HALF YEAR FINANCIAL REPORT 2018

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Introduction

Introduction

Telenet Group Holding NV (hereafter collectively referred to as the "Company" or "Telenet") is a company organized under the laws of Belgium. Other notations and definitions herein apply as presented in the Company's 2017 Annual Report, which was published on March 23, 2018 (the "Annual Report"), a copy of which is available on the Company's 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, 2018 and 2017 and the audited consolidated annual financial statements as of and for the year ended December 31, 2017 have in each case been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"). 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; future growth prospects; strategies; product, network and technology launches and expansion and the anticipated impact of the acquisitions of BASE[1], Nextel[2] and SFR BeLux[3] on our combined operations and financial performance, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted whether expressed or implied, by these forward-looking statements. These factors include: potential adverse developments with respect to our liquidity or results of operations; potential adverse competitive, economic or regulatory developments; our significant debt payments and other contractual commitments; our ability to fund and execute our business plan; our ability to generate cash sufficient to service our debt; interest rate and currency exchange rate fluctuations; the impact of new business opportunities requiring significant up-front investments; our ability to attract and retain customers and increase our overall market penetration; our ability to compete against other communications and content distribution businesses; our ability to maintain contracts that are critical to our operations; our ability to respond adequately to technological developments; our ability to develop and maintain back-up for our critical systems; our ability to continue to design networks, install facilities, obtain and maintain any required governmental licenses or approvals and finance construction and development, in a timely manner at reasonable costs and on satisfactory terms and conditions; our ability to have an impact upon, or to respond effectively to, new or modified laws or regulations; our ability to make value-accretive investments; and our ability to sustain or increase shareholder distributions in future periods. We assume no obligation to update these forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

About Telenet

As a provider of entertainment and telecommunication services in Belgium, Telenet Group is always looking for the perfect experience in the digital world for its customers. Under the brand name Telenet, the company focuses on offering digital television, high-speed Internet and fixed and mobile telephony services to residential customers in Flanders and Brussels. Under the brand name BASE, it supplies mobile telephony in Belgium. The Telenet Business department serves the business market in Belgium and Luxembourg with connectivity, hosting and security solutions. More than 3,000 employees have one aim in mind: making living and working easier and more pleasant. Telenet Group is part of Telenet Group Holding NV and is quoted on Euronext Brussel under ticker symbol TNET. For more information, visit www.telenet.be. Telenet is 58% owned by Liberty Global - the world's largest international TV and broadband company, investing, innovating and empowering people in more than 10 countries across Europe to make the most of the digital revolution.

[1.] BASE refers to Telenet Group BVBA (formerly BASE Company NV), which was acquired on February 11, 2016.

[2.] Nextel refers to TelelinQ NV, and its subsidiaries Nextel NV, Nextel Telecom Solutions NV and TelelinQ Distribution & Finance NV.

[3.] SFR BeLux refers to Coditel Brabant SPRL and its subsidiary Coditel S.à r.l.

Definitions

For purposes of calculating **'rebased'** growth rates on a comparable basis for the six months ended June 30, 2018, we have adjusted our historical revenue and Adjusted EBITDA to (i) include the pre-acquisition revenue and Adjusted EBITDA of SFR Belux (fully consolidated since June 19, 2017) in our rebased amounts for the three months and six months ended June 30, 2017 to the same extent that the revenue and Adjusted EBITDA of such entity is included in our results for the three months and six months ended June 30, 2018, (ii) include the pre-acquisition revenue and Adjusted EBITDA of Nextel (fully consolidated since May 31, 2018) in our rebased amounts for the three months and six months ended June 30, 2017 to the same extent that the revenue and Adjusted EBITDA of such entity is included in our results for the three months and six months ended June 30, 2018 and (iii) exclude the revenue and Adjusted EBITDA of the disposals of certain legacy fixed-line products at BASE and Ortel made during Q1 2017 to the same extent that the revenue and Adjusted EBITDA of these disposed businesses is excluded from our results for the three months and six months ended June 30, 2018, (iv) exclude the revenue and Adjusted EBITDA of the disposals of JIM Mobile and Mobile Viking during Q1 2017 to the same extent that the revenue and Adjusted EBITDA of these disposed businesses is excluded from our results for the three months ended March 31, 2018 and (v) give effect to the new IFRS 15 framework as if it had been implemented on January 1, 2017. We have reflected the revenue and operating profit of both SFR Belux and Nextel in our 2017 rebased amounts based on what we believe to be the most reliable information that is currently available (generally pre-acquisition financial statements), as adjusted for the estimated effects of (i) any significant effects of acquisition accounting adjustments, (ii) any significant differences between our accounting policies and those of the acquired entities and (iii) other items we deem appropriate. We do not adjust pre-acquisition periods to eliminate non-recurring items or to give retroactive effect to any changes in estimates that might be implemented during post-acquisition periods. As we did not own or operate the acquired businesses during the pre-acquisition periods, no assurance can be given that we have identified all adjustments necessary to present the revenue and Adjusted EBITDA of these entities on a basis that is comparable to the corresponding post-acquisition amounts that are included in our historical results or that the pre-acquisition financial statements we have relied upon do not contain undetected errors. In addition, the rebased growth percentages are not necessarily indicative of the revenue and Adjusted EBITDA that would have occurred if these transactions had occurred on the dates assumed for purposes of calculating our rebased amounts or the revenue and Adjusted EBITDA that will occur in the future. The rebased growth percentages have been presented as a basis for assessing growth rates on a comparable basis, and are not presented as a measure of our pro forma financial performance.

EBITDA is defined as profit before net finance expense, the share of the result of equity accounted investees, income taxes, depreciation, amortization and impairment. **Adjusted EBITDA** is defined as EBITDA before stock-based compensation and restructuring charges, and before operating charges or credits related to successful or unsuccessful acquisitions or divestitures. Operating charges or credits related to acquisitions or divestitures include (i) gains and losses on the disposition of long-lived assets, (ii) due diligence, legal, advisory and other third-party costs directly related to the Company's efforts to acquire or divest controlling interests in businesses, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Adjusted EBITDA is an additional measure used by management to demonstrate the Company's underlying performance and should not replace the measures in accordance with EU IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable EU IFRS measure. A reconciliation of this measure to the most directly comparable EU IFRS measure is disclosed under section 2.7 "Adjusted EBITDA" in the table on page 16.

Accrued capital expenditures are defined as additions to property, equipment and intangible assets, including additions from capital leases and other financing arrangements, as reported in the Company's consolidated statement of financial position on an accrued basis.

Adjusted Free Cash Flow is defined as net cash provided by the Company's operating activities, plus (i) cash payments for third-party costs directly associated with successful and unsuccessful acquisitions and divestitures and (ii) expenses financed by an intermediary, less (i) purchases of property and equipment and purchases of intangibles as reported in the Company's consolidated statement of cash flows, (ii) principal payments on amounts financed by vendors and intermediaries, (iii) principal payments on capital leases (exclusive of network-related leases that were assumed in acquisitions), and (iv) principal payments on post acquisition additions to network leases, each as reported in the Company's consolidated statement of cash flows. Adjusted Free Cash Flow is an additional measure used by management to demonstrate the Company's ability to service debt and fund new investment opportunities and should not replace the measures in accordance with EU IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable EU IFRS measure. A reconciliation of this measure to the most directly comparable EU IFRS measure is disclosed under section 2.8.4 "Adjusted Free Cash Flow" in the table on page 16.

Basic Video Subscriber is a home, residential multiple dwelling unit or commercial unit that receives Telenet's video service over the Combined Network either via an analog video signal or via a digital video signal without subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Encryption-enabling technology includes smart cards, or other integrated or virtual technologies that Telenet uses to provide its enhanced service offerings. Telenet counts Revenue Generating Unites ("RGUs") on a unique premises basis. In other words, a subscriber with multiple outlets in one premise is counted as one RGU and a subscriber with two homes and a subscription to Telenet's video service at each home is counted as two RGUs.

Enhanced Video Subscriber is a home, residential multiple dwelling unit or commercial unit that receives Telenet's video service over the Combined Network via a digital video signal while subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Enhanced Video Subscribers are counted on a unique premises basis. For example, a subscriber with one or more set-top boxes that receives Telenet's video service in one premise is generally counted as just one subscriber. An Enhanced Video Subscriber is not counted as a Basic Video Subscriber. As Telenet migrates customers from basic to enhanced video services, Telenet reports a decrease in its Basic Video Subscribers equal to the increase in Telenet's Enhanced Video Subscribers.

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

Fixed-line Telephony Subscriber is a home, residential multiple dwelling unit or commercial unit that receives fixed-line voice services over the Combined Network. Fixed-line telephony Subscribers exclude mobile telephony subscribers.

Mobile subscriber count represents the number of active subscriber identification module ("SIM") cards in service rather than services provided. For example, if a mobile subscriber has both a data and voice plan on a smartphone this would equate to one mobile subscriber. Alternatively, a subscriber who has a voice and data plan for a mobile handset and a data plan for a laptop (via a dongle) would be counted as two mobile subscribers. Customers who do not pay a recurring monthly fee are excluded from Telenet's mobile telephony subscriber counts after a 90-day inactivity period.

Customer Relationships are the number of customers who receive at least one of Telenet's video, internet or telephony services that Telenet counts as RGUs, without regard to which or to how many services they subscribe. Customer Relationships generally are counted on a unique premises basis. Accordingly, if an individual receives Telenet's services in two premises (e.g. a primary home and a vacation home), that individual generally will count as two Customer Relationships. Telenet excludes mobile-only customers from Customer Relationships.

Average Revenue Per Unit ("ARPU") refers to the average monthly subscription revenue per average customer relationship and is calculated by dividing the average monthly subscription revenue (excluding mobile services, Business-to-Business ("B2B") services, interconnect, channel carriage fees, mobile handset sales and installation fees) for the indicated period, by the average of the opening and closing balances for customer relationships for the period.

Homes Passed are homes, residential multiple dwelling units or commercial units that can be connected to the Combined Network without materially extending the distribution plant. Telenet's Homes Passed counts are based on census data that can change based on either revisions to the data or from new census results.

RGU is separately a Basic Video Subscriber, Enhanced Video Subscriber, Internet Subscriber or Fixed-line Telephony Subscriber. A home, residential multiple dwelling unit, or commercial unit may contain one or more RGUs. For example, if a residential customer subscribed to Telenet's enhanced video service, fixed-line telephony service and broadband internet service, the customer would constitute three RGUs. Total RGUs is the sum of Basic Video, Enhanced Video, Internet and Fixed-line Telephony Subscribers. RGUs generally are counted on a unique premises basis such that a given premises does not count as more than one RGU for any given service. On the other hand, if an individual receives one of Telenet's services in two premises (e.g. a primary home and a vacation home), that individual will count as two RGUs for that service. Each bundled cable, internet or fixed-line telephony service is counted as a separate RGU regardless of the nature of any bundling discount or promotion. Non-paying subscribers are counted as subscribers during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period. Services offered without charge on a long-term basis (e.g. VIP subscribers, free service to employees) generally are not counted as RGUs. Telenet does not include subscriptions to mobile services in its externally reported RGU counts.

Customer Churn represents the rate at which customers relinquish their subscriptions. The annual rolling average basis is calculated by dividing the number of disconnects during the preceding 12 months by the average number of customer relationships. For the purpose of computing churn, a disconnect is deemed to have occurred if the customer no longer receives any level of service from Telenet and is required to return Telenet's equipment. A partial product downgrade, typically used to encourage customers to pay an outstanding bill and avoid complete service disconnection is not considered to be disconnected for purposes of Telenet's churn calculations. Customers who move within Telenet's cable footprint and upgrades and downgrades between services are also excluded from the disconnect figures used in the churn calculation.

Telenet's **ARPU per mobile subscriber** calculation that excludes interconnect revenue refers to the average monthly mobile subscription revenue per average mobile subscribers in service and is calculated by dividing the average monthly mobile subscription revenue (excluding activation fees, handset sales and late fees) for the indicated period, by the average of the opening and closing balances of mobile subscribers in service for the period. Telenet's ARPU per mobile subscriber calculation that includes interconnect revenue increases the numerator in the above-described calculation by the amount of mobile interconnect revenue during the period.

Net total leverage is defined as the sum of all of the Company's short-term and long-term liabilities minus cash and cash equivalents ("Net Total Debt"), as recorded in the Company's statement of financial position, divided by the last two quarters' Consolidated Annualized EBITDA. **Net covenant leverage** is calculated as per the 2017 Amended Senior Credit Facility definition, using Net Total Debt, excluding (i) subordinated shareholder loans, (ii) capitalized elements of indebtedness under the Clientele and Annuity Fees, (iii) any finance leases entered into on or prior to August 1, 2007, (iv) any indebtedness incurred under the network lease entered into with the pure intermunicipalities and (v) any vendor financing-related liabilities, divided by last two quarters' Consolidated Annualized EBITDA including certain unrealized cost synergies related to the BASE and SFR Belux acquisitions.

Important reporting changes

Adoption of IFRS 15: As of January 1, 2018, Telenet has adopted IFRS 15 as mentioned in its 2017 Annual Report (see Section 5.2.20 - *Forthcoming requirements*). IFRS 15 has impacted certain of its previous revenue recognition policies, including the accounting for (i) time-limited discounts and free service periods provided to its customers, (ii) certain up-front fees charged to its customers and (iii) multiple element arrangements. IFRS 15 has also impacted the accounting for certain upfront costs directly associated with obtaining and fulfilling customer contracts. Under Telenet's previous policy, these costs were expensed as incurred unless the costs were in the scope of another accounting topic that allowed for capitalization. Under IFRS 15, the upfront costs that were previously expensed as incurred have been recognized as assets and amortized to other operating expenses over a period that is consistent with the transfer to the customers of the goods or services to which the assets relate, which Telenet has generally interpreted to be the expected life of the customer relationship.

Presentation of intercompany-related security revenue: As of January 1, 2018, Telenet changed the way it presents revenue earned from its security business across the Liberty Global Group. As of January 1, 2018, the Company presents this revenue on a net basis versus on a gross basis previously. This change did not impact its gross profit or Adjusted EBITDA. For comparability reasons, Telenet has represented its half-year and full-year 2017 results with a total impact of €2.4 million and €7.0 million, respectively.

Presentation of accrued capital expenditures: As of January 1, 2018, Telenet changed the way it presents its accrued capital expenditures in order to align with its internal capital allocation framework. Going forward, Telenet's accrued capital expenditures will be reported across the following buckets: (i) customer premises equipment, (ii) network growth, (iii) product and services and (iv) maintenance and other. The Company has also represented the prior year quarters. This representation did not affect Telenet's total level of accrued capital expenditures.

Purchase price allocation for the SFR Belux acquisition: Telenet's December 31, 2017 statement of financial position has been restated, reflecting the retrospective impact of the purchase price allocation ("PPA") for the SFR Belux acquisition, which was not yet available at year-end 2017. A step-up on property & equipment of €8.1 million was recorded, while an intangible asset was recognized amounting to €70.5 million, almost entirely consisting of the customer relationships. Together with the deferred tax impact of the above mentioned adjustments (€25.5 million), goodwill was reduced by €53.1 million. The depreciation and amortization expenses, as well as the deferred tax impact related to the period from the acquisition date (June 19, 2017) until December 31, 2017, amounted to €2.6 million and have been reflected in retained earnings.

Presentation of mobile telephony revenue generated by SME customers: As of April 1, 2018, Telenet changed the way it presents revenue earned through its mobile SME[1] subscribers. As of April 1, 2018, the Company presents this revenue (incl. interconnect revenue and carriage fees) under business services revenue versus under mobile telephony revenue (subscription and usage revenue) and under other revenue (interconnect revenue and carriage fees) previously. This change did not impact Telenet's gross profit and Adjusted EBITDA. For comparable reasons, the Company has represented its Q1 2017, Q2 2017, Q3 2017, Q4 2017, FY 2017 and Q1 2018 results with a total negative impact on mobile telephony revenue of €6.9 million, €7.4 million, €7.3 million, €6.8 million, €28.5 million, €6.9 million and a total negative impact on other revenue of €1.5 million, €1.5 million, €1.5 million, €1.6 million, €6.1 million, €1.3 million and a total positive impact on business services revenue of €8.5 million, €8.9 million, €8.8 million, €8.4 million, €34.6 million and €8.2 respectively. Accordingly, also the numbers of subscribers changed as of April 1, 2018. Mobile telephony SME subscribers are considered to be business customers. Therefore, as of April 1, 2018, they are no longer included in Telenet's mobile telephony subscriber count. For comparable reasons, the Company has restated Q1 2017, Q2 2017, Q3 2017, Q4 2017 and Q1 2018 mobile telephony subscriber base by taking out 139,100, 137,000, 134,500, 133,200 and 127,300 mobile telephony SME subscribers, respectively.

[1] SME refers to "small and medium-sized" customers.

Representation of cable RGUs: Telenet has represented the December 31, 2017, the March 31, 2018 and the June 30, 2018 RGUs for our video, enhanced video, broadband internet and fixed-line telephony services to correctly reflect the migrations of former SFR Belux subscribers to our Telenet-branded products and services.

1. Information on the Company

The following Management Discussion and Analysis is based on the condensed consolidated Interim Financial Statements of Telenet as of and for the six months ended June 30, 2018 and 2017 and the audited consolidated financial statements of Telenet as of and for the year ended December 31, 2017, prepared in accordance with EU IFRS. The Company has included selected financial information on Telenet 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.

1.1 Overview

Telenet is the largest provider of video services in Belgium. Telenet's hybrid fiber-coaxial ("**HFC**") cable network spans the Flanders region, covers approximately 65% of Belgium by homes passed and includes the metropolitan centers of Antwerp and Ghent and approximately two-thirds of Brussels following the acquisition of SFR Belux, which Telenet acquired on June 19, 2017. Telenet Group Holding's shares are listed on the Euronext Brussels Stock Exchange under the ticker symbol TNET and it is part of the BEL20 stock market index.

Telenet offers basic and enhanced video, including high definition ("**HD**"), pay television and video-on-demand ("**VOD**") services, high-speed broadband internet and fixed-line and mobile telephony services to residential subscribers who reside in Telenet's network area. Telenet also combines its services into packages, or bundles, which offer subscribers the convenience of being able to purchase video, broadband internet and telephony services from a single provider at an attractive and discounted price. Under the "BASE" brand, Telenet also offers mobile telephony services to residential and business customers across Belgium. In addition, Telenet offers voice and data services, as well as value-added services including cloud, hosting and security solutions, to small and medium-sized companies ("**SMEs**") and large-sized businesses throughout Belgium and parts of Luxembourg.

At June 30, 2018, Telenet had approximately 2,157,800 customer relationships, which represented approximately 65% of the approximately 3,333,300 homes passed by its network. At June 30, 2018, approximately 1,992,400 customers subscribed to its video services, approximately 1,676,300 subscribed to its broadband internet services and approximately 1,292,400 subscribed to its fixed-line telephony services. Telenet also had approximately 2,724,700 active mobile subscribers of which approximately 501,100 prepaid subscribers at June 30, 2018. In addition, approximately 89% of its video subscribers had upgraded from basic video to enhanced video services. For the six months ended June 30, 2018, Telenet's total revenue was €1,250.9 million, a 1% increase over the six months ended June 30, 2017 and its Adjusted EBITDA was €645.5 million, an 9% increase over the six months ended June 30, 2017.

The Combined Network (see section 1.7 ***Network***) is fully bi-directional and EuroDocsis 3.0 enabled, and provides a spectrum bandwidth capacity of 600 MHz. In August 2014, Telenet announced a five-year €500.0 million network investment program as it plans to increase the capacity of the Combined Network to 1 GHz, enabling download speeds of at least 1 Gbps in the future, with the objective of allowing Flanders to offer some of the highest-capacity digital infrastructure in Europe. At June 30, 2018, approximately 81% of the nodes in the Combined Network had been upgraded. Besides the fixed network upgrade, Telenet is also fully modernizing its mobile infrastructure. At June 30, 2018, approximately 98% of macro sites were upgraded and the Company deployed 238 new sites

Telenet is increasingly focused on offering its subscribers broadband internet and telephony subscriptions and services together with its video services in the form of attractively priced multiple-play bundles. Telenet has derived, and believes it can continue to derive, substantial benefits from the trend towards bundled subscriptions, through which it is able to sell more products to individual subscribers, resulting in significantly higher ARPU per customer relationship and, in its experience, the reduction of customer churn. For the six months ended June 30, 2018, the ARPU per customer relationship reached €55.3, which was only modestly up compared to the prior year period considering the absence of a price increase in the first half of 2018.

1.2 Video

Cable television is the principal medium for the provision of television services in Flanders, and Telenet is the largest provider of video services in Belgium. Almost all Flemish television households are passed by the Combined Network. The high penetration of Telenet's video business has resulted in a steady source of revenue and cash flow. At June 30, 2018, Telenet provided video services to approximately 1,992,400 subscribers[1], or 60% of homes passed by its network. All of Telenet's basic video subscribers have access to at least 21 basic analog television channels and an average of 26 analog radio channels. Telenet generally provides its basic cable television services under individual contracts with its subscribers, the majority of whom pay monthly. Telenet's basic video subscribers who have installed a set-top box or CI + module, and activated a smart card, have access to more than 80 digital channels, including 40 HD channels, and approximately 36 digital radio channels, for no additional fee. Telenet offers its basic video services in digital for no additional fee in order to encourage its subscribers to migrate to its enhanced video services giving them access to a more enriched TV experience, including access to electronic program guides ("**EPGs**"), additional thematic content packs, exclusive movies and sports channels and a large VOD library of both local and international programs.

