Working on your future

Financial half year report 2014

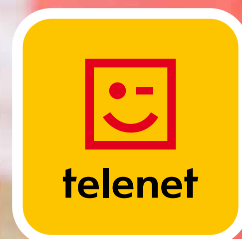


Table of Contents

Introduction 5

Management's Discussion & Analysis of the six months ended June 30, 2014 9

1 Information on the Company 9

1.1 Overview 9
1.2 Basic cable television 10
1.3 Digital & premium television 11
1.4 Broadband internet 13
1.5 Telephony 14
1.6 Business services 17
1.7 Network 18
1.8 Strategy 19

2 Discussion of the condensed consolidated interim financial statements 21

2.1 Revenue by service 21
2.2 Total expenses 23
2.3 Expenses by nature 24
2.4 Adjusted EBITDA 24
2.5 Operating profit 25
2.6 Net finance expenses 25
2.7 Income taxes 25
2.8 Net income 26
2.9 Cash flow and liquidity 26
2.10 Debt profile, cash balance and net leverage ratio 27
2.11 Capital expenditures 29

3 Risk factors 31

3.1 General information 31
3.2 Legal proceedings and regulatory developments 33

Table of Contents

4 Fair view statement by the management of the Company 34

Condensed consolidated interim financial statements 35

1 Condensed consolidated interim statement of financial position 36

2 Condensed consolidated interim statement of profit or loss and other comprehensive income 37

3 Condensed consolidated interim statement of changes in equity 38

4 Condensed consolidated interim statement of cash flows 39

5 Notes to the condensed consolidated interim financial statements for the six months ended June 30, 2014 40

- 5.1 Reporting entity and basis of preparation 40
- 5.2 Significant accounting policies 42
- 5.3 Financial instruments 43
- 5.4 Property and equipment 46
- 5.5 Goodwill 47
- 5.6 Other intangible assets 47
- 5.7 Trade receivables 47
- 5.8 Other assets 48
- 5.9 Inventories 48
- 5.10 Cash and cash equivalents 48
- 5.11 Shareholders' equity 49
- 5.12 Loans and borrowings 53
- 5.13 Derivative financial instruments 54
- 5.14 Deferred taxes 55
- 5.15 Other non-current liabilities 55
- 5.16 Current tax liability 55
- 5.17 Accrued expenses and other current liabilities 56
- 5.18 Revenue 57

Table of Contents

5.19 Expenses by nature 58
5.20 Finance income / expense 59
5.21 Earnings per share 59
5.22 Commitments and contingencies 61
5.23 Related parties 64
5.24 Off-balance sheet arrangements 65
5.25 Subsequent events 65

Review report of the Statutory Auditor 67

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 2013 Annual Report, which was published on March 28, 2014 (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, 2014 and 2013 and the audited consolidated annual financial statements as of and for the year ended December 31, 2013 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, dividend policy and future growth prospects, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted whether expressed or implied, by these forward-looking statements. These factors include: potential adverse developments with respect to our liquidity or results of operations; potential adverse competitive, economic or regulatory developments; our significant debt payments and other contractual commitments; our ability to fund and execute our business plan; our ability to generate cash sufficient to service our debt; interest rate and currency exchange rate fluctuations; the impact of new business opportunities requiring significant up-front investments; our ability to attract and retain customers and increase our overall market penetration; our ability to compete against other communications and content distribution businesses; our ability to maintain contracts that are critical to our operations; our ability to respond adequately to technological developments; our ability to develop and maintain back-up for our critical systems; our ability to continue to design networks, install facilities, obtain and maintain any required governmental licenses or approvals and finance construction and development, in a timely manner at reasonable costs and on satisfactory terms and conditions; our ability to have an impact upon, or to respond effectively to, new or modified laws or regulations; our ability to make value-accretive investments; and our ability to sustain or increase shareholder distributions in future periods. We assume no obligation to update these forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

About Telenet

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

Definitions

Adjusted EBITDA: EBITDA is defined as profit before net finance expense, income taxes, depreciation, amortization and impairment. Adjusted EBITDA is defined as EBITDA before stock-based compensation and restructuring charges, and before operating charges or credits related to successful or unsuccessful acquisitions or divestures. Operating charges or credits related to acquisitions or divestures include (i) gains and losses on the disposition of long-lived assets and (ii) due diligence, legal, advisory and other third-party costs directly related to the Company's efforts to acquire or divest controlling interests in businesses. Adjusted EBITDA is an additional measure used by management to demonstrate the Company's underlying performance and should not replace the measures in accordance with 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 in Exhibit 1 on page 25.

