as an interface between the subscriber and the Telenet Network, and operates on the Multimedia Home Platform ("MHP") standard, an open standard platform that provides Telenet with the flexibility to integrate applications from a variety of sources. There currently is no dominant standard used for digital set-top box operating platforms, but the MHP standard has been adopted by CableLabs Inc. under the OCAP or Tru2way standard. Telenet offers digital set-top boxes in a sale or a rental

model. Telenet offers a choice of “HD Digibox” and “HD Digicorder” set-top boxes with alternative specifications and functionality, such as the ability to record and playback digital content viewed on its service.

Telenet’s premium service includes a combination of premium sports and film channels, a range of extended thematic channels, a selection of films and broadcast content available on an on-demand basis and a variety of interactive features. Telenet’s full premium interactive digital television offering is available to all subscribers passed by its network. Telenet’s premium content is acquired through various studio contracts, including Universal Studios, MGM, Twentieth Century Fox, Paramount, Sony, Disney and Warner Brothers. These contracts generally require Telenet to make payments on the basis of a minimum number of subscribers, with adjustments made on a sliding scale once minimum subscriber levels have been attained. In addition, a few of these contracts require Telenet to share a portion of the additional revenue derived from price increases for its premium television packages with the content provider.

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

In December 2010, Telenet launched Yelo, a revolutionary new multimedia platform enabling digital cable television subscribers to watch their favorite television programs and videos wherever they are. Yelo enables customers to watch their favorite programs beyond the familiar TV screen, on their iPad, iPhone and laptop. In addition, Yelo offers a range of convenient services, such as an EPG, remote programming of one’s set-top box and access to video-on-demand.

At the end of June 2011, 59% of Telenet’s cable TV subscriber base had upgraded to digital TV, which offers a much richer viewing experience and access to a wide variety of additional thematic channel packs and digital pay TV services as well as an extensive VOD library. Through their Telenet Digital TV subscription, customers can now also subscribe to Telenet’s unique sports channel Sporting Telenet, which will exclusively broadcast the most important fixtures of the Belgian football championship for the next three seasons alongside the most popular international football leagues and other major sporting events.

As of June 30, 2011, the number of digital TV subscribers reached 1,319,000, up 18% compared to the prior year period. The vast majority of Telenet’s digital TV subscribers opt for its interactive Telenet Digital TV platform (1,262,300, +20% year-on-year) with the remaining customers still subscribing to the linear digital INDI platform that Telenet acquired through the Interkabel Acquisition in October 2008. Given the non-interactive status of the INDI platform, Telenet continues to anticipate a gradual decline in the total number of INDI customers, whilst the Company aims to migrate these customers to its own digital TV platform.

For the six months ended June 30, 2011, Telenet added 81,100 net new subscribers to its Telenet Digital TV platform. As of mid-June 2011, since Telenet announced the acquisition of the exclusive broadcasting rights for the most important fixtures of the Belgian football championship, Telenet has recorded improved sales inflow for its TV offering. As these customers were not yet installed at June 30, 2011, they did not count as active subscribers and hence will only show in the three months ended September 30, 2011.

1.3 BROADBAND INTERNET

As of June 30, 2011, Telenet served 1,263,700 broadband internet subscribers, up 8% compared to the prior year period. Consequently, 44.6% of the total number of homes passed by Telenet’s bi-directional HFC network subscribed to one of its broadband offerings at the end of June 2011 compared to 41.8% at June 30, 2010. Telenet’s demonstrated speed leadership and attractive product offering relative to competing technologies together with its continued focus on customer care have enabled Telenet to maintain churn at relatively low levels within the telecommunications and cable industry. Annualized churn for the six months ended June 30, 2011 amounted to 7.2%, stable compared to the year ended December 31, 2010.

Although the number of net additions decelerated to 39,200 for the six months ended June 30, 2011 as a result of lower gross sales at the low-end of the market, Telenet was pleased with the tier mix of acquired subscribers and the promising results of its Fibernet migration strategy. For the three months ended June 30, 2011, Fibernet accounted for a significant proportion of Telenet’s total gross broadband internet sales, underscoring the genuine customer appetite for high-speed broadband access.

Through its HFC upgraded network, Telenet offers its residential subscribers a broadband internet service at a downstream data transfer speed of up to 100 Mbps. Telenet's current residential offerings include multiple tiers, which range from "Basic internet", which allows end users to receive data from the internet at a downstream data transfer speed of up to 20 Mbps, to "Fibernet 100", which offers end users a downstream speed of up to 100 Mbps. Fibernet represents the first set of next-generation broadband products relying on the EuroDocsis 3.0 technology, which has been deployed across Telenet's entire network. With the launch of Telenet's Fibernet offer in February 2010, Telenet has maintained its position as the leading high speed internet service provider ("ISP") in its service area, offering download speeds of up to 100 Mbps, comparing favorably to the download speeds offered by its asymmetrical digital subscriber lines ("ADSL") competitors. Mid-January this year, Telenet rejuvenated its broadband lineup by introducing two new Fibernet tiers. At the end of June 2011, Telenet further simplified and streamlined its product offering. Customers can now select between three specific broadband products (either stand-alone or as part of a bundle), ranging from the basic entry product providing a download speed of 20 Mbps to one of its Fibernet offerings with download speeds hovering between 50 Mbps up to 100 Mbps. Because of Fibernet, Telenet believes it is well armed for the future and Telenet expects the continued migration of existing high-end broadband customers to Fibernet, and the overall Fibernet push, to start making a positive contribution to the Company's broadband ARPU later in the year.

Telenet's goal is to constantly upgrade the specifications and features of its broadband products in order to underline its speed leadership and the reliability of cable versus competitive offers. Today's internet browsing experience increasingly requires larger bandwidth capacity as multimedia applications, social networking and video-rich entertainment sites become an important part of our digital lifestyle. Thanks to the continued investments in both new technologies and its network, Telenet is well positioned to meet the rapidly growing consumer needs and to deliver a wholly new internet experience to its entire customer base.

Telenet believes that the combination of speed leadership, brand recognition, customer service, innovative and premium product features and attractive pricing schemes has helped enable it to attract 1,263,700 broadband internet subscribers as of June 30, 2011. The broadband internet access market in Belgium is well established, with penetration rates higher than in most other major European markets. According to the European Commission, as of December 31, 2009, broadband internet access penetration in Belgium stood at 68% of total households. In the Flanders region, the broadband internet access penetration was approximately 75%. Telenet's 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 and parts of Brussels.

1.4 TELEPHONY

Fixed telephony

Telenet offers its residential subscribers local, national and international long distance fixed telephony services and a variety of value-added features. In Flanders, Telenet believes that it is currently the largest competitor to Belgacom NV/SA, the Belgian incumbent, due in part to Telenet's emphasis on customer service and innovative tariff plans. Substantially all of Telenet's telephony subscribers use voice-over-internet protocol ("VoIP") technology which utilizes the open standards EuroDocsis protocol, and through which Telenet is able to provide both internet and telephony services.

Telenet's "FreePhone" rate plan was launched in December 2004, providing subscribers with unlimited national calls to fixed lines during off-peak hours. In 2005 and 2006, Telenet introduced variations on the "FreePhone" rate plan which have been successful in increasing the penetration of this service, but have also reduced the ARPUs Telenet earns from residential telephony.

Telenet's residential telephony subscribers are charged a combination of fixed monthly fees for their telephone line, variable fees based on actual usage and, for certain tariff plans, fixed fees for unlimited calling to national fixed lines at all times. Flat rate usage charges apply for calls placed to other fixed lines in Belgium and the main European countries. Telenet seeks to price its residential telephony products to provide a better value alternative to Belgacom. It also offers its residential subscribers enhanced telephony features for an additional fee. Enhanced offerings include packages of features and individual services such as voicemail and caller ID.

The total number of fixed telephony subscribers on Telenet's Network showed a 9% year-on-year increase, reaching 847,300 subscribers at the end of June 2011. This equals a penetration rate of 29.9% relative to the number of homes passed by Telenet's network at June 30, 2011 as compared to 27.8% at the end of the prior year period. Although Telenet's annualized churn increased from an average of 6.8% for the year ended December 31, 2010 to 7.3% for the six months ended June 30,

2011, Telenet's annualized churn for the three months ended June 30, 2011 showed a sequential decline by 0.6 percentage points to 7.0%.

For the six months ended June 30, 2011, Telenet recorded 32,900 net new subscriber additions with especially a vibrant performance for the three months ended June 30, 2011 (16,800 net new fixed telephony subscribers) as a result of triple-play growth. Telenet believes this is a solid achievement in light of the mature character of the fixed telephony market and the ongoing fixed-to-mobile substitution efforts from mobile-only operators. The vast majority of Telenet's gross sales continued to be realized through bundles given the inclusion of attractively priced flat-fee rate plans, which allow customers to make unlimited off-peak calls to landlines both in Belgium and the main European countries.

Mobile telephony

Telenet's mobile telephony offer was launched in August 2006 under the Telenet Mobile brand name. Telenet provides this service through a mobile virtual network operator ("MVNO") partnership with Mobistar NV, the second largest mobile operator in Belgium, providing Telenet's customers all network services as well as access to Mobistar NV's mobile telecommunications network. In February 2009, Telenet signed a broader agreement with Mobistar (the "Full-MVNO Agreement"), which provides Telenet with greater flexibility in terms of product offers and which enables Telenet to roll out fixed mobile convergent products. Telenet launched the Full-MVNO in the fourth quarter of 2010, for which it has undertaken the construction of certain proprietary mobile infrastructure, including a mobile switch, mobile rating and billing platform.

The initial term of the Full-MVNO Agreement lasts until the fourth quarter of 2013. The Full-MVNO Agreement can be terminated in case of material breach and certain events, including changes of control and regulatory events. In the event of termination, an exit plan will apply permitting Telenet to migrate its mobile telephony customers to another radio access network provider.

Telenet provides a segmented range of mobile postpaid rate plans. Telenet initially started with a free subscription-based product with subscribers hence only paying for their usage. At the end of October 2009, the Company redesigned its product offers and tariff structures including subsidized smartphones for postpaid subscribers taking a two-year contract. At the same time, Telenet carefully initiated its first mobile-focused marketing campaigns tailored towards its existing customer base. Through these offers, Telenet aims to cross-sell mobile telephony services to its existing customer base, while it seeks a higher ARPU resulting from higher use of both mobile voice and data. As of June 30, 2011, Telenet served 221,300 active mobile customers compared to 169,500 as of June 30, 2010.

At the end of May 2011, Telenet started selling the iPhone 4. The Company has tailored three specific straightforward iPhone-related tariff plans, combining a bundle of voice minutes and text messages with mobile data and unlimited mobile data access through its public hotspots, which are freely accessible for all its broadband subscribers and certain mobile customers and which Telenet rebranded into "Wi-Free", or through its extensive WiFi community. The iPhone fits well with Telenet's overall strategy and will allow Telenet to make further inroads into the high-value segments. Telenet is pleased with the take-up of the iPhone 4 amongst its customer base.

On June 27, Telenet, through its subsidiary Telenet Tecteo Bidco NV, submitted a formal bid for the fourth 3G-license, which was put up for auction by the BIPT (Belgian Institute for Postal and Telecommunication Services) on March 15, 2011 and which will also provide access to valuable spectrum in the 900 MHz and 1800 MHz bands. The carefully weighted acquisition of technology-neutral mobile spectrum will significantly improve Telenet's challenger position in the mobile market and will allow for the roll-out of high-speed mobile data networks such as LTE. As the leading provider of high-speed broadband services over its HFC network in Flanders and approximately one-third of Brussels, Telenet believes it is ideally positioned to benefit from the anticipated growth in mobile data.

Interconnection

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network. For a subscriber located on one telephony network to complete a telephone call to an end user served by another telephony network, the subscriber's network service provider must interconnect to the network serving the end user. Typically, the network serving the end user charges the subscriber's service provider a fee to terminate the communication, which is based on a call set-up charge and on the length of the telephone call. Interconnection costs and revenues have a significant impact on Telenet's financial results. As a result, Telenet has focused heavily on managing this cost.

Telenet's interconnection practices are subject to comprehensive regulation by the BIPT. Following the adoption of the EU Regulatory Framework in Belgian law, the BIPT decided in August 2006 to implement a three year gliding path to near reciprocity starting on January 1, 2007. From January 1, 2009, Telenet can only charge to Belgacom the Belgacom termination charge to Telenet's plus 15%. In 2010, the interconnection regime for fixed telephony remained unchanged. As for mobile telephony, the BIPT imposed a sharp declining glide path following its latest market analysis dated June 2010. As a result, mobile termination rates will be capped at €1.08 cent/per minute starting January 2013, a 74.6% decline compared to the current average rate of €4.25 cent/per minute. In the same decision, the BIPT indicated that Full-MVNOs will in principle have to apply the termination rates of their host operator (i.e. Mobistar rates for Telenet).

Network operators, including Telenet, charge interconnection termination fees to terminate telephone calls on their network that originated from a user on another network. Typically, the cost of interconnection fees that Telenet pays is taken into account in the price it charges its subscribers. For the six months ended June 30, 2011, Telenet incurred interconnection fees of €29.2 million and received interconnection revenue of €9.9 million. Telenet reports its interconnection revenue under 'Residential telephony', while the incurred interconnection fees are accounted for under 'Network operating and service costs'.

1.5 BUSINESS SERVICES

Telenet's business customers include small and medium-sized enterprises ("SMEs") with between five and one hundred employees; larger corporations; public, healthcare and educational institutions; and carrier customers that include international voice, data and internet service providers. For the six months ended June 30, 2011, Telenet's business services operations generated €45.2 million in revenue, an increase of 15% compared to the six months ended June 30, 2010. Telenet markets its business services under the Telenet Solutions brand name. Telenet's corporate customers generally connect to the Telenet Network directly through a fiber optic connection and its SME customers connect to the Combined Network through a fiber, digital subscriber line ("DSL") or coaxial connection, depending on the scope of their needs and their location relative to Telenet's network.

Telenet Solutions offers a range of voice, data and internet products and services that are tailored to the size and needs of each customer. Telenet provides services to business customers throughout Belgium and parts of Luxembourg. With the inclusion of DSL services Telenet has flexibility to target customers throughout Belgium because it is not dependent on such customer's proximity to the Telenet Network. Telenet's business customers evaluate its offerings based on price, technology, security, reliability and customer service. Internet products include i-Fiber, WiFi services and internet over copper leased lines, DSL lines or coaxial connections. Voice products include a range of fiber, coaxial and DSL products matched to the capacity needs of customers, as well as other services. Data products consist primarily of various forms of leased lines, which are typically sold to corporate customers and to carriers. Telenet also offers virtual private network ("VPN") customized services for customers of which in particular Telenet's IP-enabled product is a strong growing product in its portfolio.