At June 30, 2018, subscribers to total basic video services[1] decreased by 69,600 as compared to June 30, 2017 on an organic basis as a result of the increased competitive environment, including the effects from regulated cable wholesale. The aforementioned organic loss rate excludes migrations to Telenet's enhanced video service and represents customers churning to competitors' platforms, such as other digital television, Over-the-Top ("**OTT**") services and satellite providers, or customers terminating their television service or having moved out of Telenet's service footprint. Given the historical video penetration in its footprint, the limited expansion of the number of homes passed and strong competition in the domestic TV market, Telenet anticipates further churn of total video subscribers.

[1] We have represented the December 31, 2017, the March 31, 2018 and the June 30, 2018 RGUs for our video, enhanced video, broadband internet and fixed-line telephony services to correctly reflect the migrations of former SFR Belux subscribers to our Telenet-branded products and services.

1.3 Enhanced video

Telenet's interactive enhanced video service includes a combination of premium sports and film channels, a range of extended thematic channels, a selection of films and broadcast content available on an on demand basis and a variety of interactive features. Telenet's enhanced video offering is available to all subscribers passed by the Combined Network. At June 30, 2018, Telenet served approximately 1,772,800 enhanced video customers[1]. Telenet's digitalization ratio, which measures the total base of enhanced video customers relative to Telenet's total video subscriber base, reached approximately 89% at June 30, 2018 compared to approximately 87% at June 30, 2017. All of Telenet's enhanced video subscribers can access the "Yelo Play" app, through which they can enjoy a unique content experience on multiple connected devices in the home and out-of-home through Telenet's WiFi Homespots and hotspots.

At June 30, 2018, Telenet's subscription VOD packages "Play" and "Play More" had 400,100 customers, representing a 2% increase compared to June 30, 2017. This moderate growth was driven by (i) continued investments in promising local content through both co-productions with Telenet's co-owned commercial channels "VIER", "VIJF" and "ZES" as well as investment in certain proprietary content, and (ii) Telenet's exclusive partnership with HBO providing access to high-quality international content. At the end of March 2018, Telenet launched its second co-production of local content 'De Dag', which is now available for its 'Play' and 'Play More' subscribers and will be later broadcasted through its commercial co-owned 'free-to-air' channels.

In addition to the premium pay television channels, Telenet also provides the broadest sports offerings within its footprint through "Play Sports", which combines domestic and foreign football with other major sport events including golf, ATP tennis, Formula One racing, volleyball, basketball and hockey. In May 2017, Telenet extended the non-exclusive broadcasting rights for the Jupiler Pro League for three seasons until the 2019-2020 season. The Company also prolonged its strategic partnership with Eleven Sports in June 2018 for three years, including La Liga, Serie A and Bundesliga football. In the second quarter of 2017, Telenet also gained the exclusive OTT rights, while local media company De Vijver Media, in which Telenet owns a 50% shareholding, holds the exclusive rights to the match summaries. At June 30, 2018, Telenet served 228,100 "Play Sports" customers, which was up 2% compared to June 30, 2017. In January 2018, Telenet launched "Play Sports GO!", its OTT application, through which its pay television sports content has become available for all consumers across Telenet's cable footprint irrespective of them subscribing to any of its products. For both current and new "Play Sports" subscribers, the app is an integral part of their subscription, thus enriching their offer and viewing experience.

[1] We have represented the December 31, 2017, the March 31, 2018 and the June 30, 2018 RGUs for our video, enhanced video, broadband internet and fixed-line telephony services to correctly reflect the migrations of former SFR Belux subscribers to our Telenet-branded products and services.

1.4 Broadband internet

Telenet is the leading provider of residential broadband internet services in Flanders. Today, Telenet offers consumers and businesses data download speeds of up to 400 and 500 Mbps, respectively, and upload speeds of 20 and 50 Mbps, respectively. Through Telenet's €500.0 million five-year "Grote Netwerf" investment program, which kicked off in early 2015 and is expected to be completed mid-2019, Telenet aims to boost the capacity of its network from 600 MHz (at present) to 1 GHz, enabling data download speeds of at least 1 Gbps in the future. As customers expect to enjoy seamless superfast connectivity whether at home, at work or on the move, WiFi remains one of the cornerstones of Telenet's connectivity strategy.

As of June 30, 2018, Telenet has deployed around 1.5 million WiFi Homespots and operated nearly 2,000 WiFi hotspots in public areas. Through partnerships with its majority shareholder Liberty Global and certain of its affiliates, as well as Walloon cable operator VOO, broadband internet customers from both cable companies can freely use the WiFi Homespots on either company's network in Wallonia and in certain other European countries where service is offered through other Liberty Global and certain affiliate networks.

At June 30, 2018, Telenet served 1,676,300 broadband internet[1] subscribers, up 1% year-on-year and equivalent to 50% of the homes passed by its HFC network. Telenet's annualized churn rate was impacted by increased competition and reached 8.9% for the six months ended June 30, 2018 as compared to 8.1% for the six months ended June 30, 2017.

[1] We have represented the December 31, 2017, the March 31, 2018 and the June 30, 2018 RGUs for our video, enhanced video, broadband internet and fixed-line telephony services to correctly reflect the migrations of former SFR Belux subscribers to our Telenet-branded products and services.

1.5 Telephony

1.5.1 Fixed-line telephony

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

Telenet served approximately 1,292,400 fixed-line telephony subscribers[1] at June 30, 2018 (-1% year-on-year), equivalent to 39% of the homes passed by its network. As a result of the intensely competitive market environment and an overall declining market trend, annualized churn rate increased 180 basis points from 9.0% to 10.8% for the six months ended June 30, 2018, compared to the six months ended June 30, 2017.

[1] We have represented the December 31, 2017, the March 31, 2018 and the June 30, 2018 RGUs for our video, enhanced video, broadband internet and fixed-line telephony services to correctly reflect the migrations of former SFR Belux subscribers to our Telenet-branded products and services.

1.5.2 Mobile telephony

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

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

Telenet's active mobile subscriber base, which excludes subscribers under its commercial wholesale partnerships, totaled 2,724,700 SIMs at June 30, 2018, including 2,223,600 postpaid subscribers. The remaining 501,100 mobile subscribers receive prepaid services under the BASE brand and various branded reseller contracts. For the six months ended June 30, 2018, Telenet added approximately 62,300 net postpaid subscribers[1] driven by its all-in-one converged "WIGO" bundles and mobile standalone rate plans.

1.5.3 Interconnection

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network. For a subscriber located on one telephony network to complete a telephone call to an end user served by another telephony network, the subscriber's network service provider must connect to the network serving the end user. Typically, the network serving the end user charges the subscriber's service provider a fee to terminate the communication on its network, which is based on a call set-up charge and on the length of the telephone call.

Telenet and Telenet Group (former BASE Company NV) are being considered as two separate networks, both with their own interconnection set-up. Telenet and Telenet Group's principal interconnection agreements are with Proximus and the main telecommunication operators in Belgium. Proximus provided fixed-line telephony services to an estimated 50-60% of the residential and an estimated 70-80% of the business fixed-line market in Belgium according to the 2017 Annual Report from the Belgian Institute for Postal and Telecommunication services ("BIPT").

In the premium service mobile business, Telenet and Telenet Group connect to content aggregators, and as such provide mobile telephony subscribers access to value-added services. For the purpose of serving its mobile telephony subscribers roaming abroad, Telenet Group has over 600 bilateral roaming agreements. For this purpose, Telenet has closed a roaming agreement with an international provider, acting as a roaming hub provider.

Interconnection revenue and expenses have a significant impact on Telenet's financial results. As a result, Telenet is focused heavily on managing this cost. For the six months ended June 30, 2018, Telenet incurred interconnection expenses of €102.7 million (€113.6 million for the six months ended June 30, 2017). For the six months ended June 30, 2018, Telenet received interconnection revenue of €103.9 million (€93.9 million for the six months ended June 30, 2017). Telenet reports the interconnection revenue generated by its fixed-line and mobile telephony subscribers under 'Other' revenue, while the incurred interconnection fees are included in 'Direct costs'.

Telenet and Telenet Group's interconnection practices are subject to comprehensive regulation by the BIPT. Mobile termination rates have been capped for each mobile network operator at €1.08 cents per minute starting January 2013 (while still taking into account inflation versus year of reference). Following the BIPT decision of May 26, 2017 on the relevant market for call termination on individual mobile networks, termination rates have been set at €0.99 cent per minute as from 1 July 2017.

On August 25, 2016 the BIPT took a decision on the relevant market for call termination on a public fixed network, this decision, however, has been annulled by the Brussels Court of Appeal on March 15, 2017.

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

1.6 Business services

Under the "Telenet Business" brand, Telenet offers a range of voice, data and internet products and services that are tailored to the size and needs of each customer. Telenet Business also offers its business customers an extensive range of reliable value-added services, including hosting, managed security and cloud services. Telenet provides services to business customers throughout Belgium and parts of Luxembourg. Telenet's business customers include SMEs, larger corporations, public, healthcare and educational institutions, and carrier customers that include international voice, data and internet service providers. Telenet Business generated revenue of €86.7 million for the six months ended June 30, 2018, up 8% compared to the six months ended June 30, 2017. Telenet's B2B revenue growth was primarily driven by (i) a one-month contribution of Nextel, which the Company consolidates as from May 31, 2018, (ii) higher security-related revenue and (iii) higher revenue from business connectivity solutions in the SME segment.

1.7 Network

In 1996, Telenet acquired the exclusive right to provide point-to-point services, including broadband internet and fixed-line telephony services, and the right to use a portion of the capacity of the broadband communications network owned by the pure intermunicipalities (the "**PICs**"), the Partner Network. Currently, under the PICs Agreement through Telenet BVBA and Telenet Vlaanderen NV, Telenet has full rights to use substantially all of the Partner Network under a long-term lease (***erfpacht/emphythéose***) entered into in 2008 for an initial period of 38 years, for which Telenet is required to pay recurring fees in addition to the fees paid under certain pre-existing agreements with the PICs.

Telenet refers to the Combined Network when describing the combination of its own network and the Partner Network. Through the Combined Network, Telenet provides video in analog, digital and HD formats, broadband internet and fixed-line telephony services to both residential and business customers who reside in its service area. Telenet's Combined Network consists of a fiber backbone with local loop connections constructed of coaxial cable with a minimum capacity of 600 MHz. The Combined Network uses EuroDocsis 3.0 technology, which enables Telenet to currently offer downstream speeds of up to 500 Mbps for certain of its business customers. Telenet's Combined Network assets include approximately 12,000 kilometers of fiber backbone, of which Telenet owns 7,300 kilometers, utilizes approximately 2,600 kilometers pursuant to long-term leases and has access to 2,100 kilometers through its agreements with the PICs. The fiber backbone connects to approximately 68,000 kilometers of coaxial local loops, of which 50,000 kilometers is in the Telenet Network and the balance is in the Partner Network. Telenet owns the primary and secondary fiber backbone on the Combined Network and the fiber and coaxial cable on the Telenet Network. The PICs own the additional fiber and the coaxial cable included in the HFC access loops on the Partner Network.

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

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

Customers connect to the Combined Network through a coaxial connection from one of Telenet's nodes. Amplifiers are used on the coaxial lines to strengthen both downstream and return path signals on the local loop. Network quality usually deteriorates as customer penetration rates on any particular node increases. When required, the scalability of Telenet's network enables it to address this problem, within limits, through node splits. Telenet uses node splits, among other measures, to manage potential congestion in certain parts of the Combined Network.

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

In August 2014, Telenet announced a five-year €500.0 million network investment program as it plans to increase the capacity of the Combined Network to 1 GHz, enabling download speeds of at least 1 Gbps in the future, with the objective of allowing Flanders to offer some of the highest-capacity digital infrastructure in Europe. At June 30, 2018, approximately 81% of the nodes in the Combined Network had been upgraded.

For the ongoing mobile network modernization, the Company upgraded 98% of our 2,800 macro sites and deployed 238 new sites. Telenet also successfully launched new Voice-over-WiFi -and Voice-over-LTE services, improving indoor coverage and delivering High-Definition sound quality.

1.8 Strategy

Telenet's strategy is to be the best-in-class and preferred provider of enhanced video, broadband internet and telephony services while improving its revenue, profitability and cash flow. Telenet aims to accomplish this by continuing to improve the quality of its network and offer cutting-edge technologies and innovative services to its customers.

Telenet seeks to continue to lead with respect to superior converged connectivity. Telenet's solid network infrastructure is the backbone of its services, allowing consumers to enjoy a seamless experience. Telenet's technology aims to be flawless on the go, at home and at the office, and on any device at any time. Telenet's converged fixed and mobile network is a key enabler in this context. Telenet's ambition is to provide a seamless, faster and more powerful connected experience to its customers. Having upgraded approximately 98% of its 2,800 macro sites at the end of June 30, 2018, having completed the roll-out of over 238 new mobile sites and having upgraded approximately 81% of the nodes in its core HFC network, both Telenet's mobile network (€250.0 million) and fixed network (€500.0 million) upgrade programs are well on track to be substantially completed in the second half of 2018 and 2019, respectively.

In addition, Telenet is committed to offering compelling entertainment content to its customers. At the end of June 30, 2018, around 29% of Telenet's enhanced video customer base had subscribed to premium entertainment packages, showing the future growth potential in this segment. Not only does Telenet offer top international content, Telenet also plays an important role in local media production.

In the business market, digital is a fact and all companies, organizations and entrepreneurs have to get on board. Telenet Business wants to help businesses turn these digital challenges into opportunities. Every day, over 1,000 employees are doing their utmost to offer the best business solutions with the best customer service. This is how Telenet wants to grow together with its customers.

2. Discussion of the consolidated financial statements

2.1 Revenue by service

For the six months ended June 30, 2018, Telenet generated revenue of €1,250.9 million, which was up 1% versus €1,235.9 million in the prior year period. Telenet reported revenue movements were predominantly inorganic including (i) a full six-month revenue contribution from SFR Belux as opposed to only a two-week contribution to its first half 2017 revenue since the June 19, 2017 acquisition date and (ii) a one-month contribution from the local ICT integrator Nextel, which Telenet acquired on May 31, 2018. These acquisitions boosted Telenet revenue by €26.0 million and €7.0 million, respectively, as opposed to the same period of last year. Telenet's reported revenue growth was on the other hand negatively impacted by (i) the sale of its direct subsidiary Ortel to Lycamobile as per March 1, 2017, (ii) the discontinuation of certain fixed legacy products at BASE, (iii) the sale of JIM Mobile and Mobile Vikings to MEDIALAAN, which was a regulatory prerequisite for the EC approval of the BASE acquisition in 2016 and (iv) the impact of the new IFRS 15 accounting framework, which the Company has adopted as of January 1, 2018.

On a rebased basis, when adjusting prior year revenue for the aforementioned factors, for the first six months ended June 30, 2018 revenue decreased modestly by €8.2 million, or 1%, amidst (i) continued competitive and regulatory headwinds, (ii) lower usage-related revenue amidst the continued success of Telenet's flat-fee "WIGO" quad-play bundles and improved mobile line-up, including higher mobile data allowances and (iii) the absence of a price adjustment in the first half of this year. These anticipated headwinds were only partially offset by a substantially larger contribution from regulated and commercial wholesale businesses and a solid performance in the small business segment.

For further information, we refer to note 5.18 to the interim financial statements of the Company.

2.1.1 Video

Video revenue represents the monthly fee paid by Telenet's video subscribers for the channels they receive in the basic tier and the revenue generated by its enhanced video subscribers which primarily includes (i) recurring set-top box rental fees, (ii) fees for supplemental premium content offerings, including Telenet's subscription VOD packages "Play", "Play More" and "Play Sports" and (iii) transactional and broadcasting-on-demand services. For the first six months of 2018, video revenue amounted to €289.9 million , which was up 2% as compared to €284.1 million for the prior year period and included the impact from the SFR Belux acquisition as mentioned before. On a rebased basis, video revenue for the six months ended June 30, 2018 decreased 3% compared to the prior year period as a result of the continued gradual decline in our total video subscriber base and slightly lower revenue from transactional VOD services.

2.1.2 Broadband internet

The revenue generated by residential and small business broadband internet RGUs totaled €309.8 million for the first six months of 2018 and was up 4% compared to the prior year period when the Company recorded broadband internet revenue of €298.5 million. On a rebased basis, broadband internet revenue was up 1% year-on-year driven by continued traction in our "WIGO" propositions and a robust performance in the small business segment, both driving a favorable tier mix effect, partially offset by an increased proportion of bundle discounts.

2.1.3 Fixed-line telephony

Fixed-line telephony revenue includes recurring subscription-based revenue from Telenet's fixed-line telephony subscribers and variable usage-related revenue, but excludes the interconnection revenue generated by these customers which is reported under other revenue. For the first six months of 2018, our fixed-line telephony revenue decreased 2% to €117.2 million compared to €119.4 million for the prior year period. The favorable impact from the SFR Belux acquisition was more than offset by (i) a continued gradual decline in our residential fixed-line telephony RGU base amidst a challenging market backdrop, (ii) lower usage-related revenue, reflecting an overall declining market trend, and (iii) a growing proportion of bundle discounts. The same factors resulted in a 5% decrease in the rebased first-half 2018 fixed-line telephony revenue.

2.1.4 Mobile telephony

Mobile telephony revenue represents the subscription-based revenue generated by Telenet's mobile telephony subscribers and out-of-bundle revenue, but excludes both the (i) interconnection revenue generated by these customers and (ii) revenue earned from handset sales and (iii) revenue recognized under Telenet's "Choose Your Device" programs which Telenet launched mid-2015, which are all recorded in other revenue. As of Q2 2018, our mobile telephony revenue no longer includes the revenue generated by our SME customers, which is now reported under our business services revenue. For the first six months of 2018, the Company generated mobile telephony revenue of €226.8 million, representing an 11% year-on-year decrease. On a rebased basis, our mobile telephony revenue decreased nearly 6% year-on-year with continued healthy net postpaid subscriber growth being more than offset by (i) lower out-of-bundle revenue generated by our mobile subscribers in excess of their monthly bundle on the back of our improved "WIGO" quad-play bundles and revamped BASE product portfolio, (ii) higher bundle-related discounts following the success of our quad-play "WIGO" propositions and (iii) a continued decline in the number of prepaid subscribers, including the impacts of the mandatory prepaid registration as of June 2017.

2.1.5 Business services

The revenue reported under business services relates to (i) the revenue generated on non-coax products, including fiber and leased DSL lines, (ii) mobile telephony revenue generated by our SME customers, (iii) our carrier business and (iv) value-added services such as network hosting and managed data security. Revenue generated by Telenet's business customers on all coax-related products, such as its flagship bundle "WIGO Business", is allocated to Telenet's cable subscription revenue lines and is not captured within Telenet Business, its business services division. Telenet Business generated revenue of €86.7 million for the first six months of 2018, up 8% as compared to the first half of last year. Reported revenue for the first half of 2018 included the aforementioned €7.0 million revenue contribution from Nextel since the May 31, 2018 acquisition date. On a rebased basis, business service revenue showed a modest decline as higher data connectivity revenue was more than offset by (i) structurally lower fixed-line telephony revenue, (ii) lower business mobile revenue and (iii) seasonally lower security revenue.

2.1.6 Other

Other revenue primarily includes (i) interconnection revenue from both our fixed-line and mobile telephony customers, (ii) wholesale revenue generated through both our commercial and regulated wholesale businesses, (iii) mobile handset sales, including the revenue earned under our "Choose Your Device" programs, (iv) product activation and installation fees and (v) set-top box sales revenue. Other revenue reached €220.4 million for the first six months of 2018, up 11% year-on-year driven by a higher contribution from our regulated and commercial wholesale business and higher interconnection revenue. The same factor drove a 10% year-on-year increase in our rebased other revenue.

2.2 Total expenses

For the first six months of 2018, Telenet incurred total expenses of €960.2 million, representing a decrease of 4% compared to the prior year period when it incurred total expenses of €1,001.7 million. Total expenses for the first six months of 2018 reflected certain inorganic movements as mentioned above (see 2.1. ***Revenue*** for more details). Total expenses represented approximately 77% of Telenet revenue for the first six months of 2018 (first six months of 2017: approximately 81%). Cost of services provided as a percentage of revenue represented approximately 57% for the first six months of 2018 (first six months of 2017: approximately 62%), while selling, general and administrative expenses represented approximately 19% of total revenue for the first six months of 2018 (for the first six months of 2017: approximately 19%).

On a rebased basis, Telenet succeeded in reducing its total expenses for the first six months of 2018 by 6% as compared to the prior year period. This solid achievement was predominantly driven by (i) a €41.2 million reduction in direct costs as a result of the accelerated onboarding of its Full MVNO customers to the Telenet network, (ii) a 24% year-on-year decrease in outsourced labor and professional services and (iii) lower indirect costs as a result of its continued focus on tight cost control.

2.3 Expenses by nature

2.3.1 Network operating expenses

Telenet network operating expenses reached €97.0 million for the first six months of 2018 compared to €91.0 million for the first six months of 2017 and reflected the aforementioned SFR Belux acquisition. On a rebased basis, network operating expenses increased 5% year-on-year as a result of certain local pylon tax provisions in Q1 2018 in addition to higher license and maintenance fees.

