Half Year Report 2010

A word from the Chief Executive Officer

Dear Shareholder,

Following an exceptionally buoyant 2009, which was in part driven by pent-up demand for our digital television service and multiple bundles in the acquired Interkabel service footprint, we were pleased to see that the commercial traction for our market-leading products remained strong in the first six months of 2010. We achieved our strongest second quarter net additions for broadband internet ever, excluding last year's impact of the pent-up demand in the Interkabel area. Year-to-date, we recorded a net new subscriber intake of 215,000 for our core residential products, and were able to increase our market share in all domains we're active. In less than five years of Telenet Digital TV, I am pleased to see that nearly half of our cable TV subscriber base is already watching digital now. At the same time, we managed to maintain our churn rates at moderate levels, which reflects our continuous focus on product excellence, customer experience and overall quality of service as well as our further progress in terms of multiple play penetration which decreases the propensity to churn.

The continued trend of consumers seeking to bundle all of their spending on media and communications services with one single provider resulted in an increasing number of our 2.3 million households subscribing to our multiple play Shakes. At the end of June 2010, 55% of our customers subscribed to two or more products compared to 48% a year earlier with the proportion of triple play subscribers having reached 30% at the end of June 2010. This positive evolution and the continued migration of our cable TV subscribers to digital are jointly pushing the ARPU per customer relationship by 11% to €38.0 for the first half of 2010. We were pleased to see that the surging trend in the net loss of basic cable TV subscribers reverted in the second quarter of 2010, which reflects both our efforts to underpin the value of our basic television offer as well as a somewhat more benign churn environment in the second quarter.

Our unique positioning through selective handset subsidies and segmented tariff plans yielded 40,000 net new postpaid customers since the beginning of the year. Importantly, these newly acquired customers generate superior ARPU relative to our legacy mobile customers as there is an increasing appeal for the high-end rate plans. In the course of Q3 2010, we intend to start operating our Full-MVNO platform, which will be another important step in our mobile journey. Meanwhile, the combination of our leading hybrid fiber coaxial network, the availability of a whole range of value-added services such as hosting and security beyond traditional connectivity solutions and a closer go-to-market approach has started to yield promising results in the B2B market.

Our top line continued to grow strongly by 11%, of which 9% was organic, to €639 million for the first half of 2010. Our Adjusted EBITDA rose 8% year-on-year to €330 million, equivalent to a 51.6% margin. As in previous quarters, BelCompany had a dilutive impact on our overall margin whilst our year-to-date margin also reflected our well balanced push into the mobile market. On an organic basis, our Adjusted EBITDA was up 9%, yielding a margin of 53.2% which was slightly better than last year's level despite our selective investments in new growth opportunities.

Our reported net profit of €22 million suffered materially from a €60 million non-cash loss on our derivatives, without which our net profit would have amounted to €82 million. Our Free Cash Flow jumped 42% compared to prior year to €131 million, or 21% of revenue. The strong improvement in our Free Cash Flow was driven by solid growth in our EBITDA, offset by slightly higher finance expenses, and lower capex levels relative to the prior year period. The latter resulted from lower set-top box rental capex and phasing in preparation of our earlier announced Pulsar project through which we seek to reduce the number of homes passed per optical node. In line with our 2010 outlook, we expect our capex spending to ramp up in the course of H2 2010, as our network investment project "Digital Wave 2015", supporting the evolution to the next-generation internet experience, will start to take off after the summer.

Our strong commitment in further growing the business through either exploiting the triple play opportunities or investing in new growth prospects will enable us to continue to grow our top line and Free Cash Flow. We believe that our Free Cash Flow profile will set a solid base for future increasing shareholder value either through value-accretive acquisitions or shareholder disbursements.

Yours sincerely,

Duco Sickinghe
Chief Executive Officer

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Introduction

Introduction

Telenet Group Holding NV (the "Company") is a company organized under the laws of Belgium. Other notations and definitions herein apply as presented in our 2009 Annual Report which was published on April 2, 2010 (the “Annual Report”), a copy of which is available on our website at http://investors.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, 2010 and 2009 and the audited annual financial statements as of and for the year ended December 31, 2009 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, pending debt exchange transactions 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, 2010

- Solid net new customer intake in H1 2010 across all core residential segments and solid top line growth in business segment: Telenet Digital TV (+118,000), broadband internet (+58,000) and fixed telephony (+39,000);
- Slowdown in rate of net loss of total cable television subscribers to -15,000 in Q2 2010, sustained low churn levels for broadband internet and fixed telephony;
- Increased market share in both H1 and Q2 for all residential product lines;
- 40,000 net new mobile postpaid additions in H1 2010 with increasing appetite for high-end rate plans;
- Proportion of customers on triple play reached 30% as of June 30, 2010, driving the ARPU per customer relationship(5) to €38.0 (+11% year-on-year) whilst reducing the propensity to churn;
- Revenue of €638.6 million, up 11% compared to the prior year period, of which 9% was organic;
- Adjusted EBITDA(1) rose 8% year-on-year to €329.6 million, yielding a 51.6% margin. Excluding BelCompany and C-CURE acquisitions, Adjusted EBITDA grew 9%, equivalent to a 53.2% margin;
- Net profit of €21.8 million, down 54% compared to prior year, impacted by €60.1 million loss on derivatives;
- Accrued capital expenditures(2) at 17% of revenue, a 29% decrease compared to prior year mainly because of lower set-top box rental capex and phasing in preparation of Pulsar node-splitting project;
- Free Cash Flow(3) of €131.4 million, equivalent to 21% of revenue. Excluding nonrecurring hedging optimization costs in Q1 2010, Free Cash Flow would have amounted to €140.6 million.
- Net Senior Debt to EBITDA leverage ratio down to 2.6x as of June 30, 2010, or 3.0x on a pro-forma basis including today's payment of the €2.23 per share shareholder disbursement.

As of and for the six months ended	June 2010	June 2009	Change %
FINANCIAL HIGHLIGHTS (€ in millions, except per share amounts)			
Revenue	638.6	577.4	11%
Operating Profit	170.8	155.9	10%
Net Profit	21.8	47.7	-54%
Basic Earnings Per Share	0.19	0.43	-55%
Diluted Earnings Per Share	0.19	0.43	-55%
Adjusted EBITDA (1)	329.6	305.3	8%
Adjusted EBITDA margin %	51.6%	52.9%	
Accrued Capital Expenditures (2)	107.9	151.8	-29%
Accrued Capital Expenditures as % of revenue	17%	26%	
Free Cash Flow (3)	131.4	92.5	42%
OPERATIONAL HIGHLIGHTS (in 000 serviced premises)			
Total Cable TV	2,303	2,374	-3%
Analog Cable TV	1,186	1,520	-22%
Digital Cable TV (Telenet Digital TV + INDI)	1,118	854	31%
Broadband internet	1,174	1,055	11%
Fixed telephony	780	694	12%
Mobile telephony	170	101	68%
Triple play customers	689	606	14%
Services per customer relationship (4)	1.85	1.74	6%
ARPU per customer relationship (€ / month) (4) (5)	38.0	34.1	11%

Definitions

(1) Under IFRS, 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 our 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 on page 22.

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

(3) Free cash flow is defined as net cash provided by the operating activities of our continuing operations less capital expenditures of our continuing operations, each as reported in our consolidated statements of cash flows.

(4) Customer relationships are equal to the sum of analog and digital basic cable TV subscribers on the Combined Network.

(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.

Management's Discussion & Analysis of the six months ended June 30, 2010

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, 2010 and 2009 and the audited consolidated financial statements of Telenet Group Holding NV as of and for the year ended December 31, 2009, 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 a leading provider of media and telecommunication services in Belgium. Through our broadband network in Flanders and parts of Brussels, we offer our primary products which comprise basic and premium cable television in analog and digital formats, broadband internet and fixed and mobile telephony services, primarily to residential subscribers. In addition, we provide 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.

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

Overview & multiple play

In the first six months of 2010, we recorded a net new subscriber intake of 215,000 for our core residential products of Telenet Digital TV, broadband internet and fixed telephony compared to 319,000 in the first half of 2009. We note that in the prior year period we still enjoyed the early benefits from the October 2008 Interkabel Acquisition, characterized by pent-up demand for our interactive digital television service and our multiple play bundles, both of which we were not able to offer in the Interkabel footprint prior to the acquisition.

Although the second quarter is traditionally the weakest quarter for growth, we achieved 94,000 net additions for our core residential products in Q2 2010. Our multiple play bundles, marketed under the “Shakes” brand, continued to perform well as consumers increasingly seek to receive all of their media and communications services from one single provider at an attractive price in the form of multiple play bundles. At the same time, we continued to exhibit moderate churn levels, reflecting on the one hand our continuous focus on customer service, convenience and experience and on the other hand our successful push towards multiple play resulting into a much lower propensity to churn.

Whereas we saw an acceleration in the pace of net organic attrition for our basic cable television service in Q4 2009 and Q1 2010 because of increased competition in the residential market induced by our competitor’s “free” TV campaign, we were pleased to see that the slope of the decline slowed down materially in Q2 2010 from around 22,000 on average in the period Q4 2009/Q1 2010 to 15,000 in Q2 2010. For the full year, however, we continue to expect a higher loss rate for our basic cable television service than in 2009. However, the associated revenue contraction will be more than offset by continued growth in both digital television and multiple play, both resulting into a much higher ARPU per customer relationship compared to basic television for which the subscription fee remains one of the lowest within Western Europe. Finally, we continued to make gradual inroads into the mobile telephony market through our new segmented tariff plans including selective handset subsidies.

At the end of June 2010, our total services offered reached 4,257,000, up 3% compared to the prior year’s level of 4,123,000 (excluding mobile telephony in both cases). The number of triple play customers continued to trade up, reaching 689,000 at the end of June 2010 compared to 606,000 at the end of June 2009 (+14% year-on-year). Consequently, 30% of our customer base subscribed to one of our triple play propositions at the end of June 2010 compared to 25% a year earlier. In line with our strategy and expectations, the number of customers only subscribing to one of our products continued to contract as we seek to convert the bulk of our customer base into multiple play. At the end of June 2010, the proportion of single customers, expressed as a percentage of our total customer base, amounted to 45% compared to 52% a year earlier. The growing uptake of our multiple play bundles can also be derived from the number of services per customer relationship. This ratio continued to increase, up 6% year-on-year to 1.85 services at the end of June 2010, compared to 1.74 a year earlier.

ARPU per customer relationship

ARPU per customer relationship, which is one of our key metrics as we seek to obtain a growing share of the customer’s spending on media and communications services, continued to demonstrate solid growth. For the six months ended June 30, 2010, ARPU per customer relationship amounted to €38.0, an increase of 11% compared to the prior year period. In Q2 2010 alone, we recorded 11% growth in our ARPU per customer relationship from €34.5 last year to €38.4. We remind that this ARPU, as defined on page 7, is net of mobile ARPU for which we have also seen a considerable improvement as the newly acquired mobile subscribers carry a much higher usage and spending profile than our legacy mobile subscribers under the zero subscription product (Walk & Talk 0).