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

Free Cash Flow: Free Cash Flow is defined as net cash provided by the operating activities of Telenet's continuing operations less (i) purchases of property and equipment and purchases of intangibles of its continuing operations, (ii) principal payments on vendor financing obligations, (iii) principal payments on capital leases (exclusive of network-related leases that were assumed in acquisitions), and (iv) principal payments on post acquisition additions to network leases, each as reported in the Company's consolidated statement of cash flows. Free Cash Flow is an additional measure used by management to demonstrate the Company's ability to service debt and fund new investment opportunities and should not replace the measures in accordance with EU IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable EU IFRS measure.

Customer relationships: Customer relationships are equal to the sum of analog and digital basic cable TV subscribers on the Combined Network, including the network covered by the long-term lease with the pure intermunicipalities.

ARPU: Average monthly revenue (ARPU) per revenue generating unit (RGU) and ARPU per customer relationship are calculated as follows: average total monthly recurring revenue (including revenue earned from carriage fees and set-top box rentals and excluding interconnection revenue, installation fees, mobile telephony revenue and

set-top box sales) for the indicated period, divided by the average of the opening and closing RGU base or customer relationships, as applicable, for the period.

Net leverage ratio: Net leverage ratio is calculated as per the 2010 Amended Senior Credit Facility definition, using net total debt, excluding (a) subordinated shareholder loans, (b) capitalized elements of indebtedness under the Clientele and Annuity Fees, (c) any finance leases entered into on or prior to August 1, 2007, and (d) any indebtedness incurred under the network lease entered into with the pure intermunicipalities up to a maximum aggregate amount of €195.0 million, divided by last two quarters' Consolidated Annualized EBITDA.

Management's Discussion & Analysis of the six months ended June 30, 2014

The following discussion and analysis is based on the condensed consolidated Interim Financial Statements of Telenet Group Holding NV as of and for the six months ended June 30, 2014 and 2013 and the audited consolidated financial statements of Telenet Group Holding NV as of and for the year ended December 31, 2013, prepared in accordance with EU IFRS. We have included selected financial information on Telenet Group Holding NV as of and for the relevant periods. You should read the condensed consolidated interim financial statements attached hereto, including the notes thereto, together with the following discussion and analysis.

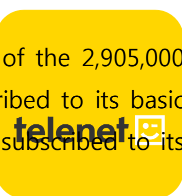
1 Information on the Company

1.1 OVERVIEW

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

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

As of June 30, 2014, Telenet had 2,076,600 customers, which represented approximately 71% of the 2,905,000 homes passed by its network. As of June 30, 2014, all of Telenet's 2,076,600 customers subscribed to its basic cable television services, 1,492,900 subscribed to its broadband internet services and 1,107,300 subscribed to its



fixed telephony services. Telenet also had 820,800 mobile postpaid subscribers as of June 30, 2014. Approximately 74% of its basic cable television subscribers had upgraded from analog to digital television and were generating incremental ARPU beyond the basic cable television subscription fee. For the six months ended June 30, 2014, Telenet's total revenue was € 838.8 million, a 3% increase over the six months ended June 30, 2013, and its Adjusted EBITDA was € 460.1 million, a 10% increase over the six months ended June 30, 2013.

Pursuant to a 2008 agreement between Telenet, Interkabel, INDI ESV and four pure intermunicipalities (the "PICs") in Flanders (the "PICs Agreement"), Telenet acquired full rights to use substantially all of the network owned by Interkabel and the PICs, which encompasses about one third of Flanders (the "Partner Network" and together with Telenet's network, the "Combined Network"), under a long-term lease (*erfpacht/emphytéose*) for an initial period of 38 years. Under the PICs Agreement, Telenet is required to pay recurring fees in addition to the fees paid under certain pre-existing agreements with the PICs. The PICs remain the legal owners of the Partner Network. Following the PICs Agreement, Telenet now has the direct customer relationship with the analog and digital television subscribers on the Partner Network and is able to make all of its services available to all of the homes passed in the Partner Network.