2.3.2 Direct costs (programming and copyrights, interconnect and other)

Direct costs include all Telenet's direct expenses such as (i) costs related to interconnection, including MVNO-related costs, (ii) programming and copyrights and (iii) handset sales and subsidies. For the first six months of 2018, direct costs were €253.6 million, representing a 14% decrease compared to the prior year period despite the aforementioned inorganic impacts. On a rebased basis, direct costs showed a €41.2 million decrease driven by substantially lower MVNO-related costs due to the accelerated onboarding of the Full MVNO customers, which was substantially completed at the end of March 2018, and lower costs related to handset sales and subsidies relative to the prior year period.

2.3.3 Staff-related expenses

Staff-related expenses for the first six months of 2018 decreased a modest €0.5 million year-on-year to €126.1 million and included the aforementioned inorganic impacts. On a rebased basis, first-half 2018 staff-related expenses decreased 3% relative to the same period of last year. As such, the Company was able to fully absorb the negative cost impact of the approximately 2% mandatory wage indexation since January this year.

2.3.4 Sales and marketing expenses

Relative to the first half of last year, sales and marketing expenses for the first six months of 2018 increased €1.1 million, or 3%, to €44.0 million. On a rebased basis, first half 2018 sales and marketing expenses remained broadly stable compared to the prior year period.

2.3.5 Outsourced labor and professional services

Costs related to outsourced labor and professional services were €14.6 million for the first six months of 2018 compared to €19.1 million for the first six months of 2017, demonstrating the Company's ability to carefully control overall external spending levels. On a rebased basis, costs related to outsourced labor and professional services decreased 24% driven by a reduction in outsourced labor and generally lower consultancy-related spending.

2.3.6 Other indirect expenses

Other indirect expenses reached €70.1 million for the first six months of 2018, representing a modest 1% increase compared to the prior year period and reflecting the aforementioned inorganic impacts. On a rebased basis, other indirect expenses decreased 7% year-on-year in the first half of 2018, mainly driven by the Company's continued focus on managing overhead expenses.

2.3.7 Depreciation and amortization, incl. gains on disposal of property and equipment and other intangible assets

Depreciation and amortization, including impairment of long-lived assets, loss (gain) on disposal of subsidiaries and restructuring charges, reached €350.6 million for the first six months of 2018 compared to €348.5 million in the first six months of 2017. Higher amortization and restructuring expenses were almost fully offset by much lower depreciation expenses as last year already reflected higher depreciation expenses related to the modernization of both fixed and mobile infrastructures and investments in IT platforms and systems.

2.4 Net finance expenses

For the first six months of 2018, net finance expense totaled €149.0 million compared to €129.1 million of net finance expense incurred for the first six months of 2017. For the first six months of 2018, Telenet's finance income was €56.1 million as compared to €143.8 million in the prior year period when it incurred a €143.6 million non-cash foreign exchange gain on the outstanding USD-denominated debt. The finance income for the first six months ended June 30, 2018 included a €55.9 million non-cash gain on its derivatives. The net interest expense, foreign exchange loss and other finance expense increased 60% from €112.8 million for the first six months of 2017 to €180.5 million for the first six months of 2018 and mainly reflected a €66.7 million non-cash foreign exchange loss on the outstanding USD-denominated debt. Finance expenses for the first six months ended June 30, 2018 also included a €24.6 million loss on extinguishment of debt following the refinancing of Telenet's € and USD-denominated Term Loans.

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

2.5 Income taxes

Telenet recorded income tax expense of €32.3 million for the first six months of 2018 compared to income tax expense of €27.1 million for the first six months of 2017.

For further information, we refer to note 5.15 to the interim financial statements of the Company.

2.6 Net result

Telenet realized a net profit of €108.9 million for the first six months of 2018 compared to a net profit of €76.6 million in the prior year period. The 42% increase in net profit was primarily driven by the 24% increase in the operating profit compared to the first half of last year and reflected, amongst other changes, the aforementioned inorganic impacts. For the first six months of 2018, the Company achieved a net profit margin of 8.7% compared to a net profit margin of 6.2% for the first six months of 2017.

2.7 Adjusted EBITDA

For the first six months of 2018, Telenet realized Adjusted EBITDA of €645.4 million, up 9% compared to the prior year period when the Company produced Adjusted EBITDA of €592.4 million. Adjusted EBITDA for the first six months of 2018 included (i) a full six-month contribution of SFR Belux (as opposed to only two weeks in H1 2017), hence contributing €15.1 million to our growth, (ii) a one-month contribution of Nextel (€1.3 million) and (iii) reflected the sale of Ortel as of March 1, 2017. Adjusted EBITDA margin reached 51.6% for the first six months of 2018 compared to 47.9% for the first six months of 2017. On a rebased basis, Adjusted EBITDA for the first six months of 2018 grew 7% through (i) substantially lower MVNO-related costs, (ii) lower other indirect expenses, (iii) a 24% reduction in costs related to outsourced labor and professional services and (iv) lower staff-related expenses. On a rebased basis, Telenet succeeded in expanding underlying Adjusted EBITDA margin by 370 basis points compared to the first half of 2017 driven by the disciplined execution of the synergy roadmap and overall tight cost control.

(in thousands of euro)	For the six months ended June 30,	
	2018	2017
Profit (loss) for the period	**108,874**	**76,641**
Income tax expense	32,271	27,109
Other income	570	1,364
Net finance expense	148,985	129,060
Depreciation, amortization and impairment	345,402	347,687
EBITDA	**636,102**	**581,861**
Share based compensation	1,462	7,799
Operating charges related to acquisitions or divestitures	2,465	1,898
Restructuring charges	5,400	877
Adjusted EBITDA	**645,429**	**592,435**
Adjusted EBITDA margin	51.6%	47.9%
Net profit (loss) margin	8.7%	6.2%

2.8 Cash flow and liquidity

2.8.1 Net cash from operating activities

For the first six months of 2018, Telenet operations yielded €519.2 million of net cash compared to the €380.7 million it generated during the prior year period. The net cash from operating activities for the first six months of 2018 reflected the inorganic impacts from the SFR Belux and Nextel acquisitions and the sale of Ortel as of March 1, 2017 as mentioned above. Net operating cash flow increased 36% year-on-year driven by (i) €45.0 million lower cash interest expenses and cash derivatives as a result of Telenet's recent refinancing transactions, partially offset by a growing proportion of short-term liabilities from its vendor financing platform, (ii) robust underlying Adjusted EBITDA growth as mentioned above, (iii) an improved trend in working capital in the period and (iv) €9.4 million lower cash taxes paid relative to last year.

2.8.2 Net cash used in investing activities

Telenet used €265.8 million of net cash in investing activities for the first six months of 2018 as compared to €650.4 million in the first half of last year which included the payment for the June 2017 acquisition of SFR Belux. Relative to the same period of year, cash capital expenditures decreased 21% as a result of the vendor financing program, which the Company implemented in the third quarter of 2016 and through which Telenet is able to extend payment terms for certain suppliers to 360 days at an attractive all-in cost. During the first six months of 2018, the Company acquired €145.8 million of assets through capital-related vendor financing arrangements, favorably impacting net cash used in investing activities for the equivalent amount. Please refer to Section 2.10 - ***Capital expenditures*** for detailed information about the underlying accrued capital expenditures. Finally, net cash used in investing activities in the first half of 2018 was adversely impacted by the cash paid acquisition of local ICT integrator Nextel, acquired on May 31, 2018.

2.8.3 Net cash from financing activities

The net cash used in financing activities was €165.9 million for the first six months of 2018 compared to €194.5 million of net cash from financing activities for the first six months of 2017. The net cash used in financing activities for the first six months of 2018 reflected a net €94.5 million repayment of loans and borrowings, including scheduled repayments of short-term vendor financing commitments as described above. In the first six months of 2018, Telenet also spent €28.0 million on share repurchases under the Share Repurchase Program 2018 and incurred €25.4 million of debt issuance costs related to our March and May 2018 refinancings (See 2.9 ***Debt profile*** for more details). The remainder of the net cash used in financing activities primarily consisted of capital lease repayments and other financial payments.

2.8.4 Adjusted Free Cash Flow

For the first six months of 2018, Telenet generated Adjusted Free Cash Flow of €257.3 million. This represented a marked 88% improvement versus the €137.1 million generated in the same period last year. Adjusted Free Cash Flow growth was primarily driven by a robust increase in the net cash flow from the operating activities as explained above and lower cash capital expenditures due to continued net increases in the vendor financing program, partly offset by scheduled repayment of such short-term commitments.

(in thousands of euro)	**For the six months ended June 30,**	
	2018	**2017**
Net cash provided by operating activities	519,151	380,675
Cash payments for direct acquisition and divestiture costs	1,861	76
Expenses financed by an intermediary	68,840	29,895
Purchases of property and equipment	(132,158)	(179,881)
Purchases of intangibles, net of proceeds from sale of other intangibles	(72,745)	(81,082)
Principal payments on amounts financed by vendors and intermediaries	(103,912)	(3,340)
Principal payments on capital leases (excluding network-related leases assumed in acquisitions)	(900)	(900)
Principal payments on post acquisition additions to network leases	(22,773)	(8,396)
Adjusted Free Cash Flow	**257,364**	**137,047**

2.9 Debt profile, cash balance and net leverage ratio

2.9.1 Debt profile

As of June 30, 2018, Telenet carried a total debt balance (including accrued interest) of €4,995.6 million, of which €1,933.4 million principal amount is related to the Senior Secured Fixed Rate Notes with maturities ranging from July 2027 through March 2028 and €2,100.2 million principal amount is owed under our 2017 Amended Senior Credit Facility with maturities ranging from August 2026 through December 2027. Total debt balance at June 30, 2018 also included €372.4 million of short-term debt related to our vendor financing program and €16.3 million for the outstanding portion of the 3G mobile spectrum including accrued interest. The remainder primarily represents the capital lease obligations associated with the Interkabel Acquisition.

During the first half of 2018, the Company successfully tapped the international loan markets in order to refinance part of the outstanding debt at attractive and improved long-term interest rates, while extending tenor. In March 2018, Telenet used part of its cash and cash equivalents to prepay 10% of Facility AB , of which the lender is Telenet Finance VI Luxembourg S.C.A. ("TFLVI"). TFLVI used the proceeds from the prepayment of 10% of Facility AB to redeem 10% of the original aggregate principal amount of its 4.875% €530.0 million Senior Secured Notes due July 2027.

In March 2018, the Company issued a USD 300.0 million Term Loan ("Facility AL2") at par, under which Telenet Financing USD LLC is the borrowing entity. Facility AL2 carried the same characteristics as the initial Facility AL, which was issued on December 1, 2017. In April 2018, Telenet Financing USD LLC borrowed the full USD 300.0 million under Facility AL2 and on-lent the net proceeds of this issuance to Telenet International Finance S.à r.l., which used such proceeds, together with existing cash, to prepay Facility V, of which the lender is Telenet Finance V Luxembourg S.C.A. ("TFLV"). TFLV used the proceeds from the prepayment of Facility V to redeem in full its 6.75% €250.0 million Senior Secured Notes due August 2024.

In May 2018, Telenet issued a new €730.0 million Term Loan facility ("Facility AO"), under which Telenet International Finance S.à r.l. is the borrowing entity. Facility AO carries a reduced margin of 2.50% over EURIBOR with a 0% floor, matures on December 15, 2027 and was issued at 99.875%. Through Telenet Financing USD LLC, Telenet issued a new USD 1.6 billion Term Loan facility ("Facility AN") with a modestly improved maturity of August 15, 2026. Facility AN carries a reduced margin of 2.25% over LIBOR with a 0% floor and was issued at 99.875%. The Company used the net proceeds from these new facilities in June 2018 to entirely prepay the following credit facilities under the 2017 Amended Senior Credit Facility: (i) Facility AM (€730.0 million due December 2027, EURIBOR +2.75%, 0% floor); and (ii) Facility AL (USD 1.6 billion due March 2026, LIBOR + 2.50%, 0% floor).

Post refinancing, Telenet faces no debt maturities prior to August 2026 (excluding short-term liabilities related to our vendor financing program) with a weighted average maturity of 9.1 years at the end of June 2018. In addition, the Company also had full access to €445.0 million of undrawn commitments under its revolving credit facilities at June 30, 2018, with certain availabilities up to June 2023.

2.9.2 Debt overview and payment schedules

For an overview of the Company's debt instruments and payment schedule at June 30, 2018, we refer to note 5.13 to the interim financial statements of the Company.

2.9.3 Cash balance and availability of funds

At June 30, 2018, Telenet held €126.5 million of cash and cash equivalents compared to €39.1 million at December 31, 2017. To minimize the concentration of counterparty risk, cash equivalents and AAA-rated money market funds are placed with highly rated European and US financial institutions. Growth in Telenet's cash balance was particularly robust in the second quarter when the Company generated €90.5 million of net cash despite the cash paid acquisition of local ICT integrator Nextel at the end of May and the incurrence of €23.2 million debt issuance costs in the sceond quarter of 2018 for the improved Term Loans issued in May. Growth in cash balance was essentially driven by the aforementioned robust growth in the net cash flow from operations. At June 30, 2018, Telenet had access to €445.0 million of available commitments under the revolving credit facilities, subject to compliance with the covenants mentioned below.

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

2.9.4 Net leverage ratio

Mid-February, Telenet redefined its leverage framework, maintained at 3.5x to 4.5x Net Total Debt to Consolidated Annualized EBITDA and based on net total leverage as opposed to net covenant leverage previously. As such, Consolidated Annualized EBITDA excludes certain unrealized OPEX synergies with regards to both the BASE and SFR Belux acquisitions, while Net Total Debt includes both lease-related liabilities and vendor financing-related short-term liabilities.

At June 30, 2018, net total leverage ratio reached 3.8x . The net covenant leverage, which includes certain unrealized OPEX synergies and excludes both lease-related liabilities and vendor financing-related short-term liabilities, was 3.0x at June 30, 2018. The current net covenant leverage ratio is significantly below the springing maintenance covenant of 6.0x and the incurrence test of 4.5x net senior leverage.

2.10 Capital expenditures

Accrued capital expenditures reached €301.7 million for the first six months of 2018, up 8% versus the prior year period. The higher accrued capital expenditures reflect continued investments in the upgrade of both Telenet's fixed and mobile infrastructures to create a leading converged network for the future and accelerated investments in a new IT platform with a view to create additional digital capabilities. Consequently, accrued capital expenditures for the first six months of 2018 represented approximately 24% of revenue versus approximately 23% for the first six months of 2017.

Capital expenditures related to customer premises equipment, which includes spending on set-top boxes, modems and WiFi powerlines, amongst others, represented €49.9 million for the first six months of 2018. The 17% increase compared to the prior year period was driven by the successful in-home connectivity campaigns focused on improving the indoor wireless experience for Telenet customers. For the first six months of 2018, capital expenditures related to customer premises equipment represented approximately 17% of our total accrued capital expenditures.

As in recent quarters, the vast majority of capital expenditures continue to be geared towards targeted investments in both our fixed and mobile infrastructures, as mentioned above. At the end of June 2018, the Company had modernized approximately 98% of its macro sites, had deployed 238 new sites and had upgraded around 81% of its HFC nodes within our footprint. As such, Telenet succeeded in substantially completing the mobile network modernization as scheduled at the end of June and expects to be able to complete the "Grote Netwerf" project mid-2019. Consequently, the Company anticipates investment levels to decrease relative to this year's peak. Accrued capital expenditures for network growth and upgrades amounted to €107.4 million for the first six months of 2018, marking a 17% decrease compared to the first half last year. For the first six months of 2018, network-related capital expenditures represented approximately 36% of total accrued capital expenditures.

Capital expenditures for product and services, which reflects investments in product development and the upgrade of our IT platforms and systems, amongst others, totaled €57.5 million for the first six months of 2018. The ramp-up versus the first half of 2017 reflected the start of the IT upgrade program as referenced to above. Capital expenditures for product and services represented approximately 19% of total accrued capital expenditures.

The remainder of the accrued capital expenditures included refurbishments and replacements of network equipment, sports content acquisition costs, and certain recurring investments in the IT platform and systems. These reached €86.9 million for the first six months of 2018 compared to €67.5 million for the first six months of 2017. The above implies that approximately 72% of the accrued capital expenditures for the first six months of 2018 were scalable and subscriber growth related. Telenet will continue to closely monitor its capital expenditures in order to make sure that they drive incremental returns.

3. Risk factors

3.1 General information

Certain statements in this Half Year report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. To the extent that statements in this Half Year Report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under section 1. '***Information on the Company***' may contain forward-looking statements, including statements regarding our business, product, foreign currency and finance strategies in 2018, subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, the maturity of our markets, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated changes in our revenue, costs or growth rates, our liquidity, credit risks, foreign currency risks, target leverage levels, our future projected contractual commitments and cash flows and other information and statements that are not historical fact. Where, in any forward-looking statement, the Company expresses an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the risks and uncertainties discussed under Note 5.3. ***Risk Management*** of the Company's 2017 Annual Report, as well as the following list of some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends;
- the competitive environment across the industries in which Telenet operates, including competitor responses to Telenet's products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- consumer acceptance of Telenet's existing service offerings, including Telenet's cable television, broadband internet, fixed-line telephony, mobile and business service offerings, and of new technology, programming alternatives and other products and services that the Company may offer in the future;
- Telenet's ability to manage rapid technological changes;
- Telenet's ability to maintain or increase the number of subscriptions to its cable television, broadband internet, fixed-line telephony and mobile service offerings and its average revenue per household;
- Telenet's ability to provide satisfactory customer service, including support for new and evolving products and services;
- Telenet's ability to maintain or increase rates to its subscribers or to pass through increased costs to its subscribers;
- the impact of Telenet's future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in Belgium and adverse outcomes from regulatory proceedings;
- government intervention that requires opening Telenet's broadband distribution networks to competitors;
- Telenet's ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- Telenet's ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from, and implement its business plan with respect to, the businesses Telenet has acquired, such as BASE, SFR Belux and Nextel, or that the Company expects to acquire;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in Belgium;
- changes in laws and government regulations that may impact the availability and cost of capital and the derivative instruments that hedge certain of Telenet's financial risks;
- the ability of suppliers and vendors (including Telenet's third-party wireless network providers under Telenet's mobile virtual network operator (MVNO) arrangements) to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for Telenet's video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;

- uncertainties inherent in the development and integration of new business lines and business strategies;
- Telenet's ability to adequately forecast and plan future network requirements;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- problems Telenet may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses Telenet acquires;
- the leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint ventures;
- events that are outside of Telenet's control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

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

3.2 Legal proceedings

Telenet is involved in a number of legal proceedings that have arisen in the ordinary course of its business. Telenet discusses in its 2017 Annual Report certain pending lawsuits in which the Company is involved, which may have, or have had in the recent past, significant effects on its financial position or profitability. In note 5.23, Telenet discusses certain of these lawsuits and contingent liabilities and provides updates on certain regulatory matters. There have not been any major lawsuits other than those reported in Telenet’s 2017 Annual Report or explained in note 5.23 that are expected to have a material adverse impact on the Company’s business or consolidated financial position. Telenet notes, however, that the outcome of legal proceedings can be extremely difficult to predict with certainty, and Telenet offers no assurances in this regard.

4. Fair view statement by the management of the Company

We, the undersigned, John Porter, Chief Executive Officer of Telenet Group Holding NV, and Erik Van den Enden, Chief Financial Officer of Telenet Group Holding NV, declare that to our knowledge:

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

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

John Porter	Erik Van den Enden
CEO	CFO

Telenet Group Holding NV Condensed consolidated interim financial statements

1. Condensed consolidated interim statement of financial position

(in thousands of euro)	Note	June 30, 2018	December 31, 2017, restated (*)
Assets			
Non-current assets:			
Property and equipment	5.4	2,164,425	2,149,571
Goodwill	5.5	1,862,852	1,795,985
Other intangible assets	5.6	732,897	778,385
Deferred tax assets	5.15	282,463	236,578
Investments in and loans to equity accounted investees	5.7.1	31,022	30,990
Other investments	5.7.2	4,413	4,107
Derivative financial instruments	5.14	2,578	7,766
Trade receivables	5.8.1	1,422	2,851
Other non-current assets	5.9.1	10,912	10,842
Total non-current assets		**5,092,984**	**5,017,075**
Current assets:			
Inventories	5.10	22,623	21,519
Trade receivables	5.8.2	245,487	214,895
Other current assets	5.9.2	158,969	136,552
Cash and cash equivalents	5.11	126,506	39,053
Derivative financial instruments	5.14	47,781	41,569
Total current assets		**601,366**	**453,588**
Total assets		**5,694,350**	**5,470,663**

Equity and liabilities

(in thousands of euro)	Note	June 30, 2018	December 31, 2017, restated (*)
Equity:			
Share capital	5.12	12,799	12,799
Share premium and other reserves	5.12	958,451	987,077
Retained loss	5.12	(1,985,479)	(2,101,949)
Remeasurements	5.12	(18,331)	(13,542)
Total equity attributable to owners of the Company		**(1,032,560)**	**(1,115,615)**
Non-controlling interests	5.12	21,191	21,855
Total equity		**(1,011,369)**	**(1,093,760)**
Non-current liabilities:			
Loans and borrowings	5.13	4,505,780	4,462,211
Derivative financial instruments	5.14	245,735	311,291
Deferred revenue	5.18	1,391	1,051
Deferred tax liabilities	5.15	146,081	151,685
Other non-current liabilities	5.16	130,941	123,952
Total non-current liabilities		**5,029,928**	**5,050,190**
Current liabilities:			
Loans and borrowings	5.13	489,827	361,695
Trade payables		181,875	149,976
Accrued expenses and other current liabilities	5.17	602,793	616,793
Deferred revenue	5.18	105,879	102,315
Derivative financial instruments	5.14	51,716	21,784
Current tax liability	5.15	243,701	261,670
Total current liabilities		**1,675,791**	**1,514,233**
Total liabilities		**6,705,719**	**6,564,423**
Total equity and liabilities		**5,694,350**	**5,470,663**

(*) we refer to Note 5.22.3 SFR BeLux for detailed information regarding the impact of the finalization of the purchase price allocation of the SFR BeLux acquisition.