While individual product ARPUs continue to trend down – albeit at a slower pace than prior year – because of a growing proportion of bundle and other discounts and competitive pressures, we have succeeded in growing the overall ARPU per unique customer. The ARPU uplift is a direct result of a growing proportion of newly acquired customers opting for a multiple play bundle, the continued uptiering of our existing subscriber base to multiple play and finally the continued migration from analog to digital television, with the latter resulting in an approximate doubling of the basic cable television ARPU.

Telenet Group Holding NV – consolidated operating statistics

As of and for the three months ended	June 2010	June 2009	Change %
Total Services (in thousands)			
Homes passed - Combined Network	2,806	2,781	1%
Television			
Analog Cable TV			
Analog Cable TV	1,186	1,509	-21%
PayTV on Telenet Partner Network	-	11	n/a
Total Analog Cable TV	**1,186**	**1,520**	**-22%**
Digital Cable TV			
Digital Cable TV (Telenet Digital TV)	1,056	792	33%
Digital Cable TV (INDI)	61	62	-2%
Total Digital Cable TV	**1,118**	**854**	**31%**
Total Cable TV	**2,303**	**2,374**	**-3%**
Internet			
Residential Broadband Internet	1,139	1,023	11%
Business Broadband Internet	35	32	9%
Total Broadband Internet	**1,174**	**1,055**	**11%**
Telephony			
Residential Telephony	767	683	12%
Business Telephony	12	11	9%
Total Telephony	**780**	**694**	**12%**
Mobile telephony (active customers)	170	101	68%
Total Services (excl. Mobile)	**4,257**	**4,123**	**3%**
Churn			
Basic cable television	8.5%	7.7%	
Broadband internet	6.5%	6.4%	
Telephony	6.1%	5.8%	
Customer relationship information - Combined Network			
Triple play customers (in thousands)	689	606	14%
Total customer relationships (in thousands)	2,303	2,374	-3%
Services per customer relationship	1.85	1.74	6%
ARPU per customer relationship (in € / month)	38.4	34.5	11%

1.1 BASIC CABLE TELEVISION

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

Subscribers to both our basic analog and digital television services totalled 2,303,000 at the end of June 2010 compared to 2,342,000 at the end of December 2009. This implies a net organic loss of 39,000 basic cable television subscribers in the first six months of the year. This organic loss excludes migrations to our 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 our service footprint. Given the historically high level of cable penetration in our footprint and the limited expansion of the number of homes passed, we believe that the number of basic cable television subscribers will continue to show a decreasing trend.

We are pleased to see that the accelerating trend in the level of net organic attrition for our basic cable television service, which we witnessed at the end of last year and the first quarter of this year, came to a pause. Compared to the first quarter of the year when we lost 24,000 analog television customers, the pace of net organic attrition slowed down to 15,000 in Q2 2010, which reflects both our efforts to underpin the value of our basic television offer as well as a somewhat more benign churn environment in the second quarter.

Nonetheless, we still expect for the remainder of the year that that the overall loss rate will be higher than the run rate of the second quarter of 2010 on the back of sustained competition in the residential television market. We remain confident on our ability to absorb this anticipated revenue loss by continued upselling to multiple play and digital television as both generate a much higher ARPU compared to the low-ARPU generated by an average analog television subscriber.

1.2 DIGITAL & PREMIUM TELEVISION

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

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

In order to access our premium iDTV offerings, we offer digital set-top boxes in a sale or a rental model. We offer a choice of "Digibox" and "Digicorder" set-top boxes with alternative specifications and functionality, such as the ability to record and playback digital content viewed on our service. Both types allow for High Definition broadcasting and at the end of December 2009 the proportion of HD set-top boxes within our Combined Network already amounted to 52%. These set-top boxes act as an interface between the subscriber and the Telenet Network, and operate on the Multimedia Home Platform ("MHP") standard, an open standard platform that provides us with the flexibility to integrate applications from a variety of sources. There currently is no dominant standard used for digital set-top box operating platforms, but the MHP standard has been adopted by CableLabs Inc. under the OCAP or Tru2way standard.

At the end of June 2010, we served 1,118,000 digital television subscribers, up 31% compared to the corresponding prior year period. Out of these, 1,056,000 opted for our interactive Telenet Digital TV platform with the remaining 61,000 customers being on the legacy INDI platform which we acquired as part of the Interkabel Acquisition. We continue to forecast a further gradual contraction of the INDI customer base as these customers increasingly opt for our bundled offers and prefer access to our interactive digital television service.

In the first half of the year, we added 118,000 net new subscribers to our Telenet Digital TV service, including 53,000 in Q2 2010. Given the fact that a digital television subscriber generates an ARPU which is approximately twice the level of a basic analog television subscriber, digital television remains one of our key value drivers.

Finally, our digitalization ratio, which measures the total base of digital television customers (both Telenet Digital TV and INDI) relative to our total cable television subscriber base, continued to grow, reaching 49% at the end of June 2010 compared to 36% a year earlier. This achievement puts us handsomely on track to deliver on our long-term goal of an annual 10% migration of our total cable television subscriber base from analog to digital. Our Telenet Digital TV customer base is well advanced: 75% is now renting a set-top box with recording capabilities and 59% opted for the High Definition box. Our redesigned user interface, that we deployed on all our new and existing set-top boxes, and the programming function over the internet were both very well received as they emphasize on our innovative approach towards a forerunning customer experience.

1.3 BROADBAND INTERNET

We are the leading provider of residential broadband internet services in Flanders. Through our Hybrid Fibre Coaxial upgraded network, we offer our residential subscribers a broadband internet service at a downstream data transfer speed of up to 100 Mbps. Our current residential offerings include multiple tiers, which range from Telenet “BasicNet”, which allows end users to receive data from the internet at a downstream data transfer speed of up to 4 Mbps, to “FiberNet 100”, which offers end users a downstream speed of up to 100 Mbps.

In February 2010, we unveiled our next generation broadband internet lineup centred around our new FiberNet product suite. Relying on the latest EuroDocsis 3.0 technology, we are able to offer high-speed internet services across our entire footprint with unprecedented download speeds of up to 100 Mbps. Hence, we are offering the most advanced broadband internet product available in our market. We are pleased with the spontaneous customer response and uptake so far, which was achieved without incremental marketing spend. Early July 2010, we further increased the data volume on our existing broadband products after a first upgrade in March this year and we moved to unlimited data volume based on a fair use policy for our high-end tiers. These upgrades will enable our customers to use the internet more intensively, yet without a price increase.

It remains our goal to constantly upgrade the product specifications of our broadband products to underline our speed leadership and the reliability of cable versus competitive offers. 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.

We believe that our combination of network superiority, service quality, tiered products offering a range of speeds, and brand recognition of our internet offering has enabled us to achieve rapid growth. Our ability to continue to grow this market, however, will depend in part on increases in the number of households with a personal computer in Flanders. Moreover, we believe that the uptake of notebooks, smartphones, gaming consoles and other IP-enabled equipment will further drive broadband growth in Flanders.

We added 58,000 net new broadband subscribers during the first six months of the year, including 24,000 in Q2 2010 which is typically a softer quarter in our industry. Nevertheless, excluding last year’s impact from the pent-up demand in the Interkabel area, we achieved the highest second quarter net additions for broadband internet ever. Annualized churn in Q2 2010 amounted to 6.5%, broadly stable compared to last year’s level of 6.4%, yet slightly better than the 6.9% we reported in Q1 2010. We believe that our relatively low churn rates reflect the attractiveness of our product offering, the success of our multiple play strategy and our continued focus on service delivery and customer care.

At the end of June 2010, we served 1,174,000 broadband customers, up 11% compared to the prior year period. Sales continue to be driven by our segmented multiple play bundles, our product leadership versus competing technologies and a further increase in the level of overall broadband penetration in our service area. The total number of broadband subscribers relative to the total number of homes passed, which we define as our penetration rate, amounted to 41.8% at the end of June 2010 compared to 37.9% a year earlier. Our broadband customers are amongst the most advanced in Belgium given that 76% of our total subscriber base enjoys download speeds of at least 20 Mbps.

1.4 TELEPHONY

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

Fixed telephony

During the first half of 2010, we achieved 39,000 net additions for our fixed telephony service, of which Q2 2010 accounted for 17,000. Compared to the prior year period, the number of fixed telephony subscribers rose 12% to 780,000 at the end of June 2010. Fixed line penetration in our service footprint, expressed as a percentage of homes passed, continued to expand from 25.0% at Q2 2009 quarter end to 27.8% at Q2 2010 quarter end. The vast majority of new customers sign up for our flat fee rate plan FreePhone Europe through one of our multiple play bundles, providing off-peak communications to other landlines in Belgium and Europe free of charge. Annualized churn remained well under control at 6.1% in Q2 2010 compared to 6.9% in Q1 2010 and only fractionally higher than the Q2 2009 level of 5.8%.

Mobile telephony

Our mobile telephony offer was launched in August 2006 under the Telenet Mobile brand name. Since we do not have our own mobile telecommunications network, this service was established through an MVNO partnership with Mobistar, the second largest mobile operator in Belgium, providing all network services. In February 2009, we signed a Full-MVNO agreement with Mobistar, which will provide us with greater flexibility in terms of product offers and which will enable us to roll out fixed-mobile convergent products. We have started the build of our own proprietary mobile infrastructure, including a mobile switch, mobile rating and billing platform. In the course of Q3 2010, we intend to start operating our Full-MVNO platform, which will be another important step in our mobile journey.

At the end of June 2010, we served 170,000 postpaid subscribers, up 68% compared to the prior year period. During the first half of the year, we added 40,000 net new mobile customers, including 17,000 in Q2 2010. We attribute these solid results to our extended Walk & Talk tariff plans, including selective handset subsidies, and higher sales and improved activation rates through our BelCompany retail channel. In line with the trends observed since the launch of these new tariff plans at the end of October last year, these newly acquired mobile customers reveal a higher usage profile and hence generate a superior ARPU relative to the existing customers on the old tariff plans.

In the second half of 2010, we foresee a gradual clean-up of our low-end legacy subscriber base as a sliding proportion of these Walk & Talk 0 subscribers no longer meet our internal requirements of an active subscriber. Although having no revenue impact and actually significantly boosting the quality of our mobile subscriber base, the expected clean-up will impact the reported number of total mobile subscribers, hence offsetting the solid growth that we forecast in terms of net additions.

1.5 BUSINESS SERVICES

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

We believe the gradual roll-out and availability of EuroDocsis 3.0 with integrated services and features across our entire footprint will herald future growth for both select, smaller sized B2B segments and larger B2B accounts given the superior speeds and specifications and an improved quality of service over competing technologies. At the end of July 2010, we signed an agreement with AXA Bank for the provision of data connectivity services to all branches of AXA Bank in Belgium. This multi-year contract was awarded after a thorough market review, which revealed Telenet Solutions' best-in-class position.