Sales and marketing teams for Telenet's business customers are organized on a regional, business sector and customer size basis. The prices that Telenet offers its corporate, public, healthcare, educational and carrier customers are usually negotiated within fixed parameters, whereas more standardized prices typically apply to Telenet's SME customers. For certain large corporates, Telenet enters into individual agreements under which it must meet minimum service levels. Telenet has recently closed an agreement with TechData, one of Belgium's biggest distributors of information and communications technology, in order to extend and improve its distribution platform.

The availability and gradual commercial roll-out of EuroDocsis 3.0 represents an important development for Telenet's positioning in the business-to-business market. Given the higher download speeds, better product specifications and improved quality of service over competing technologies, Telenet is in a strong position to increase its market share in the business-to-business market both for select, smaller corporate segments and larger corporate accounts. Telenet continues to progress with the next integration phase of the acquired hosting services company, Hostbasket. Together with C-CURE NV, which Telenet acquired on May 31, 2010, Telenet's business segment will be able to offer a single-user experience for not only connectivity solutions but also for a whole range of additional value-added services.

1.6 NETWORK

In 1996, Telenet acquired the exclusive right to provide point-to-point services, including broadband internet and telephony services, and the right to use a portion of the capacity of the broadband communications network owned by the PICs, the Partner Network. Currently, under the PICs Agreement through Telenet NV and Telenet Vlaanderen NV, Telenet has full rights to use substantially all of the Partner Network under a long-term lease (*erfpacht/emphythéose*) for an initial period of 38 years (of which 36 years are remaining), for which Telenet is required to pay recurring fees in addition to the fees paid under certain pre-existing agreements with the PICs.

Telenet refers to the Combined Network when describing the combination of its own network and the Partner Network. Telenet uses the Combined Network to provide cable television in analog, digital and HD formats, broadband internet and fixed telephony services to both residential and business customers who reside in its service area. Telenet's combined broadband HFC network consists of a fiber backbone with local loop connections constructed of coaxial cable with a minimum capacity of 600 MHz.

Regardless of whether a customer is served by the Telenet Network or the Partner Network, the means by which the services available in the relevant franchise area reach the customer are the same. Telenet's Combined Network assets include approximately 12,000 kilometers of fiber backbone, of which Telenet owns 7,300 kilometers, utilizes 2,580 kilometers pursuant to long-term leases and has access to 2,100 kilometers through its agreements with the PICs. The fiber backbone connects to approximately 68,000 kilometers of coaxial local loops, of which 50,000 kilometers is in the Telenet Network and the balance in the Partner Network. Telenet owns the primary and secondary fiber backbone on the Combined Network and the fiber and coaxial cable on the Telenet Network. The PICs own the additional fiber and the coaxial cable included in the HFC access loops on the Partner Network.

In addition to its HFC network, Telenet offers services to business customers across Belgium and in parts of Luxembourg through a combination of electronic equipment which it owns and fiber which is predominantly leased. Telenet has also installed equipment necessary to provide voice, data and internet services using DSL technology. DSL technology enables Telenet to serve business customers that are not currently close to its network in a more cost effective manner through Belgacom's telephone network.

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

Customers connect to the Combined Network through a coaxial connection from one of Telenet's nodes. Amplifiers are used on the coaxial lines to strengthen both downstream and return path signals on the local loop. On average, approximately 1,400 homes are served by each of the approximately 2,398 nodes in the Combined Network. Network quality usually deteriorates as customer penetration rates on any particular node increase. When required, the scalability of Telenet's network enables it to address this problem, within limits, through node splits in which Telenet installs additional equipment at the node so that the same 3 Gbps capacity serves approximately 500 homes per node. Telenet uses node splits, among other measures, to manage potential congestion in certain parts of the Partner Network.

Telenet's network operating center in Mechelen, Belgium monitors performance levels on the Combined Network on a continuous basis. Telenet has a separate disaster recovery site for back office systems, and its network has been designed to include redundant features to minimize the risk of network outages and disasters with the fiber optic rings designed to reroute traffic in the opposite direction around the ring in the event that a section of the ring is cut. Telenet has insured its buildings, head end stations, nodes and related network equipment against fire, floods, earthquakes and other natural disasters, but is not insured against war, terrorism (except to a limited extent under its general property insurance) and cyber-risks. Telenet carries insurance on its fiber optic network up to a capped amount, but does not carry property damage insurance for its coaxial network.

At the end of 2009, Telenet completed the upgrade of its network bandwidth capacity from 450 MHz to 600 MHz. Late 2009, Telenet also completed the implementation of the necessary software and hardware to enable its adoption of the EuroDocsis 3.0 channel bonding standard. Through the EuroDocsis 3.0 technology, Telenet is able to offer downstream speeds of up to 100 Mbps. At the beginning of 2010, Telenet announced its next phase of network investments, referred to as Telenet's "Digital

Wave 2015" investment program, to further upgrade its network and services as Telenet believes that a fiber-rich and flexible network will provide capacity for future growth which its competitors will have difficulty matching. One of the cornerstones of Telenet's upgrade strategy is its "Pulsar" node splitting project which will allow Telenet to build a next-generation network capable of capturing the changing consumer needs, new internet applications and future services and technology. The "Pulsar" project includes a further reduction of the number of homes connected to an optical node from on average 1,400 to an average of 500 homes per node with the design ready to move to an average of 250 homes per node, thereby significantly increasing the network capacity. Telenet plans to execute this program over five years for a total expenditure of approximately €30 million per annum. This amount could vary, however, depending on market conditions, supply arrangements and numerous other factors.

2 Discussion of the condensed consolidated interim financial statements

2.1 CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30,	
	2011	**2010**
	(in thousands of euro, except per share data)	
Revenue	669,860	638,584
Cost of services provided	(374,880)	(363,125)
Gross profit	**294,980**	**275,459**
Selling, general and administrative expenses	(114,554)	(104,628)
Operating profit	**180,426**	**170,831**
Finance income	24,999	479
Net interest income and foreign exchange gain	4,574	479
Net gain on derivative financial instruments	20,425	-
Finance expenses	(102,562)	(130,489)
Net interest expense	(97,251)	(70,411)
Net loss on derivative financial instruments	-	(60,078)
Loss on extinguishment of debt	(5,311)	-
Net finance expense	**(77,563)**	**(130,010)**
Share of the loss of equity accounted investees	(177)	(199)
Profit before income tax	102,686	40,622
Income tax expense	(44,214)	(18,859)
Profit for the period	**58,472**	**21,763**
Other comprehensive income for the period, net of income tax	**-**	**-**
Total comprehensive income for the period, attributable to owners of the Company	**58,472**	**21,763**
Earnings per share		
Basic earnings per share in €	0.52	0.19
Diluted earnings per share in €	0.51	0.19

For the six months ended June 30, 2011, Telenet generated revenue of €669.9 million, a 5% increase compared to the six months ended June 30, 2010, when Telenet achieved revenue of €638.6 million. Telenet's year-on-year revenue growth rate was negatively impacted by the January 1, 2011 change in the presentation of revenue and expenses related to certain premium voice and SMS content services, as described on page 9. This reporting change had a negative impact on Telenet's residential telephony revenue of approximately €4.0 million for the six months ended June 30, 2011. Substantially all of Telenet's revenue growth during the six months ended June 30, 2011 was organic and directly driven by the underlying growth in fixed and mobile telephony services, the ongoing migration from analog to digital TV and the recently started uptiering of its existing high-end broadband customer base to Fibernet, all through which Telenet was able to obtain a higher ARPU per customer relationship. Telenet's business services division also delivered a healthy double-digit top line growth for the six months ended June 30, 2011 on the back of strong growth for Telenet's data and hosting solutions, the strong uptake of Telenet's Business and Corporate Fibernet solutions and the acquisition of C-CURE as of May 31, 2010.

Despite selective investments in growth, the mandatory average 2.5% wage indexation since early January 2011 which was not passed on to customers in the form of price increases in the six months ended June 30, 2011, as well as a relative bigger weight of Telenet's mobile activities, Telenet was able to increase its operating profit. Operating profit for the six months ended June 30, 2011 amounted to €180.4 million, a 6% increase compared to the six months ended June 30, 2010 when Telenet realized operating profit of €170.8 million.

Telenet recorded a net profit of €58.5 million for the six months ended June 30, 2011, including a gain on its interest rate derivatives of €20.4 million and a €5.3 million loss on extinguishment of debt, without which Telenet would have recorded a net profit of €43.4 million.

2.2 REVENUE BY SERVICE

	For the six months ended June 30,	
	2011	**2010**
	(in thousands of euro)	
Cable television:		
Basic Subscribers [1]	159,130	162,674
Premium Subscribers [1]	88,658	71,764
Residential:		
Internet	218,424	213,111
Telephony [2]	133,636	123,249
Distributors/Other	24,849	28,385
Business	45,163	39,401
Total Revenue	**669,860**	**638,584**

Telenet's revenue for the six months ended June 30, 2011 remained well balanced with cable television, including basic cable television, digital and premium cable television, broadband internet and telephony all representing significant proportions of its total revenue.

2.2.1 Cable television

For the six months ended June 30, 2011, Telenet reported total cable television revenue of €247.8 million, a 6% increase compared to the six months ended June 30, 2010 when total cable television revenue reached €234.4 million. Telenet's total cable television revenue comprises both the basic cable television revenue generated by its analog and digital subscribers as well as the premium cable television revenue generated by its digital cable TV subscribers on top of their basic cable subscription.

Basic cable television

Basic cable television revenue, which comprises the basic cable television subscription fee paid by both Telenet's analog and digital (Telenet Digital TV and INDI) cable TV subscribers, remains an important contributor to its revenue and represents a steady source of cash flow. For the six months ended June 30, 2011, Telenet's basic cable television revenue amounted to €159.1 million, marking a 2% decrease compared to the six months ended June 30, 2010. The mild revenue contraction can be attributed to a lower average number of active cable TV subscribers relative to the six months ended June 30, 2010.

As of October 9, 2011, the monthly subscription charge for Telenet's basic cable television service will be increased by 4.2% on average. Telenet anticipates this price increase to have a gradual positive impact on its basic cable television revenue as from the fourth quarter of 2011 onwards.

(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.

Premium cable television

Telenet's premium cable television revenue includes the revenue generated by its digital cable television subscribers on top of the basic cable television revenue as described above. In addition to video-on-demand revenue, Telenet's premium cable television revenue is driven by the strong uptake in rentals of the high-end HD and PVR-enabled set-top boxes, which provide a boost to its recurring monthly set-top box rental fees. The other contributors to Telenet's premium cable television revenue include subscription fees to Telenet's thematic and premium channel packages, the latter marketed under the brand name PRIME, and interactive services on Telenet's platform which all drive an ARPU uplift from basic cable TV.

For the six months ended June 30, 2011, premium cable television revenue increased €16.9 million (+24%) compared to the six months ended June 30, 2010 to €88.7 million. Given the fact that Telenet has won the exclusive broadcasting rights for the most important fixtures of the Belgian football championship for the next three seasons, Telenet anticipates further healthy growth in its subscription-based premium cable television revenue as from July 29, 2011 when the 2011-2012 season kicks off.

2.2.2 Distributors/Other

Distributors/Other revenue includes revenue related to (i) the sale of set-top boxes, (ii) revenue from cable television activation and installation fees, (iii) other services such as online advertising on Telenet's portal and community websites and (iv) the contribution from third-party sales in Telenet's multi-brand mobile distribution channel BelCompany.

Distributors/Other revenue for the six months ended June 30, 2011 decreased 12% to €24.9 million. The decline was attributable to a lower level of gross additions and the intensely competitive environment, resulting into lower subscriber activation and installation revenue. For the six months ended June 30, 2011, BelCompany generated 7% less revenue because of lower handset sales attributable to lower customer traffic in its stores as part of the current economic environment and lower commissions from external dealers.

2.2.3 Residential broadband internet

Telenet's residential broadband internet revenue reached €218.4 million for the six months ended June 30, 2011, up 2% compared to the six months ended June 30, 2010. Relative to the six months ended June 30, 2010, Telenet recorded lower activation revenue because of a more subdued level of gross additions, whereas Telenet also had temporary promotions on nonrecurring installation and activation fees in the three months ended March 31, 2011 to drive the uptake of its Fibernet products. In addition, Telenet also realized lower revenue on the sale of additional data volume blocks as data volume allowances have either been significantly upgraded or replaced by unlimited downloads based on a fair use policy for the high tiers. Finally, in line with previous quarters, Telenet continued to sell the vast majority of its broadband subscriptions through bundled offers and the proportionate allocation of that bundle discount over all involved products continued to weigh on the individual broadband ARPU.

Since mid-February this year, Telenet has begun to market its next-generation Fibernet products on a larger scale, providing its customers with unmatched download speeds and catering for an unrivalled user experience. For the three months ended June 30, 2011, Fibernet already represented a significant proportion of Telenet's gross broadband internet sales, which clearly underpins customer demand for such reliable high-speed connections.

2.2.4 Residential telephony

Telenet's residential telephony revenue, which includes the contribution from both the Company's fixed and mobile business, jumped €10.4 million or 8% for the six months ended June 30, 2011 to €133.6 million despite approximately €4.0 million lower revenue from the reporting change for certain premium voice and SMS content services as further discussed on page 9. If Telenet was to retroactively apply the change as if it had been introduced as of January 1, 2010, the revenue growth rate for Telenet's residential telephony revenue service would have been 12%.

Telenet's fixed telephony revenue for the six months ended June 30, 2011 remained broadly stable as compared to the six months ended June 30, 2010 as an increased number of RGUs offset the decline in usage-related revenue as the bulk of Telenet's subscribers have meanwhile opted for flat-fee rate plans.

In line with recent quarters, Telenet's mobile business continued to make a growing contribution to its overall top line for the six months ended June 30, 2011, driven by healthy growth in the number of postpaid subscribers and a further increase in mobile ARPU following Telenet's increased focus on smartphones and the higher value segments.

2.2.5 Business services

Telenet Solutions, Telenet's business services division, performed extremely well in the six months ended June 30, 2011. Its revenue grew 15% from €39.4 million for the six months ended June 30, 2010 to €45.2 million driven by the sound uptake of its Business and Corporate Fibernet solutions, continued growth of its IP VPN solutions, higher installation revenue as compared to the prior year period and the contribution from C-CURE which Telenet acquired on May 31, 2010. Excluding C-CURE's contribution and the nonrecurring installation revenue, B2B revenue was still up a healthy 5% year-on-year.

Telenet's B2B portfolio mainly comprises services, for which Telenet projects healthy market growth in 2011 and beyond. Telenet Solutions wishes to build on the investments of recent years by approaching the market with a portfolio of connectivity, security and hosting solutions. Connectivity solutions are increasingly based on the use of the coax cable. Telenet believes it is particularly well positioned in this market through its Business Fibernet and Corporate Fibernet solutions, supported by the EuroDocsis 3.0 technology which Telenet has deployed across its entire footprint. Apart from dedicated sales and care channels, Telenet has introduced quality of service guarantees for its corporate customers to enable the implementation of critical business applications at guaranteed speeds.