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

2. Condensed consolidated interim statement of profit or loss and other comprehensive income

(in thousands of euro, except per share data)		For the six months ended June 30,	
	Note	**2018**	**2017 as represented (*)**
Profit/(Loss) for the period			
Revenue	5.18	1,250,850	1,235,900
Cost of services provided	5.19	(718,764)	(764,882)
Gross profit		**532,086**	**471,018**
Selling, general and administrative expenses	5.19	(241,386)	(236,844)
Operating profit		**290,700**	**234,174**
Finance income		56,149	143,812
Net interest income and foreign exchange gain	5.20	234	143,812
Net gain on derivative financial instruments	5.20	55,915	—
Finance expense		(205,134)	(272,872)
Net interest expense, foreign exchange loss and other finance expense	5.20	(180,544)	(112,759)
Net loss on derivative financial instruments	5.14 & 5.20	—	(113,580)
Loss on extinguishment of debt	5.20	(24,590)	(46,533)
Net finance expenses	5.20	**(148,985)**	**(129,060)**
Share in the loss of equity accounted investees	5.7	(570)	(1,364)
Profit before income tax		**141,145**	**103,750**
Income tax expense	5.15	(32,271)	(27,109)
Profit/(Loss) for the period		**108,874**	**76,641**

(in thousands of euro, except per share data)		For the six months ended June 30,	
	Note	**2018**	**2017 as represented (*)**

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

Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability/(asset)		(6,800)	—
Deferred tax		2,011	—
Other comprehensive income (loss) for the period, net of income tax		**(4,789)**	**—**
Total comprehensive income (loss) for the period		**104,085**	**76,641**
Profit (loss) attributable to:		**104,085**	**76,641**
Owners of the Company		104,757	75,009
Non-controlling interests		(672)	1,632
Total comprehensive income (loss) for the period, attributable to:		**104,085**	**76,641**
Owners of the Company		104,757	75,009
Non-controlling interests		(672)	1,632
Earnings (loss) per share			
Basic earnings (loss) per share in €	5.21	0.95	0.65
Diluted earnings (loss) per share in €	5.21	0.95	0.65

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

(*) We refer to Note 5.1.6 Reporting changes for detailed information regarding the reclassification of intercompany-related security revenue.

3. Condensed consolidated interim statement of changes in shareholders' equity

Attributable to equity holders of the Company	Note	Number of shares	Share capital	Share premium	Equity-based compensation reserve
(in thousands of euro, except share data)					
January 1, 2018 as reported		**117,716,323**	**12,799**	**80,743**	**87,783**
January 1, 2018 after impact of finalization PPA SFR BeLux		**117,716,323**	**12,799**	**80,743**	**87,783**
Impact of change in accounting policies [1]		—	—	—	—
January 1, 2018 restated		**117,716,323**	**12,799**	**80,743**	**87,783**
Total comprehensive income for the period					
Profit (loss) for the period		—	—	—	—
Other comprehensive loss [2]		—	—	—	—
Total comprehensive income for the period		**—**	**—**	**—**	**—**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners of the Company					
Reallocation of prior year's profit to legal reserve	5.12	—	—	—	—
Recognition of share-based compensation	5.12	—	—	—	2,308
Cost of equity transactions	5.12	—	—	—	—
Own shares acquired	5.12	—	—	—	—
Proceeds received upon exercise of stock options	5.12	—	—	—	—
Other		—	—	—	—
Total contribution by and distributions to owners of the Company		**—**	**—**	**—**	**2,308**
Changes in ownership interests in subsidiaries					
Capital contributions by NCI		—	—	—	—
Total transactions with owners of the Company		**—**	**—**	**—**	**2,308**
June 30, 2018		**117,716,323**	**12,799**	**80,743**	**90,091**

Legal reserve	Reserve for own shares	Other reserves	Retained loss	Remeasurements	Total	Non-controlling interest	Total equity
99,346	**(108,665)**	**827,870**	**(2,099,658)**	**(13,542)**	**(1,113,324)**	**21,855**	**(1,091,469)**
99,346	**(108,665)**	**827,870**	**(2,101,949)**	**(13,542)**	**(1,115,615)**	**21,855**	**(1,093,760)**
—	—	—	8,622	—	**8,622**	**—**	**8,622**
99,346	**(108,665)**	**827,870**	**(2,093,327)**	**(13,542)**	**(1,106,993)**	**21,855**	**(1,085,138)**
—	—	—	109,546		109,546	(672)	108,874
—	—	—	—	(4,789)	(4,789)	—	(4,789)
—	**—**	**—**	**109,546**	**(4,789)**	**104,757**	**(672)**	**104,085**
(231)			231		—	—	—
—	—	—	—	—	2,308	—	2,308
—	—	—	—	—	—	—	—
—	(36,926)	—	—	—	(36,926)	—	(36,926)
—	6,223	—	(1,973)	—	4,250	—	4,250
(229)		229	44		44		44
(460)	**(30,703)**	**229**	**(1,698)**	**—**	**(30,324)**	**—**	**(30,324)**
—	—	—	—	—	—	8	8
(460)	**(30,703)**	**229**	**(1,698)**	**—**	**(30,324)**	**8**	**(30,316)**
98,886	**(139,368)**	**828,099**	**(1,985,479)**	**(18,331)**	**(1,032,560)**	**21,191**	**(1,011,369)**

[1] The Company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 5.25

[2] Remeasurements of defined benefit liability/(asset), net of taxes

Attributable 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
January 1, 2017		**117,335,623**	**12,758**	**62,366**	**75,271**
Total comprehensive income for the period					
Profit for the period		—	—	—	—
Purchase Price Allocation - SFR BeLux		—	—	—	—
Total comprehensive income for the period		**—**	**—**	**—**	**—**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners of the Company					
Reallocation of prior year's profit to legal reserve	5.12	—	—	—	—
Recognititon of share-based compensation	5.12	—	—	—	4,294
Cost of equity transactions	5.12	—	—	—	—
Own shares acquired	5.12	—	—	—	—
Proceeds received upon exercise of warrants and stock options	5.12	—	—	—	—
Total contribution by and distributions to owners of the Company		**—**	**—**	**—**	**4,294**
Changes in ownership interests in subsidiaries					
Capital contributions by NCI		—	—	—	—
Total transactions with owners of the Company		**—**	**—**	**—**	**4,294**
June 30, 2017		**117,335.623**	**12,758**	**62,366**	**79,565**

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

Legal reserve	Reserve for own shares	Other reserves	Retained loss	Remeasurements	Total	Non-controlling interest	Total equity
86,317	**(85,767)**	**827,945**	**(2,190,107)**	**(14,798)**	**(1,226,015)**	**18,372**	**(1,207,643)**
—	—	—	75,138	—	75,138	1,632	76,770
—	—	—	(129)	—	(129)	—	(129)
—	**—**	**—**	**75,009**	**—**	**75,009**	**1,632**	**76,641**
12,796	—	—	(12,796)	—	—	—	—
—	—	—	—	—	4,294	—	4,294
—	118	(110)	—	—	8	—	8
—	(26,333)	—	—	—	(26,333)	—	(26,333)
—	32,285	—	(7,063)	—	25,222	—	25,222
12,796	**6,070**	**(110)**	**(19,859)**	**—**	**3,191**	**—**	**3,191**
—	—	—	—	—	—	(15)	(15)
12,796	**6,070**	**(110)**	**(19,859)**	**—**	**3,191**	**(15)**	**3,176**
99,113	**(79,697)**	**827,835**	**(2,134,957)**	**(14,798)**	**(1,147,815)**	**19,989**	**(1,127,826)**

4. Condensed consolidated interim statement of cash flows

(in thousands of euro)		For the six months ended June 30,	
	Note	2018	2017 as restated (*)

Cash flows provided by operating activities:

Profit for the period		108,874	76,641
Adjustments for:			
Depreciation, amortization, impairment and restructuring	5.19	350,395	348,015
Gain (loss) on disposal of property and equipment and other intangible assets	5.19	(1,012)	549
Income tax expense	5.15	32,271	27,109
Increase/(decrease) in allowance for bad debt	5.8	(1,053)	97
Net interest income and foreign exchange gain	5.20	(236)	(143,812)
Net interest expense, foreign exchange loss and other finance expense	5.20	180,544	112,759
Net loss (gain) on derivative financial instruments	5.14 & 5.20	(55,915)	113,580
Loss on extinguishment of debt	5.20	24,590	46,533
Other loss	5.7	570	1,364
Share based payments	5.12	2,094	7,799
Change in:			
Trade receivables		(22,341)	10,662
Other assets		(8,766)	28,139
Deferred revenue		3,720	(2,316)
Trade payables		26,943	(1,995)
Other liabilities		(30,518)	4,053
Accrued expenses and other current liabilities		76,664	(26,395)
Interest paid		(82,038)	(112,533)
Interest received		19,220	4,772
Income taxes paid	5.15	(104,855)	(114,346)
Net cash provided by operating activities		**519,151**	**380,675**

(in thousands of euro)		**For the six months ended June 30,**	
	Note	**2018**	**2017 as restated (*)**

Cash flows used in investing activities:

Purchases of property and equipment		(132,158)	(179,881)
Purchases of intangibles		(72,745)	(81,082)
Acquisitions of other investments		—	(2,050)
Acquisitions of subsidiaries and affiliates, net of cash acquired	5.22.1	(61,513)	(389,329)
Proceeds from sale of property and equipment and other intangibles		1,210	1,936
Purchases of broadcasting rights for resale purposes		—	(80)
Proceeds from the sale of broadcasting rights for resale purposes		(604)	80
Net cash used in investing activities		**(265,810)**	**(650,406)**

Cash flows provided by (used in) financing activities:

Repayments of loans and borrowings	5.13	(409,780)	(723,362)
Proceeds from loans and borrowings	5.13	315,286	977,171
Payments of finance lease liabilities		(23,674)	(21,025)
Payments for debt issuance costs	5.13	(25,352)	(18,069)
Payments for early termination of loans and borrowings	5.13	—	(19,112)
Repurchase of own shares	5.12	(28,027)	(26,333)
Proceeds received upon exercise of warrants & stock options	5.12	4,250	25,222
Proceeds from capital transactions with equity participants		1,409	—
Net cash provided by (used in) financing activities		**(165,888)**	**194,492**
Net increase (decrease) in cash and cash equivalents		**87,453**	**(75,239)**
Cash and cash equivalents:			
at January 1	5.11	39,053	99,203
at June 30	5.11	126,506	23,964

(*) we refer to Note 5.22.3 SFR BeLux for detailed information regarding the impact of the finalization of the purchase price allocation of the SFR BeLux acquisition.

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, 2018

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, its subsidiaries and other consolidated companies (hereafter collectively referred to as the "**Company**" or "**Telenet**"). Through its broadband network, the Company offers basic and enhanced video services, including pay television services, broadband internet and fixed-line telephony services to residential subscribers in Flanders and certain communes in Brussels as well as broadband internet, data and voice services in the business market throughout Belgium and parts of Luxembourg. The Company also offers mobile telephony services through its own mobile network.

On June 19, 2017, the Company acquired Altice's former Belgian and Luxembourg cable operations ("**Coditel Brabant**" and "**Coditel S.à r.l.**", together "**SFR BeLux**"), which operates under the SFR brand and provides cable services to households and businesses in Brussels, Wallonia and Luxembourg and offers mobile telephony services in Belgium through an MVNO Agreement with BASE.

On May 31, 2018, the Company acquired **TelelinQ NV** and its subsidiaries (hereinafter referred to as "**Nextel**") which acts as a Belgian integrator and provides additional expertise to design, build and manage all-in-one solutions for businesses.

Telenet Group Holding NV and its principal operating subsidiaries are limited liability companies organized under Belgian law. Subsidiaries and structured financing entities ("**SEs**") have been incorporated in Luxembourg and the Netherlands in order to structure the Company's financing operations.

5.1.2 Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU ("**EU IFRS**"). They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements as of and for the year ended December 31, 2017. Results for the six months ended June 30, 2018 are not necessarily indicative of future results.

The Interim Financial Statements have been prepared on the historical cost basis, except for certain financial instruments and the net assets acquired as a result of the acquisition of Nextel on May 31, 2018, which are measured at fair value. The methods used to measure fair values are discussed in Note 5.3.2. The Interim Financial Statements were approved for issue by the board of directors on September 25, 2018.

5.1.3 Functional and presentation currency

The Interim Financial Statements are presented in euro ("**€**"), which is the Company's functional currency, rounded to the nearest thousand except when indicated otherwise.

5.1.4 Use of estimates and judgments

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

- note 5.3.2: Financial instruments: fair values
- note 5.4: Property and equipment
- note 5.5: Goodwill
- note 5.6: Other intangible assets
- Note 5.7.1: Investments in and loans to equity accounted investees
- Note 5.8: Trade receivables: doubtful debtors
- note 5.14: Derivative financial instruments
- note 5.15: Deferred taxes
- note 5.16: Other non-current liabilities - Asset retirement obligation

- note 5.17: Accrued expenses and other current liabilities - Liabilities for tax on sites

- note 5.22: Acquisition of subsidiary - Purchase price allocation

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2017. In addition to those significant judgments, Telenet's management made additional significant judgments related to its accounting for the acquisition of Nextel and SFR Belux in its condensed consolidated interim financial statements for the six months ended June 30, 2018 and June 30, 2017, respectively.

A number of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Company uses market observable data to the extent available.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the fair value techniques, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For further information about the assumptions made in measuring fair values we refer to note 5.3.2 Financial Instruments.

5.1.5 Segment reporting

Operating segments are the individual operations of a company that the chief operating decision maker ("CODM") reviews regularly in allocating resources to these segments and in assessing segment performance. Telenet's segment reporting is presented based on how Telenet's internal financial information is organized and reported to the CEO, who is Telenet's CODM, the Senior Leadership Team and the board of directors.

The CEO, the Senior Leadership Team and the board of directors of Telenet manage the Company's telecommunication business, inclusive of the recent acquisition of SFR BeLux and Nextel, as a single operation, driven by the Company's fixed and mobile convergence strategy for both the residential and business markets which is demonstrated in the Company's all-in offer called WIGO. They assess the Company's performance and make resource allocation decisions based on an overall Profit and Loss Statement. The Profit and Loss Statement is analyzed at least on a monthly basis with only revenue and direct costs allocated to separate product and service lines. The primary measure of profit within the Profit and Loss Statement used by the CODM to assess performance is Adjusted EBITDA, and the Profit and Loss Statement does not present Adjusted EBITDA for separate product and service lines. Notwithstanding that revenue and direct costs are allocated to the separate product and service lines, as a differentiated Profit and Loss Statement is not used by the CODM to manage Telenet's operations, assess performance or make resource allocation decisions, Telenet has determined that its operations constitute one single segment.

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

5.1.6 Reporting changes

IFRS 15 Revenue from Contracts with Customers: As of January 1, 2018, the Company has adopted IFRS 15 as mentioned in its 2017 Annual Report (see Section 5.2.20 - ***Forthcoming requirements***). IFRS 15 has impacted certain of its previous revenue recognition policies, including the accounting for (i) time-limited discounts and free service periods provided to its customers, (ii) certain up-front fees charged to its customers and (iii) multiple element arrangements. IFRS 15 has also impacted the accounting for certain upfront costs directly associated with obtaining and fulfilling customer contracts. Under the previous policy, these costs were expensed as incurred unless the costs were in the scope of another accounting topic that allowed for capitalization. Under IFRS 15, the upfront costs that were previously expensed as incurred have been recognized as assets and amortized to other operating expenses over a period that is consistent with the transfer to the customers of the goods or services to which the assets relate, which Telenet have generally interpreted to be the expected life of the customer relationship.

Presentation of intercompany-related security revenue: As of January 1, 2018, the Company changed the way it presents revenue earned from its security business across the Liberty Global Group. As of January 1, 2018, Telenet presents this revenue on a net basis versus on a gross basis previously, since there is no sufficient added value from Telenet in the process. This change did not impact the gross profit or Adjusted EBITDA. For comparability reasons, the Company has represented its results for the period ending June 30, 2017 with a total impact of €2.4 million.

Presentation of accrued capital expenditures: As of January 1, 2018, the Company changed the way it presents its accrued capital expenditures in order to align with our internal capital allocation framework. Going forward, the accrued capital expenditures will be reported across the following buckets: (i) customer premises equipment, (ii) network growth, (iii) product and services and (iv) maintenance and other. Telenet has also represented the prior year quarters. This representation did not affect the total level of accrued capital expenditures.

Purchase price allocation for the SFR Belux acquisition: The Companies December 31, 2017 statement of financial position has been restated, reflecting the retrospective impact of the purchase price allocation ("PPA") for the SFR Belux[1] acquisition, which was not yet available at year-end 2017. A step-up on property & equipment of €8.1 million was recorded, while an intangible asset was recognized amounting to €70.5 million, almost entirely consisting of the customer relationships. Together with the deferred tax impact of the above mentioned adjustments (€25.5 million), goodwill was reduced by €53.1 million. The depreciation and amortization expenses, as well as the deferred tax impact related to the period from the acquisition date (June 19, 2017) until December 31, 2017, amounted to €2.6 million and has been reflected in retained earnings.

Presentation of mobile telephony small and medium-sized ("SME") customers:
As of April 1, 2018, the Company changed its presentation of revenue earned through its mobile telephony SME subscribers. These are considered to be business customers. Therefore, as of April 1, 2018, they are no longer included in our mobile telephony subscriber count. This change did not impact the gross profit. The revenue split for the six months ended June 30, 2017 has been represented accordingly (see Note 5.18)

5.2 Significant accounting policies

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 of and for the year ended December 31, 2017, except for the following amendments and interpretations which became effective for the Group during the six months ended June 30, 2018:

Annual improvements to IFRSs 2014-2016 Cycle removes outdated exemptions for first-time adopters of IFRS under IFRS 1 and defines that under IAS 28 ***Investments in Associates and Joint Ventures,*** a venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The amendments have been adopted effective January 1, 2018. These improvements have no material impact on the consolidated financial statements.

IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2018) includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements, which align hedge accounting more closely with risk management. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. With respect to the provision for impairment of trade receivables, the Company will apply under IFRS 9 a new forward looking impairment model based on an expected credit loss model rather than the formaly applied actual credit loss model. The Company adopted IFRS 9 effective January 1, 2018. IFRS 9 has no material impact on the consolidated financial statements. The Group has applied the exemption not to restate prior periods with respect to classification and measurement (including impairment). Accordingly, the information presented for 2017 has not been restated.

IFRS 15 Revenue from Contracts with Customers requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Company adopted IFRS 15 effective January 1, 2018 using the cumulative effect transition method. The impacts of IFRS 15 are discussed below:

- When the Company enters into contracts to provide services to its customers, the Company often charges installation or other up-front fees. Under previous accounting rules, installation fees related to services provided over our cable networks were recognized as revenue during the period in which the installation occurred to the extent these fees were equal to or less than direct selling costs. Under IFRS 15, these fees are generally deferred and recognized as revenue over the contractual period, or longer if the up-front fee results in a material renewal right.

- Under the previous revenue recognition guidance, revenue related to multiple element arrangements, which mainly concerns handsets, was generally recognized based on amounts billed to the customer. Under IFRS 15, revenue is generally recognized based on delivery of goods and/or services at their relative fair values. Handsets sold are considered distinct as the customer can benefit from the good on its own or with other readily available resources.

The above revenue recognition changes have offsetting impacts and both result in a relatively minor shift in the timing of revenue recognition.

IFRS 15 also impacts our accounting for certain upfront costs directly associated with obtaining and fulfilling customer contracts related to business customers. Under our previous policy, these costs were expensed as incurred unless the costs were in the scope of another accounting topic that allowed for capitalization. Under IFRS 15, the upfront costs that were expensed as incurred are recognized as assets and amortized to other operating expenses over a period that is consistent with the transfer to the customers of the goods or services to which the assets relate, which we have generally interpreted to be the expected life of the customer relationship. The impact of the accounting change for these costs is dependent on numerous factors, including the number of new subscriber contracts added in any given period. The adoption of this accounting change initially resulted in the deferral of operating and selling costs.