Furthermore, we are making good progress on the next integration phase of the acquired hosting services company, Hostbasket. In combination with C-CURE, our business segment will be able to offer now a single user experience not only for connectivity solutions but also for a whole range of additional value-added services.

1.6 NETWORK

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

We use the Combined Network to provide cable television in analog, digital and high-definition formats, broadband internet and fixed telephony services to both residential and business customers who reside in our service area. The combined broadband HFC network consists of a fibre backbone with local loop connections constructed of coaxial cable with a minimum capacity of 600 MHz. Our network provides us with up to 608 MHz-equivalent downstream channels, which we allocate to a combination of analog cable television, digital television, internet and telephony transmissions. In the return path of our network (also known as the upstream portion), we have 50 MHz of capacity which is used for digital television, internet and telephony communications.

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. Our network assets include approximately 12,000 kilometres of fibre backbone, of which we own 7,300 kilometres, utilize 2,580 kilometres pursuant to long-term leases and access 2,100 kilometres through our agreements with the PICs. The fibre backbone connects to approximately 68,000 kilometres of coaxial local loops, of which 50,000 kilometres is in the Telenet Network and the balance in the Partner Network. We own the primary and secondary fibre backbone on the Combined Network and the fibre and coaxial cable on the Telenet Network. The PICs own the additional fibre and the coaxial cable included in the HFC access loops on the Partner Network.

In addition to our HFC network, we offer services to business customers across Belgium and in parts of Luxembourg through a combination of electronic equipment which we own and fiber which is predominantly leased. We have also installed equipment necessary to provide voice, data and internet services using digital subscriber line ("DSL") technology. DSL technology enables us to serve business customers that are not currently close to our network in a more cost effective manner through Belgacom's telephone network.

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

On the Combined Network, these protocols run across our primary fibre backbone and ten secondary fibre rings, providing high-speed connectivity between our forty-seven head ends, five switching centres and the network operating centre located in Mechelen, Belgium. The Combined Network connects to other third-party networks via one of nine telephony switches, eight of which operate as VoIP telephony switches including the capability to service classical PRI lines for business customers and one is a voice over ATM switch, for the provision of telephony services, or through various gateways for the provision of world wide web internet access. Analog cable television signals are carried across the Combined Network in IP. Digital television signals, including those that form part of our iDTV service, are encoded when they enter the Combined Network in IP, and are routed through our digital head end station in Mechelen, Belgium, where they are then directed across our fibre optic rings to the head end stations on our local loop.

The portion of the network starting at the head end and terminating at the end user is referred to as the HFC access network or the "local loop." Customers connect to the Combined Network through a coaxial connection from one of our 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. These nodes generally offer the homes they serve a total capacity of 3 Gbps. Network quality usually deteriorates as customer penetration rates on any particular node increase. When required, the scalability of our network enables us to address this problem, within limits, through node "splits" in which we install additional equipment at the node so that the same 3 Gbps capacity serves approximately 500 homes per node. We plan to use node splits, among other measures, to manage potential congestion in certain parts of the network and in addition are in negotiations with the PICs to provide additional capacity as a further means of managing potential congestion problems that may arise in certain areas of the Partner Network.

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

Our telephony customers are connected using the open standards EuroDocsis protocol which is capable of handling both internet and telephony transmissions using IP. Our VoIP offering operates on packet cable technology that tags VoIP traffic so that it receives priority on the Combined Network, enabling us to better manage network traffic. The local loop of the Partner Network uses a network architecture similar to that employed by the Telenet Network, but a majority of the Partner Network has been upgraded to provide a minimum capacity of 600 MHz.

Our analog cable television subscribers can receive a selection of analog channels without need for a set-top box. In order to receive basic digital television, subscribers must attach a digital set-top box. For our premium iDTV offerings, and to benefit from interactive features on our iDTV service, subscribers must also enable their set-top box by means of a smart card which is inserted to the set-top box, and through the installation of a return path internet connection, if not already installed.

Our network operating centre in Mechelen, Belgium, monitors performance levels on the Combined Network on a continuous basis and we have a separate disaster recovery site in order to guarantee continuous network monitoring. Our 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. We have insured our buildings, head end stations, nodes and related network equipment against fire, floods, earthquakes and other natural disasters. We carry insurance on our fibre optic network up to a capped amount, but do not carry property damage insurance for our coaxial network.

Recent and Planned Network Investments

At the end of 2009, we completed the upgrade of our network bandwidth capacity from 450 MHz to 600 MHz. In 2009, we also implemented the necessary software and hardware to enable our adoption of the EuroDocsis 3.0 channel bonding standard. Through the EuroDocsis 3.0 technology, we are able to offer downstream speeds of 100 MBps and beyond. At the beginning of 2010, we announced our next phase of network investments, referred to as our “Digital Wave 2015” investment program, to further upgrade our network and services as we believe that a fibre-rich and flexible network will provide capacity for future growth which our competitors will have difficulty matching. One of the cornerstones of our upgrade strategy is our “Pulsar” node splitting project which will allow us 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. We plan to execute this program over five years for a total expenditure of approximately €30 million per annum but this amount could vary, however, depending on market conditions, supply arrangements and numerous other factors.

We regularly incur investment costs for network maintenance and network extensions. Since analog cable television is perceived as a universal utility in Belgium, we are expected to cooperate in extending the local loop of our coaxial network to serve newly constructed dwellings in Flanders. We are further expected to cooperate with other utilities that have undertaken a general program of gradually moving cables underground for safety or other reasons. In addition, we manage our own program of replacing worn out cables and other related equipment.

2 Discussion of the condensed consolidated interim financial statements

2.1 CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the 6 months ended June 30,	
	2010	2009
	(in thousands of euro, except per share data)	
Revenue	638,584	577,374
Cost of services provided	(363,125)	(326,180)
Gross profit	**275,459**	**251,194**
Selling, general and administrative expenses	(104,628)	(95,298)
Operating profit	**170,831**	**155,896**
Net finance expenses	(130,010)	(80,635)
Share of the loss of equity accounted investees	(199)	(266)
Profit before income tax	40,622	74,995
Income tax expense	(18,859)	(27,299)
Profit for the period	**21,763**	**47,696**
Other comprehensive income for the period, net of income tax	**-**	**-**
Total comprehensive income for the period, attributable to Owners of the Company	**21,763**	**47,696**
Earnings per share		
Basic earnings per share in €	0.19	0.43
Diluted earnings per share in €	0.19	0.43

In the first six months of 2010, we generated revenue of €638.6 million, representing a strong 11% increase compared to the prior year period which produced revenue of €577.4 million. Apart from BelCompany, which we have consolidated since June 30, 2009, and the recent acquisition of Mechelen-based internet security specialist C-CURE, which we acquired on May 31, 2010, our revenue growth was fully organic and predominantly driven by sustained growth in our subscriber base for our core residential products of digital TV, broadband internet and fixed telephony, a growing contribution from our mobile activities and overall a higher ARPU per customer relationship resulting from customers increasingly subscribing to two or more products and a higher penetration of digital TV across our customer base. Organic revenue growth over the first half year amounted to a healthy 9%.

For the first half of 2010, we achieved Adjusted EBITDA of €329.6 million, up 8% compared to the prior year period and up 9% when excluding the acquisitions of BelCompany and C-CURE. The strong growth in our Adjusted EBITDA is primarily the result of our continued focus on process and product platform improvements, an accelerated uptake of multiple play and overall disciplined cost control. These ongoing efficiency gains more than compensated for our elevated inroads into mobile.

The combination of solid Adjusted EBITDA growth, offset by higher charges related to share-based compensation and depreciation and amortization, led to an operating profit of €170.8 million in H1 2010 compared to €155.9 million in the prior year, an increase of 10%.

We recorded a net profit of €21.8 million for the first half of 2010, including a loss on our interest rate derivatives of €60.1 million, without which we would have recorded a net profit of €81.9 million. In the prior year period, we reported a net profit of €47.7 million, including a €14.1 million loss on our interest rate derivatives, without which we would have recorded a net profit of €61.8 million. Excluding these losses on our interest rate hedges in both years, we experienced an increase in net income, due primarily to our underlying operating improvements.

2.2 REVENUE BY SERVICE

	For the 6 months ended June 30,	
	2010	**2009**
	(in thousands of euro)	
Cable television:		
Basic Subscribers [1]	162,674	159,535
Premium Subscribers [1]	71,764	53,128
Distributors/Other:	28,385	19,882
Residential:		
Internet	213,111	197,459
Telephony [2]	123,249	109,067
Business	39,401	38,303
Total Revenue	**638,584**	**577,374**

Our revenue for the first half of 2010 remained well balanced, with analog cable television, residential internet and residential telephony all representing significant proportions of our total revenue.

2.2.1 Cable television

Basic cable television

Basic cable television revenue, which comprises the basic subscription fee paid by our analog and digital (both Telenet Digital TV and INDI) subscribers, remains an important contributor to our overall revenue. Basic cable television revenue for the first six months of 2010 represented €162.7 million, up 2% compared to the prior year period as a higher net loss of analog cable subscribers relative to the corresponding prior year period was offset by an increase of approximately 6% in the basic cable subscription fee as of February 2009 which had a deferred benefit until the end of February 2010.

Premium cable television

Our premium cable television revenue regroups the revenue generated by our digital television subscribers on top of the basic cable television revenue as described above. In addition to video-on-demand revenue, our 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 positive boost to our recurring monthly set-top box rental fees. The other contributors to our premium cable television revenue include subscription fees to our thematic and premium channel packages, the latter marketed under the brand name PRIME, and interactive services on the platform.

(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.

Digital television customers typically generate an ARPU which is approximately twice as high as the basic cable television ARPU, through the use of on-demand content, the uptake of our thematic and premium channel packages, payTV as well as recurring rental fees. Our premium cable television revenue for the first six months of 2010 totalled €71.8 million, marking a solid 35% increase compared to the prior year period's level of €53.1 million.

2.2.2 Distributors/Other

Distributors/Other revenue includes revenue related to the sale of set-top boxes, revenue from cable television activation and installation fees and an increasing share of other services such as online advertising on our portal and community websites. Furthermore, this revenue line also includes the contribution from the acquired multi-channel mobile telephony distribution channel, BelCompany.

Distributors/Other revenue for the first half of 2010 represented €28.4 million, up 43% compared to the prior year period. The bulk of this revenue increase was directly related to the acquisition of BelCompany as of June 30, 2009. In the first half of 2010, BelCompany generated revenue of €10.8 million. In line with our strategy, BelCompany generated a substantial proportion of our mobile sales thus leading to lower sales commissions from third-party network operators.