As of January 2011, Telenet has implemented the Integrated Sales Organization concept across its B2B division. Hence, Telenet is now much better positioned to increasingly focus on industry verticals and to offer a wide variety of multi-product solutions where Telenet combines its leading connectivity products with value-added services such as hosting and security.

2.3 TOTAL EXPENSES

	For the six months ended June 30,	
	2011	**2010**
	(in thousands of euro)	
Cost of services provided	(374,880)	(363,125)
Selling, general and administrative expenses	(114,554)	(104,628)
Total costs and expenses	**(489,434)**	**(467,753)**

2.3.1 Cost of services provided

The cost of services provided for the six months ended June 30, 2011 amounted to €374.9 million, up 3% compared to the six months ended June 30, 2010. As a percentage of revenue, the cost of services provided totaled 56% for the six months ended June 30, 2011 as compared to 57% for the six months ended June 30, 2010. The relatively lower proportion as a percentage of revenue was attributable to the fact that Telenet succeeded in keeping its direct expenses stable despite continued growth in the number of RGUs.

2.3.2 Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) totalled €114.6 million for the six months ended June 30, 2011, as compared to €104.6 million for the six months ended June 30, 2010. The 10% year-on-year increase was driven by a 13%

increase in personnel expenses and higher expenses with regard to share based compensation. As a percentage of revenue, SGA equalled 17% for the six months ended June 30, 2011 compared to 16% for the six months ended June 30, 2010.

2.4 EXPENSES BY NATURE

	For the six months ended June 30,	
	2011	**2010**
	(in thousands of euro)	
Employee benefits:		
Wages, salaries, commissions and social security costs	64,160	57,562
Other employee benefit costs	10,973	8,683
	75,133	**66,245**
Depreciation and impairment	126,205	122,390
Amortization	33,869	29,567
Amortization of broadcasting rights	4,047	3,982
Losses (gains) on disposal of property and equipment and other intangible assets	(23)	26
Network operating and service costs	185,461	185,502
Advertising, sales and marketing	26,385	32,079
Share-based payments granted to directors and employees	8,680	2,767
Operating charges related to acquisitions or divestitures	790	(11)
Other costs	28,746	25,206
Restructuring charges	141	-
Total costs and expenses	**489,434**	**467,753**

For the six months ended June 30, 2011, Telenet incurred total operating expenses of €489.4 million, a 5% increase compared to the six months ended June 30, 2010 when total operating expenses amounted to €467.8 million. Telenet's expense growth for the six months ended June 30, 2011 equaled its top line growth rate. The increase in total operating expenses was driven by higher employee benefits, depreciation and amortization charges and expenses related to share based compensation.

Employee benefits grew 13% year-on-year to €75.1 million for the six months ended June 30, 2011. The increase in personnel expenses reflected Telenet's mandatory implementation of the wage indexation for all employees as of early 2011, a general increase in staffing levels as a result of business growth and a further insourcing of call centers. The latter is expected to be offset by lower network operating and service costs in future periods, while Telenet anticipates improved efficiencies in its care and sales operations through a higher proportion of insourced call centers.

Depreciation and amortization totaled €164.1 million for the six months ended June 30, 2011 (+5% year-on-year). This increase reflected the impact of capital expenditures that was only partially offset by the impact of certain assets becoming fully depreciated. Part of the increase also related to the straight line amortization of the DTT license which Telenet recognized in the three months ended December 31, 2010.

Network operating and service costs continued to represent the largest component of Telenet's operating expenses. Telenet managed to keep its network operating and service costs at €185.5 million for the six months ended June 30, 2011, virtually flat as compared to the six months ended June 30, 2010. Higher content costs as a result of the further digitization of its cable TV subscriber base, higher IP transit costs to compensate for the increased data traffic generated by its Fibernet customers and higher maintenance costs as a result of a larger installed base and the effective implementation of its Full-MVNO platform were offset by a reduction in interconnect expenses following the decline in fixed-to-mobile termination charges and overall a lower level of subsidies spent on its mobile activities following lower gross sales as compared to the six months ended June 30, 2010.

Advertising, sales and marketing expenses showed an 18% decrease for the six months ended June 30, 2011 period to €26.4 million as compared to the six months ended June 30, 2010. This decrease reflected a lower level of commissions paid as a result of lower sales volumes across all product lines and increased efficiency in Telenet's sales channel mix with a greater emphasis on lower cost sales channels such as call centers and the e-portal.

Other costs, including operating charges related to acquisitions or divestitures and restructuring charges, amounted to €29.7 million for the six months ended June 30, 2011, marking an 18% increase year-on-year. This increase predominantly reflected higher costs which Telenet incurred because of the ongoing regulatory review as well as other business-supporting corporate advisory and legal fees.

2.5 ADJUSTED EBITDA

	For the six months ended June 30,	
	2011	**2010**
	(in thousands of euro)	
Adjusted EBITDA	**354,135**	**329,552**
Adjusted EBITDA margin	52.9%	51.6%
Share based compensation	8,680	2,767
Operating credits (charges) related to acquisitions or divestitures	790	(11)
Restructuring charges	141	0
EBITDA	**344,524**	**326,796**
Depreciation, amortization and impairment	164,098	155,965
Operating profit	**180,426**	**170,831**
Net Finance expense	(77,563)	(130,010)
Share of the loss of equity accounted investees	(177)	(199)
Income tax expense	(44,214)	(18,859)
Total comprehensive income for the period, attributable to owners of the Company	**58,472**	**21,763**

Telenet generated €354.1 million of Adjusted EBITDA for the six months ended June 30, 2011, up 7% compared to the six months ended June 30, 2010 when Telenet realized Adjusted EBITDA of €329.6 million. Despite investments in growth, higher personnel-related expenses, as well as a bigger weight of Telenet’s mobile activities Telenet was able to improve its Adjusted EBITDA margin by 130 basis points to 52.9%. Telenet attributed this robust performance to the Company’s continued focus on efficiency-related process and platform improvements within its organization, a relatively larger share of triple-play subscribers in Telenet’s net additions subscriber mix, strict control on overhead expenses and generally less spending on its mobile activities for the six months ended June 30, 2011.

2.6 OPERATING PROFIT (EBIT)

The combination of a healthy 7% increase in Adjusted EBITDA, slightly offset by higher depreciation and amortization charges and share based compensation expense, led to an operating profit of €180.4 million for the six months ended June 30, 2011 (+6% year-on-year).

2.7 NET FINANCE EXPENSE

Net finance expenses were €77.6 million for the six months ended June 30, 2011 compared to €130.0 million for the six months ended June 30, 2010. This sharp decline reflected primarily the change in the fair value of interest rate hedges, which yielded a positive effect for the six months ended June 30, 2011 versus a negative effect for the six months ended June 30, 2010. The interest expenses on the Term Loans under Telenet’s Senior Credit Facility increased as a result of the issuance of additional debt and an increase in the overall interest margin following the maturity extension processes.

2.7.1 Interest income and foreign exchange gain

Interest income and foreign exchange gain for the six months ended June 30, 2011 totaled €4.6 million, up compared to the €0.5 million which Telenet recorded for the six months ended June 30, 2010. The increase was driven by the returns from the Company's significantly higher cash balance that it invested. To minimize the concentration of counterparty risk, Telenet's cash equivalents, certificates of deposit and money market funds are placed with highly rated European and US financial institutions.

2.7.2 Interest expense

Telenet's interest expense for the six months ended June 30, 2011 totaled €97.3 million, up from €70.4 million for the six months ended June 30, 2010. The 38% increase is the net effect from (i) a 34% or €841.5 million increase in indebtedness from June 30, 2010 to June 30, 2011 (see section 2.11 for more information), (ii) an increase in the overall interest margin on Telenet's Senior Credit Facility, following the maturity extension processes, and (iii) higher EURIBOR interest rates which set the basis for the majority of interest expenses carried on Telenet's Senior Credit Facility.

2.7.3 Net gains and losses on derivative financial instruments

Telenet has entered into various derivative instruments to significantly reduce its exposure to interest rate increases through the maturity date of Telenet's Senior Credit Facility. During 2010, Telenet further optimized its portfolio of interest rate hedges to lower the average interest rates and extend its maturities as described above. As of June 30, 2011, Telenet had a combination of cap, collar and swap instruments that provide for a maximum average interest rate of 3.9%, excluding the respective margins per Term Loan. Telenet's derivatives are spread over different financial institutions and geographies to minimize counterparty risks.

In line with IFRS accounting standards, interest rate derivatives are valued on a mark-to-market basis, i.e. at fair value, and changes in fair value are reflected in Telenet's statement of comprehensive income. These changes in fair value can be volatile and do not have any direct impact on Telenet's cash flows until such time as the derivatives are fully or partially settled. For the six months ended June 30, 2011, the change in fair value of its interest rate derivatives yielded a gain of €20.4 million versus a loss of €60.1 million for the six months ended June 30, 2010.

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

2.7.4 Loss on extinguishment of debt

As a result of the early redemption of certain outstanding Term Loans under Telenet's Senior Credit Facility for an aggregate €286.5 million, €5.3 million of third-party costs and related deferred financing costs were expensed for the six months ended June 30, 2011.

2.8 INCOME TAXES

For the six months ended June 30, 2011, Telenet recorded an income tax expense of €44.2 million compared to an income tax expense of €18.9 million for the six months ended June 30, 2010, the latter reflecting the recognition of a deferred tax asset, as the underlying year-on-year evolution demonstrated the increasing profitability of the primary operating entity of the Telenet group.

2.9 PROFIT FOR THE PERIOD

Telenet recorded a net profit of €58.5 million for the six months ended June 30, 2011, including a gain on interest rate derivatives of €20.4 million and a €5.3 million loss on extinguishment of debt, without which Telenet would have recorded a net profit of €43.4 million. For the six months ended June 30, 2010, Telenet reported a net profit of €21.8 million, including a €60.1 million loss on interest rate derivatives, without which Telenet would have recorded a net profit of €81.9 million. The underlying decrease in net profit on a like-for-like basis primarily reflected the impact from higher interest expenses and income tax expenses.

2.10 CASH FLOW

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

	For the six months ended June 30,	
	2011	**2010**
	(in thousands of euro)	
Net cash provided by operating activities	287,650	244,742
Net cash used in investing activities	(146,546)	(115,593)
Net cash provided by financing activities	404,495	123,828
Net increase in cash and cash equivalents	**545,599**	**252,977**

2.10.1 Net cash provided by operating activities

Net cash provided by operating activities increased by 18% to €287.6 million for the six months ended June 30, 2011 compared to €244.7 million for the six months ended June 30, 2010. The strong underlying cash generation from Telenet's operations and an improvement of the change in working capital resulted in this increase.

2.10.2 Net cash used in investing activities

Telenet used €146.5 million of net cash in investing activities for the six months ended June 30, 2011, up 27% versus the €115.6 million Telenet used in the six months ended June 30, 2010. The cash used in investing activities comprised the cash payments from Telenet's capital expenditures, which typically occurs two months after the actual investment. As a result, the increase of net cash used in investing activities for the six months ended June 30, 2011 reflected the large balance of accrued capital expenditures as recorded in the three months ended December 31, 2010. Hence, an important portion of this increase related to timing differences.

2.10.3 Free cash flow

For the six months ended June 30, 2011, Telenet continued to grow its Free Cash Flow by 6% to €139.7 million from €131.4 million for the six months ended June 30, 2010, both representing 21% of revenue. Main drivers behind Telenet's Free Cash Flow evolution were a growing cash generation from its business operations, partially offset by higher cash capital expenditures due to timing differences and higher interest charges following the recent refinancing operations.

2.10.4 Net cash provided by financing activities

Net cash provided by financing activities amounted to €404.5 million for the six months ended June 30, 2011, compared to €123.8 million for the six months ended June 30, 2010. The cash movement for the six months ended June 30, 2011 reflected a

net positive effect of €413.5 million from the issuance of additional debt and the early redemption of certain Term Loans with shorter maturities, offset by €12.1 million related to various lease repayments, including the scheduled repayment of the Telenet Partner Network capital lease, and €11.6 million of debt issuance costs. The cash inflow for the six months ended June 30, 2010 reflected the drawdown of Term Loans B2A and E2 for an aggregate of €135.0 million since the availability of these commitments was expiring by the end of the three months ended June 30, 2010.

2.11 DEBT PROFILE, CASH BALANCE AND LEVERAGE RATIO

2.11.1 Debt profile

As of June 30, 2011, Telenet held total debt of €3,304.7 million, of which €1,629.8 million was owed under the Senior Credit Facility, €1,300.0 million was related to the four Notes issued in 2010 and 2011 and the remainder primarily represented the capital lease associated with the Interkabel Acquisition. During the six months ended June 30, 2011, Telenet continued to improve its debt repayment profile through the issuance of €300.0 million principal amount of Senior Secured Fixed Rate Notes due 2021 and €400.0 million principal amount of Senior Secured Floating Rate Notes due 2021 by independent financing companies that we consolidate. We used substantially all of the proceeds from the Senior Secured Fixed Rate Notes to redeem Term Loans K and L1 and on July 29, 2011 we will use the proceeds from the Senior Secured Floating Rate Notes to redeem Term Loans G and J.

Following the successful issuances, Telenet launched a voluntary exchange process for Term Loan G under the Senior Credit Facility. Existing lenders in Term Loan G were requested to exchange their existing participations and commitments for participations and commitments in new Term Loans either with unchanged maturity at July 31, 2017 (Term Loan Q) or with an extended maturity of two years to July 31, 2019 (Term Loan R), in each case re-priced in line with current market conditions. After the closing of this transaction early July 2011, the entire proceeds of the recent €400.0 million issuance of additional floating rate debt will be used on July 29, 2011 to fully redeem the remaining part of the existing Term Loans G and J. As a result, Telenet expects to incur approximately €6.3 million of third-party costs and related deferred financing costs in Q3 2011.

The voluntary exchange and re-pricing process, together with the redemption of shorter-term maturities, resulted in a further extension of the average maturity of Telenet's Senior Credit Facility to approximately 8.4 years. Hence, Telenet will not face any debt amortizations before mid-November 2016. These transactions were part of a larger financing framework under which Telenet seeks to extend the average maturity profile of its debt and improve the stability of its debt capitalization by providing additional cash flow flexibility at very attractive market conditions.