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

	January 1, 2018
	(in thousands of euro)
Current contract assets	9,728
Long term contract assets	2,516
Deferred tax liability	(3,622)
Retained earnings	(8,622)

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) issued on June 20, 2016, covers three accounting areas: the measurement of cash-settled share-based payments; the classification of share-based payments settled net of tax withholdings; and the accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments are effective for annual periods commencing on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively so that prior periods do not have to be restated. Retrospective, or early application is permitted if companies have the required information. These amendments have no material impact on the Group's consolidated financial statements.

Transfers of property assets to/from, investment property (Amendments to IAS 40) issued on December 8, 2016, clarifies that a property asset is transferred to, or from, investment property when and only when there is an actual change in use. A change in management intention alone does not support a transfer. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. These amendments have no material impact on the Group's consolidated financial statements.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) issued on October 12, 2017, clarifies how companies should account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements. These amendments have not yet been endorsed by the EU.

IFRIC 22 Foreign currency transactions and Advance consideration issued on December 8, 2016, clarifies the transaction date to be used to determine the exchange rate for translating foreign currency transactions involving an advance payment or receipt. The interpretation is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. These amendments have no material impact on the Group's consolidated financial statements.

Standards, annual improvements and interpretations to existing standards that are not yet effective for the six months ended June 30, 2018 can be summarized as follows:

IFRS 16 Leases (effective for annual periods beginning on or after January 1, 2019) makes a distinction between a service contract and a lease based on whether the contract conveys the right to control the use of an identified asset and introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. The Company is in the process of analyzing its operational lease agreements and corresponding obligations in order to apply IFRS 16. The Company will elect the modified retrospective approach and thus will record a cumulative effect adjustment to the opening balance of equity as per January 1, 2019. No prior periods will be restated.

Although the Company is currently evaluating the effect that IFRS 16 will have on its consolidated financial statements, the main impact of the adoption of this standard will be the recognition of right-of-use assets and lease liabilities in our consolidated balance sheet for those leases classified as operating leases under current IFRS.

When applying a modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. We do not intend to recognize right-of-use assets or lease liabilities for leases with a term of 12 months or less, as permitted by the short-term lease practical expedient in the standard. Further, we do not plan to apply the practical expedient that permits a lessee to account for lease and non-lease components in a contract as a single lease component and, accordingly, the Company will continue to account for these components separately. In transition, we plan to apply the practical expedients that permit us not to reassess (i) whether expired or existing contracts contain a lease under the new standard, (ii) the lease classification for expired or existing leases or (iii) whether previously-capitalized initial direct costs would qualify for capitalization under the new standard. In addition, we do not intend to use hindsight during transition.

The Company is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

For a summary of our undiscounted future minimum lease payments under cancelable and non-cancelable operating leases, we refer to Note 5.26.3 of the Company's consolidated financial statements as of and for the year ended December 31, 2017.

IFRIC 23 Uncertainty over Income Tax Treatments issued on June 7, 2017, clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. An entity is required to assume that a tax authority with the right to examine and challenge tax treatments will examine those treatments and have full knowledge of all related information. Detection risk is not considered in the recognition and measurement of uncertain tax treatments. The entity should measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty; either the most likely amount method or the expected value method. The interpretation is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements. This interpretation has not yet been endorsed by the EU.

Annual improvements to IFRSs 2015-2017 Cycle, issued on December 12, 2017, covers the following minor amendments:

- IFRS 3 *Business Combinations*: the amendments clarify that a company remeasures its previously held interest in a joint operation when it obtains control of the business.

- IFRS 11 ***Joint Arrangements***: the amendments clarify that a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 ***Income Taxes***: the amendments clarify that a company accounts for all income tax consequences of dividend payments consistently with the transactions that generated the distributable profits - i.e. in profit or loss, OCI or equity.

- IAS 23 ***Borrowing Costs***: the amendments clarify that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

These amendments are effective for annual reporting periods beginning on or after January 1, 2019 with earlier application permitted.
These amendments are not expected to have a material impact on the Group's consolidated financial statements.

5.3 Financial instruments

5.3.1 Financial risk management

During the six months ended June 30, 2018, 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 of and for the year ended December 31, 2017.

5.3.2 Financial instruments: fair values

Carrying amount versus fair value

The fair values of financial assets and financial liabilities, together with the carrying amounts in the condensed consolidated interim statement of financial position and their levels in the fair value hierarchy are summarized in the table below. The fair value measurements are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation techniques.

June 30, 2018	Note	**Carrying amount**	**Fair value**			
(in thousands of euro)				Level 1	Level 2	Level 3
Financial assets						
Financial assets carried at fair value						
Money market funds	5.11	86,000	86,000	86,000	—	—
Derivative financial assets	5.14	50,341	50,341	—	50,341	—
Total financial assets carried at fair value		**136,341**	**136,341**	**86,000**	**50,341**	**—**
Financial liabilities						
Financial liabilities carried at fair value						
Derivative financial liabilities	5.14	297,450	297,450	—	297,450	—
Total financial liabilities carried at fair value		**297,450**	**297,450**	**—**	**297,450**	**—**
Financial liabilities carried at amortized cost						
Loans, borrowings and finance lease liabilities (excluding deferred financing fees)	5.13					
- 2017 Amended Senior Credit Facility		2,103,728	1,864,795	—	1,864,795	—
- Senior Secured Fixed Rate Notes		1,974,937	2,086,729	2,086,729	—	—
- Overdraft facility		35	35	—	35	—
- Revolving Credit facility		20	20		20	
- Global Handset Finco Ltd Loan		12,740	12,740	—	12,740	—
- Coditel network right of use		6,807	6,807	—	6,807	—
- Vendor financing		374,084	374,084	—	374,084	—
- Finance lease obligations		397,552	361,783	—	361,783	—
- Clientele fee > 20 years		119,734	113,011	—	113,011	—
- 3G Mobile Spectrum		16,280	14,361	—	14,361	—
-Nextel bank debt		4,193	4,193	—	4,193	—
- Nextel current accounts		3,248	3,248	—	3,248	—
Total financial liabilities carried at amortized cost		**5,013,358**	**4,841,806**	**2,086,729**	**2,755,077**	**—**

December 31, 2017	Note	**Carrying amount**	**Fair value**			
(in thousands of euro)				Level 1	Level 2	Level 3
Financial assets						
Financial assets carried at fair value						
Money market funds	5.11	11,000	11,000	11,000	—	—
Derivative financial assets	5.14	49,335	49,335	—	49,335	—
Total financial assets carried at fair value		**60,335**	**60,335**	**11,000**	**49,335**	**—**
Financial liabilities						
Financial liabilities carried at fair value						
Derivative financial liabilities	5.14	333,075	333,075	—	333,075	—
Total financial liabilities carried at fair value		**333,075**	**333,075**	**—**	**333,075**	**—**
Financial liabilities carried at amortized cost						
Loans, borrowings and finance lease liabilities (excluding deferred financing fees)	5.13					
- 2017 Amended Senior Credit Facility		1,816,050	1,825,471	—	1,825,471	—
- Senior Secured Fixed Rate Notes		2,234,409	2,300,861	2,300,861	—	—
- Revolving Credit Facility		8	8	—	8	—
- Overdraft Facility		31	31	—	31	—
- Global Handset Finco Ltd Loan		12,740	12,740	—	12,740	—
- SFR network right of use		4,236	4,236	—	4,236	—
- Vendor financing		262,605	262,605	—	262,605	—
- Finance lease obligations		383,159	347,923	—	347,923	—
- Clientele fee > 20 years		114,972	112,450	—	112,450	—
- 3G Mobile Spectrum		16,280	14,684	—	14,684	—
Total financial liabilities carried at amortized cost		**4,844,490**	**4,881,009**	**2,300,861**	**2,580,148**	**—**

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring level 2 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Unobservable inputs	Inter-relationship between unobservable inputs and fair value measurements
Interest rate derivatives	Discounted cash flows : the fair value of the cross currency and interest rate derivatives is calculated by the Company based on swap curves flat, taking into account the credit risk of both the Company and the respective counterparties to the instruments. The Company also compares the calculated fair values to the respective instruments' fair value as provided by the counterparty.	The credit risk of both the Company and the respective counterparties to the instruments.	The estimated fair value would increase (decrease) if : - the credit risk of the company were lower (higher) - the credit risk of the countercompany were higher (lower).
Foreign exchange forwards and embedded derivatives	Discounted cash flows : the fair value of forward exchange contracts is calculated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate. This calculation is compared to the listed market price, if available.	Not applicable.	Not applicable.

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Loans, borrowings and finance lease liabilities : - 2017 Amended Senior Credit Facility - Senior Secured Notes - Overdraft facilities	Market comparison technique : The fair values are based on broker quotes. The brokers providing the quotes are among the most active in the trading of the Senior Credit Facility, and regularly provide quotes to the market. No adjustments to this pricing are needed.	Not applicable.	Not applicable.
Loans, borrowings and finance lease liabilities : - Finance lease obligations - Clientele fee > 20 years - 3G Mobile spectrum - Global Handset Loan - Vendor Financing - SFR network right of use	Discounted cash flows.	Discount rate.	The estimated fair value would increase (decrease) if : - the discount rate were lower (higher).

During the six months ended June 30, 2018, no financial assets or liabilities measured at fair value have been transferred between the levels of the fair value hierarchy.

5.4 Property and equipment

(in thousands of euro)	Land, buildings, and leasehold improvements	Network	Construction in progress	Furniture, equipment, and vehicles	Total
Cost					
At January 1, 2018, as reported	**162,248**	**3,432,658**	**112,127**	**82,840**	**3,789,873**
Acquisition of SFR BeLux - PPA (see Note 5.22.3)	(68)	8,262	—	(47)	8,147
At January 1, 2018, as restated	**162,180**	**3,440,920**	**112,127**	**82,793**	**3,798,020**
Additions	7,082	165,753	43,445	2,674	218,954
Acquisition of Nextel (see Note 5.22.1)	920	1,448	—	11,870	14,238
Transfers	—	27,483	(27,483)	—	—
Disposals	—	(215,868)	—	(29)	(215,897)
Write off of fully depreciated assets	(4,320)	(1,779)	—	(1,059)	(7,158)
At June 30, 2018	**165,862**	**3,417,957**	**128,089**	**96,249**	**3,808,157**
Accumulated Depreciation					
At January 1, 2018, as reported	**74,500**	**1,534,111**	**—**	**34,931**	**1,643,542**
Acquisition of SFR BeLux - amortization charge PPA (see Note 5.22.3)		4,907			4,907
At January 1, 2018, as restated	**74,500**	**1,539,018**	**—**	**34,931**	**1,648,449**
Depreciation charge for the year	7,247	206,167	—	3,042	216,456
Disposals	—	(214,016)	—	—	(214,016)
Write off of fully depreciated assets	(4,320)	(1,779)	—	(1,059)	(7,158)
At June 30, 2018	**77,427**	**1,529,390**	**—**	**36,914**	**1,643,731**
Carrying Amount					
At June 30, 2018	88,435	1,888,567	128,089	59,335	2,164,426
At January 1, 2018, as restated	87,680	1,901,902	112,127	47,862	2,149,571

As a result of the Nextel acquisition, property and equipment increased by €14.2 million mainly consisting of its furniture and equipment. With respect to the status of the preliminary purchase price allocation, we refer to Note 5.22.

Accrued capital expenditures for property and equipment reached €219.0 million for the six months ended June 30, 2018, representing the following additions:

- accrued capital expenditures for both the broadband and the mobile network growth and upgrades for an amount of €149.5 million
- capital expenditures for customer installations for an amount of €22.2 million;
- refurbishments and replacements of network equipment for an amount of €30.4 million; and
- set-top box related capital expenditures for an amount of €16.9 million.

For the six months ended June 30, 2018, the Company removed €7.2 million of gross cost and accumulated depreciation related to fully depreciated assets which are no longer used by the Company.

The Company recognized a loss on disposal of assets of €0.4 million for the six months ended June 30, 2018, mainly attributable to modems, set-up boxes and the sale of scrap material.

5.5 Goodwill

The total amount of goodwill as of June 30, 2018 amounted to €1,862.9 million (December 31, 2017 : €1,796.0 million). The increase of €66.9 million was attributable to the Nextel acquisition.

(in thousands of euro)	
January 1, 2018 as reported	**1,848,443**
Purchase Price Allocation - SFR BeLux	(52,458)
January 1, 2018 as restated	**1,795,985**
Acquisition of subsidiaries - Nextel	66,867
June 30, 2018	**1,862,852**

For detailed information regarding the acquisition of Nextel and the purchase price allocation for SFR Belux, we refer to Note 5.22.1, respectively Note 5.22.3.

5.6 Other intangible assets

(in thousands of euro)	Network user rights	Trade name	Software	Customer relationships	Broadcasting rights	Other	Total
Cost							
At January 1, 2018, as reported	**261,089**	**156,443**	**735,341**	**311,804**	**189,593**	**18,997**	**1,673,267**
Acquisition of SFR BeLux - PPA (see Note 5.22.3)	—	—	—	70,000	—	473	70,473
At January 1, 2018, as restated	**261,089**	**156,443**	**735,341**	**381,804**	**189,593**	**19,470**	**1,743,740**
Additions	—	—	74,899	—	8,449	—	83,348
Disposals	—	—	(847)	—	—	—	(847)
Write-off of fully amortized assets	—	—	(59)	—	(10,224)	—	(10,283)
At June 30, 2018	**261,089**	**156,443**	**809,334**	**381,804**	**187,818**	**19,470**	**1,815,958**
Accumulated amortization							
At January 1, 2018	**115,034**	**124,799**	**431,748**	**231,668**	**55,938**	**1,910**	**961,097**
Acquisition of SFR BeLux - amortization charge PPA (see Note 5.22.3)	—	—	—	4,258	—	—	4,258
At January 1, 2018, as restated	**115,034**	**124,799**	**431,748**	**235,926**	**55,938**	**1,910**	**965,355**
Amortization charge for the year	22,369	876	51,817	18,468	34,900	251	128,681
Disposals	—	—	(692)	—	—	—	(692)
Write-off of fully amortized assets	—	—	(59)	—	(10,224)	—	(10,283)
At June 30, 2018	**137,403**	**125,675**	**482,814**	**254,394**	**80,614**	**2,161**	**1,083,061**
Carrying amount							
At June 30, 2018	123,686	30,768	326,520	127,410	107,204	17,309	732,897
At January 1, 2018, as restated	146,055	31,644	303,593	145,878	133,655	17,560	778,385

The Company's intangible assets other than goodwill each have finite lives and are comprised primarily of network user rights (mainly mobile spectrum), trade name, software development and acquisition costs, customer relationships, broadcasting rights, out of market component of future leases and contracts with suppliers.

The customer relationship addition amounting to €70.0 million is relating to the purchase price allocation of the SFR BeLux acquisition (see Note 5.22.3).

The write-off of fully amortized assets consisted mainly of movie broadcasting rights (€5.5 million) and sportrights (€4.7 million).

5.7 Investments in and loans to equity accounted investees and other investments

5.7.1 Investments in and loans to equity accounted investees

The following table shows the components of the Company's investments in equity accounted investees:

(in thousands of euro)	De Vijver Media NV	Other	Total
Investments in Associates			
At January 1, 2018	**28,362**	**2,204**	**30,566**
Additions	—	600	600
Direct Acquisition Costs	—	—	—
At June 30, 2018	**28,362**	**2,804**	**31,166**
Share in the result of Associates			
At January 1, 2018	**(496)**	**(375)**	**(871)**
Share in the result	(433)	(137)	(570)
At June 30, 2018	**(929)**	**(512)**	**(1,441)**
Loans granted to Associates			
At January 1, 2018	**—**	**1,295**	**1,295**
Accrued interest	—	2	2
At June 30, 2018	**—**	**1,297**	**1,297**
Carrying Amount			
At June 30, 2018	27,433	3,589	31,022
At January 1, 2018	27,866	3,124	30,990

The additions amounting to €0.6 million is related to the stake of 19% in Recneps NV which was previously reported under Other Investments.

On March 7, 2018, Telenet entered into an agreement with the two other shareholders of De Vijver Media NV to sell their respective stakes of 30% and 20% to Telenet, which will become the sole shareholder. This transaction is subject to approval by the competent competition authorities.

5.7.2 Other investments

Belgian Mobile ID

In June 2017, Telenet contributed an amount of €1.5 million in cash as part of a capital increase of Belgian Mobile ID NV (f.k.a. Belgian Mobile Wallet NV). The Company's stake in the share capital of Belgian Mobile ID remains at 16.67%. Belgian Mobile Wallet NV launched a Belgian standard for payments via smartphones in spring 2014 allowing consumers to use their smartphones in the future to pay for goods and services, exchange coupons, or use their customer cards.

Imec.istart Fund

On March 15, 2017, Telenet Group Holding NV took an 8% stake in the share capital of Imec.istart Fund for €0.2 million. This Fund was incorporated to invest in pre-seed and seed stage opportunities in privately held technology companies which are selected for the imec.istart program and which have a potential for significant value creation in fast growing market segments in or outside of the territory of the European Union.

Recneps

The investment in Recneps, previously reported under this section, has been reclassed to section 5.7.1 'Investments in and loans to equity accounted investees' as a result of the increase in stake.

5.8 Trade receivables

5.8.1 Non-current

(in thousands of euro)	**June 30, 2018**	**December 31, 2017**
Trade receivables	1,422	2,851
Trade receivables, net	**1,422**	**2,851**

Non-current trade receivables are comprised of long-term receivables from handset financing contracts with third party customers.

5.8.2 Current

(in thousands of euro)	**June 30, 2018**	**December 31, 2017**
Trade receivables	254,743	226,475
Less: allowance for bad debt	(9,256)	(11,580)
Trade receivables, net	**245,487**	**214,895**

The current trade receivables amounting to €254.7 million as of June 30, 2018 also include the trade receivables acquired in connection with the Nextel acquisition which amounted to €12.4 million for the period ended June 30, 2018.

When a trade receivable is uncollectible, it is written off against the provision for impairment of trade receivables. Trade receivables impairment losses have been included in cost of services provided in the condensed consolidated statement of profit or loss and other comprehensive income. Allowances for bad debt decreased €2.3 million due to the release of bad debt allowances during the first six months of 2018.

The Company does not hold any receivables in foreign currencies.

5.9 Other assets

5.9.1 Non-current

(in thousands of euro)	June 30, 2018	December 31, 2017
Outstanding guarantees to third parties for own liabilities (cash paid)	45	1,272
Deferred financing fees	3,365	3,641
Contract assets	1,730	—
Receivables from sale of sports broadcasting rights	1,486	1,838
Funding of post retirement obligation	1,357	1,357
Other	2,929	2,734
Other non-current assets	**10,912**	**10,842**

Deferred financing fees related to undrawn Revolving Credit Facilities are presented other non-current assets.

5.9.2 Current

(in thousands of euro)	Note	June 30, 2018	December 31, 2017
Recoverable withholding taxes		644	296
Prepaid content		6,892	6,082
Prepayments		31,653	28,146
Unbilled revenue		72,416	86,649
Receivables from sale of sports broadcasting rights		5,176	8,786
Indemnification receivable from acquisitions	5.23	24,048	4,687
Contract assets		9,007	—
Settlement receivables		188	188
Other		8,945	1,718
Other current assets		**158,969**	**136,552**

The increase in prepayments is due to (i) new marketing prepayments for Nextel (€2.4 million), (ii) increased prepaid programming (€6.6 million) and (iii) prepayments for security; partially offset by decreases in prepayments on various categories.

Unbilled revenue generally represents revenue for which the Company has already provided a service or product in accordance with the customer agreement but for which the customer has not yet been invoiced and for which an unconditional right to consideration exists.

Indemnification receivables from acquisitions increased €19.4 miliion which is due to an increase of the receivable on KPN related to pylon taxes (€9.1 million) and a new receivable on the former shareholders of SFR Belux (€10.2 million).

The contract assets amounting to €9.0 million relates to the recognised revenue to which Telenet expects to be entitled under the new adopted IFRS 15 standard and is mainly related to accrued revenue related to multiple element arrangements. The Company has adopted IFRS 15 effective January 1, 2018 using the cumulative effect transition method and therefore the comparative information has not been restated.

5.10 Inventories

As of June 30, 2018, inventories amounted to €22.6 million (December 2017: €21.5 million) consisting of mobile handsets, tablets, wireless modems, powerline adaptors and other DTV materials.

Mobile handsets and accessories inventory increased €3.1 million to €16.1 million as of June 30, 2018.

The telephony and internet related customer premise equipment represented a total value of €8.8 million, which is an increase compared to year end 2017 of €4.4 million.

The net book value of inventories also includes inventory impairments to reduce the carrying values to the net realizable value. These inventory impairments amounted to €2.6 million as of June 30, 2018 compared to €0.6 million as of December 31, 2017.

5.11 Cash and cash equivalents

(in thousands of euro)	June 30, 2018	December 31, 2017
Cash at bank and on hand	40,506	28,053
Money market funds	86,000	11,000
Total cash and cash equivalents	**126,506**	**39,053**

At June 30, 2018, the Company held €126.5 million of cash and cash equivalents compared to €39.1 million at December 31, 2017. To minimize the counterparty risk, the Company's cash equivalents are placed with European and US financial institutions with a minimum Standard & Poors rating of A-. The increase in the cash balance compared to December 31, 2017 was primarily due to an improvement of net cash from operating activities (€ 519.2 million compared to € 380.7 million prior year). This was offset by cash used in investing activities and net cash used in financing activities during the six month ended June 30, 2018 (€265.8 million and €165.9 million, respectively).