In H1 2010, the revenue generated by the sale of set-top boxes and other customer premise equipment yielded revenue of €2.4 million compared to €3.4 million a year earlier. This decrease is predominantly attributable to the marked shift to set-top box rentals, which generates recurring revenue in the form of a monthly rental fee, as opposed to the one-time low-margin revenue from set-top box sales.

2.2.3 Residential broadband internet

In addition to digital television, broadband internet remains an important growth driver for our future business. In the first half of 2010, we demonstrated 8% revenue growth for our broadband products to €213.1 million compared to €197.5 million for the prior year period.

Robust subscriber growth and fewer downward migrations were slightly offset by a higher concentration of sales in bundles, which has an adverse impact on the individual product ARPU as we allocate the bundle discount proportionally over the different products. In July this year, we introduced the concept of unlimited data volume based on a fair use policy for our high-end broadband customers after having already increased the data volumes and specifications of our broadband products in March. In the first half of 2010, we also made our FiberNet 50 and 100 product suite based on the EuroDocsis 3.0 technology gradually available to our customers. Enabling unprecedented speeds of up to 100 Mbps across our entire footprint, we believe FiberNet will further drive broadband revenue growth alongside further growth in the overall level of broadband penetration.

2.2.4 Residential telephony

Residential telephony, which includes both our fixed and mobile telephony businesses, reported revenue of €123.2 million for the first half of 2010, representing a solid 13% increase compared to the €109.1 million we reported in the prior year period. The vast majority of this revenue growth was driven by our mobile telephony business following sustained growth in the number of net new subscribers and further improvement in our mobile ARPU as the newly acquired customers on our segmented tariff plans generate a superior ARPU relative to the legacy base. In addition, our fixed telephony business is no longer suffering from the adverse impact of the 55% regulatory decline in fixed termination rates, which had a negative impact of €4.5 million on our H1 2009 revenue. This was somewhat offset by a further decline in the individual fixed telephony ARPU given the higher proportion of customers on flat fee rate plans and a sustained high concentration of bundle sales.

2.2.5 Business services

First half year revenue for our business services division, Telenet Solutions, grew by just over €1 million compared to the prior year period to €39.4 million. Relative to Q1 2010, when our B2B revenue showed a 5% year-on-year decline because of much lower nonrecurring install revenue compared to Q1 2009, our business service revenue showed double-digit growth in Q2 2010 compared to the prior year period (+11% year-on-year).

In addition to solid results for our core data and fibre products, results in Q2 2010 were influenced by somewhat higher nonrecurring install revenue (+€0.4m difference compared to the prior year period) and the one-month consolidation of C-CURE which we acquired on May 31, 2010. Excluding both effects, our business services revenue would still have grown 4% on a like-for-like basis.

2.3 TOTAL EXPENSES

Our total operating expenses totalled €467.8 million for the first six months of 2010, up 11% compared to the prior year period, which is at par relative to our top line growth rate. The bulk of our expense growth in the period continued to be driven by the underlying growth in our subscriber base and a further increase in the total number of services, whereas the acquisitions of BelCompany and C-CURE also impacted our expense growth.

Compared to organic top line growth of 9% in the first half of 2010, our operating expenses grew at a slower pace (+7% year-on-year) reflecting the operational efficiency improvements which we continued to pursue in our sales, care and repair divisions, while overall keeping a tight control on overhead expenses.

	For the 6 months ended June 30,	
	2010	**2009**
	(in thousands of euro)	
Cost of services provided	(363,125)	(326,180)
Selling, general and administrative expenses	(104,628)	(95,298)
Total expenses	**(467,753)**	**(421,478)**

2.3.1 Cost of services provided

Cost of services provided represented €363.1 million of total operating expenses during the first six months ended June 30, 2010, an annual increase of 11%, reflecting the BelCompany acquisition, as well as the purchase costs of our mobile handsets which we only started offering as of Q4 2009. Furthermore, we saw an increase in direct expenses such as call centre costs, content costs and interconnect termination fees, which are all directly correlated to the continued strong growth in our subscriber base.

2.3.2 Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses represented €104.6 million of total operating expenses during H1 2010, a year-on-year increase of 10%. This increase in SG&A expenses reflects the acquisitions of both BelCompany and C-CURE, higher compensation expenses related to the Company's stock option plans and a further insourcing of call centres, offset through lower network operating and service costs. Advertising, sales and marketing expenses rose 9% in H1 2010 compared to the prior year period. A decline in sales commissions following a lower level of net new subscriber additions compared to an exceptionally strong H1 last year was offset by the inclusion of BelCompany and the overall impact of our new mobile-focused marketing campaigns.

2.4 EXPENSES BY NATURE

	For the 6 months ended June 30,	
	2010	**2009**
	(in thousands of euro)	
Employee benefits:		
Wages, salaries, commissions and social security costs	57,562	48,558
Other employee benefit costs	8,683	8,260
	66,245	**56,818**
Depreciation and impairment	122,416	117,567
Amortisation	29,567	25,580
Amortisation of broadcasting rights	3,982	4,531
Network operating and service costs	185,502	162,667
Advertising, sales and marketing	32,079	29,564
Share-based payments granted to directors and employees	2,767	1,155
Operating charges related to acquisitions or divestitures	-	580
Other costs	25,195	23,016
Total costs and expenses	**467,753**	**421,478**

- **Employee benefits** represented €66.2 million for the first six months of 2010, up 17% compared to the prior year period, reflecting the acquisitions of both BelCompany and C-CURE and a further insourcing of call centres, offset through lower network operating and service costs, as we believe the superior efficiency and effectiveness of insourced call centres will continue to contribute to improved results for both sales and care. It should be noted that the prior year period included a higher nonrecurring positive impact for compensation benefits resulting from a reduction of certain accruals.

- **Depreciation and amortization** increased 6% year-on-year from €147.7 million in H1 2009 to €156.0 million. This increase can be attributed to the depreciation of the capital lease assets and amortization of the intangible assets acquired in the Interkabel Acquisition, and a larger share of capital expenditures being represented by rental set-top boxes, which are depreciated in a shorter timeframe than our network assets.

- **Network operating and service costs** reached €185.5 million for the first half year of 2010 compared to €162.7 million for the prior year period. The 14% year-on-year increase reflects the BelCompany acquisition, as well as the purchase costs of our mobile handsets which we only started offering as of Q4 2009. Furthermore, we saw an increase in direct expenses such as call centre costs, content costs and interconnect termination fees, which are all directly correlated to the continued strong growth in our subscriber base.

- **Advertising, sales and marketing expenses** were up 9% in H1 2010 compared to the prior year period from €29.6 million to €32.1 million. A decline in sales commissions following a lower level of net new subscriber additions compared to an exceptionally strong H1 last year was offset by the inclusion of BelCompany and the overall impact of our new mobile-focused marketing campaigns. Furthermore, it should be noted that in the prior year period we were still benefiting from pent-up demand for our products resulting from the Interkabel Acquisition, as a result of which we spent relatively less on new subscriber acquisitions.

- **Other costs, including operating charges (credits) related to acquisitions or divestitures,** showed a 7% year-on-year increase to €25.2 million in H1 2010 compared to €23.6 million for the prior year period. This particular cost line predominantly reflects business-supporting corporate advisory and legal fees.

2.5 ADJUSTED EBITDA

For the first half of 2010, we achieved Adjusted EBITDA of €329.6 million, up 8% compared to the prior year period when we reported €305.3 million of Adjusted EBITDA. In line with our expectations, the underlying Adjusted EBITDA margin showed a mild contraction from 52.9% in H1 2009 to 51.6%, with BelCompany having a dilutive impact on our margin. Also, the acquisition of C-CURE as of May 31, 2010, had a dilutive impact on our overall margin as in line with industry trends margins for this type of businesses are typically lower relative to the traditional cable margins. Finally, our year-to-date margin also reflects our controlled and balanced push into the mobile market through selective handset subsidies as of October last year. Despite our investments in these new growth opportunities, we were able to continue to improve the economics of our existing business resulting in a steady Adjusted EBITDA margin.

On an organic basis, our Adjusted EBITDA grew 9%, implying an Adjusted EBITDA margin of 53.2% during the first half of 2010. The strong growth in our Adjusted EBITDA is primarily the result of our continued focus on process and product platform improvements, an accelerated uptake of multiple play and overall disciplined cost control. These ongoing efficiency gains more than compensated for our elevated inroads into mobile.

	For the 6 months ended June 30,	
	2010	**2009**
	(in thousands of euro)	
Total comprehensive income for the period, attributable to owners of the Company	**21,763**	**47,696**
Income tax expense	18,859	27,299
Share of the loss of equity accounted investees	199	266
Net Finance expense	130,010	80,635
Depreciation, amortization and impairment	155,965	147,678
EBITDA	**326,796**	**303,574**
Share based compensation	2,767	1,155
Operating charges related to acquisitions or divestitures	-	580
Adjusted EBITDA	**329,563**	**305,309**

2.6 OPERATING PROFIT (EBIT)

The combination of solid Adjusted EBITDA growth, offset by higher charges related to share-based compensation and depreciation and amortization, led to an operating profit of €170.8 million in H1 2010, compared to €155.9 million in the prior year, an increase of 10%.

2.7 NET FINANCE COSTS

2.7.1 Net interest income and foreign exchange gain

Interest income for the first half of 2010 was €0.5 million, broadly flat compared to last year's period. Despite our average cash balance being higher in the first half of 2010 compared to prior year period, lower interest rates on our cash investments and deposits resulted in stable interest income.

2.7.2 Net interest expense and foreign exchange loss

Our net interest expense for the first half of 2010 totalled €70.4 million, which compares to €67.1 million for the prior year period. Behind this broadly flat evolution, we incurred a further decrease in the EURIBOR interest rate, which sets the basis for our total interest expenses carried on our Senior Credit Facility, offset by a higher margin as a result of the maturity extension process executed in August 2009.

2.7.3 Gains and losses on derivative financial instruments

We have entered into various derivative instruments to significantly reduce our exposure to interest rate increases through the maturity date of our Senior Credit Facility. Throughout the first quarter of 2010, we have further optimized our portfolio of interest rate hedges seeking to lower the average interest rates combined with full coverage of the extended maturities of our Senior Credit Facility. Our derivative instruments comprise a combination of interest rate swaps, caps and collars. As a result of our hedging optimization program from the second half of 2009 through the first quarter of 2010, we managed to decrease (i) the average pay interest rate under our swaps to 3.9% from 4.5%, (ii) the average cap interest rate under our caps to 3.8% from 4.7%, (iii) our average floor interest rate under our collars to 1.1% from 2.5% and (iv) our average cap interest rate under our collars to 4.1% from 4.8%.

In line with IFRS accounting standards, our interest rate derivatives are valued on a mark-to-market basis, i.e. at fair value, and differences in fair value are reflected in our income statement. These changes in fair value can be volatile and do not have any direct impact on our cash flows until such time as the derivatives are fully or partially settled. For the first half of 2010, the change in fair value of our interest rate derivatives yielded a loss of €60.1 million versus a loss of €14.1 million in the prior year period. As of the moment EURIBOR rates will start to rise, we expect the mark-to-market valuation of these instruments to have a positive impact on our net result.