2.11.2 Debt overview and repayment schedules

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

	Total Facility as per	Drawn amount	Undrawn amount	Maturity Date	Interest rate	Interest payments due
	June 30, 2011					
	(in thousands of euro)					
Amended Senior Credit Facility:						
Term Loan G	1,577,992	1,577,992	-	July 31, 2017	Floating - Euribor + 3.75%	Monthly
Term Loan J	51,800	51,800	-	August 1, 2015	Floating - Euribor + 2.75%	Monthly
Revolving Credit Facility	175,000	-	175,000	August 1, 2014	Floating - Euribor + 2.125%	Not applicable
Senior Secured Fixed Rate Notes						
€500 million Senior Secured Notes due 2020	500,000	500,000	-	November 15, 2020	Fixed - 6.375%	Semi-annually (May and Nov.)
€100 million Senior Secured Notes due 2016	100,000	100,000	-	November 15, 2016	Fixed - 5.30%	Semi-annually (May and Nov.)
€300 million Senior Secured Notes due 2021	300,000	300,000	-	February 15, 2021	Fixed - 6.625%	Semi-annually (Feb. and Aug.)
Senior Secured Floating Rate Notes						
€400 million Senior Secured Notes due 2021	400,000	400,000		June 15, 2021	Floating - 3M EUR+3.875%	Quarterly (March, June, Sep. and Dec.)
Total notional amount	**3,104,792**	**2,929,792**	**175,000**			

2.11.3 Cash balance and Availability of funds

On June 30, 2011, Telenet still had access under the Senior Credit Facility to the additional committed Revolving Facility of €175.0 million, subject to compliance with the covenants mentioned below, with availability up to and including June 30, 2014. As part of the voluntary debt and exchange process referred to above, Telenet International Finance S.à r.l. extended the availability of the Revolving Facility to December 31, 2016 on July 8, 2011. The committed undrawn amount was revised to €158.0 million with an applicable margin of 2.75% over the EURIBOR rate.

As of June 30, 2011, Telenet held €1,185.2 million of cash and cash equivalents, compared to €639.6 million as of December 31, 2010. Telenet manages and optimizes its cash balance on a daily basis and according to balanced counterparty risks. On July 29, 2011, Telenet intends to use approximately €909.4 million of cash for the shareholder disbursement of €4.50 per share (€509.3 million) and the redemption of Term Loans G and J (€400.1 million). Taking into account these payments, Telenet's pro-forma cash balance at the end of June 2011 would have been €275.8 million.

2.11.4 Leverage ratio

As of June 30, 2011, the outstanding balance of Telenet's Senior Credit Facility and outstanding cash balance resulted in a Net Total Debt to EBITDA ratio[1] of 2.5x, down compared to 2.8x as of December 31, 2010. Telenet's current leverage ratio is significantly below the covenant of 6.0x and the availability test of 5.0x. Taking into account the shareholder disbursement and debt redemption, both to be executed in July, Telenet's pro-forma leverage ratio would have been 3.3x.

2.12 CAPITAL EXPENDITURES

Accrued capital expenditures were €127.1 million for the six months ended June 30, 2011, representing 19% of revenue, and were up versus €107.9 million for the six months ended June 30, 2010. This increase was primarily driven by higher success-based capital expenditures as a result of customers migrating to EuroDocsis 3.0-enabled Fibernet product, thus generating a higher ARPU, and network upgrades including the Pulsar node splitting project.

The Pulsar project will at least triple the available bandwidth per household by 2015 through a multiplication of optical nodes, connecting Telenet's fiber links with the last-mile coax network. The average number of homes connected to such a node will gradually reduce from approximately 1,400 now to 500 by 2015, thereby significantly increasing the broadband down- and upstream speeds.

For the six months ended June 30, 2011, set-top box expenditures represented €13.5 million, or 11% of total accrued capital expenditures, as compared to €18.4 million for the six months ended June 30, 2010. Customer installations amounted to €37.8 million for the six months ended June 30, 2011, or 30% of total accrued capital expenditures, primarily boosted by migrations to Telenet's Fibernet broadband products, for which Telenet installs a brand-new home gateway. This new home gateway combines a EuroDocsis 3.0-enabled internet modem, a VoIP modem, a router and wireless antenna, all in one small box. Another advantage of this home gateway is the remote monitoring of the quality of service, which should have a positive impact on the number of technical customer visits in the future.

Accrued capital expenditures for network growth and upgrades amounted to €36.7 million for the six months ended June 30, 2011, or 29% of total accrued capital expenditures, and included investments for Telenet's node splitting project. The remainder of Telenet's accrued capital expenditures includes refurbishments and replacements of network equipment, sports content acquisition costs and recurring investments in Telenet's IT-platform and systems. This implies that 70% of Telenet's accrued capital expenditures for the six months ended June 30, 2011 were scalable and subscriber growth related.

[1] Calculated as per Senior Credit Facility definition, using net total debt, excluding subordinated shareholder loans, capitalized elements of indebtedness under the clientele and annuity fees and any other finance leases, divided by last two quarters' annualized EBITDA.

3 Risk factors

3.1 GENERAL INFORMATION

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

- Telenet's substantial leverage and debt service obligations;
- Telenet's ability to generate sufficient cash to service its debt, to control and finance its capital expenditures and operations;
- Telenet's ability to raise additional financing;
- Risks associated with Telenet's structure, and Telenet's indebtedness;
- Telenet's relationship with its shareholders;
- Economic and business conditions and industry trends in which Telenet and the entities in which it has interests, operate;
- The competitive environment and downward price pressure (notably, through offerings of bundles) in the broadband communications and television sector in Belgium in which Telenet, and the entities in which it has interests, operate;
- Telenet's penetration of the mobile telephony market;
- Competitor responses to products and services of Telenet, and the products and services of the entities in which it has interests;
- Fluctuations in currency exchange rates and interest rates;
- Consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- Changes in consumer television viewing preferences and habits;
- Consumer acceptance of existing service offerings, including Telenet's analog and digital video, fixed and mobile voice and broadband internet services;
- Consumer acceptance of new technology, programming alternatives and broadband services that Telenet may offer;
- Telenet's ability to manage rapid technological changes;
- Telenet's ability to maintain and increase the number of subscriptions to its digital television, voice and broadband internet services and the average revenue per household;
- Telenet's ability to increase or maintain rates to its subscribers or to pass through increased costs to its subscribers;
- The impact of Telenet's future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- The outcome of any pending or threatened litigation;
- Changes in, or failure or inability to comply with, government regulations in Belgium and adverse outcomes from regulatory proceedings;
- The application of competition law generally and government intervention that opens Telenet's broadband distribution and television networks to competitors, which may have the effect of reducing Telenet's control over the management of, or the quality of, its network and Telenet's ability to reach the expected returns on investment;

- Changes in laws or treaties relating to taxation in Belgium, or the interpretation thereof;
- Uncertainties inherent in the development and integration of new business lines and business strategies;
- Capital spending for the acquisition and/or development of telecommunications networks and services and equipment, and obtaining regulatory approvals therefor;
- Telenet’s ability to successfully integrate and recognize anticipated efficiencies from the businesses it may acquire;
- The ability of suppliers and vendors to timely deliver qualitative products, equipment, software and services;
- Technical failures, equipment defects, physical or electronic break-ins to the services, computer viruses and similar description problems;
- The availability of attractive programming for Telenet’s analog and digital video services at reasonable costs;
- The loss of key employees and the availability of qualified personnel and a deterioration of the relationship with employee representatives;
- Changes in the nature of key strategic relationships with partners and joint ventures;
- Events that are outside of Telenet’s control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics and other similar events.

Additional risks and uncertainties not currently known to the Company or that the Company now deems immaterial may also harm it.

3.2 LEGAL PROCEEDINGS AND REGULATORY DEVELOPMENTS

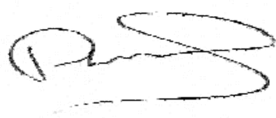
Telenet is involved in a number of legal proceedings that have arisen in the ordinary course of its business. Telenet discusses in its 2010 Annual Report certain pending lawsuits in which the Company is involved, which may have, or have had in the recent past, significant effects on its financial position or profitability. In Note 5.23, Telenet discusses some recent updates in one lawsuit and in relation to regulatory matters. There have not been any major lawsuits other than those reported in Telenet’s 2010 Annual Report or explained in Note 5.23 that are expected to have a material adverse impact on the Company’s business or consolidated financial position. Telenet notes, however, that the outcome of legal proceedings can be extremely difficult to predict with certainty, and Telenet offers no assurances in this regard.

4 Fair view statement by the management of the Company

We, the undersigned, Duco Sickinghe, Chief Executive Officer of Telenet Group Holding NV, and Renaat Berckmoes, Chief Financial Officer of Telenet Group Holding NV, declare that to our knowledge:

- The set of condensed consolidated interim financial statements drawn up in accordance with the prevailing accounting standards on Interim Financial Statements (IAS 34 as adopted by the European Union), gives a true and fair view of the assets, liabilities, financial position and profit and loss of the issuer and the companies included within its consolidation;

- The interim management's discussion and analysis provides a fair overview of the important events and major transactions of the issuer which occurred during the first six months of the financial year, and their impact on the set of condensed consolidated interim financial statements, and a description of the main risks and uncertainties which the issuer is exposed to.



Duco Sickinghe
CEO

Renaat Berckmoes
CFO

Condensed consolidated interim financial statements

1 Condensed consolidated interim statement of financial position

	Note	June, 30, 2011	December 31, 2010
Assets		(in thousands of euro)	
Non-current assets:			
Property and equipment	5.4	1,283,142	1,310,202
Goodwill	5.5	1,241,798	1,241,798
Other intangible assets	5.6	303,305	313,559
Deferred tax assets	5.14	-	19,905
Derivative financial instruments	5.13	5,403	4,718
Investments in equity accounted investees		197	213
Other assets	5.8	6,936	4,935
Total non-current assets		**2,840,781**	**2,895,330**
Current assets:			
Inventories	5.9	13,760	12,612
Trade receivables	5.7	83,732	79,826
Derivative financial instruments	5.13	23	315
Other current assets	5.8	62,660	65,016
Cash and cash equivalents	5.10	1,185,180	639,581
Total current assets		**1,345,355**	**797,350**
Total assets		**4,186,136**	**3,692,680**
Equity and Liabilities			
Equity:			
Share capital	5.11	293,304	797,350
Share premium and other reserves	5.11	998,069	979,967
Retained loss	5.11	(1,501,373)	(1,559,845)
Total equity		**(210,000)**	**217,472**
Non-current liabilities:			
Loans and borrowings	5.12	3,247,123	2,837,377
Derivative financial instruments	5.13	24,100	35,914
Deferred revenue	5.18	5,383	6,428
Deferred tax liabilities	5.14	26,015	5,544
Other liabilities	5.15	36,989	38,145
Total non-current liabilities		**3,339,610**	**2,923,408**
Current liabilities:			
Loans and borrowings	5.12	57,559	40,319
Trade payables		93,991	109,341
Accrued expenses and other current liabilities	5.17	789,084	283,071
Deferred revenue	5.18	92,739	94,034
Derivative financial instruments	5.13	19,011	24,729
Current tax liability	5.16	4,142	306
Total current liabilities		**1,056,526**	**551,800**
Total liabilities		**4,396,136**	**3,475,208**
Total Equity and liabilities		**4,186,136**	**3,692,680**

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

2 Condensed consolidated interim statement of comprehensive income

	For the 6 months ended June 30,	
	2011	**2010**
	(in thousands of euro, except per share data)	
Revenue	669,860	638,584
Cost of services provided	(374,880)	(363,125)
Gross profit	**294,980**	**275,459**
Selling, general and administrative expenses	(114,554)	(104,628)
Operating profit	**180,426**	**170,831**
Finance income	24,999	479
Net interest income and foreign exchange gain	4,574	479
Net gain on derivative financial instruments	20,425	-
Finance expenses	(102,562)	(130,489)
Net interest expense	(97,251)	(70,411)
Net loss on derivative financial instruments	-	(60,078)
Loss on extinguishment of debt	(5,311)	-
Net finance expense	**(77,563)**	**(130,010)**
Share of the loss of equity accounted investees	(177)	(199)
Profit before income tax	102,686	40,622
Income tax expense	(44,214)	(18,859)
Profit for the period	**58,472**	**21,763**
Other comprehensive income for the period, net of income tax	**-**	**-**
Total comprehensive income for the period, attributable to owners of the Company	**58,472**	**21,763**
Earnings per share		
Basic earnings per share in €	0.52	0.19
Diluted earnings per share in €	0.51	0.19

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

3 Condensed consolidated interim statement of changes in equity

						Atributable to equity holders of the Company					
(in thousands of euro, except share data)	Note	Number of shares	Share capital	Share premium	Equity-based compensation reserve	Legal reserve	Other reserves	Retained loss	Total	Non-controlling interest	Total equity
January 1, 2010		**111,761,666**	**1,041,812**	**62,803**	**14,440**	**3**	**825,350**	**(1,584,352)**	**360,056**	**-**	**360,056**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**21,763**	**21,763**	**-**	**21,763**
Profit for the period		-	-	-	-	-	-	21,763	21,763	-	21,763
Other comprehensive income		-	-	-	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity		**318,108**	**(246,932)**	**1,002**	**2,410**	**-**	**-**	**-**	**(243,520)**	**-**	**(243,520)**
Recognition of share-based compensation	5.11	-	-	-	2,767	-	-	-	2,767	-	2,767
Proceeds received upon exercise of Class B Options	5.11	-	-	-	663	-	-	-	663	-	663
Proceeds received upon exercise of 2007 bis Warrants	5.11	162,839	1,519	771	-	-	-	-	2,290	-	2,290
Proceeds received upon exercise of 2007 ter Warrants	5.11	3,862	36	19	-	-	-	-	55	-	55
Proceeds received upon exercise of 2007 quater Warrants	5.11	46,248	431	212	-	-	-	-	643	-	643
Issuance of share capital via exchange of Class B Profit Certificates	5.11	165,553	1,020	-	(1,020)	-	-	-	-	-	-
Conversion of Liquidation Dispreference shares into Ordinary Shares	5.11	(60,394)	-	-	-	-	-	-	-	-	-
Distribution payable to shareholders	5.11	-	(249,938)	-	-	-	-	-	(249,938)	-	(249,938)
June 30, 2010		**112,079,774**	**794,880**	**63,805**	**16,850**	**3**	**825,350**	**(1,562,589)**	**138,299**	**-**	**138,299**

						Atributable to equity holders of the Company					
(in thousands of euro, except share data)	Note	Number of shares	Share capital	Share premium	Equity-based compensation reserve	Legal reserve	Other reserves	Retained loss	Total	Non-controlling interest	Total equity
January 1, 2011		**112,428,040**	**797,350**	**65,812**	**24,007**	**64,798**	**825,350**	**(1,559,845)**	**217,472**	**-**	**217,472**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**58,472**	**58,472**	**-**	**58,472**
Profit for the period		-	-	-	-		-	58,472	58,472	-	58,472
Other comprehensive income		-	-	-	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity		**747,004**	**(504,046)**	**9,558**	**8,544**			**-**	**(485,944)**	**-**	**(485,944)**
Recognition of share-based compensation	5.11	-	-	-	6,327	-	-	-	6,327	-	6,327
Compensation cost related to Employee Share Purchase Plan	5.11	-	-	-	2,353	-	-	-	2,353	-	2,353
Issuance of share capital via exchange of Class B Profit Certificates	5.11	36,709	203	-	(203)	-	-	-	-	-	-
Proceeds received upon exercise of Class B Options	5.11	-	-	-	67	-	-	-	67	-	67
Proceeds received upon exercise of 2007 bis Warrants	5.11	111,208	789	629	-	-	-	-	1,418	-	1,418
Proceeds received upon exercise of 2007 ter Warrants	5.11	355	3	2	-	-	-	-	5	-	5
Proceeds received upon exercise of 2007 quater Warrants	5.11	176,205	1,250	976	-	-	-	-	2,226	-	2,226
Proceeds received upon exercise of 2007 sexies Warrants	5.11	861	6	9	-	-	-	-	15	-	15
Proceeds received upon exercise of 2007 septies Warrants	5.11	10,000	71	169	-	-	-	-	240	-	240
Proceeds received upon exercise of 2010 primo Warrants	5.11	70,498	500	1,193	-	-	-	-	1,693	-	1,693
Distribution payable to shareholders	5.11	-	(509,288)	-	-	-	-	-	(509,288)	-	(509,288)
Issuance of share capital through Employee Share Purchase Plan	5.11	341,168	2,420	6,580	-	-	-	-	9,000	-	9,000
June 30, 2011		**113,175,044**	**293,304**	**75,370**	**32,551**	**64,798**	**825,350**	**(1,501,373)**	**(210,000)**	**-**	**(210,000)**