Telenet also paid €104.9 million of taxes during the six months ended June 30, 2018.

5.12 Shareholders' equity

5.12.1 Shareholders' equity

As of June 30, 2018, share capital amounted to €12.8 million (December 31, 2017: €12.8 million).

The condensed consolidated interim financial statements as of June 30, 2018 showed a negative consolidated equity amounting to €1,011.4 million, mainly as a result of the Company's historical shareholder disbursements policy, including various capital reductions.

The Company considers its most optimal equity structure on a consolidated level, based on a certain net leverage range, even in case of a negative equity on a consolidated level and taking into account that the amount of current liabilities exceeded the amount of current assets.

The board of directors has considered the Company's net equity position and has prepared the consolidated financial statements applying the accounting policies consistently on a going concern basis taking into account amongst others:

- the forecasted earnings for the next year;
- a projected strong and steady positive cash flow for the next year;
- maturities of financial obligations as disclosed in note 5.13.

Own shares

Share Repurchase Program 2018

In February 2018, the board of directors authorized a share buy-back program of up to €75.0 million (the "Share Repurchase Program 2018"), effective as of February 13, 2018. Under this program, Telenet could acquire from time to time its common stock, for a maximum of 1.1 million shares or a maximum consideration of €75.0 million, up to December 31, 2018. The share repurchases will be conducted under the terms and conditions approved by the extraordinary general shareholders' meeting of the Company of April 30, 2014 and will be used to cover the outstanding obligations under the Company's share option plans.

Share Repurchase Program 2018bis

On June, 25 2018, the Company announced the initiation of a €300 million share repurchase program (the "Share Repurchase Program 2018bis"). This program replaces the Share Repurchase Program 2018, which commenced on February 13, 2018 and under which 526,637 shares have been repurchased for a total consideration of €28.9 million.

Under the Share Repurchase Program 2018bis, Telenet may repurchase from time to time up to 7.5 million shares for a maximum consideration of €300 million until June 28, 2019. Telenet will fund this program with its existing and future cash balances as well as available untapped liquidity under its revolving credit facilities.

For the period between April 30, 2019 and June 28, 2019, the execution of the remainder of the Share Repurchase Program 2018bis is subject to renewal of the share buy-back authorization by the shareholders' meeting.

Own shares

As of June 30, 2018, the Company held 2,683,124 own shares. During the six months ended June 30, 2018, the Company acquired 720,527 own shares under the Share Repurchase Program 2018 and 2018bis for a total amount of €36.9 million.

Stock options exercised during the six months ended June 30, 2018 resulted in the delivery of 173,911 own shares by the Company to the stock option holders. The cash received at the occasion of the exercise of the options amounted to € 4.2 million. As the cost of the own shares delivered amounted to € 6.2 million, the Company realized a loss of € 2.0 million. From the 173,911 stock options exercised, the cash for 121,911 stock options was actually received as per June 30, 2018. The cash for the remaining 52,000 stock options exercised was received beginning of July 2018. The details of the exercises are summarized in the following table:

Class of Stock options	Number of stock options exercised	Exercise date (date delivery shares)	Weighted Average Share price at exercise date (closing price)
ESOP 2013	6,250	1st quarter of 2018	55.76
ESOP 2014	2,650	1st quarter of 2018	54.71
ESOP 2013	109,361	2nd quarter of 2018	44.24
ESOP 2013BIS	500	2nd quarter of 2018	40.00
ESOP 2014	3,150	2nd quarter of 2018	49.77

5.12.2 Employee share based compensation

Stock Option Plan 2018

On March 19, 2018, the board of directors approved a new general stock option plan for the CEO, the SLT and a selected number of employees for a total number of 1,402,903 stock options on existing shares (the "Employee Stock Option Plan 2018" or "ESOP 2018"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

On June 6, 2018 the board of directors authorized a grant under this plan to certain beneficiaries. On June 30, 2018, a total of 604,021 stock options were accepted.

The vesting of these stock options occurs quarterly over a period of 4 years, with a vesting of 10% of the total stock options granted during each of the first 4 quarters and a vesting of 5% of the total stock options granted during each of the 12 following quarters.

The details regarding the stock option plan granted by the Company are summarized in the table below:

	Grant Date (for accounting purposes)	Fair Value at grant date (in euro)	Share Price (in euro)	Exercise Price (in euro)	Expected Volatility	Expected Option Life	Expected Dividends	Risk-free interest rate
ESOP 2018	June 6, 2018	4.81 - 6.88	40.42	42.72	20.88%- 22.37%	4.4	0.0%	(0.4%) - (0.08)%

Performance shares

On March 19, 2018 the board of directors decided that in 2018 performance shares would be granted to the Senior Leadership Team members, its CEO and one other manager. These will be granted in the second half of 2018.

In June 2015, Telenet granted its Senior Leadership Team members (other than its chief executive officer) and one other manager a total of 26,104 performance shares ("the 2015 Telenet Performance Shares"). The performance target applicable to the 2015 Telenet Performance Shares is the achievement of a compound annual growth rate (CAGR) for Adjusted EBITDA, when comparing the Adjusted EBITDA during the period started as of January 1, 2015 and ending on December 31, 2017 to the Adjusted EBITDA for the period started on January 1, 2014 and ended on December 31, 2014. A performance range of 75% to 150% of the target Adjusted EBITDA CAGR would generally result in award recipients earning between 50% to 150% of their 2015 Telenet Performance Shares, subject to reduction or forfeiture based on individual performance and service requirements. On February 7, 2018 The Remuneration & Nomination Committee and the Board of Directors decided that the performance criteria for the 2015 Telenet Performance Shares was achieved, and as a consequence, the earned 2015 Telenet Performance Shares vested at 115.8% on June 18, 2018. This particular performance share plan was paid out in shares.

In the six months ended June 30, 2018, Telenet recognized €1.5 million of compensation expense for the Telenet share based compensation plans, including €2.3 million related to the equity settled stock option awards, partially offset by €0.8 million related to the performance share awards. Total compensation expense for the six months ended June 30, 2017 amounted to €7.8 million.

5.13 Loans and borrowings

The balances of loans and borrowings specified below include accrued interest as of June 30, 2018 and December 31, 2017.

(in thousands of €)	June 30, 2018	December 31, 2017
2017 Amended Senior Credit Facility:		
Revolving Credit Facility AG	477	477
Term Loan AL	—	1,084,235
Term Loan AM	—	731,338
Term Loan AO	730,711	—
Term Loan AN	1,372,540	—
Senior Secured Fixed Rate Notes:		
€250 million Senior Secured Notes due 2024	—	256,375
€530 million Senior Secured Notes due 2027	487,658	541,914
USD1000 million Senior Secured Notes due 2028	877,537	834,720
€600 million Senior Secured Notes due 2028	609,742	601,400
Revolving Credit Facility	20	8
Overdraft Facility	35	31
Global Handset Finco Ltd Loan	12,740	12,740
Coditel network right of use	6,807	4,236
Vendor financing	374,084	262,605
Finance lease obligations	397,552	383,159
3G Mobile Spectrum	16,280	16,280
Clientele fee > 20 years	119,734	114,972
Nextel bank debt	4,193	—
Nextel 3rd party current accounts	3,248	—
	5,013,358	**4,844,490**
Less: deferred financing fees	(17,751)	(20,584)
Total non-current and current loans and borrowings	**4,995,607**	**4,823,906**
Less: current portion	(489,827)	(361,695)
Total non-current loans and borrowings	**4,505,780**	**4,462,211**

As of June 30, 2018, the Company carried a total debt balance (including accrued interest) of €4,995.6 million, of which €1,933.4 million principal amount is related to the Senior Secured Fixed Rate Notes with maturities ranging from July 2027 through March 2028 and €2,100.2 million principal amount is owed under our 2017 Amended Senior Credit Facility with maturities ranging from August 2026 through December 2027. The total debt balance at June 30, 2018, including accrued interest, included €374.1 million of short-term debt related to our vendor financing program and €16.3 million for the outstanding portion of the 3G mobile spectrum including accrued interest. The remainder primarily represents the capital lease obligations associated with the Interkabel Acquisition.

During the first half of 2018, the Company successfully tapped the international loan markets in order to refinance part of its outstanding debt at attractive and improved long-term interest rates, while extending tenor. In March 2018, the Company used part of its cash and cash equivalents to prepay 10% of Facility AB , of which the lender is Telenet Finance VI Luxembourg S.C.A. ("TFLVI"). TFLVI used the proceeds from the prepayment of 10% of Facility AB to redeem 10% of the original aggregate principal amount of its 4.875% €530.0 million Senior Secured Notes due July 2027.

In March 2018, the Company issued a USD 300.0 million Term Loan ("Facility AL2") at par, under which Telenet Financing USD LLC is the borrowing entity. Facility AL2 carried the same characteristics as the initial Facility AL, which was issued on December 1, 2017. In April 2018, Telenet Financing USD LLC borrowed the full USD 300.0 million under Facility AL2 and on-lent the net proceeds of this issuance to Telenet International Finance S.à r.l., which used such proceeds, together with existing cash, to prepay Facility V, of which the lender is Telenet Finance V Luxembourg S.C.A. ("TFLV"). TFLV used the proceeds from the prepayment of Facility V to redeem in full its 6.75% €250.0 million Senior Secured Notes due August 2024.

In May 2018, the Company issued a new €730.0 million Term Loan facility ("Facility AO"), under which Telenet International Finance S.à r.l. is the borrowing entity. Facility AO carries a reduced margin of 2.50%

over EURIBOR with a 0% floor, matures on December 15, 2027 and was issued at 99.875%. Through Telenet Financing USD LLC, Telenet issued a new USD 1.6 billion Term Loan facility ("Facility AN") with a modestly improved maturity of August 15, 2026. Facility AN carries a reduced margin of 2.25% over LIBOR with a 0% floor and was issued at 99.875%. The Company used the net proceeds from these new facilities in June 2018 to entirely prepay the following credit facilities under the 2017 Amended Senior Credit Facility: (i) Facility AM (€730.0 million due December 2027, EURIBOR +2.75%, 0% floor); and (ii) Facility AL (USD 1.6 billion due March 2026, LIBOR + 2.50%, 0% floor).

Post refinancing, the Company faced no debt maturities prior to August 2026 (excluding short-term liabilities related to its vendor financing program) with a weighted average maturity of 9.1 years at the end of June 2018. In addition, the Company also had full access to €445.0 million of undrawn commitments under its revolving credit facilities at June 30, 2018, with certain availabilities up to June 2023.

As a result of the above mentioned refinancing transactions, the Company recognized a total loss on extinguishment of debt amounting to €24.6 million (Note 5.20) consisting of (i) unamortized deferred financing fees related to Term Loan Facilities AL and AM for an amount of €20.5 million, (ii) unamortized deferred financing fees related to Facility V amounting to €3.7 million and (iii) unamortized deferred financing fees related to Facility AB amounting to €0.4 million.

The table below provides an overview of the aggregate future principal payments of the total borrowings under all of the Company's loans and borrowings other than the finance leases and other types of financing as of June 30, 2018:

(in thousands of €)	**Total Facility as per**	**Drawn amount**	**Undrawn amount**	**Maturity Date**	**Interest rate**	**Interest payments due**
		June 30, 2018				
2017 Amended Senior Credit Facility:						
Term Loan AN (1,600 million USD)	1,370,214	1,370,214	—	August 15, 2026	Floating | 6-month LIBOR (0% floor) + 2.25%	Semi-annual (Jan. and July)
Term Loan AO (730 million EUR)	730,000	730,000	—	December 15, 2027	Floating | 6-month EURIBOR (0% floor) + 2.50%	Semi-annual (Jan. and July)
Revolving Credit Facility (Facility AG)	400,000	—	400,000	June 30, 2023	Floating | 1-month Euribor (0% floor) + 2.75%	Monthly
Senior Secured Fixed Rate Notes:						
€530 million Senior Secured Notes due 2027 (Facility AB)	477,000	477,000	—	July 15, 2027	Fixed | 4.875%	Semi-annual (Jan. and July)
€600 million Senior Secured Notes due 2028 (Facility AK)	600,000	600,000	—	March 1, 2028	Fixed | 3.50%	Semi-annual (Jan. and July)
USD 1,000 million Senior Secured Notes due 2028 (Facility AJ)	856,384	856,384	—	March 1, 2028	Fixed | 5.50%	Semi-annual (Jan. and July)
Other						
Revolving Credit Facility	20,000	—	20,000	September 30, 2021	Floating | 1-month EURIBOR (0% floor) + 2.00%	Monthly
BNP Overdraft Facility	25,000	—	25,000	June 30, 2019	Floating | 1-month Euribor +1.60%	Not applicable
Total notional amount	**4,478,598**	**4,033,598**	**445,000**			

At June 30, 2018, the Company has access to €400.0 million available commitment under Revolving Credit Facility AG and to €45.0 million on its banking overdraft facility.

5.14 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 the Company's financial and derivative instrument assets (liabilities), net:

(in thousands of euro)	**June 30, 2018**	**December 31, 2017**
Current assets	47,781	41,569
Non-current assets	2,578	7,766
Current liabilities	(51,716)	(21,784)
Non-current liabilities	(245,735)	(311,291)
	(247,092)	**(283,740)**
Interest rate derivatives	(119,514)	(91,230)
Cross Currency Interest Rate Swaps	(129,424)	(189,793)
Foreign exchange forwards	1,830	(2,761)
Embedded derivatives	16	44
	(247,092)	**(283,740)**

Realized and unrealized gains (losses) on derivative financial instruments are comprised of the following amounts:

(in thousands of euro)	**June 30, 2018**	**June 30, 2017**
Early termination of derivative financial instruments	—	—
Change in fair value		
Cross Currency Interest Rate Swaps	59,037	(126,317)
Interest rate derivatives	(6,147)	15,767
Foreign exchange forwards	3,058	(3,108)
Embedded derivatives	(33)	78
Total change in fair value	**55,915**	**(113,580)**
Net gain (loss) on derivative financial instruments	**55,915**	**(113,580)**

The gain for the six months ended June 30, 2018 of €55.9 million is mainly the result of an upward shift in the euro swap curve, which had a favorable impact on the mark-to-market valuation of the Company's cross currency interest rate swaps and interest rate derivatives.

For cross currency interest rate swaps and interest rate derivatives, the change in fair value includes the change in interest accrual.

5.15 Income taxes

(in thousands of euro)	For the six months ended June 30,	
	2018	**2017**
Current tax expense	(84,964)	(99,235)
Deferred tax expense/(income)	52,693	72,126
Income tax expense	**(32,271)**	**(27,109)**

The Company recognized €85.0 million of current tax expense for the six months ended June 30, 2018, which combined with the payment of €104.9 million of income taxes for the six months ended June 30, 2018, brought the current tax liability to €243.7 million as of June 30 2018 (December 31, 2017: €261.7 million).

Telenet Group Holding NV and its subsidiaries had available combined cumulative tax loss carry forwards of €1,465.4 million as of June 30, 2018 (December 31, 2017: €1,311.2 million). Under current Belgian and Luxembourg tax laws, these loss carry forwards have indefinite lives and may be used to offset future taxable income of Telenet Group Holding NV and its subsidiaries.

Deferred tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The increase in deferred tax assets relates mainly to recognition of DTA relating to new tax losses carried forward incurred during the period for which the realization is considered probable.

The Company did not recognize deferred tax assets of €129.8 million (December 31, 2017: €128.6 million), related to tax losses carried forward, because it is not considered more likely than not that these net deferred tax assets will be utilized in the foreseeable future.

5.16 Other non-current liabilities

(in thousands of euro)	June 30, 2018	December 31, 2017
Employee benefit obligations	30,424	22,616
Other personnel related obligations	332	689
Long service awards	7,937	7,805
Interkabel out of market opex	17,784	15,762
Asset retirement obligations	10,536	10,524
Liabilities regarding sports broadcasting rights	37,643	47,425
Restructuring liability Norkring	9,074	9,852
Liabilities regarding pylon taxes	3,474	3,473
Acquisition related liabilities	6,527	—
Other	7,210	5,806
Total Other non-current liabilities	**130,941**	**123,952**

The other non-current liabilities mainly consist of long term accrued stock based compensation expenses related to the cash settled performance share plans. The acquisition related liabilities are related to the Nextel acquisition. (See Note 5.22.1)

5.17 Accrued expenses and other current liabilities

(in thousands of euro)	**June 30, 2018**	**December 31, 2017**
Customer deposits	22,904	23,209
Compensation and employee benefits	65,434	80,175
VAT and withholding taxes	48,930	26,170
Dividend payable to shareholders	982	982
Accrued programming fees	54,493	55,774
Accrued capital expenditure	61,709	86,565
Accrued other liabilities - invoices to receive regarding:		
Goods received and services performed	52,492	51,411
Professional fees	17,638	18,768
Warehouse items received	15,300	9,241
Interconnect	24,605	33,757
Advertising, marketing and public relations	5,978	3,943
Infrastructure	6,725	10,284
Facilities	9,122	7,078
Other	31,844	40,559
Credit notes to issue	23,558	18,763
Restructuring liability MVNO	18,622	29,314
Accrued stock compensation	1,214	1,438
Non-income tax contingencies (IFRS 3)	17,839	5,933
Liabilities regarding pylon taxes	38,516	20,499
Accrued interest on derivatives	783	—
Accrued deferred financing costs	—	1,247
Accounts receivable with credit balance	21,065	19,077
Restructuring liability Norkring	2,250	2,250
Restructuring liability other	590	757
Liabilities regarding sports broadcasting rights	49,393	60,851
Contract liabilities	4,217	—
Other current liabilities	6,590	8,748
Total Accrued expenses and other current liabilities	**602,793**	**616,793**

Compared to December 31, 2017, total accrued expenses and other current liabilities decreased by €14.0 million to €602.8 million as of June 30, 2018.

Compared to December 31, 2017, VAT and withholding taxes payable increased €22.8 million due to the prepayments made in November for the December VAT, thus resulting in a lower outstanding VAT payable at year end. This increase was offset by a decrease in accrued capital expenditures which decreased from €86.6 million to €61.7 million at the end of June 2018. The decrease in liabilities related to sports broadcasting rights (€11.5 million) is primarily explained by the settlement of the remaining liability regarding the 2017-2018 season of the Jupiler Pro League during the first half of 2018. The decrease in the liability regarding compensation and employee benefits is due to the payment of bonuses and double vacation pay during the first six months of 2018. Accrued expenses and other current liabilities acquired as part of the Nextel acquisition amounted to €6.0 million as per June 30, 2018. The contract liabilities amounting to €4.5 million relate to the charged installation and/or other upfront fees which are deferred under IFRS 15 and recognized as revenue over the contractual period, or longer if the upfront fee results in a material renewal right. The Company has adopted IFRS 15 effective January 1, 2018 using the cumulative effect transition method and therefor the comparative information has not been restated.

The increase in non-income tax contingencies is related to an assessed risk for withholding tax at SFR BeLux (€ 10.2 million) for the five years prior to the acquisition. For the same amount a receivable on the former shareholder has been recognized. (see Note 5.9.2).

5.18 Revenue

The Company's revenue is comprised of the following:

(in thousands of euro)	For the six months ended June 30,		
	2018	**2017 as represented (*)**	**2017 as reported**
Subscription revenue			
Video	289,901	284,086	284,086
Broadband internet	309,827	298,484	298,484
Fixed-line telephony	117,224	119,425	119,425
Cable Subscription revenue	**716,952**	**701,995**	**701,995**
Mobile telephony	226,798	255,018	269,303
Total Subscription revenue	**943,750**	**957,013**	**971,298**
Business services	86,714	80,387	64,793
Other	220,386	198,500	202,209
Total Revenue	**1,250,850**	**1,235,900**	**1,238,300**

(*) we refer to Note 5.1.6 Reporting Changes - presentation of intercompany-related security revenue and SME mobile telephony revenues.

For the six months ended June 30, 2018 Telenet generated revenue of €1,250.9 million, which was up 1% versus €1,235.9 million in the prior year period. Its reported revenue movements were predominantly inorganic including (i) a full six-month revenue contribution from SFR Belux as opposed to only a two-week contribution to its H1 2017 revenue since the June 19, 2017 acquisition date and (ii) a one-month contribution from the local ICT integrator Nextel, which Telenet acquired on May 31, 2018. These acquisitions boosted Telenet revenue by €26.0 million and €7.0 million, respectively, as opposed to the same period of last year. Telenet's reported revenue growth was on the other hand negatively impacted by (i) the sale of its direct subsidiary Ortel to Lycamobile as per March 1, 2017, (ii) the discontinuation of certain fixed legacy products at BASE, (iii) the sale of JIM Mobile and Mobile Vikings to MEDIALAAN, which was a regulatory prerequisite for the EC approval of the BASE acquisition in 2016 and (iv) the impact of the new IFRS 15 accounting framework, which we have adopted as of January 1, 2018.