2.8 INCOME TAX EXPENSES

For the first half of 2010, we recorded an income tax expense of €18.9 million, compared to €27.3 million for the prior year period. This decrease is the combined effect of a lower pre-tax profit for the first half year 2010 compared to the prior year period, which sets the base for our income taxes, and the fact that Telenet NV recognised certain deferred tax assets in the first half of 2010, reflecting the merger between Telenet BidCo NV and Telenet NV on June 30, 2010, with retroactive effect as from January 1, 2010. We refer to the investor relations section of our corporate website for an updated overview of our simplified group structure.

Since Belgium does not apply tax consolidation rules, future tax expenses or benefits within individual group entities cannot be correlated to the consolidated net income of Telenet Group Holding NV.

2.9 PROFIT FOR THE PERIOD

We recorded a net profit of €21.8 million for the first half of 2010, including a loss on our interest rate derivatives of €60.1 million, without which we would have recorded a net profit of €81.9 million. In the prior year period, we reported a net profit of €47.7 million, including a €14.1 million loss on our interest rate derivatives, without which we would have recorded a net profit of €61.8 million. Excluding these losses on our interest rate hedges in both years, we experienced an increase in net income, due primarily to our underlying operating improvements.

2.10 CASH FLOW

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

	For the 6 months ended June 30,	
	2010	2009
	(in thousands of euro)	
Net cash provided by operating activities	244,742	240,870
Net cash used in investing activities	(115,593)	(148,820)
Net cash provided by (used in) financing activities	123,828	(3,524)
Net increase in cash and cash equivalents	**252,977**	**88,526**

2.10.1 Net cash provided by operating activities

Net cash provided by operating activities increased by 2% to €244.7 million for the first half year of 2010 compared to €240.9 million in the prior year period. The 2010 amount included €9.2 million of nonrecurring upfront premiums for the optimization of our hedges in Q1 2010, partially offsetting the solid underlying growth in our Adjusted EBITDA.

2.10.2 Net cash used in investing activities

Net cash used in investing activities was €115.6 million for the first half of 2010, including €2.3 million cash paid for the May 31, 2010 acquisition of C-CURE, a local internet security specialist. In the prior year, net cash used in investing activities was 22% higher as the first half of 2009 was exceptionally boosted by the pent-up demand for rental set-top boxes following the Interkabel Acquisition, which were recorded in capital expenditures. Please refer to Section 2.11 – Capital Expenditures for detailed information.

2.10.3 Free cash flow

In the first half of 2010, we continued to grow our Free Cash Flow by 42% to €131.4 million from €92.5 million in the prior year period, representing 21% of revenue. This reflects an improvement of 5 percentage points compared to the first half of 2009, despite the nonrecurring upfront hedging premiums of €9.2 million in Q1 2010. If the latter were excluded, our Free Cash Flow would have increased 52% from the prior year amount to €140.6 million, equivalent to 22% of our revenue. The robust increase in our Free Cash Flow resulted from a strong improvement in our Adjusted EBITDA and lower cash capital expenditures.

	For the 6 months ended June 30,	
	2010	2009
	(in thousands of euro)	
Net cash provided by operating activities	244,742	240,870
Purchases of property and equipment	(89,808)	(130,134)
Purchases of intangibles	(23,558)	(18,247)
Free Cash Flow	**131,376**	**92,489**

2.10.4 Net cash provided by (used in) financing activities

Net cash provided by financing activities amounted to €123.8 million for the first half of 2010, compared to net cash used in financing activities of €3.5 million for the prior year period. The high cash inflow in 2010 reflects the drawdown on June 28, 2010, of the Term Loan Facilities B2A and E2 under our Senior Credit Facility for an aggregate of €135.0 million since the availability of these commitments was expiring by the end of Q2 2010. The proceeds from this drawdown are currently being held as cash equivalents and will be utilized for the payment of the announced capital reduction of approximately €250 million on August 2, 2010. Net cash provided by financing activities during the first half of 2010 also reflected various lease repayments and the €12.3 million scheduled repayment of the Telenet Partner Network capital lease associated with the Interkabel Acquisition.

As of June 30, 2010, we held €398.7 million of cash and cash equivalents, compared to €145.7 million as of December 31, 2009, including €135.0 million of proceeds from our Senior Credit Facility. We manage and optimize our cash balance on a daily basis and according to balanced counterparty risks.

2.10.5 Leverage ratio and availability of funds

As of June 30, 2010, the outstanding balance of our Senior Credit Facility and outstanding cash balance resulted in a net senior debt leverage ratio of 2.6x EBITDA[1], down from 3.1x EBITDA at December 31, 2009, and significantly below the covenant of 6.0x and the availability test of 5.0x. Including our capital leases and other debt, our net total debt leverage ratio is equivalent to 3.2x EBITDA. Taking into account the shareholder disbursement of €250.0 million on August 2, 2010, our pro-forma net senior debt leverage ratio would have been 3.0x EBITDA and our pro-forma net total debt leverage ratio 3.6x EBITDA.

Under the Senior Credit Facility, we have access to the additional committed Revolving Facility of €175.0 million, subject to compliance with the above covenants, with availability up to and including June 30, 2014. We currently do not face any major debt amortizations before the end of 2014. On July 19, 2010, we launched a voluntary exchange process for certain term loans to a new term loan with longer maturities. Please refer to section '5.25 Subsequent events' for more information.

2.11 CAPITAL EXPENDITURES

Accrued capital expenditures were €107.9 million for the first half of 2010, representing 17% of revenue, and were significantly down versus €151.8 million recorded in the first half of 2009. This decline is predominantly attributable to our set-top box expenditures which came down to €18.4 million in H1 2010 from €61.1 million in H1 2009 as the prior year period included strong pent-up demand for Telenet Digital TV following the Interkabel Acquisition and a reduction of our inventory levels for set-top boxes.

In addition to the rental set-top boxes, 22% of our total accrued capital expenditures during the first half of 2010 were related to customer installations and in-home equipment and 29% to network growth and expansions, including various investments in our network upgrade projects and other investments to accommodate our increased subscriber base and broadband speed requirements. This implies that approximately 68% of our accrued capital expenditures during the first half year were scalable and growth or subscriber related. The remainder represents refurbishments and replacements of network equipment, sports content acquisition costs and recurring investments in our IT-platform and systems.

During the first half of 2010, we have defined the blueprint of our network upgrade project "Digital Wave 2015", under which we will split our optical nodes amongst other significant core network infrastructure and technology improvements. As of the second half, we will start with the actual implementation of additional optical nodes which will increase the level of accrued capital expenditures compared to the first half of 2010. In addition, we foresee additional network investments associated with the uptake of our new FiberNet broadband products, however all of these within our full year outlook as disclosed on February 2010.

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

3 Risk factors

3.1 GENERAL INFORMATION

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

- the competition that we face in the internet, telephony and television markets in which we provide services; -including new sources of competition from providers of television services in what had principally been an analog cable television market;
- our high leverage and significant debt service obligations, including the restrictive covenants included in our New Senior Credit Facility. As of June 30, 2010, we had total debt of €2,503 million on a consolidated basis;
- the control over our operations that our principal shareholder retains and possible conflicts of interest that we may have with our principal shareholder.

Other risks that we face include, but are not limited to, increasing subscriber acquisition costs; our ability to attract and retain customers and increase our overall market penetration; our ability to compete against other communications and content distribution businesses; any negative impact on the reputation of and value associated with our brand name; our ability to successfully introduce new technologies or services and our ability to obtain necessary network and other equipment; failure to maintain and upgrade the networks that we own or use or the occurrence of events that damage those networks; the failure to ensure sufficient access to premium content; foreign exchange rate exposure; adverse regulatory, legislative, tax or other judicial developments, an adverse evolution of the social economic climate and our ability to execute our Full-MVNO agreement.

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

3.2 LEGAL PROCEEDINGS

We are involved in a number of legal proceedings that have arisen in the ordinary course of our business. We discuss in our 2009 Annual Report certain pending lawsuits in which we are involved, which may have, or have had in the recent past, significant effects on our financial position or profitability. We have no new or amended lawsuits other than those reported in our 2009 Annual Report that are expected to have a material adverse impact on our business or consolidated financial position.

We do not expect the legal proceedings in which we are involved or with which we have been threatened to have a material adverse effect on our business or consolidated financial position. We note, however, that the outcome of legal proceedings can be extremely difficult to predict with certainty, and we offer no assurances in this regard.

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), gives a true and fair view of the assets, 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 between contracting parties which occurred during the first six months of the financial year, and their impact on the set of condensed financial statements, and a description of the main risks and uncertainties for the remaining months of the financial year.

Duco Sickinghe CEO	Renaat Berckmoes CFO

Condensed consolidated interim financial statements

1 Condensed consolidated interim statement of financial position

	Note	June 30, 2010	December 31, 2009
Assets		(in thousands of euro)	
Non-current assets:			
Property and equipment	5.4	1,284,396	1,314,968
Goodwill	5.5	1,242,470	1,240,376
Other intangible assets	5.6	291,372	308,645
Deferred tax assets	5.14	56,116	116,363
Derivative financial instruments	5.13	1,541	9,113
Investments in equity accounted investees	5.21	250	259
Other assets	5.8	5,024	5,600
Total non-current assets		**2,881,169**	**2,995,324**
Current assets:			
Inventories	5.9	10,889	11,305
Trade receivables	5.7	78,819	73,281
Derivative financial instruments	5.13	325	301
Other current assets	5.8	60,412	47,325
Cash and cash equivalents	5.10	398,686	145,709
Total current assets		**549,131**	**277,921**
Total assets		**3,430,300**	**3,273,245**
Equity and Liabilities			
Equity:			
Share capital	5.11	794,880	1,041,812
Share premium and other reserves	5.11	906,008	902,596
Retained loss	5.11	(1,562,589)	(1,584,352)
Total equity		**138,299**	**360,056**
Non-current liabilities:			
Loans and borrowings	5.12	2,427,796	2,291,538
Derivative financial instruments	5.13	59,642	18,586
Deferred revenue	5.17	7,496	8,565
Deferred tax liabilities	5.14	291	45,685
Other liabilities	5.15	41,505	39,940
Total non-current liabilities		**2,536,730**	**2,404,314**
Current liabilities:			
Loans and borrowings	5.12	35,417	32,434
Trade payables		91,536	82,186
Accrued expenses and other current liabilities	5.16	503,278	272,465
Deferred revenue	5.17	106,049	105,143
Derivative financial instruments	5.13	18,825	16,582
Current tax liability	5.14	166	65
Total current liabilities		**755,271**	**508,875**
Total liabilities		**3,292,001**	**2,913,189**
Total Equity and liabilities		**3,430,300**	**3,273,245**