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

4 Condensed consolidated interim statement of cash flows

	Note	For the 6 months ended June 30, 2011	2010
Cash flows provided by operating activities:		(in thousands of euro)	
Profit for the period		58,472	21,763
Adjustments for:			
Depreciation, amortisation and impairment	5.19	164,121	155,939
Losses (gains) on disposal of property and equipment and other intangible assets	5.19	(23)	26
Income tax expense		44,214	18,859
(Decrease) increase in allowance for bad debt	5.7	(3,043)	1,280
Net interest income and foreign exchange gain	5.20	(4,574)	(479)
Net interest expense and foreign exchange loss	5.20	97,251	70,411
Net (gain) loss on derivative financial instruments	5.20	(20,425)	60,078
Loss on extinguishment of debt	5.20	5,311	-
Loss in equity-accounted investees		177	199
Share based payments	5.19	8,680	2,767
Change in:			
Trade receivables		(1,370)	(5,502)
Other assets		971	(11,896)
Deferred revenue		(2,341)	(513)
Trade payables		(14,323)	8,086
Other liabilities		(2,207)	(4,335)
Accrued expenses and other current liabilities		25,127	(784)
Interest paid		(72,859)	(62,370)
Interest received		2,077	129
Income taxes received (paid)		(86)	315
Cash paid for derivatives		-	(12,940)
Cash received for derivatives		2,500	3,709
Net cash provided by operating activities		**287,650**	**244,742**
Cash flows used in investing activities:			
Purchases of property and equipment		(118,919)	(89,808)
Purchases of intangibles		(28,975)	(23,558)
Acquisitions of subsidiaries and affiliates, net of cash acquired		-	(2,314)
Proceeds from sale of property and equipment and other intangibles		1,348	87
Net cash used in investing activities		**(146,546)**	**(115,593)**
Cash flows provided by financing activities:			
Repayments of loans and borrowings	5.12	(286,468)	(8)
Proceeds from loans and borrowings	5.12	700,000	135,000
Payments of finance lease liabilities		(12,055)	(14,317)
Payments for debt issuance costs		(11,570)	(376)
Proceeds from exercise of options and warrants	5.11	5,664	3,651
Proceeds from Employee Share Purchase Plan		9,000	-
Payments related to capital reductions		(76)	(122)
Net cash provided by financing activities		**404,495**	**123,828**
Net increase in cash and cash equivalents		**545,599**	**252,977**
Cash and cash equivalents:			
at January 1	5.10	639,581	145,709
at June 30	5.10	1,185,180	398,686

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

5 Notes to the condensed consolidated interim financial statements for the six months ended June 30, 2011

5.1 REPORTING ENTITY AND BASIS OF PREPARATION

5.1.1 Reporting entity

The accompanying condensed consolidated interim financial statements (the “Interim Financial Statements”) present the operations of Telenet Group Holding NV and its subsidiaries (hereafter collectively referred to as the “Company” or “Telenet”). Through its broadband network, the Company offers cable television, including premium television services, broadband internet and telephony services to residential subscribers in Flanders and certain communes in Brussels as well as broadband internet, data and voice services in the business market throughout Belgium. The Company also offers mobile telephony services through an MVNO partnership with Mobistar. Telenet launched its Full-MVNO in the fourth quarter of 2010, for which it has undertaken the construction of certain proprietary mobile infrastructure, including a mobile switch, mobile rating and billing platform. The Company also entered into an agreement with Norkring België NV regarding the use of DTT spectrum over the latter’s broadcasting network. This will enable the Company in the future to broadcast wireless television channels over the DTT spectrum. Telenet Group Holding NV and its principal operating subsidiaries are limited liability companies organized under Belgian law. Subsidiaries and special purpose entities have been incorporated in Luxembourg in the course of 2010 and 2011 in order to structure the Company’s financing operations.

5.1.2 Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s consolidated financial statements as of and for the year ended December 31, 2010. Results for the six months ended June 30, 2011 are not necessarily indicative of future results.

The Interim 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 in the notes to the Company’s consolidated financial statements as of and for the year ended December 31, 2010. The Interim Financial Statements were approved for issue by the board of directors on July 28, 2011.

5.1.3 Functional and presentation currency

The Interim 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 Interim 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 Interim Financial Statements are disclosed in the following Notes:

- Note 5.5: Goodwill
- Note 5.13: Derivative financial instruments
- Note 5.14: Deferred taxes

5.1.5 Segment reporting

Telenet determines and presents operating segments based on the information that is provided to and regularly reviewed by the CEO, who is the Group's chief operating decision maker ("CODM"), the Executive Team and the board of directors.

Operating segments are the individual operations that the CODM reviews for purposes of assessing performance and making resource allocation decisions.

The CEO, the Executive Team and the board of directors review and manage the Company's business and performance based on a "Product Profit and Loss Statement", which presents financial information up to a "Direct EBITDA contribution margin" and which are analyzed at least on a monthly basis. While directly attributable revenue and expenses are allocated to the separate product lines, capital expenditures, general and support expenses, depreciation expenses, finance income and expenses, taxes and other income and expenses are not allocated to specific products, markets or customers.

The Company is managed, its performance is assessed and resource allocations are made by the CODM as a single operation. Furthermore, Telenet's services are provided, both to the Company's residential and business customers, through one integrated network.

Telenet manages its operations as one geographical area, and has no individual customers that represent a significant portion of the Company's total revenues. Telenet has thus determined that its operations constitute one single operating segment.

5.2 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Company in these Interim Financial Statements are the same as those applied in the Company's Consolidated Financial Statements as at and for the year ended December 31, 2010. The following standards, amendments and interpretations are mandatory for the first time for the financial year beginning January 1, 2011:

- Amendment to IAS 24 *Related Party Disclosure* (effective for annual periods beginning on or after January 1, 2010)
  The Company adopted the amendments as of January 1, 2011 with no material effect on its financial result or financial position.

- Amendment to IAS 32 *Financial Instruments Presentation* (effective for annual periods beginning on or after February 1, 2010)
  The Company adopted the amendments as of January 1, 2011 with no material effect on its financial result or financial position.

5.3 RISK MANAGEMENT

During the six months ended June 30, 2011, the Company did not change its financial risk management objectives or policies and as a result they are still consistent with the disclosures in the consolidated financial statements as at and for the year ended December 31, 2010.

5.4 PROPERTY AND EQUIPMENT

(in thousands of euro)	Land, buildings, and leasehold improvements	Network	Construction in progress	Furniture, equipment, and vehicles	Total
Cost					
At January 1, 2011	**103,215**	**2,769,185**	**79,408**	**57,295**	**3,009,103**
Additions	93	125	98,613	624	99,455
Transfers	823	100,829	(105,672)	4,020	-
Disposals	-	(687)	-	-	(687)
At June 30,2011	**104,131**	**2,869,452**	**72,349**	**61,939**	**3,107,871**
Accumulated Depreciation					
At January 1, 2011	**24,709**	**1,628,060**	**-**	**46,132**	**1,698,901**
Depreciation charge for the period	2,691	120,883	-	2,631	126,205
Transfer	-	-	-	-	-
Eliminated on disposal	-	(377)	-	-	(377)
At June 30, 2011	**27,400**	**1,748,566**	**-**	**48,763**	**1,824,729**
Carrying Amount					
At June 30, 2011	76,731	1,120,886	72,349	13,176	1,283,142
At January 1, 2011	78,506	1,141,125	79,408	11,163	1,310,202
Carrying Amount of Property and Equipment under Finance Leases					
At June 30, 2011	36,439	217,165	-	-	253,604
At January 1, 2011	37,786	229,958	-	34	267,778

5.5 GOODWILL

During the six months ended June 30, 2011, there were no acquisitions, therefore goodwill remains unchanged compared to the goodwill reported in the consolidated financial statements as at and for the year ended December 31, 2010.

5.6 OTHER INTANGIBLE ASSETS

(in thousands of euro)	Network user rights	Trade name	Software	Customer relationships	Other	Total
Cost						
At January 1, 2011	**30,847**	**121,514**	**251,614**	**229,078**	**36,569**	**669,622**
Additions	255	-	25,558	-	1,849	27,662
Transfers	-	-	-	-	-	-
Disposals	(150)	-	-	-	(2,653)	(2,803)
At June 30, 2011	**30,952**	**121,514**	**277,172**	**229,078**	**35,765**	**694,481**
Accumulated Amortization						
At January 1, 2011	**598**	**78,963**	**177,963**	**90,585**	**7,954**	**356,063**
Charge of the period	1,354	4,146	18,127	10,173	4,116	37,916
Transfers	-	-	-	-	-	-
Disposals	(150)	-	-	-	(2,653)	(2,803)
At June 30, 2011	**1,802**	**83,109**	**196,090**	**100,758**	**9,417**	**391,176**
Carrying Amount						
At June 30, 2011	29,150	38,405	81,082	128,320	26,348	303,305
At January 1,2011	30,249	42,551	73,651	138,493	28,615	313,559

5.7 TRADE RECEIVABLES

	June 30, 2011	December 31, 2010
	(in thousands of euro)	
Trade receivables	87,819	86,956
Less: provision for impairment of trade receivables	(4,087)	(7,130)
Trade receivables, net	**83,732**	**79,826**

5.8 OTHER ASSETS

5.8.1 Non-current

	June 30, 2011	December 31, 2010
	(in thousands of euro)	
Outstanding guarantees to third parties for own liabilities (cash paid)	3,923	1,921
Funding of post retirement obligation	2,913	2,913
Other	100	101
Other non-current assets	**6,936**	**4,935**

5.8.2 Current

	June 30, 2011	December 31, 2010
	(in thousands of euro)	
Recoverable withholding taxes	189	103
Recoverable VAT	1	3
Prepaid content	5,258	5,684
Prepayments	13,269	6,191
Unbilled revenue	42,348	52,118
Other	1,595	917
Other current assets	**62,660**	**65,016**

5.9 INVENTORIES

As of June 30, 2011 inventories amounted to €13.8 million (December 31, 2010: €12.6 million) and consisted mainly of handsets as well as HD Digiboxes and powerline adaptors.

The increase compared to end 2010 of €1.2 million is mainly due to an increase in the handsets inventory (€1.2 million) and HD Digiboxes (€0.5 million) inventory and a decrease in wireless modems (€-0.6 million) and powerline adaptors (€-0.1 million)

For the six months ended June 30, 2011 the write-downs of inventories to net realizable value amounted to €0.5 million (for the six months ended June 30, 2010: €0.6 million).

5.10 CASH AND CASH EQUIVALENTS

	June 30, 2011	December 31, 2010
	(in thousands of euro)	
Cash at bank and on hand	97,950	72,031
Certificates of deposits	27,975	25,610
Money Market Funds	1,059,255	541,940
Total cash and cash equivalents	**1,185,180**	**639,581**

As of June 30, 2011, total cash and cash equivalents stood at €1,185.2 million (December 31, 2010: €639.6 million). In addition to cash provided by operating activities, the increase in total cash and cash equivalents versus December 31, 2010 reflected (a) the funding on February 15, 2011 of the €300.0 million principal amount of Senior Secured Fixed Rate Notes due 2021; (b) the funding on June 15, 2011 of the €400.0 million principal amount of Senior Secured Floating Rate Notes due 2021, both by independent financing companies that Telenet consolidates and; (c) the early redemption of Term Loans K and L1 under Telenet's Senior Credit Facility for an aggregate amount of €286.5 million.

The excess of cash will be used on July 29, 2011 to pay the capital reduction as decided upon by the extraordinary shareholders' meeting on April 27, 2011 amounting to €509.3 million and the redemption of Term Loan G and J of the Amended Senior Credit Facility for an aggregate of €400.1 million.

5.11 SHAREHOLDERS' EQUITY

5.11.1 Shareholders' equity

As of June 30, 2011, share capital amounted to €293.3 million (December 31, 2010: €797.4 million).

The following options on profit certificates and warrants were exercised in the first half year of 2011, resulting in a capital increase of in total €2.6 million and an increase of share premium of €3.0 million:

Class of options and warrants	Number of options and warrants exercised	Exercise date	Share price at exercise date (in euro)
Class B Options	12,179	April 12, 2011	32.075
Warrant Plan 2007 bis warrants	111,208	April 12, 2011	32.075
Warrant Plan 2007 ter warrants	355	April 12, 2011	32.075
Warrant Plan 2007 quater warrants	176,205	April 12, 2011	32.075
Warrant Plan 2007 sexies warrants	861	April 12, 2011	32.075
Warrant Plan 2007 septies warrants	10,000	April 12, 2011	32.075
Warrant Plan 2010 primo warrants	70,498	April 12, 2011	32.075

During the six months ended June 30, 2011, 36,709 Class B profit certificates have been converted into shares for a total amount of €0.2 million (i.e. 24,384 profit certificates that were outstanding since October 2010, 146 profit certificates that were outstanding since December 2010 and 12,179 profit certificates that were outstanding since April 2011).

On April 27, 2011, the Company issued 341,168 shares to employees under the employee share purchase plan approved by the extraordinary shareholder's meeting of the Company on May 29, 2008. The share capital was increased by €2.4 million and an amount of €6.6 million was recorded as issue premium.

On April 27, 2011, the extraordinary shareholders' meeting of Telenet Group Holding NV approved a capital reduction of €4.50 per share. Payment of the capital reduction to all shareholders of Telenet Group Holding NV will occur on July 29, 2011 amounting in aggregate to €509.3 million. No changes to the outstanding number of shares occurred or will occur as a result of this transaction.

As a result of the Company's shareholders disbursements policy and its capital reduction of €4.50 per share in the first half year of 2011, the Condensed Consolidated Interim Financial Statements as of June 30, 2011 showed a negative (consolidated) equity amounting to €210.0 million.

The board of directors has considered this and has prepared the Condensed Consolidated Interim Financial Statements applying the accounting policies consistently under going concern taking into account amongst others:

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

5.11.2 Employee share based compensation

Class A and class B options

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

prior to the extension in 2009 with an additional three years, as approved by the extraordinary shareholders' meeting of May 28, 2009.