Telenet's Combined Network is fully bi-directional and EuroDocsis 3.0 enabled, and provides a spectrum bandwidth capacity of 600 MHz. At June 30, 2014, an average of 530 homes was connected to each optical node, down from approximately 1,400 homes in 2010, which has increased download and upload speeds, and helped support new internet applications and enhanced services and technology. As not all homes connected subscribe to broadband internet services from Telenet, the number of active broadband households per optical node approximated 270 at June 30, 2014.

Telenet is increasingly focused on offering its subscribers broadband internet and telephony subscriptions and services together with its basic cable television services in the form of attractively priced multiple-play bundles. 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, 2014, Telenet's ARPU per customer relationship was €49.3, up 5% compared to the prior year period when the ARPU per customer relationship was €47.1.

1.2 BASIC CABLE TELEVISION

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

Telenet's basic cable television subscribers have access to at least 21 basic analog television channels and an average of 26 analog radio channels. To facilitate the growing trend towards digital TV, new internet applications and higher broadband speeds in the future, Telenet has partially reduced the bandwidth allocated to analog channels in 2012. At the end of June 2013, Telenet launched a new television product, "TV with a card", using

the CI+ technology (Common Interface Plus), which is integrated into the latest TV sets. By placing a CI+ module with a smart card in a TV set, customers can watch basic digital cable television without a set-top box.

Telenet generally provides its basic cable television services under individual contracts with its subscribers, the majority of whom pay on a monthly basis. Subscribers to Telenet's basic cable television service pay a fixed monthly subscription fee for basic tier content, irrespective of the broadcasting format or number of channels received in the basic tier. As from January 26, 2014, Telenet charges its basic cable television subscribers a harmonized monthly fee of €15.35 (including VAT), which includes a copyright fee of €3.70 per month (including VAT), which helps to offset copyright fees paid by Telenet to copyright collection agencies for certain content provided by the public broadcasters that is retransmitted over the Combined Network.

Telenet regularly reviews its pricing policy, carefully weighing the current and future economic and competitive environment. Historically, Telenet has been able to increase the subscription fee for its basic cable television service to offset inflationary impacts on its cost base.

Subscribers to total basic analog and digital cable television services were 2,076,600 at June 30, 2014 which represented approximately 71% of homes passed by Telenet's network. This represented a net loss of 15,900 basic cable TV subscribers for the six months ended June 30, 2014. Despite continued competition from other digital platforms, including low-end offers, this marked an improvement compared to the net loss of 20,100 basic cable TV subscribers for the six months ended June 30, 2013. The aforementioned net loss excludes migrations to Telenet's digital television platform and represents customers churning to competitors' platforms, such as other digital television providers and satellite operators, or customers terminating their television service or having moved out of Telenet's service footprint. Given the historically high level of cable penetration in our footprint, the limited expansion of the number of homes passed and strong competition in the TV market, we anticipate further churn of basic cable TV subscribers, offset by further growth in multiple-play subscribers, generating a higher ARPU relative to the basic cable TV ARPU.

1.3 DIGITAL & PREMIUM TELEVISION

Telenet offers interactive digital cable television services ("iDTV") to homes passed by its network, which includes both basic and premium offerings. In general, digital technology compresses video signals into a smaller amount of bandwidth than is currently used by analog transmissions, while also enhancing the audio and visual quality of the transmissions, which allows Telenet to broadcast a significantly greater number of channels by converting channels used for analog broadcasts into use for digital channels. Telenet's basic cable television subscribers who have installed a set-top box or CI+ module, and activated a smart card, have access to a total of more than 70 digital channels, including 15 HD channels, and approximately 36 digital radio channels. Telenet offers its basic cable television services in digital for no additional fee in order to encourage its subscribers to migrate to digital cable television so they can enjoy a richer TV experience, including access to electronic program guides ("EPG"), additional thematic content packs, exclusive movies and sports channels and a vast video-on-demand ("VOD") library of both local and international programs. In addition, digital cable television subscribers can also extend their TV experience beyond the traditional TV screen, to their smartphones, tablets, laptops or desktops thanks to "Yelo TV", which had 446,000 active users as of June 30, 2014. This continued uptake in active "Yelo TV" users was partly driven by enriched content offerings as a result of new partnerships with certain local

broadcasters and the 2014 FIFA World Cup, during which Telenet attained a peak of 123,000 unique daily logins on June 15, 2014 and 22,400 concurrent streams during the Spain – Chile game on June 18, 2014.