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

2 Condensed consolidated interim statement of comprehensive income

	Note	For the 6 months ended June 30, 2010	2009
		(in thousands of euro, except per share data)	
Revenue	5.17	638,584	577,374
Cost of services provided	5.18	(363,125)	(326,180)
Gross profit		**275,459**	**251,194**
Selling, general and administrative expenses	5.18	(104,628)	(95,298)
Operating profit		**170,831**	**155,896**
Finance income		479	635
Net interest income and foreign exchange gain		479	635
Finance expense		(130,489)	(81,270)
Net interest expense and foreign exchange loss		(70,411)	(67,123)
Net loss on derivative financial instruments		(60,078)	(14,147)
Net finance expenses	5.19	**(130,010)**	**(80,635)**
Share of the loss of equity accounted investees		(199)	(266)
Profit before income tax		40,622	74,995
Income tax expense	5.14	(18,859)	(27,299)
Profit for the period		**21,763**	**47,696**
Other comprehensive income for the period, net of income tax		**-**	**-**
Total comprehensive income for the period, attributable to Owners of the Company		**21,763**	**47,696**
Earnings per share			
Basic earnings per share in €	5.20	0.19	0.43
Diluted earnings per share in €	5.20	0.19	0.43

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

3 Condensed consolidated interim statement of changes in equity

		Atrributable 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, 2009		**110,299,104**	**1,089,599**	**62,572**	**10,080**	**3**	**825,350**	**(1,817,442)**	**170,162**		**170,162**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**47,696**	**47,696**	**-**	**47,696**
Profit for the period		-	-	-	-	-	-	47,696	47,696	-	47,696
Other comprehensive income		-	-	-	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity		**1,413,251**	**(48,247)**	**-**	**90**			**-**	**(48,157)**	**-**	**(48,157)**
Recognition of share-based compensation	5.11	-	-	-	1,155	-	-	-	1,155	-	1,155
Proceeds received upon exercise of Class A and Class B Options	5.11	-	-	-	6,545	-	-	-	6,545	-	6,545
Issuance of share capital via exchange of Class A and Class B Profit Certificates	5.11	1,413,251	7,610	-	(7,610)	-	-	-	-	-	-
Repayment of capital	5.11	-	(55,857)	-	-	-	-	-	(55,857)	-	(55,857)
June 30, 2009		**111,712,355**	**1,041,352**	**62,572**	**10,170**	**3**	**825,350**	**(1,769,746)**	**169,701**	**-**	**169,701**

		Atrributable 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**	**0**	**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)							-		-
Repayment of capital	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**

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, 2010	2009
Cash flows provided by operating activities:		(in thousands of euro)	
Profit for the period		21,763	47,696
Adjustments for:			
Depreciation, amortisation and impairment	5.18	155,965	147,678
Income tax expense	5.14	18,859	27,299
Increase/(Decrease) in allowance for bad debt	5.7	1,280	(1,590)
Net interest income and foreign exchange gain	5.19	(479)	(635)
Net interest expense and foreign exchange loss	5.19	70,411	67,123
Net loss on derivative financial instruments	5.19	60,078	14,147
Loss in equity-accounted investees		199	266
Share based payments	5.11	2,767	1,155
Other		-	1
Change in:			
Trade receivables		(5,502)	(2,002)
Other assets		(11,896)	(5,803)
Deferred revenue		(513)	(11,471)
Trade payables		8,086	18,463
Provision for liabilities and charges		(4,335)	(1,633)
Accrued expenses and other current liabilities		(784)	(6,915)
Cash provided by operations		**315,899**	**293,779**
Interest paid		(62,370)	(63,497)
Interest received		129	10,772
Income taxes received/(paid)		315	(259)
Cash paid for derivatives		(12,940)	(300)
Cash received for derivatives		3,709	375
Net cash provided by operating activities		**244,742**	**240,870**
Cash flows used in investing activities:			
Purchases of property and equipment		(89,808)	(130,134)
Purchases of intangibles		(23,558)	(18,247)
Acquisitions of subsidiaries and affiliates, net of cash acquired	5.21	(2,314)	(521)
Proceeds from sale of property and equipment and other intangibles		87	82
Net cash used in investing activities		**(115,593)**	**(148,820)**
Cash flows provided by (used in) financing activities:			
Repayments of loans and borrowings	5.12	(8)	(85,000)
Proceeds from loans and borrowings	5.12	135,000	90,000
Payments of finance lease liabilities		(14,317)	(14,497)
Payments for debt issuance costs		(376)	(540)
Proceeds from exercise of share options	5.11	3,651	6,545
Payments for 2007 and 2009 capital decrease paid as dividend		(122)	(32)
Net cash provided by (used in) financing activities		**123,828**	**(3,524)**
Net increase in cash and cash equivalents		**252,977**	**88,526**
Cash and cash equivalents:			
at January 1		145,709	65,641
at June 30		398,686	154,167

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, 2010

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") as at and for the six months ended June, 2010. Through its broadband network the Company offers cable television, including premium television services, broadband internet and telephony services to residential subscribers in Flanders and certain communes in Brussels as well as broadband internet, data and voice services in the business market throughout Belgium. The Company also offers mobile telephony services as a mobile virtual network operator (MVNO) which acquires wholesale airtime capacity from the Belgian mobile telephone operator Mobistar. Telenet Group Holding NV and its principal subsidiaries are limited liability companies organised under Belgian law.

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, 2009. Results for the six months ended June 30, 2010 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, 2009. The Interim Financial Statements were approved for issue by the Board of Directors on July 29, 2010.

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
- Note 5.21: Acquisitions of subsidiaries

5.1.5 Segment reporting

As from 1 January 2009, Telenet determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker ("CODM"), the Executive Team and the Board of Directors.

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 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 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, 2009. The following standards, amendments and interpretations are mandatory for the first time for the financial year beginning January 1, 2010:

- Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* (effective from January 1, 2010)
  The Company adopted the amendments as of January 1, 2010 with no material effect on its financial result or financial position.

- IFRS 3 (Revised 2008) *Business Combinations* (effective from January 1, 2010)
  The Company adopted the standard as of January 1, 2010 with no material effect on its financial result or financial position .

- IAS 27 (Revised 2008) *Consolidated and Separate Financial Statements* (effective from January 1, 2010)
  The Company adopted the standard as of January 1, 2010 with no material effect on its financial result or financial position.

5.3 RISK MANAGEMENT

During the six months ended June 30, 2010, 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, 2009.

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, 2010	**100,240**	**2,557,072**	**53,152**	**54,152**	**2,764,616**
Acquisition of subsidiaries	65	-	-	100	165
Additions	204	2,099	89,192	275	91,770
Transfers	1,144	75,729	(76,418)	1,367	1,822
Disposals	(314)	(1,015)	-	(132)	(1,461)
At June 30, 2010	**101,339**	**2,633,885**	**65,926**	**55,762**	**2,856,912**
Accumulated Depreciation					
At January 1, 2010	**19,847**	**1,389,072**	**-**	**40,729**	**1,449,648**
Depreciation charge for the period	2,609	116,883	-	2,898	122,390
Transfers	-	1,114	-	-	1,114
Eliminated on disposal	(314)	(192)	-	(130)	(636)
At June 30, 2010	**22,142**	**1,506,877**	**-**	**43,497**	**1,572,516**
Carrying Amount					
At June 30, 2010	79,197	1,127,008	65,926	12,265	1,284,396
At January 1, 2010	80,393	1,168,000	53,152	13,423	1,314,968
Carrying Amount of Finance Leases included in Property and Equipment					
At June 30, 2010	39,133	236,972	-	80	276,185
At January 1, 2010	40,480	248,461	-	154	289,095

5.5 GOODWILL

A reconciliation of the changes in goodwill is depicted below:

(in thousands of euro)	
January 1, 2010	**1,240,376**
Acquisition of subsidiaries	
- C-Cure	3,270
Retrospective adjustment to allocation of purchase price (Note 5.21)	
- BelCompany	(900)
Other adjustments to goodwill (Note 5.21)	
- BelCompany	(276)
June 30, 2010	**1,242,470**

The change in goodwill with respect to BelCompany is the result of the purchase price allocation performed in the course of the first half year of 2010 as the measurement period ended June 30, 2010 (€-0.9 million) and a correction to the calculation of the purchase consideration (€-0.3 million).

Further information regarding the adjustments to goodwill related to contingent consideration and the adjustments to purchase price allocations have been included in Note 5.21.

On May 31, 2010, Telenet acquired C-CURE NV, an internet security specialist. As at June 30, 2010 the Company has not yet finalized its allocation of the total consideration over the net assets. The excess of the purchase price paid and the estimated fair value of the contingent consideration over the book value of the net assets acquired was allocated initially to goodwill which amounts to €3.3 million.

For detailed information regarding the acquisitions of subsidiaries in the first six months of 2010, we refer to Note 5.21.

5.6 OTHER INTANGIBLE ASSETS

(in thousands of euro)	Network user rights	Trade name	Software	Customer relationships	Other	Total
Cost						
At January 1, 2010	**9,700**	**121,000**	**207,568**	**228,028**	**42,602**	**608,898**
Acquisition of subsidiaries	-	400	-	500	-	900
Additions	405	-	13,412	-	2,267	16,084
Transfers	(1,822)	-	-	-	-	(1,822)
Disposals	-	-	-	-	(5,947)	(5,947)
At June 30, 2010	**8,283**	**121,400**	**220,980**	**228,528**	**38,922**	**618,113**
Accumulated Amortisation						
At January 1, 2010	**3,204**	**70,584**	**148,493**	**69,844**	**8,128**	**300,253**
Charge of the period	561	4,233	14,157	10,571	4,027	33,549
Transfers	(1,114)	-	-	-	-	(1,114)
Disposals	-	-	-	-	(5,947)	(5,947)
At June 30, 2010	**2,651**	**74,817**	**162,650**	**80,415**	**6,208**	**326,741**
Carrying Amount						
At June 30, 2010	5,632	46,583	58,330	148,113	32,714	291,372
At January 1, 2010	6,496	50,416	59,075	158,184	34,474	308,645

5.7 TRADE RECEIVABLES

	June 30, 2010	December 31, 2009
	(in thousands of euro)	
Trade receivables	91,030	84,211
Less: provision for impairment of trade receivables	(12,211)	(10,930)
Trade receivables, net	**78,819**	**73,281**

5.8 OTHER ASSETS

5.8.1 Non-current

	June 30, 2010	December 31, 2009
	(in thousands of euro)	
Outstanding guarantees to third parties for own liabilities (cash paid)	1,924	1,741
Funding of post retirement obligation	3,000	3,857
Other	100	2
Other non-current assets	**5,024**	**5,600**

5.8.2 Current

	June 30, 2010	December 31, 2009
	(in thousands of euro)	
Recoverable withholding taxes	143	529
Recoverable VAT	56	3
Prepaid content	5,701	4,125
Prepayments	10,651	7,630
Unbilled revenue	43,772	34,982
Other	89	56
Other current assets	**60,412**	**47,325**

5.9 INVENTORIES

As of June 30, 2010, inventories amount to €10.9 million (December 31, 2009: €11.3 million) and mainly consist of handsets as well as wireless modems, HD Digiboxes and powerline adaptors.