In December 2004, the Company offered 1,251,000 of the 1,350,000 authorized Class B Options to certain members of management to subscribe to 1,251,000 Class B Profit Certificates (*Class B Options*). Of the 1,251,000 Class B Options offered by the Company, 1,083,000 were accepted in February 2005. The remaining 267,000 Class B Options were cancelled. Except for 105,375 Class B Options that vested immediately upon grant, the Class B Options vested over 4 years and could be exercised through December 2009, prior to the extension in 2009 with an additional three years, as approved by the extraordinary shareholders' meeting of May 28, 2009. As of April 12, 2011, there are no more Class B options outstanding.

The Class A Profit Certificates are exchangeable into shares of the Company on a one for one basis, subject to certain conditions being met. Upon exercise, these profit certificates give the holders the right to receive dividends equal to dividends distributed, if any, to the holders of the Company's shares.

Warrant plan 2007, Warrant plan 2008, Warrant plan 2009 and Warrant plan 2010

The extraordinary shareholders' meeting of December 27, 2007 decided to issue 3,300,000 warrants (*Warrant Plan 2007* or *ESOP 2007*). These warrants could be granted to employees of the Company and its affiliates and to the Chief Executive Officer (CEO). In the course of 2008, the board of directors authorized three separate grants of warrants under the Warrant Plan 2007 (ESOP 2007, ESOP 2007bis and ESOP 2007ter). In 2009, the board of directors authorized three new separate grants of warrants (ESOP 2007quater, ESOP 2007quinquies and ESOP 2007sexies). In 2010, the board of directors authorized one last grant (ESOP2007septies) for all remaining warrants under the Warrant Plan 2007 to certain employees.

The extraordinary shareholders' meeting of May 29, 2008 decided to issue 317,000 warrants (*Warrant Plan 2008* or *ESOP 2008*) to the CEO. At the same time, the same number of warrants was cancelled from the ESOP 2007.

The extraordinary shareholders' meeting of May 28, 2009 decided to issue 180,000 warrants (*Warrant Plan 2009* or *ESOP 2009*) to the CEO. At the same time, the same number of warrants was cancelled from the ESOP 2007.

The extraordinary shareholders' meeting of April 28, 2010 decided to issue 2,800,000 warrants (*Warrant Plan 2010* or *ESOP 2010*). These warrants can be granted to employees of Telenet Group Holding NV and its affiliates (excluding the CEO).

In the course of 2010, the board of directors authorized two separate grants of warrants under the Warrant Plan 2010**:**

- on September 28, 2010 (ESOP 2010primo);
- on December 10, 2010 (ESOP 2010bis).

In 2011, no warrants under the above mentioned plan have been granted yet by the board of directors.

Under Warrant Plan 2007, Warrant Plan 2008, Warrant Plan 2009 and Warrant Plan 2010, the warrants vest in equal parts per quarter over a period of four years and each warrant gives the holder the right to subscribe to one new share of the Company.

Specific Stock Option Plan 2010-2014

On March 24, 2010, the board of directors approved a special stock option plan for the CEO for a total number of 850,000 stock options (the *Specific Stock Option Plan 2010-2014* or *SSOP 2010-2014*). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

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

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

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

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

On February 23, 2011 the Remuneration & Nomination Committee, in consultation with the CEO, has determined the performance criteria for a second tranche of 200,000 options under the SSOP 2010-2014 with an exercise price of €24.00, and therefore the grant of these options occurred on that date.

Subject to the determination of appropriate performance criteria by the Remuneration & Nomination Committee, the Company has also agreed to grant additional stock options to its CEO as follows:

- 200,000 options with an exercise price of €25.00 per option that, subject to achievement of relevant performance criteria for the year 2012, will vest on March 1, 2013, and
- 200,000 options with an exercise price of €26.00 per option that, subject to achievement of relevant performance criteria for the year 2013, will vest on March 1, 2014.

Any options that vest pursuant to the Telenet Specific Stock Option Plan 2010-2014 become exercisable during defined exercise periods following January 1, 2014. All of the options granted, or to be granted under the Telenet Specific Stock Option Plan 2010-2014 have an expiration date of September 4, 2017.

For accounting purposes, the grant dates of the above mentioned grants were defined as respectively:

	Fair Value at grant date	Grant Date	Number of warrants granted	Number of Warrants accepted
Warrant Plan 2007 warrants	3.83	January 27, 2008	55,000	27,500
Warrant Plan 2007 bis warrants	2.79 - 4.34	April 19, 2008	1,294,000	1,058,600
Warrant Plan 2007 ter warrants	3.15 - 4.62	September 25, 2008	63,000	43,000
Warrant Plan 2007 quater warrants	4.91 - 5.93	July 30, 2009	1,298,000	1,236,000
Warrant Plan 2007 quinquies warrants	5.24 - 6.26	January 3, 2010	155,000	155,000
Warrant Plan 2007 sexies warrants	6.10 - 7.15	January 17, 2010	117,500	93,000
Warrant Plan 2007 septies warrants	10.04 - 11.72	November 12, 2010	189,900	189,900
Warrant Plan 2008 warrants	3.02 - 4.78	May 29, 2008	317,000	317,000
Warrant Plan 2009 warrants	2.86 - 3.97	June 26, 2009	180,000	180,000
Warrant Plan 2010 primo warrants	10.04 - 11.72	November 12, 2010	1,147,600	1,006,700
Warrant Plan 2010 bis warrants	8.04 - 10.43	January 24, 2011	70,500	50,500

	Fair Value at grant date	Grant Date	Number of options granted	Number of options accepted
Specific Stock Option Plan 2010-2014	10.18	October 3, 2010	250,000	250,000
"	15.31	February 23, 2011	200,000	200,000
"			200,000	200,000
"			200,000	200,000

The fair values of the warrants and the stock options granted during 2011, 2010, 2009, 2008 and 2007 were determined using the Black-Scholes option-pricing model with the following assumptions:

	Share Price	Exercise Price	Expected Volatility	Expected Option Life	Expected Dividends	Risk-free interest rate
Warrant Plan 2007 warrants	18.04	19.40	25.5%	3.61 years	0.0%	3.50%
Warrant Plan 2007 bis warrants	14.51	14.50	24.2% - 27.7%	3.61 years	0.0%	4.07% - 4.20%
Warrant Plan 2007 ter warrants	14.78	14.69	25.9% - 28.5%	3.61 years	0.0%	4.17% - 4.39%
Warrant Plan 2007 quater warrants	16.35	14.36	32.2% - 36.4%	3.61 years	0.0%	1.83% - 2.61%
Warrant Plan 2007 quinquies warrants	19.93	19.45	32.5% - 38.8%	3.61 years	0.0%	1.64% - 2.46%
Warrant Plan 2007 sexies warrants	20.97	18.98	32.5% - 38.8%	3.61 years	0.0%	1.45% - 2.33%
Warrant Plan 2007 septies warrants	28.70	24.02	38.7% - 44.6%	3.61 years	0.0%	1.70% - 2.32%
Warrant Plan 2008 warrants	15.89	15.86	24.3% - 27.6%	3.61 years	0.0%	4.48% - 4.51%
Warrant Plan 2009 warrants	14.60	14.22	32.3% - 36.6%	3.61 years	0.0%	1.88% - 2.71%
Warrant Plan 2010 primo warrants	28.70	24.02	38.7% - 44.6%	3.61 years	0.0%	1.70% - 2.32%
Warrant Plan 2010 bis warrants	28.76	28.79	38.8% - 43.8%	3.61 years	0.0%	2.74% - 3.42%

	Share Price	Exercise Price	Expected Volatility	Expected Option Life	Expected Dividends	Risk-free interest rate
Specific Stock Option Plan 2010-2014	24.77	23.00	36.9%	5.7 years	0.0%	2.44%
"	31.39	24.00	36.9%	5.3 years	0.0%	3.62%
"		25.00				
"		26.00				

Total compensation expense associated with the Company's stock option and warrant plans amounted to €6.3 million for the six months ended June 30, 2011 (for the six months ended June 30, 2010: €2.8 million).

Effect of capital reductions on the outstanding options and warrants

- **Effect of the 2010 capital reduction on the outstanding options and warrants**

Upon the payment of the capital reduction on August 2, 2010, the Company amended all options and warrants to ensure that benefits granted to the option and warrant holders were not reduced. The number of options and warrants were increased and the exercise price was decreased by a factor 0.907161, which is the ratio of the quoted market price of the Telenet Group Holding NV shares before the payment of the capital reduction less the capital reduction of €2.23 per share versus the quoted market price before the payment of the capital reduction. As a result of these adjustments, fair values of the options and warrants before and after the transaction remained exactly the same for all option and warrant holders resulting in no additional compensation expense. Above mentioned modifications to the different warrant plans can be summarized as follows:

	Outstanding number of options and warrants		Exercise price of the options and warrants	
	before capital reduction	after capital reduction	before capital reduction	after capital reduction
Class A Options	270,303	297,966	4.92	4.46
Class B Options	33,300	36,709	6.16	5.59
Warrant Plan 2007 warrants	28,366	31,269	18.81	17.06
Warrant Plan 2007bis warrants	823,650	907,942	14.06	12.75
Warrant Plan 2007ter warrants	37,589	41,435	14.24	12.92
Warrant Plan 2007quater warrants	1,214,617	1,338,928	13.92	12.63
Warrant Plan 2007quinquies warrants	155,000	170,863	19.45	17.64
Warrant Plan 2007sexies warrants	93,000	102,517	18.98	17.22
Warrant Plan 2008 warrants	326,981	360,444	15.38	13.95
Warrant Plan 2009 warrants	185,668	204,669	13.79	12.51

- **Effect of the 2011 capital reduction on the outstanding options and warrants**

In relation to the payment on July 29, 2011 of the capital reduction as decided upon by the extraordinary shareholders' meeting on April 27, 2011, the Company has amended all outstanding options and warrants as of the ex-date (i.e. the date on which coupon n°4 is detached from the shares, being July 26, 2011) to ensure that benefits granted to the option and warrant holders were not reduced. The number of options and warrants were increased and the exercise price was decreased by a factor 0.861111 which is the ratio of the quoted market price of the Telenet Group Holding NV shares on the day immediately preceding the ex-date less the capital reduction of €4.50 per share, versus the quoted market price on the day immediately preceding the ex-date. As a result of these adjustments, fair values of the options and warrants before and after the transaction remained exactly the same for all option and warrant holders resulting in no additional compensation expense. Above mentioned modifications to the different option and warrant plans can be summarized as follows:

	Outstanding number of options and warrants		Exercise price of the options and warrants	
	before capital reduction	after capital reduction	before capital reduction	after capital reduction
Class A Options	297,966	346.025	4.46	3.84
Warrant Plan 2007 warrants	31,269	36,313	17.06	14.69
Warrant Plan 2007bis warrants	626,275	727,826	12.75	10.98
Warrant Plan 2007ter warrants	33,260	38,626	12.92	11.13
Warrant Plan 2007quater warrants	907,656	1,054,049	12.63	10.88
Warrant Plan 2007quinquies warrants	170,863	198,422	17.64	15.19
Warrant Plan 2007sexies warrants	82,167	95,419	17.22	14.83
Warrant Plan 2007septies warrants	179,900	208,916	24.02	20.68
Warrant Plan 2008 warrants	360,444	418,580	13.95	12.01
Warrant Plan 2009 warrants	204,669	237,680	12.51	10.77
Warrant Plan 2010 primo warrants	886,555	1,029,539	24.02	20.68
Warrant Plan 2010 bis warrants	50,500	58,644	28.79	24.79

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

Above mentioned modifications to the SSOP 2010-2014 option plan can be summarized as follows:

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

5.11.3 Employee share purchase plan 2011

On May 29, 2008, the extraordinary shareholder's meeting of the Company approved the issuance of a new Employee Share Purchase Plan (*ESPP 2011*) for a maximum amount of €23.5 million. In February 2011, the board of directors offered to all of Telenet's employees the opportunity to purchase new shares of the Company under the terms of the ESPP 2011 at a discount of 16.67% to the average share purchase price over the 30 day period preceding March 24, 2011. Based on the average share price of €31.65 during this 30 day period, the shares were offered to the personnel at a subscription price of €26.38. As the shares were fully vested at the time of the transaction, the Company recognized €2.4 million as compensation expense in the six months ended June 30, 2011 for the 341,168 shares that were purchased.

5.12 LOANS AND BORROWINGS

The debt balances specified below include accrued interest and commitment fee as of June 30, 2011 and December 31, 2010.

	June 30, 2011	December 31, 2010
	(in thousands of euro)	
Amended Senior Credit Facility:		
Revolving Credit Facility	222	230
Term Loan G	1,577,992	1,470,529
Term Loan J	51,800	79,263
Term Loan K	-	158,000
Term Loan L1	-	208,457
Senior Secured Fixed Rate Notes		
€500 million Senior Secured Notes due 2020	504,073	505,047
€100 million Senior Secured Notes due 2016	100,677	100,515
€300 million Senior Secured Notes due 2021	307,453	-
Senior Secured Floating Rate Notes		
€400 million Senior Secured Notes due 2021	400,891	-
Finance lease obligations	346,546	340,125
Bank Loan	20	31
Clientele fee > 20 years	67,834	65,137
	3,357,508	**2,927,334**
Less: deferred financing fees	(52,826)	(49,638)
	3,304,682	**2,877,696**
Less: current portion	(57,559)	(40,319)
Total non-current loans and borrowings	**3,247,123**	**2,837,377**

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

Telenet Finance III Luxembourg S.C.A. (further referred to as the "Issuer" or TFL III) was incorporated on January 28, 2011 under the laws of the Grand Duchy of Luxembourg as a special purpose financing company for the primary purpose of facilitating the offering of the Senior Secured Fixed Rate Notes.

On February 9, 2011 Telenet Finance III Luxembourg S.C.A. entered into a Global Note offering (the "Senior Secured Notes due 2021"). The Issuer is incorporated as a corporate partnership limited by shares and is owned for 99.99% by a charitable trust and 0.01% by Telenet Finance III Luxembourg S.à r.l., a company independent from the Telenet Group.

Telenet Finance III Luxembourg S.C.A. is a special purpose entity for financing purposes (SPE), incorporated on specific request of the Company. Although the Company does not have any direct or indirect shareholdings in this entity, this SPE is considered to be controlled by the Company given the substance of its relationship. Therefore, Telenet Finance III Luxembourg S.C.A. is included in the consolidated financial statements of the Company.

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

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

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

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

Telenet Finance IV Luxembourg S.C.A. (further referred to as the "Issuer" or TFL IV) was incorporated on May 23, 2011 under the laws of the Grand Duchy of Luxembourg as a special purpose financing company for the primary purpose of facilitating the offering of the Senior Secured Floating Rate Notes due 2021.

On June 8, 2011 Telenet Finance IV Luxembourg S.C.A. entered into a Global Note offering (the "Senior Secured Notes due 2021"). The Issuer is incorporated as a corporate partnership limited by shares and is owned for 99.99% by a charitable trust and 0.01% by Telenet Finance IV Luxembourg S.à r.l., a company independent from the Telenet Group.