The Company also had deferred revenue as follows:

(in thousands of euro)	June 30, 2018	December 31, 2017
Subscription revenue		
Video	22,725	23,220
Broadband internet	19,754	19,286
Fixed-line telephony	13,633	12,176
Cable Subscription revenue	**56,112**	**54,682**
Mobile telephony	25,545	24,449
Total Subscription revenue	**81,657**	**79,131**
Business services	23,892	17,136
Other	1,721	7,099
Total Deferred Revenue	**107,270**	**103,366**

5.19 Expenses by nature

(in thousands of euro)	For the six months ended June 30,		
	2018	**2017 as represented (*)**	**2017 as reported**
Network operating expenses	97,020	90,989	90,989
Direct costs (programming, copyrights, interconnect and other)	253,565	294,493	296,893
Staff-related expenses	126,147	126,564	126,564
Sales and marketing expenses	43,963	42,874	42,874
Outsourced labor and Professional services	14,640	19,117	19,117
Other indirect expenses	70,086	69,428	69,428
Operating expenses	**605,421**	**643,465**	**645,865**
Restructuring charges	5,400	877	877
Operating charges related to acquisitions or divestitures	2,465	1,898	1,898
Share-based payments granted to directors and employees	1,462	7,799	7,799
Depreciation	216,456	227,509	227,232
Amortization	93,782	88,363	88,123
Amortization of broadcasting rights	34,899	31,266	31,266
Impairment of long-lived assets - Property and equipment	1,278	—	—
Gain on disposal of property and equipment	(1,013)	549	549
Non-cash and non-recurring items	**354,729**	**358,261**	**357,744**
Total costs and expenses	**960,150**	**1,001,726**	**1,003,609**

(*) we refer to Note 5.1.6 Reporting Changes - presentation of intercompany-related security revenue.

For the first six months of 2018, Telenet incurred total expenses of €960.2 million, representing a decrease of 4% compared to the prior year period when it incurred total expenses of €1,001.7 million. Total expenses for the first six months of 2018 reflected certain inorganic movements as mentioned above (see 5.18. Revenue for more details). Total expenses represented approximately 77% of Telenet revenue for the first six months of 2018 (first six months of 2017: approximately 81%). Cost of services provided as a percentage of revenue represented approximately 57% for the first six months of 2018 (first six months of 2017: approximately 62%), while selling, general and administrative expenses represented approximately 19% of total revenue for the first six months of 2018 (first six months of 2017: approximately 19%).

5.20 Finance income / expense

		For the six months ended June 30,	
(in thousands of euro)	Note	**2018**	**2017**
Recognized in the statement of profit or loss and comprehensive income			
Finance income			
Net interest income and foreign exchange gain			
Interest income on bank deposits and commercial paper and other finance income		137	170
Interest income on receivables		97	—
Net foreign exchange gain		—	143,642
		234	**143,812**
Net gain on derivative financial instruments			
Change in fair value	5.14	55,915	—
		55,915	**—**
Finance expense			
Net interest expense, foreign exchange loss and other finance expense			
Interest expense on financial liabilities measured at amortized cost, and other finance expense		(111,928)	(109,850)
Amortization of financing cost		(1,942)	(2,909)
Net foreign exchange loss		(66,674)	—
		(180,544)	**(112,759)**
Net loss on derivative financial instruments			
Change in fair value	5.14	—	(113,580)
		—	**(113,580)**
Loss on extinguishment of debt		**(24,590)**	**(46,533)**
Net finance expenses		**(148,985)**	**(129,060)**

For the first six months of 2018, net finance expense totaled €149.0 million compared to €129.1 million of net finance expense incurred for the first six months of 2017. In the first six months of 2017, Telenet recorded a €113.6 million non-cash loss on its derivatives and a €46.5 million loss on the extinguishment of debt following the early redemption of certain debt instruments compared to a €55.9 million non-cash gain on its derivatives and a € 24,6 million loss on the extinguishment of debt following the refinancing of its € and USD-denominated Term Loans.

During the first six months of 2018, Telenet realized a net foreign exchange loss of € 66.7 million on its outstanding USD-denominated debt versus a net foreign exchange gain (€ 143.6 million) during the first six months of 2017.

5.21 Earnings (loss) per share

5.21.1 Basic

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

(in thousands of euro, except share and per share data)	For the six months ended June 30,	
	2018	**2017**
Net profit attributable to the equity holders of the Company	109,546	75,009
Weighted average number of ordinary shares	115,247,512	115,430,484
Weighted average number of shares used in the calculation of basic earnings per share	**115,247,512**	**115,430,484**
Basic earnings per share in €	**0.95**	**0.65**

5.21.2 Diluted

Diluted earnings (loss) per share are calculated by using the treasury stock method by adjusting the weighted average number of shares used in the calculation of basic earnings per share to assume full conversion of all dilutive potential ordinary shares.

For the six months ended June 30, 2018, the Company had the following outstanding options :

- ESOP 2013 primo stock options
- ESOP 2013 bis stock options
- ESOP 2014 stock options
- ESOP 2015 stock options
- ESOP 2015bis stock options
- CEO SOP 2013 stock options
- CEO SOP 2014 stock options
- CEO SOP 2014bis stock options
- CEO SOP 2015 stock options
- ESOP 2016 stock options
- ESOP 2016bis stock options
- ESOP 2017 stock options
- ESOP 2017bis stock options
- ESOP 2018 stock options

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

	For the six months ended June 30,	
	2018	**2017**
Weighted average number of shares used in the calculation of basic earnings per share	115,247,512	115,430,484
Weighted average number of shares used in the calculation of diluted earnings per share	**115,247,512**	**115,430,484**
Diluted earnings per share in €	**0.95**	**0.65**

5.22 Acquisition and disposal of a subsidiary

5.22.1 Nextel

On May 31, 2018, pursuant to a definitive agreement and following regulatory approval, Telenet acquired 100% of the shares of TelelinQ NV with subsidiaries Nextel NV, Nextel Telecom Solutions NV and TelelinQ D&F NV for a cash purchase price of €78.1 million (the "Nextel" acquisition). Nextel is a Belgian integrator working for large companies, SMEs, healthcare institutions, non-profit organizations and public authorities. Nextel has offices in Wommelgem and Zaventem, and employs 340 people.

In 2018, the Company incurred acquisition-related costs of €0.1 million on legal fees and due diligence costs. These have been included in 'Selling, general and administrative expenses'.

We account for the Nextel acquisition using the acquisition method of accounting, whereby the total purchase price is allocated to the acquired identifiable net assets of Nextel based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. Due to the restricted access to financial and operational data prior to closing of the acquisition, which occurred on May 31, 2018, the Company was not able to perform a detailed allocation of the total purchase price as of June 30, 2018. The preliminary opening balance sheet is therefore subject to adjustment based on our assessment of the fair values of the acquired identifiable assets and liabilities. The items with the highest likelihood of changing upon the valuation process include property and equipment, goodwill, intangible assets associated with customer relationships and income taxes.

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

(in thousands of euro)	IFRS opening balance sheet	Fair value adjustments	Fair value of identifiable net assets
Assets			
Non-current assets:			
Property and equipment	14,238	—	14,238
Goodwill	66,867	(66,867)	—
Other intangible assets	—	—	—
Other assets	5	—	5
Total non-current assets	**81,110**	**(66,867)**	**14,243**
Current assets:			
Inventories	2,983	—	2,983
Trade receivables	7,082	—	7,082
Other current assets	5,907	—	5,907
Cash and cash equivalents	9,055	—	9,055
Total current assets	**25,027**	**—**	**25,027**
Total assets acquired	**106,137**	**(66,867)**	**39,270**
Liabilities			
Non-current liabilities:			
Loans and borrowings	13,284	—	13,284
Deferred tax liabilities	—	—	—
Other liabilities	—	—	—
Total non-current liabilities	**13,284**	**—**	**13,284**
Current liabilities:			
Loans and borrowings	6,043	—	6,043
Trade payables	2,566	—	2,566
Accrued expenses and other current liabilities	5,966	—	5,966
Deferred revenue	183	—	183
Current tax liability	—	—	—
Total current liabilities	**14,758**	**—**	**14,758**
Total liabilities assumed	**28,042**	**—**	**28,042**
Fair value of identifiable net assets acquired			**11,228**
Total consideration transferred			**78,095**
Provisional goodwill arising from the acquisition			**66,867**

The accounting of the acquisition will be revised based on the ongoing purchase price allocation which will be completed within one year of the date of acquisition.

In the period as from May 31, 2018 till June 30, 2018, Nextel contributed revenue of €7.0 million and a profit of €1.3 million to the Company's results. If the acquisition had occurred on January 1, 2018, management estimates that consolidated revenue would have been €1,272.7 million, and consolidated operating result for the period would have been €293.5 million

In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2018.

5.22.2 Ortel Mobile NV

On February 10, 2017, Telenet Group BVBA sold all shares of its MVNO subsidiary Ortel Mobile NV to LycaMobileBelgium Limited. The agreed upon transfer date of the shares was March 1, 2017.

The consideration received consisted of (i) the purchase price of 1 EUR, (ii) the cash and cash equivalents of Ortel Mobile NV on the transfer date amounting to €1.7 million, (iii) a discount of €1.7 million on future

MVNO services to settle prepaid credits and (iv) the agreement for the provision of full MVNO services under the Amended MVNO agreement. Telenet determined that the net assets of Ortel Mobile NV on March 1, 2017 amounted to €2.1 million. Telenet recorded a net loss on disposal of €2.1 million.

5.22.3 SFR Belux

On June 19, 2017, pursuant to a definitive agreement and following regulatory approval, Telenet acquired 100% of the shares of Coditel Brabant SPRL for a cash purchase price of €369.0 million (the "**SFR Belux**" acquisition).

The Company accounted for the SFR Belux acquisition using the acquisition method of accounting, whereby the total purchase price is allocated to the acquired identifiable net assets of Coditel based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. As of December 31, 2017, the Company was still in the process of executing a detailed allocation of the total purchase price and reported a preliminary opening balance sheet, subject to adjustment based on the assessment of the fair values of the acquired identifiable assets and liabilities. As per June 30, 2018, the purchase price allocation has been finalized. The fair value adjustment on property and equipment (€29.7 million) mainly relates to the acquired cable network of SFR. The €70.5 million step-up recognized on other intangible assets almost entirely relates to the customer relationships. The SFR brand was not part of the acquisition and will be terminated in Belgium and Luxembourg by the end of 2019 at the latest. The deferred tax adjustment resulting from the purchase price allocations amounts to €31.8 million and is reported under non-current deferred tax liabilities. The adjustment to the fair value and the remaining useful lives of property and equipment and the customer relationships, has resulted in additional depreciation (€4.9 million, see Note 5.4) and amortization (€4.3 million, see Note 5.6) expense recognized for the period between the acquisition date and December 31, 2017, for which the condensed consolidated interim statement of profit or loss and other comprehensive income has been restated.

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

(in thousands of euro)	Initial IFRS opening balance sheet	opening balance sheet adjustments	Final IFRS opening balance sheet	Fair value adjustments	Fair value of identifiable net assets
Assets					
Non-current assets:					
Property and equipment	83,535	(21,548)	61,987	29,694	91,681
Goodwill	52,417	(52,456)	(39)	39	—
Other intangible assets	1,946		1,946	70,473	72,419
Other assets	1,563	(77)	1,486		1,486
Total non-current assets	**139,461**	**(74,081)**	**65,380**	**100,206**	**165,586**
Current assets:					
Inventories	—	—	—	—	—
Trade receivables	9,962	126	10,088	—	10,088
Other current assets	1,918	71	1,989	—	1,989
Cash and cash equivalents	1,651	—	1,651	—	1,651
Total current assets	**13,531**	**197**	**13,728**	**—**	**13,728**
Total assets acquired	**152,992**	**(73,884)**	**79,108**	**100,206**	**179,314**
Liabilities					
Non-current liabilities:					
Loans and borrowings	4,102	—	4,102	—	4,102
Deferred tax liabilities	581	(2,896)	(2,315)	31,786	29,471
Other liabilities	245	(229)	16		16
Total non-current liabilities	**4,928**	**(3,125)**	**1,803**	**31,786**	**33,589**
Current liabilities:					
Loans and borrowings	160	—	160	—	160
Trade payables	8,654	—	8,654	—	8,654
Accrued expenses and other current liabilities	14,891	(2,380)	12,511	—	12,511
Deferred revenue	10,459	—	10,459	—	10,459
Total current liabilities	**34,164**	**(2,380)**	**31,784**	**—**	**31,784**
Total liabilities assumed	**39,092**	**(5,505)**	**33,587**	**31,786**	**65,373**
Fair value of identifiable net assets acquired					**113,941**
Total consideration transferred					**368,980**
Final goodwill arising from the acquisition					**255,039**

5.23 Commitments and contingencies

5.23.1 Pending litigations

Interkabel Acquisition

On November 26, 2007, Telenet and the PICs announced a non-binding agreement-in-principle to transfer the analog and digital television activities of the PICs, including all existing subscribers to Telenet. Subsequently, Telenet and the PICs entered into a binding agreement (the "2008 PICs Agreement"), which closed effective October 1, 2008. Beginning in December 2007, Proximus NV/SA ("Proximus"), the incumbent telecommunications operator in Belgium, instituted several proceedings seeking to block implementation of these agreements. Proximus lodged summary proceedings with the President of the Court of First Instance of Antwerp to obtain a provisional injunction preventing the PICs from effecting the agreement-in-principle and initiated a civil procedure on the merits claiming the annulment of the agreement-in-principle. In March 2008, the President of the Court of First Instance of Antwerp ruled in favor of Proximus in the summary proceedings, which ruling was overturned by the Court of Appeal of Antwerp in June 2008. Proximus brought this appeal judgment before the Belgian Supreme Court (Hof van Cassatie / Cour de Cassation), which confirmed the appeal judgment in September 2010. On April 6, 2009, the Court of First Instance of Antwerp ruled in favor of the PICs and Telenet in the civil procedure on the merits, dismissing Proximus' request for the rescission of the agreement-in-principle and the 2008 PICs Agreement. On June 12, 2009, Proximus appealed this judgment with the Court of Appeal of Antwerp. In this appeal, Proximus also sought compensation for damages. While these proceedings were suspended indefinitely, other proceedings were initiated, which resulted in a ruling by the Belgian Council of State in May 2014 annulling (i) the decision of the PICs not to organize a public market consultation and (ii) the decision from the PICs' board of directors to approve the 2008 PICs Agreement. In December 2015, Proximus resumed the civil proceedings pending with the Court of Appeal of Antwerp seeking to have the 2008 PICs Agreement annulled and claiming damages of €1.4 billion. On December 18, 2017, the Court of Appeal of Antwerp rejected Proximus' claim in its entirety. Proximus has the possibility to file an appeal against this decision with the Belgian Supreme Court. Proximus can still initiate legal proceedings before the Supreme Court as the judgment in appeal was not notified to Proximus.

No assurance can be given as to the outcome of these or other proceedings. However, an unfavorable outcome of existing or future proceedings could potentially lead to the annulment of the 2008 PICs Agreement and/or to an obligation of Telenet to pay compensation for damages, subject to the relevant provisions of the 2008 PICs Agreement, which stipulate that Telenet is responsible for damages in excess of €20.0 million. There can be no assurances that the ultimate resolution of this matter will not have a material adverse impact on Telenet's results of operations, cash flows or financial position (although we do not expect this to be the case). No amounts have been accrued by us with respect to this matter as the likelihood of loss is not considered to be probable.

Litigation regarding cable access

In December 2010, BIPT and the regional regulators for the media sectors (together, the "Belgium Regulatory Authorities") published their respective draft decisions reflecting the results of their joint analysis of the broadcasting market in Belgium. The Belgium Regulatory Authorities adopted a final decision on July 1, 2011 (the "July 2011 Decision") with some minor revisions.

Following a new analysis of the Belgian wholesale broadband and broadcasting market, including a comments letter from the European Commission dated May 25, 2018 (EC Comments Letter), the BIPT and the regional regulators for the media sectors (together, the Belgium Regulatory Authorities) adopted a new decision on June 29, 2018 finding that Telenet has significant market power in the wholesale broadband market (the 2018 Decision). The 2018 Decision imposes on Telenet the obligations to (i) provide third-party operators with access to the digital television platform (including basic digital video and analog video) and (ii) make available to third-party operators a bitstream offer of broadband internet access (including fixed-line telephony as an option). Unlike prior decisions, the 2018 Decision no longer applies "retail minus" pricing on Telenet; however, as of August 1, 2018, this decision imposes monthly wholesale cable resale access prices for an interim period. The Belgium Regulatory Authorities will replace these interim prices with "reasonable access tariffs" around mid-2019.

The 2018 Decision aims to, and in its application, may strengthen Telenet's competitors by granting them resale access to Telenet's network to offer competing products and services notwithstanding Telenet's substantial historical financial outlays in developing the infrastructure. In addition, any resale access granted to competitors could (i) limit the bandwidth available to Telenet to provide new or expanded products and services to the customers served by its network and (ii) adversely impact Telenet's ability to maintain or increase its revenue and cash flows. The extent of any such adverse impacts ultimately will be dependent on the extent that competitors take advantage of the resale access afforded to Telenet's network, the rates that Telenet receives for such access and other competitive factors or market developments. Telenet considers the 2018 Decision to be inconsistent with the principle of technology-neutral regulation and the European Single Market Strategy to stimulate further investments in broadband networks and has filed an appeal for annulment against the 2018 Decision before the Market Court in Brussels on August 28, 2018. In addition, Telenet filed appeal against the EC Comments Letter before the General Court in Luxembourg.

Telenet filed an appeal against the July 2011 Decision with the Brussels Court of Appeal. On November 12, 2014, the Brussels Court of Appeal rejected Telenet's appeal of the July 2011 Decision and accepted Proximus' claim that Proximus should not be systematically excluded from access to Telenet's, among other operators, digital television platform and the resale of bundles of digital video and broadband internet services. On November 30, 2015, Telenet filed an appeal of this decision with the Belgian Supreme Court. This appeal was rejected on April 26, 2018. In 2014, Telenet and wireless operator Orange Belgium each filed an appeal with the Brussels Court of Appeal against the initial retail minus decision of December 11, 2013. On April 25, 2016, Telenet also filed an appeal with the Brussels Court of Appeal challenging the February 19, 2016 retail minus decision. These proceedings against the February 19, 2016 decision have been joined by the Brussels Court of Appeal with the proceedings initiated by Telenet on February 20, 2014 against the decision of the Belgium Regulatory Authorities of December 11, 2013. On October 25, 2017, the Court of Appeal rendered a judgment annulling both the December 11, 2013 and February 19, 2016 retail minus decisions, with effect as of April 30, 2018.

The July 2018 Decision aims to, and in its application may, strengthen Telenet's competitors by granting them resale access to Telenet's network to offer competing products and services notwithstanding Telenet's substantial historical financial outlays in developing the infrastructure. In addition, any resale access granted to competitors could (1) limit the bandwidth available to Telenet to provide new or expanded products and services to the customers served by its network and (2) adversely impact Telenet's ability to maintain or increase its revenue and cash flows. The extent of any such adverse impacts ultimately will be dependent on the extent that competitors take advantage of the resale access ultimately afforded to Telenet's network and other competitive factors or market developments.

Orange request for access to Coditel's network

On February 11, 2016, Orange Belgium SA ("Orange") made an official request for access to the cable network of Coditel, which was acquired by Telenet Group on June 19, 2017. On February 19, 2016, Orange transferred a sum of €600,000 to Coditel as required to launch the six-month implementation period to put in place the necessary measures to give Orange access to the cable network pursuant to the July 2011 Decision. In principle, the implementation period ended on 19 August 2016. As Orange had not yet obtained effective access to Coditel's network in December 2016, Orange brought a claim for damages against Coditel on December 29, 2016 in front of the French-speaking Commercial Court of Brussels. Orange claimed to have suffered a loss of €8,973 per day of delay. On January 16, 2017, Orange also initiated interim proceedings, but these have in the meantime been withdrawn.

The proceedings in front of the French-speaking Commercial Court of Brussels are still ongoing. Coditel considers that Orange has in the meantime obtained effective access to Coditel's cable network.

Cable ownership related legal proceedings

The municipality of Sint-Lambrechts-Woluwe granted the right to operate the cable network on its territory to WoluTV ASBL ("WoluTV") in 1971. Telenet provided a number of technical services to WoluTV in accordance with agreements dated February 11, 1998 (analog television) and September 3, 2007 (digital television). Telenet and WoluTV also concluded two agreements on May 7 and September 3, 2007 respectively, pursuant to which Telenet provided, in its own name and for its own account, internet and telephony services on the municipality's cable network. On December 16, 2014, WoluTV terminated the agreements with Telenet with effect on December 31, 2015.

The agreements terminated by WoluTV provide that WoluTV must compensate Telenet for all costs, damages and losses as a consequence of termination of the agreements. WoluTV has disputed that this clause is valid under Belgian law and has therefore refused to designate an expert to determine the amount of the compensation owed to Telenet. Telenet brought a claim against WoluTV before the Commercial Court of Brussels on November 10, 2015, whereby Telenet requested provisional compensation of €1 million (increased with interest), and that the Court appoint an expert to determine the compensation owed by WoluTV. The case is currently pending before the Commercial Court of Brussels. The oral arguments are scheduled on September 27, 2018.

Separately, on April 28, 2015, the municipality of Sint-Lambrechts-Woluwe decided to sell its cable network. On June 29, 2015, the municipality awarded the purchase contract to Coditel Brabant SPRL (SFR) ("Coditel") for €18 million. Telenet, who had also submitted an offer to purchase the cable network, brought an action for annulment of the municipality's decision before the Council of State. Telenet has withdrawn its action for annulment in view of the acquisition of Coditel.