5.10 CASH AND CASH EQUIVALENTS

	June 30, 2010	December 31, 2009
	(in thousands of euro)	
Cash at bank and on hand	21,356	16,103
Certificates of deposits	53,130	24,100
Money Market Funds	324,200	105,506
Total cash and cash equivalents	**398,686**	**145,709**

As of June 30, 2010, total cash and cash equivalents stood at €398.7 million (December 31, 2009: €145.7 million). In addition to cash provided by operating activities, the increase in total cash and cash equivalents versus December 31, 2009 reflects the drawdown on June 28, 2010 under the Company's Senior Credit Facility for an aggregate of €135.0 million.

5.11 SHAREHOLDERS' EQUITY

5.11.1 Shareholders' equity

As of June 30, 2010, share capital amounted to €794.9 million (December 31, 2009: €1,041.8 million).

During the first six months of 2010, 165,553 Class B profit certificates have been converted into shares for a total amount of €1.0 million. Besides the conversion of the Class B profit certificates, the following warrants were exercised in the first half year of 2010, resulting in a capital increase of in total €2.0 million and an increase of share premium of €1.0 million:

Class of Warrants	Number of Warrants Exercised	Exercise Date
Stock Option Plan 2007 bis Warrants	54,804	05/01/2010
Stock Option Plan 2007 bis Warrants	108,035	13/04/2010
Stock Option Plan 2007 ter Warrants	3,862	13/04/2010
Stock Option Plan 2007 quater Warrants	46,248	13/04/2010

On April 28, 2010, the extraordinary shareholders' meeting of Telenet Group Holding NV approved a capital reduction of €2.23 per share. Payment of the capital reduction to all shareholders of Telenet Group Holding NV will occur on August 2, 2010 amounting to €249.9 million. No changes to the outstanding number of shares occurred or will occur as a result of this transaction.

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

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

Stock option plan 2007, stock option plan 2008 and stock option plan 2009

The extraordinary shareholders' meeting of December 27, 2007 decided to issue 3,300,000 warrants ("Stock Option Plan 2007"). The above mentioned stock options can be granted to employees of Telenet Group Holding NV and its affiliates and to the Chief Executive Officer. In the course of 2008, the Board of Directors authorised three separate grants of warrants under the Stock Option Plan 2007 (ESOP 2007, ESOP2007 bis and ESOP2007 ter).

In 2009, the Board of Directors authorized three new separate grants of warrants:

- to employees (ESOP 2007quater) on June 30, 2009 ;
- to the Chief Executive Officer (ESOP 2007quinquies) on December 4, 2009 ; and
- to employees (ESOP 2007sexies) on December 18, 2009.

The extraordinary shareholders' meeting of May 29, 2008 decided to issue 317,000 warrants ("Stock Option Plan 2008") to the Chief Executive Officer of the Telenet Group.

The extraordinary shareholders' meeting of May 28, 2009 decided to issue 180,000 warrants ("Stock Option Plan 2009") to the Chief Executive Officer of the Telenet Group.

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	Warrants accepted
Stock Option Plan 2007 Warrants	3.83	January 27, 2008	55,000	27,500
Stock Option Plan 2007 bis Warrants	2.79 - 4.34	April 19, 2008	1,294,000	1,058,600
Stock Option Plan 2007 ter Warrants	3.15 - 4.62	September 25, 2008	63,000	43,000
Stock Option Plan 2007 quater Warrants	4.91 - 5.93	July 30, 2009	1,298,000	1,236,000
Stock Option Plan 2007 quinquies Warrants	7.99 - 8.81	January 3, 2010	155,000	155,000
Stock Option Plan 2007 sexies Warrants	9.01 - 9.86	January 17, 2010	117,500	93,000
Stock Option Plan 2008 Warrants	3.02 - 4.78	May 29, 2008	317,000	317,000
Stock Option Plan 2009 Warrants	2.86 - 3.97	June 26, 2009	180,000	180,000

Under Stock Option Plan 2007, Stock Option Plan 2008 and Stock Option Plan 2009, 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 Telenet Group Holding NV.

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

	Share Price	Exercise Price	Expected Volatility	Expected Warrant Life	Expected Dividends	Risk-free interest rate
Stock Option Plan 2007 Warrants	18.04	19.40	25.5%	3.61 years	0.0%	3.50%
Stock Option Plan 2007 bis Warrants	14.41	14.50	24.2% - 27.7%	3.61 years	0.0%	4.07% - 4.20%
Stock Option Plan 2007 ter Warrants	14.78	14.69	25.9% - 28.5%	3.61 years	0.0%	4.17% - 4.39%
Stock Option Plan 2007 quater Warrants	16.35	14.36	32.2% - 36.4%	3.61 years	0.0%	1.83% - 2.61%
Stock Option Plan 2007 quinquies Warrants	19.93	19.45	50.8% - 63.9%	3.61 years	0.0%	1.64% - 2.46%
Stock Option Plan 2007 sexies Warrants	20.97	18.98	52.1% - 65.2%	3.61 years	0.0%	1.45% - 2.33%
Stock Option Plan 2008 Warrants	15.89	15.86	24.3% - 27.6%	3.61 years	0.0%	4.48% - 4.51%
Stock Option Plan 2009 Warrants	14.60	14.22	32.3% - 36.6%	3.61 years	0.0%	1.88% - 2.71%

Stock Option Plan 2010

The extraordinary shareholders' meeting of April 28, 2010 decided to issue 2,800,000 warrants ("Stock Option Plan 2010"). These warrants can be granted to employees of Telenet Group Holding NV and its affiliates. Each warrant shall entitle the holder thereof to subscribe to one new share to be issued by the Company. No warrants under the above mentioned plan have been granted yet by the Board of Directors.

Specific Stock Option Plan 2010-2014

The Board of Directors of March 24, 2010 approved a special stock option plan for the CEO for 850,000 stock options ("Specific Stock Option Plan 2010-2014"). The extraordinary shareholder's meeting of April 28, 2010 approved certain terms and conditions of this Specific Stock Option Plan 2010-2014. These stock options, once granted and vested, give the beneficiary the right to acquire existing shares of the Company. Each stock option gives the right to acquire one share of the Company.. These stock options can be granted to the Chief Executive Officer of the Company and will vest in four tranches from March 2011 until 2014, depending on (the achievement of) certain performance criteria. No stock options under the above mentioned stock option plan have been granted yet.

Total compensation expense associated with the Company's stock option plans amounted in the first six months of 2010 to €2.8 million (first six months of 2009: €1.2 million).

Effect of the capital reduction on the outstanding options and warrants

Upon the payment on August 2, 2010 of the capital reduction as decided upon by the extraordinary shareholders' meeting on April 28, 2010, the Company will amend all outstanding options and warrants to ensure that benefits granted to the option holders will not reduce. The number of options will be increased and the exercise price will be decreased by a factor [X] which is the ratio of the quoted market price of the Telenet Group Holding NV shares on the day immediately preceding the ex-date (i.e. date on which coupon n°3 is detached from the shares) less the capital reduction of €2.23 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 will remain the same for all option and warrant holders resulting in no additional compensation expense.

5.12 LOANS AND BORROWINGS

The debt balances specified below include accrued interest and commitment fee as of June 30, 2010 and December 31, 2009.

	June 30, 2010	**December 31, 2009**
	(in thousands of euro)	
Senior Credit Facility:		
Term Loan A	77,234	77,234
Term Loan B1	69,017	69,017
Term Loan B2A	45,008	74
Term Loan C	83,263	83,263
Revolving Credit Facility	222	222
Term Loan D	452,766	452,766
Term Loan E	418,503	328,636
Term Loan F	979,237	979,237
Finance lease obligations	315,040	315,642
Clientele fee > 20 years	62,546	60,059
	2,502,836	**2,366,150**
Less: deferred financing fees	(39,623)	(42,178)
	2,463,213	**2,323,972**
Less: current portion	(35,417)	(32,434)
Total non-current loans and borrowings	**2,427,796**	**2,291,538**

On June 28, 2010, the until then two remaining available tranches Term Loan B2A and Term Loan E2 within the existing Senior Credit Facility were drawn in full for an amount of €45.0 million, respectively €90.0 million.

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, 2010	December 31, 2009
	(in thousands of euro)	
Current asset	325	301
Non-current asset	1,541	9,113
Current liability	(18,825)	(16,582)
Non-current liability	(59,642)	(18,586)
	(76,601)	**(25,754)**
Interest rate derivatives	(76,432)	(26,033)
Foreign exchange options and forwards	282	231
Embedded derivatives	(451)	48
	(76,601)	**(25,754)**

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

	For the 6 months ended June 30,	
	2010	**2009**
	(in thousands of euro)	
Interest rate derivatives	(59,630)	(13,983)
Foreign exchange options and forwards	51	(83)
Embedded derivatives	(499)	(81)
	(60,078)	**(14,147)**

5.14 DEFERRED TAXES

As of June 30, 2010, Telenet Group Holding NV and its subsidiaries had available combined cumulative tax loss carry forwards of €311.8 million (December 31, 2009: €477.1 million). Under current Belgian tax laws, these loss carry forwards have an indefinite life and may be used to offset the future taxable income of Telenet Group Holding NV and its subsidiaries. Taxable profit is reduced by a notional interest deduction which can be carried forward for 7 years, 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. During 2009, a tax ruling was received that allowed the Company to merge two of its subsidiaries as part of a simplification of the corporate structure. As a result of this merger, the Company forfeited €189.4 million of tax loss carry forwards based on Belgian tax law. Additionally, a net tax asset of €119.6 million was recognized at year end 2009 for the tax loss carry forwards and other temporary differences that were previously not probable of being realized.

As Telenet Group Holding NV and virtually all of its subsidiaries with tax loss carry forwards have never realized any substantial taxable profits, no deferred tax assets on tax loss carry forwards have been recognized other than those discussed in the previous paragraph.