Telenet Finance IV Luxembourg S.C.A. is a special purpose entity for financing purposes (SPE), incorporated on specific request of the Company. Although the Company does not have any direct or indirect shareholdings in this entity, this SPE is considered to be controlled by the Company given the substance of its relationship. Therefore, Telenet Finance IV Luxembourg S.C.A. is included in the consolidated financial statements of the Company.

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

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

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

Extension of the Amended Senior Credit Facility

On February 28, 2011 Tranches K and L1 under the Amended Senior Credit Facility were repaid before maturity for an aggregate amount of €286.5 million. The remaining €80.0 million of Tranche K was extended and novated to Term Loan G.

The unamortized deferred financing fees related to Term Loan K and L1 amounted to €5.3 million and were accounted for as loss on extinguishment of debt.

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

The economics of the Amended Senior Credit Facility and the Senior Secured Notes after the Extension process prior to June 30, 2011 is summarized in the following table:

	Total Facility as per	Drawn amount	Undrawn amount	Maturity Date	Interest rate
	June 30, 2011				
	(in thousands of euro)				
Amended Senior Credit Facility:					
Term Loan G	1,577,992	1,577,992	-	July 31, 2017	Floating - Euribor + 3.75%
Term Loan J	51,800	51,800	-	August 1, 2015	Floating - Euribor + 2.75%
Revolving Credit Facility	175,000	-	175,000	August 1, 2014	Floating - Euribor + 2.125%
Senior Secured Fixed Rate Notes					
€500 million Senior Secured Notes due 2020	500,000	500,000	-	November 15, 2020	Fixed - 6.375%
€100 million Senior Secured Notes due 2016	100,000	100,000	-	November 15, 2016	Fixed - 5.30%
€300 million Senior Secured Notes due 2021	300,000	300,000	-	February 15, 2021	Fixed - 6.625%
Senior Secured Floating Rate Notes					
€400 million Senior Secured Notes due 2021	400,000	400,000		June 15, 2021	Floating - 3M EUR+3.875%
Total notional amount	**3,104,792**	**2,929,792**	**175,000**		

5.13 DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into various derivative financial instruments to manage interest rate and foreign currency exposure. The following tables provide details of the fair value of our derivative financial instrument assets (liabilities), net:

	June 30, 2011	December 31, 2010
	(in thousands of euro)	
Current asset	23	315
Non-current asset	5,403	4,718
Current liability	(19,011)	(24,729)
Non-current liability	(24,100)	(35,914)
	(37,685)	**(55,610)**
Interest rate derivatives	(37,542)	(56,029)
Foreign exchange options and forwards	(190)	276
Embedded derivatives	47	143
	(37,685)	**(55,610)**

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

	For the 6 months ended June 30,	
	2011	2010
	(in thousands of euro)	
Interest rate derivatives	20,986	(59,630)
Foreign exchange options and forwards	(466)	51
Embedded derivatives	(95)	(499)
	20,425	**(60,078)**

5.14 DEFERRED TAXES

As of June 30, 2011, Telenet Group Holding NV and its subsidiaries had available combined cumulative tax loss carry forwards of €168.4 million (December 31, 2010: €248.9 million). Under current Belgian tax laws, these loss carry forwards have an indefinite life and may be used to offset the future taxable income of Telenet Group Holding NV and its subsidiaries. The use of net

operating losses in the main operating company during the six months ended June 30, 2011 resulted in a significant reduction of the related deferred tax asset. Mainly as a result of this, the Company had an overall deferred tax liability position as per end June 2011.

Taxable profit is reduced by a notional interest deduction which can be carried forward for 7 years, and by investment deductions. Deferred tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable.

5.15 OTHER LIABILITIES

	June 30, 2011	December 31, 2010
	(in thousands of euro)	
Employee benefit obligations	5,883	5,642
Copyright fees	284	568
Other personnel related obligations	3,257	3,796
Long service awards	4,316	4,105
Interkabel out of market opex	15,230	16,214
Asset retirement obligations	2,363	2,354
Other	5,656	5,466
Total Other liabilities	**36,989**	**38,145**

5.16 CURRENT TAX LIABILITY

As of June 30, 2011 current tax liability amounts to €4.1 million (December 31, 2010: €0.3 million). The increase compared to end 2010 of €3.8 million was mainly due to a current tax liability resulting from simplifications of the corporate structure

5.17 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	June 30, 2011	December 31, 2010
	(in thousands of euro)	
Customer deposits	23,331	23,438
Compensation and employee benefits	39,018	44,139
VAT and withholding taxes	27,933	18,904
Copyright fees	890	989
Accrued liability for distributions payable to shareholders	509,586	375
Current portion of "Interkabel out of market component" liability	1,476	2,087
Accrued programming fees	48,704	43,267
Accrued capital expenditure	17,373	18,223
Accrued other liabilities - invoices to receive regarding:		
Goods received and services performed	21,833	39,444
Professional fees	18,499	16,198
Warehouse items received	6,626	12,176
Interconnect	13,307	10,225
Advertising, marketing and public relations	11,018	9,712
Infrastructure	5,991	5,484
Other	39,655	37,555
Accrued interest on derivatives	2,993	7
Other current liabilities	851	848
Total Accrued expenses and other current liabilities	**789,084**	**283,071**

5.18 REVENUE

The Company's revenue is comprised of the following:

	For the 6 months ended June 30,	
	2011	**2010**
	(in thousands of euro)	
Cable television:		
Basic Subscribers [1]	159,130	162,674
Premium Subscribers [1]	88,658	71,764
Residential:		
Internet	218,424	213,111
Telephony [2]	133,636	123,249
Distributors/Other	24,849	28,385
Business	45,163	39,401
Total Revenue	**669,860**	**638,584**

The Company also has deferred revenue as follows:

	June 30, 2011	**December 31, 2010**
(in thousands of euro)		
Cable television:		
Basic Subscribers [1]	63,449	64,764
Premium Subscribers [1]	5,223	6,698
Residential:		
Internet	11,285	10,864
Telephony [2]	4,179	3,844
Distributors/Other	12,702	12,779
Business	1,284	1,513
Total Deferred Revenue	**98,122**	**100,462**
Current portion	92,739	94,034
Long term portion	5,383	6,428

Deferred revenue is generally fees prepaid by the customers and is recognized in the statement of comprehensive income on a straight-line basis over the related service period.

[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 EXPENSES BY NATURE

	Note	For the 6 months ended June 30,	
		2011	2010
		(in thousands of euro)	
Employee benefits:			
Wages, salaries, commissions and social security costs		64,160	57,562
Other employee benefit costs		10,973	8,683
		75,133	**66,245**
Depreciation and impairment	5.4	126,205	122,390
Amortization	5.6	33,869	29,567
Amortization of broadcasting rights	5.6	4,047	3,982
Losses (gains) on disposal of property and equipment and other intangible assets		(23)	26
Network operating and service costs		185,461	185,502
Advertising, sales and marketing		26,385	32,079
Share-based payments granted to directors and employees		8,680	2,767
Operating charges related to acquisitions or divestitures		790	(11)
Other costs		28,746	25,206
Restructuring charges		141	-
Total costs and expenses		**489,434**	**467,753**

5.20 FINANCE INCOME / EXPENSE

	For the 6 months ended June 30,	
	2011	2010
Recognized in the statement of comprehensive income	(in thousands of euro)	
Finance income		
Interest income on bank deposits and commercial paper	3,547	429
Net gain on derivative financial instruments	20,425	-
Net foreign exchange gain	1,027	50
	24,999	**479**
Finance expense		
Interest expense, net		
Interest expense on financial liabilities measured at amortized cost	(84,864)	(57,019)
Interest expense on derivatives at fair value through statement of comprehensive income	(9,193)	(10,687)
Amortization of financing cost	(3,194)	(2,705)
	(97,251)	**(70,411)**
Net loss on derivative financial instruments	-	(60,078)
Loss on extinguishment of debt	(5,311)	-
	(102,562)	**(130,489)**
Net finance expense recognized in the statement of comprehensive income	**(77,563)**	**(130,010)**

5.21 EARNINGS PER SHARE

5.21.1 Basic

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

	For the 6 months ended June 30,	
	2011	**2010**
	(in thousands of euro, except share and per share data)	
Net profit attributable to the equity holders of the Company	58,472	21,763
Weighted average number of ordinary shares	112,727,461	111,913,973
Weighted average number of Class A Profit Certificates	-	-
Weighted average number of Class B Profit Certificates	13,764	82,193
Weighted average number of shares used in the calculation of basic earnings per share	**112,741,225**	**111,996,166**
Basic earnings per share in €	0.52	0.19

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 six months ended June 30, 2010, the Company had ten categories of dilutive potential ordinary shares:

- Class A Options
- Class B Options
- Warrant Plan 2007
- Warrant Plan 2007 bis
- Warrant Plan 2007 ter
- Warrant Plan 2007 quater
- Warrant Plan 2007 quinquies
- Warrant Plan 2007 sexies
- Warrant Plan 2008
- Warrant Plan 2009

During the six months ended June 30, 2011, the Company had fourteen categories of dilutive potential ordinary shares:

- Class A Options
- Class B Options
- Warrant Plan 2007
- Warrant Plan 2007 bis
- Warrant Plan 2007 ter
- Warrant Plan 2007 quater
- Warrant Plan 2007 quinquies
- Warrant Plan 2007 sexies
- Warrant Plan 2007 septies
- Warrant Plan 2008
- Warrant Plan 2009
- Warrant Plan 2010 primo
- Warrant Plan 2010 bis
- ESPP 2011

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

	For the 6 months ended June 30,	
	2011	2010
	(in thousands of euro, except share and per share data)	
Weighted average number of shares used in the calculation of basic earnings per share	112,741,225	111,996,166
Adjustment for:		
Class A Options	255,554	208,544
Class B Options	5,616	31,311
Warrant Plan 2007 Warrants	14,253	3,588
Warrant Plan 2007 bis Warrants	408,138	293,578
Warrant Plan 2008 Warrants	199,489	87,174
Warrant Plan 2007 ter Warrants	19,507	12,779
Warrant Plan 2007 quater Warrants	573,375	336,474
Warrant Plan 2009 Warrants	119,726	54,143
Warrant Plan 2007 quinquies Warrants	68,237	-
Warrant Plan 2007 sexies Warrants	34,737	-
Warrant Plan 2007 septies Warrants	16,053	-
Warrant Plan 2010 primo Warrants	87,961	-
Employee Share Purchase Plan	35,252	-
Weighted average number of shares used in the calculation of diluted earnings per share	**114,579,122**	**113,023,757**
Diluted earnings per share in €	0.51	0.19

5.22 RELATED PARTIES

The related parties of the Company mainly comprise its majority shareholder that has the ability to exercise significant influence or control. This consisted of the Liberty Global Consortium for 2011 and 2010. The figures also include transactions with Pebble Media NV.

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

5.22.1 Balance sheet

	June 30, 2011	December 31, 2010
	(in thousands of euro)	
Trade receivables	994	776
Trade payables and accrued liabilities	256,364	73

The increase in trade payables and accrued liabilities as at June 30, 2011 was primarily due to Liberty Global Consortium's share of the repayment of capital to shareholders of €255.8 million.

5.22.2 Statement of comprehensive income

	For the 6 months ended June 30,	
	2011	2010
	(in thousands of euro)	
Operating		
Revenue	680	586
Operating expenses	(730)	(507)
Other operating income	-	8

5.22.3 Key management compensation

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

	For the 6 months ended June 30,	
	2011	2010
	(in thousands of euro)	
Salaries and other short-term employee benefits	2,933	2,465
Post-employment benefits	84	82
Share-based payments (compensation cost recognized)	4,305	1,506
	7,322	**4,053**

5.23 CONTINGENT LIABILITIES AND COMMITMENTS

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

On November 26, 2007, Telenet and four associations of municipalities in Belgium, which we refer to as the pure intercommunales or the "PICs," announced a non-binding agreement-in-principle to transfer the analog and digital television activities of the PICs, including all existing subscribers to Telenet. Subsequently, Telenet and the PICs entered into the 2008 PICs Agreement, which closed effective October 1, 2008. Beginning in December 2007, Belgacom NV/SA (Belgacom), the incumbent telecommunications operator in Belgium, instituted several proceedings seeking to block implementation of these agreements. It lodged summary proceedings with the President of the Court of First Instance of Antwerp to obtain a provisional injunction preventing the PICs from effecting the agreement-in-principle and initiated a civil procedure on the merits claiming the annulment of the agreement-in-principle. In March 2008, the President of the Court of First Instance of Antwerp ruled in favor of Belgacom in the summary proceedings, which ruling was overturned by the Court of Appeal of Antwerp in June 2008. Belgacom brought this appeal judgment before the Cour de Cassation (Belgian Supreme Court), which confirmed the appeal judgment in September 2010. On April 6, 2009, the Court of First Instance of Antwerp ruled in favor of the PICs and Telenet in the civil procedure on the merits, dismissing Belgacom's request for the rescission of the agreement-in-principle and the 2008 PICs Agreement. On June 12, 2009, Belgacom appealed this judgment with the Court of Appeal of Antwerp. In this appeal, Belgacom is now also seeking compensation for damages should the 2008 PICs Agreement not be rescinded. However, the claim for compensation has not yet been quantified. At the introductory hearing, which was held on September 8, 2009, the proceedings on appeal were postponed indefinitely at the request of Belgacom.

In parallel with the above proceedings, Belgacom filed a complaint with the Government Commissioner seeking suspension of the approval by the PICs' board of directors of the agreement-in-principle and initiated suspension and annulment procedures before the Council of State against these approvals and subsequently against the board resolutions of the PICs approving the 2008 PICs' Agreement, with the main argument that the PICs should have organized a (public) market consultation (marktbevraging) before entering into the agreement-in-principle and the PICs Agreement. Belgacom's efforts to suspend approval of these agreements were unsuccessful. Final judgment in the Council of State annulment cases, which may be joined, has not yet been rendered. However, the auditor (auditeur) of the Belgian Council of State (who advises the judges) has stated in his opinion to the Belgian Council of State dated May 3, 2011 that he believes that no market consultation was required (i.e., supporting Telenet's and the PICs' arguments).

It is possible that Belgacom or any third party or public authority will initiate further legal proceedings in an attempt to block the integration of the PICs' analog and digital television activities or obtain the rescission of the 2008 PICs Agreement. No assurance can be given as to the outcome of these or other proceedings. However, an unfavorable outcome of existing or future proceedings could potentially lead to the rescission of the 2008 PICs Agreement and/or to an obligation for Telenet to pay compensation for damages, subject to the relevant provisions of the 2008 PICs Agreement, which stipulates that Telenet is only responsible for damages in excess of €20.0 million. In light of the fact that Belgacom has not quantified the amount of damages that it is seeking and we have no basis for assessing the amount of losses we would incur in the unlikely event that the 2008 PICs Agreement were to be rescinded, we cannot provide a reasonable estimate of the range of loss that would be incurred in the event the ultimate resolution of this matter were to be unfavorable to Telenet. We do not expect the ultimate resolution of this matter to have a material impact on our results of operations or financial condition.