Copyright related legal proceedings

The issue of copyrights and neighboring rights to be paid for the distribution of television has during the last two decades given rise to a number of litigations. Already in 1994, the Belgian Radio and Television Distributors Association (Beroepsvereniging voor Radio- en Televisiedistributie / Union professionnelle de radio et de télédistribution) (the "RTD", renamed afterwards to "Cable Belgium") was involved in discussions with various copyrights collecting agencies regarding the fees to be paid to the latter for the analogue broadcasting of various television programs. In November 2002, the RTD, together with certain Belgian cable operators (among which Telenet), began reaching settlements with the copyright collecting agencies and broadcasters. Pursuant to those settlement agreements, to which Telenet acceded, Telenet agreed to make certain upfront payments as well as to make increased payments over time. Consequently, in August 2003, Telenet increased the copyright fee it charges its subscribers. In July 2004, the Association for the Collection, Distribution and Protection of the Rights of the Artists, Interpreters and Performers (CVBA Vereniging voor de inning, repartitie en de verdediging van de vertolkende en uitvoerende kunstenaars) ("Uradex", later renamed to "Playright") filed a claim against the RTD for €55 million plus interest concerning neighboring rights owed by the members of the RTD to artists and performers represented by Uradex during the period from August 1994 through the end of July 2004.

After the roll-out of digital television, Telenet in 2006 started a judicial procedure against a number of collecting agencies. This procedure is related to a discussion between Telenet and these collecting agencies about the legal qualification of (i) simulcast (i.e. channels distributed both in analogue and in digital quality), (ii) direct injection (i.e. channels delivered to the distributor over a non-publicly accessible transmission channel) and (iii) all rights included contracts (i.e. contracts in which broadcasters engage to deliver their signals and programs after having cleared all rights necessary for the communication to the public over the distributor's networks).

On April 12, 2011, the Court of First Instance of Mechelen rendered a positive judgment in the procedure against Sabam, Agicoa, Uradex and other collecting agencies, and as part of which procedure several collecting agencies (Sabam not included) filed counterclaims against Telenet for the payment of the invoices that Telenet disputed. The Court validated Telenet's arguments in each of the claims and counterclaims that were the subject of the procedure and, as a result: (i) no retransmission fees have to be paid by Telenet in case of direct injection of a broadcaster's signal into Telenet's network, (ii) no retransmission fees have to be paid in case of simulcast of an analog and digital signal (and consequently, Telenet does not have to pay extra for the distribution of linear digital television signals) and (iii) all-rights-included contracts are deemed legally valid, which means that if Telenet agrees with a broadcaster that the latter is responsible for clearing all copyrights, Telenet is not liable towards the collecting agencies. The collecting agencies lodged an appeal (see below).

Since Sabam had not filed any counterclaim for the payment of invoices as part of the aforesaid judgment, on April 6, 2011, Sabam (not the other collecting agencies) initiated judicial proceedings before the Commercial Court of Antwerp, claiming payment by Telenet of invoices relating to (a) fees for a period from January 1, 2005 until December 31, 2010 for Telenet's basic digital television package, and (b) fee advances for the first semester of 2011 for Telenet's basic and optional digital television packages. The claims mainly related to (i) direct injection and (ii) all-rights-included contracts. Sabam's claim was based on arguments substantially similar to those rejected by the Court of First Instance in Mechelen on April 12, 2011. As discussed below, Sabam has asked the Commercial Court of Antwerp to withdraw these claims as Sabam has filed similar claims in the pending proceedings before the Brussels Court of Appeal. Simultaneously, Sabam initiated a summary procedure before the President of the Commercial Court of Antwerp, to receive provisional payment of the contested fees and fee advances. On June 30, 2011, the President of the Commercial Court of Antwerp rendered a positive judgment for Telenet in this procedure. Sabam lodged an appeal. On June 27, 2012, the Court of Appeal of Antwerp confirmed this judgment and dismissed the claim in summary proceedings of Sabam.

In the case of the appeal against the judgment of April 12, 2011 of the Court of First Instance of Mechelen, the Court of Appeal of Antwerp rendered an intermediate ruling on February 4, 2013. The Court of Appeal rejected the claims of the collecting societies with regard to simulcasting and confirmed that direct injection is a single copyright relevant operation (royalties should therefore be paid only once). The case was re-opened to allow the collecting societies to provide further proof of their actual claims. On January 20, 2014 and on May 5, 2014, respectively, Numéricable (previously Coditel) and Telenet appealed this intermediate ruling before the Supreme Court mainly because of the incorrect qualification of the fees to be paid for the communication to the public as if it would be "retransmission" rights. The Supreme Court has issued its judgment in this matter on September 30, 2016. The Supreme Court accepted the argument of Telenet that direct injection only involves a single communication to the public and therefore cannot constitute "retransmission" as this requires two communications to the public. The Supreme Court has referred the case to the Court of Appeal of Brussels, where the case has been activated upon request of Sabam. In the context of these proceedings Sabam now has filed a counterclaim for copyrights due as from 2005 to 2016 (all claims combined), withdrawing its claims that were pending before the Antwerp Commercial Court. In view of the complexity of the matter and the number of parties involved, a decision will probably not be rendered before 2019. Parties have exchanged written pleadings and on a case management hearing on September 10, 2018 the trial date has been scheduled on 22 and 29 January 2019. The parties agreed that at trial first the legal principles will be dealt with. The concrete application of these principles will be the subject of a new round of trial briefs and a separate hearing. A final judgment can be expected in 2020 unless the matter is referred to the Court of Justice of the European Union, as requested by the collecting societies. Numéricable had reached a settlement with the collecting societies before, and has already withdrawn its appeal.

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

Cyclocross

In 2015, Telenet acquired exclusive broadcasting rights with regard to the UCI Worldcup cyclocross races and the Superprestige cyclocross races. On September 16, 2015, Proximus filed a complaint with the Belgian Competition Authority ("BCA"). In the complaint, Proximus alleges that cyclocross broadcasting rights are premium rights and that the acquisition by Telenet of exclusive broadcasting rights on UCI Worldcup races and Superprestige races, without a competitive bidding process, forecloses competing TV-distributors. At the same time, Proximus filed a request for interim measures regarding the Superprestige races.

On November 5, 2015, the BCA partially granted the request for interim measures by giving two alternatives concerning the Superprestige races. Telenet and the organizers of the Superprestige races could either (i) waive the exclusivity and grant sublicenses, or (ii) organize a competitive bidding process. Telenet filed an appeal against the BCA's interim measures decision with the Brussels Court of Appeal. Telenet's appeal was however dismissed on September 7, 2016.

Telenet and the organizers of the Superprestige agreed to waive the exclusivity of the Superprestige broadcasting rights and Proximus obtained a non-exclusive license from the organizers as from season 2016/2017. Furthermore, Telenet voluntarily granted a sublicense to Proximus in respect of the UCI World Cup races.

The BCA's investigation on the merits regarding Proximus' complaint is still ongoing.

Pylon taxes

Since the second half of the 1990s, certain municipalities (mainly in the Brussels-Capital and Walloon Regions), provinces and the Walloon Region have levied local taxes, on an annual basis, on pylons, masts and/or antennas dedicated to mobile telecom services located on their territory, on the basis of various municipal, provincial and regional regulations. These taxes have systematically been contested by Telenet Group BVBA (formerly BASE Company NV) ("Telenet Group") before the Courts on various grounds.

In particular, Telenet Group has argued that such tax regulations are discriminatory because they apply only to pylons, masts and antennas dedicated to mobile telecom services and not to comparable equipment used for other purposes (whether telecom-related or not). Telenet believes that there is no objective and reasonable justification for such differentiated tax treatment. Telenet is therefore of the view that the contested tax regulations violate the general non-discrimination principle. The Courts have in a number of instances accepted this argument (for example the positive judgment of the Supreme Court of September 25, 2015 and the positive judgments of the Brussels Court of Appeal of September 28, 2017 involving Orange Belgium and the commune of Sint-Jans Molenbeek and of November 30, 2017 involving Proximus and the commune of Sint-Lambrechts Woluwe), although the Court of Appeal of Brussels has also rejected the discrimination argument in other cases (for example in procedures involving Proximus, Orange Belgium and the commune of Schaarbeek and a procedure involving Telenet Group and the province of Brabant Wallon). There are also several procedures pending before the Supreme Court to clarify the scope of the non-discrimination argument.

There was also a question as to whether article 98 §2 of the Belgian law of March 21, 1991 on the reform of certain public economic companies (the "1991 Law") prohibits municipalities from taxing the economic activity of telecom operators on their territories through the presence (whether on public or private domain) of mobile telephone pylons, masts or antennas dedicated to this activity. The Belgian Constitutional Court held on December 15, 2011 that this was not the case. That interpretation was confirmed by the Belgian Supreme Court in its judgments of March 30, 2012.

In the case between Telenet Group and the City of Mons, the European Court of Justice ruled on October 6, 2015 that the municipal tax on GSM pylons levied by the City of Mons, as disputed by Telenet Group, does not fall within the scope of Article 13 of Directive 2002/20/EC of the European Parliament and of the Council of 7 March 2002 on the authorization of electronic communications networks and services (the "Authorization Directive") and is therefore not prohibited on the basis of Article 13 of the Authorization Directive.

By Decree of December 11, 2013 (the "2014 Walloon Decree"), the Walloon Region implemented an annual tax on masts, pylons and antennas for mobile operators with effect of January 1, 2014. Under this Decree, all municipal taxes on pylons, masts and antennas in the Walloon Region have been abolished. The Decree does however allow municipalities to levy surcharges. The tax amounts to EUR 8,000 per 'site'. Under the Decree all users of 'sites' are jointly liable towards the Walloon Region for the tax related to shared sites. On December 12, 2014, a Walloon Decree was adopted that maintains this tax for 2015 and subsequent years, with the same scope and tax payable (EUR 8,000 per 'site', subject to indexation as of 2015) (the "2015 Walloon Decree"). The three Belgian mobile network operators brought a request for annulment of these Decrees before the Constitutional Court.

On July 16, 2015, the Constitutional Court annulled the 2014 Walloon Decree, but decided to maintain its effects. By judgment of May 25, 2016, the Constitutional Court also annulled the 2015 Walloon Decree, without maintaining its effects. On December 22, 2016, Telenet and the other mobile operators concluded a settlement with the Walloon Region. In addition to payment of a settlement fee to end the dispute related with the 2014 Walloon Decree, this settlement also includes an undertaking from the Walloon Region not to levy any taxes on telecom infrastructure and a commitment for Telenet to invest EUR 20 million until 2019 on top of the investments already planned in the Walloon Region.

Telenet intends to continue challenging any local tax regulations applicable to its mobile telecom equipment. As per June 30, 2018, Telenet has recognised a provision of €19.8 million in this respect. Telenet and the KPN Group have moreover agreed on certain recourse arrangements in respect of certain (pre-2015) pylon taxes in their sale and purchase agreement with respect to BASE Company NV. It can however not be excluded that other taxes on telecom equipment will in the future be imposed, which may have a significant negative financial impact on Telenet.

5.23.2 Other contingent liabilities

Regulation regarding signal integrity

In July 2013, the Flemish Parliament adopted legislation imposing strict integrity of broadcasting signals on distributors and the requirement that distributors must request authorization from broadcasters when they contemplate offering, among other things, program recordings through an electronic program guide. The impetus for this legislation were the broadcasters' arguments that the high penetration of personal video recorders ("PVRs") in the Flemish market have resulted in viewers fast-forwarding large volumes of advertisements, which resulted in a decrease in the revenues of broadcasters. The legislation requires broadcasters and distributors to find a commercial solution. If this fails, the legislation provides for a mediation procedure, which, if unsuccessful, can be followed by civil litigation.

There is a risk that this legislation will negatively impact Telenet's ability to launch new innovative applications and increase Telenet's financial contribution to broadcasters. The current distribution agreements with SBS, VRT and MEDIALAAN entered into in 2014 allow Telenet to distribute the broadcasters' signal in an unaltered manner. The relevant broadcasters have given Telenet the right to offer their customers a "slightly delayed viewing" and a PVR functionality. Telenet is required to pay a higher fee for each customer using these functionalities.

Other liabilities

In addition to the foregoing items, Telenet has contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) issues involving VAT and wage, property and other tax issues, (iii) disputes over certain contracts and (iv) disputes over programming, copyright fees and alleged patent infringements. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts Telenet has accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on Telenet's results of operations or cash flows in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavorable outcomes.

5.24 Related parties

The related parties of the Company mainly comprise its shareholders that have the ability to exercise significant influence or control. This consisted of the Liberty Global Consortium for both 2018 and 2017. Related parties further include transactions with Pebble Media NV, Doccle CVBA and Doccle.Up NV, Idealabs Telenet Fund NV and De Vijver Media NV.

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

5.24.1 Statement of financial position

(in thousands of euro)	June 30, 2018	December 31, 2017
Trade receivables		
Liberty Global Consortium (parent)	4,235	12,130
Associates	1,837	271
Trade payables and accrued trade liabilities		
Liberty Global Consortium (parent)	11,653	9,901
Associates	6,453	1,811
Loans and borrowings payable		
Liberty Global Consortium (parent)	12,740	12,740
Loans and borrowings receivable		
Associates	800	240
Property and equipment		
Liberty Global Consortium (parent)	2,108	13,262

The transactions with the entities of the Liberty Global Consortium mainly consisted of the purchase of certain property and equipment and other services within the normal course of business from Liberty Global Services B.V. All transactions with related parties were at regular market conditions.

5.24.2 Statement of profit or loss and other comprehensive income

(in thousands of euro)	For the six months ended June 30	
	2018	**2017**
Revenue		
Liberty Global Consortium (parent)	927	6,909
Associates	2,312	1,820
Operating expenses		
Liberty Global Consortium (parent) [1]	(1,354)	2,545
Associates	12,114	5,353

[1] Includes recharged expenses for an amount of €5.0 million in 2018.

5.24.3 Key management compensation

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

(in thousands of euro)	For the six months ended June 30,	
	2018	**2017**
Salaries and other short-term employee benefits	3,586	3,834
Post-employment benefits	289	294
Share-based payments (compensation cost recognized)	608	4,450
	4,483	**8,578**

5.25 Impact of adopting IFRS 15

As of January 1, 2018, we have adopted IFRS 15 as mentioned in our 2017 Annual Report (see Section 5.2.20 - ***Forthcoming requirements***). IFRS 15 has impacted certain of our previous revenue recognition policies, including the accounting for (i) time-limited discounts and free service periods provided to our customers, (ii) certain up-front fees charged to our customers and (iii) multiple element arrangements. Time-limited discounts and free service periods provided to our customer did not result in a material impact upon adoption of IFRS 15.

IFRS 15 has also changed the accounting policy for certain upfront costs directly associated with obtaining and fulfilling customer contracts. Under the previous policy, these costs were expensed as incurred unless the costs were in the scope of another accounting topic that allowed for capitalization. Under IFRS 15, the upfront costs that were previously expensed as incurred have been recognized as assets and amortized to other operating expenses over a period that is consistent with the transfer to the customers of the goods or services to which the assets relate, which we have generally interpreted to be the expected life of the customer relationship. This change did not result in a material impact upon adoption of IFRS 15.

(in thousands of euro)	June 30, 2018	Adjustments	June 30, 2018 without adoption of IFRS 15
Assets			
Non-current assets:			
Property and equipment	2,164,425	—	2,164,425
Goodwill	1,862,852	—	1,862,852
Other intangible assets	732,897	—	732,897
Deferred tax assets	282,463		282,463
Investments in and loans to equity accounted investees	31,022	—	31,022
Other investments	4,413	—	4,413
Derivative financial instruments	2,578	—	2,578
Trade receivables	1,422	—	1,422
Other non-current assets	10,912	(1,730)	9,182
Total non-current assets	**5,092,984**	**(1,730)**	**5,091,254**
Current assets:			
Inventories	22,623	—	22,623
Trade receivables	245,487	—	245,487
Other current assets	158,969	(9,007)	149,962
Cash and cash equivalents	126,506	—	126,506
Derivative financial instruments	47,781	—	47,781
Total current assets	**601,366**	**(9,007)**	**592,359**
Total assets	**5,694,350**	**(10,737)**	**5,683,613**

(in thousands of euro)	June 30, 2018	Adjustments	June 30, 2018 without adoption of IFRS 15
Equity and liabilities			
Equity:			
Share capital	12,799	—	12,799
Share premium and other reserves	958,451	—	958,451
Retained loss	(1,985,479)	(6,143)	(1,991,622)
Remeasurements	(18,331)	—	(18,331)
Total equity attributable to owners of the Company	**(1,032,560)**	**(6,143)**	**(1,038,703)**
Non-controlling interests	21,191	—	21,191
Total equity	**(1,011,369)**	**(6,143)**	**(1,017,512)**
Non-current liabilities:			
Loans and borrowings	4,505,780	—	4,505,780
Derivative financial instruments	245,735	—	245,735
Deferred revenue	1,391	—	1,391
Deferred tax liabilities	146,081	(2,465)	143,616
Other non-current liabilities	130,941	(1,667)	129,274
Total non-current liabilities	**5,029,928**	**(4,132)**	**5,025,796**
Current liabilities:			
Loans and borrowings	489,827	—	489,827
Trade payables	181,875	—	181,875
Accrued expenses and other current liabilities	602,793	(4,538)	598,255
Deferred revenue	105,879	4,191	110,070
Derivative financial instruments	51,716	—	51,716
Current tax liability	243,701	(115)	243,586
Total current liabilities	**1,675,791**	**(462)**	**1,675,329**
Total liabilities	**6,705,719**	**(4,594)**	**6,701,125**
Total equity and liabilities	**5,693,450**	**(10,737)**	**5,683,613**

(in thousands of euro)	June 30, 2018	Adjustments	June 30, 2018 without adoption of IFRS 15

Profit/(Loss) for the period

Revenue	1,250,850	3,521	1,254,371
Cost of services provided	(718,764)	—	(718,764)
Gross profit	**532,086**	**3,521**	**535,607**
Selling, general and administrative expenses	(241,386)	—	(241,386)
Operating profit	**290,700**	**3,521**	**294,221**
Finance income	56,149	—	56,149
Net interest income and foreign exchange gain	234	—	234
Net gain on derivative financial instruments	55,915	—	55,915
Finance expense	(205,134)	—	(205,134)
Net interest expense, foreign exchange loss and other finance expense	(180,544)	—	(180,544)
Loss on extinguishment of debt	(24,590)	—	(24,590)
Net finance expenses	**(148,985)**	**—**	**(148,985)**
Share in the loss of equity accounted investees	(570)	—	(570)
Profit before income tax	**141,145**	**3,521**	**144,666**
Income tax expense	(32,271)	(1,042)	(33,313)
Profit/(Loss) for the period	**108,874**	**2,479**	**111,353**

5.26 Subsequent events

Resignation of Jim Ryan as Director

Effective August 1, 2018, Mr. Jim Ryan will voluntarily resign from the Company's board of directors. Consequently, the board of directors will further reduce to 9 members, out of which 3 independent directors.

Telenet proposes an extraordinary dividend of €600.0 million

On August 1, 2018 Telenet announced that the board of directors proposes to proceed with an extraordinary dividend payment of €600.0 million, equivalent to approximately €5.2 (gross) per share, consistent with the board's previously stated intention to revert on additional forms of shareholder remuneration in the second half of the year. Telenet will convene a general shareholders' meeting ("EGM"), currently contemplated to be held on September 26, 2018. The effective pay-out date is currently contemplated, subject to EGM approval, to take place on October 4, 2018, with the ex-coupon date on October 2, 2018 and the record date on October 3, 2018.

Successful issuance and pricing of an additional USD 475 million Term Loan AN2 and an additional €205 million Term Loan AO2

On August 8, 2018, Telenet announced the successful issuance and pricing of an additional USD 475.0 million Term Loan ("**Facility AN2**") and an additional €205.0 million Term Loan (**"Facility AO2"**).

Under Facility AN2, Telenet Financing USD LLC will be the borrowing entity. Facility AN2 carries the same characteristics as the initial Facility AN, which was issued on May 24, 2018. As such, Facility AN2 carries (i) a margin of 2.25% over LIBOR, (ii) a 0% LIBOR floor and (iii) a maturity of August 15, 2026. Facility AN2 was successfully issued at 98.5%.

Under Facility AO2, Telenet International Finance S.à r.l. will be the borrowing entity. Facility AO2 carries the same characteristics as the initial Facility AO, which was issued on May 25, 2018. As such, Facility AO2 carries (i) a margin of 2.50% over EURIBOR, (ii) a 0% EURIBOR floor and (iii) a maturity of December 15, 2027. Facility AO2 was successfully issued at 98.0%.

Telenet Financing USD LLC intends to on-lend the net proceeds of this issuance to Telenet International Finance S.à r.l., which will use such proceeds, together with existing cash, to contribute towards newly announced, and existing, shareholder distributions and other general corporate purposes.

Statutory auditor's report to board of directors of Telenet Group Holding NV on the review of the condensed consolidated interim financial information as at 30 June 2018 and for the 6-month period then ended

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Telenet Group Holding NV as at 30 June 2018, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 6-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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". 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 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 information as at 30 June 2018 and for the 6-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Zaventem, 24 September 2018

KPMG Bedrijfsrevisoren
Statutory Auditor
represented by

Filip De Bock
Bedrijfsrevisor

Notes

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