5.15 OTHER LIABILITIES

	June 30, 2010	December 31, 2009
	(in thousands of euro)	
Employee benefit obligations	4,859	5,031
Copyright fees	949	1,310
Other personnel related obligations	4,085	5,743
Long service awards	4,142	4,539
Interkabel out of market opex	17,777	19,214
Asset retirement obligation	2,344	2,334
Other	7,349	1,769
Total Other liabilities	**41,505**	**39,940**

5.16 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	June 30, 2010	December 31, 2009
	(in thousands of euro)	
Customer deposits	23,054	23,203
Compensation and employee benefits	33,072	42,163
VAT and withholding taxes	26,618	13,241
Copyright fees	973	978
Accrued liability for repayment of capital to shareholders	250,091	275
Current portion of "Interkabel out of market component" liability	2,466	2,845
Accrued programming fees	43,308	49,723
Accrued capital expenditure	12,046	10,719
Accrued other liabilities	110,893	124,760
Accrued interest on derivatives	565	4,260
Other current liabilities	192	298
Total Accrued expenses and other current liabilities	**503,278**	**272,465**

5.17 REVENUE

The Company's revenue is comprised of the following:

	For the 6 months ended June 30,	
	2010	2009
	(in thousands of euro)	
Cable television:		
Basic Subscribers [(1)]	162,674	159,535
Premium Subscribers [(1)]	71,764	53,128
Distributors/Other:	28,385	19,882
Residential:		
Internet	213,111	197,459
Telephony [(2)]	123,249	109,067
Business	39,401	38,303
Total Revenue	**638,584**	**577,374**

The Company also has deferred revenue as follows:

	June 30, 2010	December 31, 2009
	(in thousands of euro)	
Cable television:		
Basic Subscribers [(1)]	77,929	69,539
Premium Subscribers [(1)]	3,942	2,441
Distributors/Other	16,285	27,222
Residential:		
Internet	10,712	10,583
Telephony [(2)]	3,595	3,154
Business	1,082	769
Total Deferred Revenue	**113,545**	**113,708**
Current portion	106,049	105,143
Non-current portion	7,496	8,565

Deferred revenue is generally fees prepaid by the customers and is recognised in the income statement 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.

5.18 EXPENSES BY NATURE

	For the 6 months ended June 30,	
	2010	**2009**
	(in thousands of euro)	
Employee benefits:		
Wages, salaries, commissions and social security costs	57,562	48,558
Other employee benefit costs	8,683	8,260
	66,245	**56,818**
Depreciation and impairment	122,416	117,567
Amortisation	29,567	25,580
Amortisation of broadcasting rights	3,982	4,531
Network operating and service costs	185,502	162,667
Advertising, sales and marketing	32,079	29,564
Share-based payments granted to directors and employees	2,767	1,155
Operating charges related to acquisitions or divestitures	-	580
Other costs	25,195	23,016
Total costs and expenses	**467,753**	**421,478**

5.19 FINANCE INCOME / EXPENSE

	For the 6 months ended June 30,	
	2010	**2009**
Recognised in profit or loss	(in thousands of euro)	
Finance income		
Interest income on bank deposits and commercial paper	429	401
Net foreign exchange gain	50	234
	479	**635**
Finance expense		
Interest expense, net		
Interest expense on financial liabilities measured at amortised cost	(57,019)	(59,263)
Interest expense on derivatives at fair value through profit or loss	(10,687)	(16,459)
Interest income on derivatives at fair value through profit or loss	-	10,554
Amortisation of financing cost	(2,705)	(1,955)
	(70,411)	**(67,123)**
Net loss on derivative financial instruments	**(60,078)**	**(14,147)**
	(130,489)	**(81,270)**
Net finance expense recognised in profit or loss	**(130,010)**	**(80,635)**

5.20 EARNINGS PER SHARE

5.20.1 Basic

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

	For the 6 months ended June 30,	
	2010	**2009**
	(in thousands of euro, except share and per share data)	
Net profit attributable to the equity holders of the Company	21,763	47,696
Weighted average number of ordinary shares	111,913,973	110,575,311
Weighted average number of Class A Profit Certificates	-	255,756
Weighted average number of Class B Profit Certificates	82,193	110,858
Weighted average number of shares used in the calculation of basic earnings per share	**111,996,166**	**110,941,925**
Basic earnings per share in €	0.19	0.43

5.20.2 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, 2009, the Company had seven categories of dilutive potential ordinary shares:

- Class A Options
- Class B Options
- Stock Option Plan 2007
- Stock Option Plan 2007bis
- Stock Option Plan 2007ter
- Stock Option Plan 2008
- Stock Option Plan 2009

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

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

- Stock Option Plan 2007quater
- Stock Option Plan 2007quinquies
- Stock Option Plan 2007sexies
- Stock Option Plan 2008
- Stock Option Plan 2009

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,	
	2010	**2009**
	(in thousands of euro, except share and per share data)	
Weighted average number of shares used in the calculation of basic earnings per share	111,996,166	110,941,925
Adjustment for:		
Class A Options	208,544	541,216
Class B Options	31,311	186,058
ESOP 2007 Warrants	3,588	-
ESOP 2007 bis Warrants	293,578	-
ESOP 2008 Warrants	87,174	-
ESOP 2007 ter Warrants	12,779	-
ESOP 2007 quater Warrants	336,474	-
ESOP 2009 Warrants	54,143	-
Weighted average number of shares used in the calculation of diluted earnings per share	**113,023,757**	**111,669,199**
Diluted earnings per share in €	0.19	0.43

5.21 ACQUISITIONS OF SUBSIDIARIES

C-CURE NV

On May 31, 2010, the Company acquired 100% of the shares of C-CURE NV, an internet security specialist. The agreed purchase price amounts to €2.2 million which has been effectively paid (€1.5 million net of cash acquired). The acquisition contract also includes earn out clauses related to revenue and EBITDA targets for which a total amount of €0.2 million has been included as a component of total purchase consideration based on management's best estimate of the fair value of this contingent consideration.

For the month of June 2010, C-CURE contributed revenue of €1.1 million and a loss of €0.1 million. If the acquisition had occurred on 1 January 2010, management estimates that the Group's consolidated revenue for the six months ended June 30, 2010 would have been €641.3 million, and the Group's consolidated profit for that same period would have been €21.4 million.

Telenet incurred €0.04 million of direct acquisition costs associated with the transaction and these have been expensed as incurred.

The purchase price allocation, as reflected in these condensed consolidated interim financial statements, is preliminary and subject to adjustment based on Telenet's final assessment of the fair values of the acquired identifiable assets and liabilities.

	June 30, 2010
(in thousands of euro)	
Current assets, net of cash acquired	1,520
Property and equipment	164
Liabilities assumed	(2,483)
Goodwill	3,271
Total purchase consideration	**2,472**

Pebble Media NV

On January 22, 2009, Telenet NV invested in the equity of a new company, Pebble Media NV, together with Vlaamse Audiovisuele Regie (VAR) NV and Concentra Media NV. The VAR is a subsidiary of the Flemish public broadcaster VRT and manages the advertising strategy of the various public radio and television brands. The Concentra Group publishes various national, regional and specialized newspapers and magazines and owns three regional television stations. Telenet NV holds 33.33% of the voting and dividend rights in this venture. Telenet's share in the capital of Pebble Media NV amounts to €0.7 million of which € 0.3 million was effectively paid at inception. In October 2009 and June 2010, the remaining €0.3 million and €0.1 million were paid. This joint-venture is active in intermediation services for the sale of online advertising space and also offers certain ancillary online advertising services. Pebble Media NV is qualified as an associate and as a result is accounted for using the equity method.

Acquisition of BelCompany Belgium NV

On June 30, 2009, Telenet acquired the BelCompany stores and points of sale in Belgium, the second largest independent supplier of mobile telecom and related products in Belgium. Its range comprises the latest products and the widest possible choice of mobile phones, subscriptions, accessories and pre-paid products of all brands, as well as internet products. BelCompany stores are situated at prime locations in all medium-sized and large cities, thus operating near the customer. The agreed purchase price amounts to €6.3 million net of cash acquired. Telenet capitalized €0.6 million of direct acquisition costs associated with the transaction.

In the second quarter of 2010, the Company finalized its allocation of the consideration paid over the net assets. The effect of the acquisition on the Company's assets and liabilities can thus be summarized as follows:

	June 30, 2010	December 31, 2009
(in thousands of euro)		
Current assets, net of cash acquired	5,977	5,977
Property and equipment	1,633	1,633
Intangible assets	900	-
Liabilities assumed	(6,566)	(6,566)
Goodwill	4,356	5,524
Total purchase consideration	**6,300**	**6,568**

An amount of €0.9 million was allocated to intangible assets (Customer Relationship and Tradename). At the occasion of the purchase price allocation it was noticed that certain costs (success fee / retention fee) were capitalized under goodwill for an amount of €0.3 million. As these fees relate to 'retention fees' for key management of BelCompany, these costs are not considered to be part of goodwill and therefore have been reversed from goodwill and expensed.

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 2010 and 2009. The figures also include transactions with Pebble Media NV. (see Note 5.21.2)

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

5.22.1 Balance sheet

	June 30, 2010	December 31, 2009
	(in thousands of euro)	
Trade receivables	560	1,545
Trade payables and accrued liabilities	126,131	28,610

The increase in trade payables and accrued liabilities as at June 30, 2010 is primarily due to a capital reduction of the Company to be paid to the Liberty Global Consortium of €125.8 million.

5.22.2 Income statement

	For the 6 months ended June 30,	
	2010	**2009**
	(in thousands of euro)	
Operating		
Revenue	586	766
Operating expenses	(507)	(506)
Other operating income	8	12

5.22.3 Key management compensation

For purpose of this footnote, key management is identified as members of Telenet NV's Executive Team.

	For the 6 months ended June 30,	
	2010	**2009**
	(in thousands of euro)	
Salaries and other short-term employee benefits	2,465	3,535
Post-employment benefits	82	87
Share-based payments (compensation cost recognised)	1,506	686
	4,053	**4,308**

5.23 CONTINGENT LIABILITIES AND COMMITMENTS

On May 4, 2010, Telenet signed an agreement with Norkring België NV concerning the use of capacity on the latter's broadcasting infrastructure network. Under this 15-year agreement, Telenet will pay annual fees to Norkring België NV. Telenet's rights to use the capacity had not yet commenced as at June 30, 2010.

No other significant changes have occurred in the first six months of 2010 with respect to the contingent liabilities and commitments. Therefore we refer to Note 5.26 of the Company's consolidated financial statements as of and for the year ended December 31, 2009 for a discussion of our contingent liabilities and commitments.

5.24 OFF-BALANCE SHEET ARRANGEMENTS

Historically, we have not used special purpose vehicles or similar financing arrangements. In addition, 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 launched exchange offer for certain term loans

On July 19, 2010, Telenet NV launched a voluntary exchange process for certain term loans under its €2,300 million Senior Credit Facility. Existing lenders in term loans A, B, D and E will have the opportunity to exchange their existing participations and commitments with participations and commitments in a new tranche with an extended maturity on June 2017 at improved economics. With this exchange process, the Company aimed to extend the average maturity of its term debt. This leverage-neutral transaction will further improve stability of Telenet's debt capitalization by providing additional cash flow flexibility to the business with the biggest proportion of our debt amortizations now scheduled in 2017.

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, 2010

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Telenet Group Holding NV ("the Company") as at June 30, 2010, 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, 2010 are not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Brussels, 29 July 2010

KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises
Statutory auditor

represented by

Jos Briers
Réviseur d'Entreprises/Bedrijfsrevisor

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