Interconnection litigation

Telenet has been involved in regulatory and court proceedings with Belgacom in relation with the increased interconnection fees that it began charging telephone operators to terminate calls made to receivers on the Combined Network in August 2002. Traditionally, interconnection fees between fixed-line telephony operators (including Belgacom) had been charged on a reciprocal basis, whereby the interconnection termination rates that Belgacom charged Telenet were the same as the interconnection termination rates Telenet charged Belgacom.

This fee arrangement made it difficult for Telenet to provide telephony services at a profitable level, because it did not have the benefit of the comparable economies of scale to be able to achieve the same unit cost as Belgacom. Telenet requested permission from the BIPT to increase its domestic and international interconnection rates. On August 12, 2002, Belgacom increased the retail tariffs that it charges its telephony subscribers calling Telenet numbers to reflect Telenet's increased termination rates. In a series of rulings in June and August of 2002, the BIPT approved, under protest of Belgacom, Telenet's request to increase the rates it charges other telephone operators to terminate domestic calls on the Combined Network. Telenet raised its interconnection termination rates for inbound domestic calls on August 13, 2002, from €0.009 to €0.0475 and Belgacom appealed the BIPT's decision to the Belgian Council of State.

On July 3, 2002, the Belgian Council of State rejected an emergency request from Belgacom to suspend the implementation of the increased interconnection termination rate but agreed to hear the case on the merits (not in summary proceedings). Belgacom also filed, in 2007, a compensation claim of €75 million for undue payments and damages of €1 million before the Court of First Instance (Rechtbank van Eerste Aanleg/Tribunal de première instance) in Brussels. On April 8, 2011, the Belgian Council of State rendered a judgment on the merits annulling the BIPT decision that allowed Telenet to apply non-reciprocal interconnection tariffs. The judgment found that the BIPT decision was not adequately motivated. It confirmed, however, Belgacom's obligation to accept reasonable interconnection requests and BIPT's competence to enforce this obligation. Telenet Group Holding believes that the judgment of the Council of State does not affect its assessment that Belgacom will likely not be successful in claiming damages and undue payments. Considering that the annulment judgment of the Council of State is based on formal grounds, BIPT can adopt a decision confirming the findings in the annulled decision and repairing its formal shortcomings. BIPT has already adopted such decision in previous instances. Telenet could also request BIPT to hold it harmless on the basis of State liability principles. If Belgacom is successful in its claim, it is possible that Telenet would be required to refund the excess amounts that it has collected since August 2002, which would result in a substantial liability.

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

In February 2006, Belgacom brought the case before the Belgian Supreme Court which annulled the decision of the Court of Appeal of Antwerp on May 29, 2009 for lack of motivation and referred the case to the Court of Appeal of Gent. Independent legal advice obtained by Telenet has concluded that the probability of a retroactive claim is remote. Moreover, a new article has been included into the 2005 Electronic Communications Law, allowing the BIPT to repair annulled BIPT decisions retroactively.

Following the transposition of the EU Regulatory Framework into Belgian law, the BIPT decided to implement a three-year gliding path to near reciprocity starting on January 1, 2007. In October 2006, Belgacom submitted an appeal to the Court of Appeal of Brussels arguing for a faster reduction in Telenet's interconnection rates. Telenet has also launched an appeal with the Court of Appeal of Brussels arguing that the reduction in its interconnection rates should be cost oriented.

Copyright litigation

On April 12, 2011, the Belgian Court of First Instance in Mechelen ruled that Telenet does not have to pay any (additional) rights to collection agencies including Agicoa, BAVP, SABAM and others in cases of direct injection or cases where Telenet has so-called "all rights included" (ARI) contracts with the respective broadcasters.

In 2006, Telenet started proceedings against a large number of collection and copyright agencies in which it sought to clarify a number of issues. In particular Telenet wanted to establish, amongst other things, if the agencies could claim rights for those channels that are directly injected into the Telenet cable network (and further distributed through cable by Telenet) as opposed to channels that are simultaneously free to air distributed by various techniques (cable, satellite, terrestrial broadcasting etc.).

This issue concerns the main Belgian and foreign private broadcasters, including all the channels from major broadcasters VMMa, SBS Belgium and RTL-TVi. The agencies sought additional payments from the operators, and indeed TV Vlaanderen (DTH) and Belgacom TV (IPTV) are believed to make such payments. Their reasoning was based on the belief that the broadcaster had to pay for the distribution of the signal to the operator, and that the platform should also pay for its part.

However, Telenet believed that (i) no retransmission fees are due in case of direct injected channels, (ii) no extra copyrights have to be paid in case of analogue and digital simulcasting (as Telenet considers this being only one distribution) and (iii) the ARI contracts with the broadcasters are legally valid, which means that in that case broadcasters are responsible for the copyrights concerned. On all three points, the Court in Mechelen ruled in favor of Telenet. SABAM has launched appeal against this decision.

Regulatory developments

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

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

The regulatory authorities nevertheless adopted a final decision on July 1, 2011 (the July 2011 Decision) after making some further changes to the text of their initial draft decisions. The July 2011 Decision was notified to Telenet on July 18, 2011. The regulatory obligations imposed by the July 2011 Decision include (i) an obligation to make a resale offer at ''retail minus'' of the cable analog package available to third party operators (including Belgacom), (ii) an obligation to grant third-party operators (except Belgacom) access to digital television platforms, and (iii) an obligation to make a resale offer at ''retail minus'' of broadband internet access available to beneficiaries of digital television access obligation that wish to offer bundles to their customers. A "retail-minus" method would imply a wholesale tariff calculated as the retail price for the offered service, excluding VAT and copyrights, and further deducting the retail costs avoided by offering the wholesale service (such as, for example, costs for billing, franchise, consumer service, marketing, and sales). The implementation of the July 2011 Decision will take more than 12 months.

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

Telenet believes that there are serious grounds to challenge the findings of the regulators' television market analysis and the resulting regulatory remedies. It will therefore lodge an appeal against the July 2011 Decision with the Brussels Court of Appeal. It cannot be excluded, however, that one or more regulatory obligations will be eventually upheld.

The July 2011 Decision aims to, and in its application may, strengthen Telenet's competitors by granting them access to Telenet's network and lowering their costs to offer competing products and services. In addition, any access granted to

competitors could (i) limit the bandwidth available to Telenet to provide new or expanded products and services to the customers served by its network and (ii) adversely impact Telenet's ability to maintain or increase its revenue and cash flows. The extent of any such adverse impacts ultimately will be dependent on whether the July 2011 Decision is implemented in its current form and, if implemented, the wholesale rates established by the regulatory authorities and the extent to which competitors take advantage of the access ultimately allowed to Telenet's network.

Except for the acquisitions of the broadcasting rights for Belgian football championship and the bid for the 3G-spectrum as described in note 5.25, no other significant changes have occurred in the six months ended June 30, 2011 with respect to the contingent liabilities and commitments. Therefore we refer to Note 5.26 of the Company's consolidated financial statements as at and for the year ended December 31, 2010 for the disclosure of our contingent liabilities and commitments.

5.24 OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet financing arrangements with any of our affiliates or with any unconsolidated entities.

5.25 SUBSEQUENT EVENTS

Telenet secures exclusive broadcasting rights for the Belgian football championship

On June 10, 2011, Telenet announced that it had managed to secure the most important exclusive pay television rights to broadcast the Belgian football championship during the next three seasons. This contract allows Telenet to live broadcast the top three fixtures per match day on its pay television platform PRIME SPORT, renamed into Sporting Telenet. The Belgian football championship completes Telenet's rich portfolio of international sports content, including amongst others the broadcasting rights for the main European football leagues, the NBA league and a dedicated Golf channel. Reflecting the recognition of the contract for its entire duration in the three months ending September 30, 2011, Telenet expects approximately €87.0 million of additional accrued capital expenditures for the year ending December 31, 2011, which will be amortized on a pro rata basis as the football seasons progress. For the year ending December 31, 2011, Telenet anticipates a cash payment of approximately €21.7 million with regard to the acquired football rights. As from the next season 2012-2013 onwards, Telenet also intends to acquire the non-exclusive broadcasting rights for the third lot, being the remaining fixtures of the Belgian football championship.

Telenet submits formal bid for valuable 3G- and 2G-spectrum, strengthening its challenger position in mobile

On June 27, 2011, Telenet submitted a formal bid for the fourth 3G-license through its subsidiary Telenet Tecteo Bidco NV (consortium with the Walloon cable operator Tecteo operating under the brand name VOO). This license will provide access to valuable 2 x 14.8 MHz spectrum in the 2.1 GHz band. The license fee equals the minimum reserved price of €71.5 million since Telenet Tecteo Bidco NV was the sole admissible candidate for the spectrum. As Telenet Tecteo Bidco has opted for deferred installments spread over the lifetime of the license, the total consideration paid, including interest, will amount to €83.0 million. As per the current agreement, Telenet will pay 75% of the total license fee and Tecteo the remaining 25%. By August 14, 2011, Telenet Tecteo Bidco NV has to decide whether or not it will exercise its call option on the 2G-spectrum (2 x 4.8 MHz in the 900 MHz band and 2 x 10 MHz in the 1800 MHz band) when it will become available as of November 27, 2015. The license fee will amount to €31.5 million or €34.4 million, including interest, when opting for deferred payments. As a result of the acquisition of the fourth 3G-license, which will have accounting effect in the three months ending September 30, 2011, Telenet anticipates approximately €71.5 million of additional accrued expenditures for the year ending December 31, 2011 and a cash outflow (used in financing activities) of approximately €10.8 million for the year ending December 31, 2011. Pending the exercising of the call option on the 2G-spectrum before August 14, 2011, Telenets total accrued capital expenditures for the three months ending September 30, 2011 may be increased by another €31.5 million.

Successful allocation of debt exchange and repricing process of existing Term Loans

On June 15, 2011, Telenet International Finance S.à r.l. ("Telenet International Finance"), a subsidiary of Telenet Group Holding NV, announced the start of a voluntary exchange process for Term Loan G under its Senior Credit Facility. Existing lenders in Term Loan G were requested to exchange their current participations and commitments for participations and commitments in new Term loans either with unchanged maturity at July 31, 2017 (Term Loan Q) or an extended maturity of two years at July 31, 2019 (Term Loan R), each repriced in line with current market conditions.

On July 4, Telenet International Finance announced the allocation of its voluntary exchange offer and has now commenced the formal novation process. In total, €798.6 million of debt was extended by two years to July 2019 (Term Loan R) with an applicable floating interest rate of 3.625% over the EURIBOR rate, while €431.0 million of debt was novated into Term Loan Q with unchanged maturity at July 2017 (EURIBOR +3.25%). As part of the voluntary debt and exchange process referred to above, Telenet International Finance extended the availability of the Revolving Facility to December 31, 2016. The committed undrawn amount was revised to €158.0 million with an applicable floating interest rate 2.75% over the EURIBOR rate. On July 29, 2011, Telenet International Finance will fully redeem Term Loans G and J for an aggregate amount of €400.1 million entirely using the proceeds from the June 2011 €400.0 million debt issuance. Pending successful closure of the transaction, Telenet will extend the average maturity of its Senior Credit Facility to approximately 8.4 years. As a result, Telenet expects to incur approximately €6.3 million of third-party costs and related deferred financing costs for the three months ending September 30, 2011.

Pro forma debt maturity table as of July 29, 2011 (Post debt exchange and re-pricing process (unaudited))

Post debt exchange and re-pricing process	Total Facility as per	Drawn amount	Undrawn amount	Maturity Date	Interest rate	Interest payments due
	July 29, 2011					
	(in thousands of euro)					
Amended Senior Credit Facility:						
Term Loan Q	431,038	431,038	-	July 31, 2017	Floating - Euribor + 3.25%	Monthly
Term Loan R	798,634	798,634	-	July 31, 2019	Floating - Euribor + 3.625%	Monthly
Revolving Credit Facility	158,000	-	158,000	December 31, 2016	Floating - Euribor + 2.75%	Not applicable
Senior Secured Fixed Rate Notes						
€500 million Senior Secured Notes due 2020	500,000	500,000	-	November 15, 2020	Fixed - 6.375%	Semi-annually (May and Nov.)
€100 million Senior Secured Notes due 2016	100,000	100,000	-	November 15, 2016	Fixed - 5.30%	Semi-annually (May and Nov.)
€300 million Senior Secured Notes due 2021	300,000	300,000	-	February 15, 2021	Fixed - 6.625%	Semi-annually (Feb. and Aug.)
Senior Secured Floating Rate Notes						
€400 million Senior Secured Notes due 2021	400,000	400,000		June 15, 2021	Floating - 3M EUR+3.875%	Quarterly (March, June, Sep. and Dec.)
Total notional amount	**2,687,672**	**2,529,672**	**158,000**			

Payment of approved shareholder disbursement of €4.50 per share

On July 29, 2011, Telenet Group Holding NV will effectively settle the payment of the approved shareholder disbursement of €4.50 per share. To this end, the Company expects an aggregate cash out of approximately €509.3 million for the three months ending September 30, 2011, which will be fully paid out of the Company's cash and cash equivalents and which was already recognized in equity in for the three months ended June 30, 2011.

CRC issues final decisions to regulate certain services over cable networks in Belgium

On July 18, 2011, the CRC (the Conference of Regulators of the electronic communications sector uniting the *Vlaamse Regulator voor de Media*, the *Conseil Supérieur de l'Audiovisuel*, the *Medienrat* and the BIPT) published its decisions to regulate the television broadcasting and broadband markets in Belgium. These decisions will enter into force as of August 1, 2011 and should in principle be implemented by the end of October 2012. Cable operators, including Telenet, would have to offer all market players; (a) access to a resale offer regarding their analog TV service; (b) access to their digital TV platform (except for Belgacom) and; (c) access to a broadband resale offer (excluding Belgacom and only in combination with access to the digital TV platform). Telenet has always been convinced that the current market situation does not constitute any consumer harm and that therefore ex-ante regulation is not required. Therefore, Telenet will lodge an appeal in front of the Brussels' Court of Appeal on August 5, 2011, introducing a suspension and annulment request.

REVIEW REPORT OF THE STATUTORY AUDITOR

Report of the statutory auditor to the shareholders of Telenet Group Holding NV on the review of the condensed consolidated interim financial statements as of and for the six month period ended June 30, 2011

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Telenet Group Holding NV ("the Company") as at June 30, 2011, and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and explanatory notes. The Company's Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting" ('IAS 34') as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as well as in accordance with the recommendations of the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren" applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing ("ISA") or with auditing standards of the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren" and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at June 30, 2011 are not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Brussels, 28 July 2011

KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises
Statutory auditor

represented by

Jos Briers
Réviseur d'Entreprises/Bedrijfsrevisor

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