In September 2013, Telenet launched "Rex" and "Rio", two new unlimited subscription video-on-demand packages. With "Rex" and "Rio", customers can view a wide selection of Flemish classics, TV shows, documentaries and blockbuster movies over their set-top box or via laptop, tablet or smartphone through "YeloTV" for a fixed monthly charge. At June 30, 2014, 112,900 customers subscribed to "Rex" or "Rio".

In order to access all of Telenet's premium iDTV offerings, subscribers need to install a set-top box, which acts as an interface between the subscriber and the Combined Network, and operates on the Multimedia Home Platform ("MHP") standard, which provides an open standard platform that gives Telenet the flexibility to integrate applications from a variety of sources. Telenet offers digital set-top boxes in a sale or a rental model. Telenet offers a choice of "HD Digibox" and "HD Digicorder" set-top boxes with alternative specifications and functionality, such as the ability to record, pause and playback digital content viewed on its service. As of June 30, 2014, approximately 83% of activated set-top boxes included a hard drive and personal video recording ("PVR") functionalities and approximately 86% were HD-enabled. The vast majority of digital cable television subscribers rent the "HD Digicorder" as this specific set-top box type is included in Telenet's multiple-play bundles and allows for a full, high-quality TV viewing experience including pausing, forwarding and recording functionalities.

Telenet's premium service includes a combination of premium sports and film channels, a range of extended thematic channels, a selection of films and broadcast content available on-demand and a variety of interactive features. Telenet's premium interactive digital television offerings are available to all subscribers passed by the Combined Network. Telenet's premium content is acquired through various studio contracts, including Universal Studios, MGM, Twentieth Century Fox, Paramount, Sony, Disney and Warner Brothers. These contracts generally require Telenet to make payments on the basis of a minimum number of subscribers, with adjustments made on a sliding scale once minimum subscriber levels have been attained. In addition, a few of these contracts require Telenet to share a portion of the additional revenue derived from price increases for its premium television packages with the content provider. The success of Telenet's premium services depends on its ability to obtain attractive content on reasonable terms. Following the launch of Telenet's digital cable television service and competing television services in Belgium, competition for premium content in Belgium has increased. If in the future, Telenet is unable to retain certain rights for premium content, its ability to attract and retain subscribers to its premium services, and its profitability, may be adversely affected. In addition, most content agreements entered into by Telenet with the major studios do not allow Telenet to offer content via interactive means. These agreements will therefore need to be renegotiated and content prices may increase.

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

Beginning with the 2012-2013 season, Telenet has broadcast all league matches of the Belgian football championship, which has resulted in incremental subscriber growth. In June 2014, the Jupiler Pro League awarded the Belgian soccer rights for the next three years on a non-exclusive basis. As such, Telenet will be able

to offer all matches of the Belgian competition live on Sporting Telenet through the 2016-2017 season. At the end of June 2014, 201,500 customers subscribed to Telenet's pay television sports channels, representing an increase of 3% as compared to June 30, 2013. Sporting Telenet broadcasts all fixtures of the Belgian football championship alongside the most popular international football leagues and other major sporting events, such as NBA basketball, Formula 1 racing and golf. Pricing is dependent on the number of services ordered and ranges from €16.45 per month for triple-play subscribers to €27.45 per month for single-play subscribers (both including VAT).

At June 30, 2014, approximately 74% of Telenet's basic cable TV subscribers were generating incremental revenue on its interactive digital TV platform. This represented a total of 1,528,300 digital TV subscribers, an increase of 5% as compared to June 30, 2013. During the six months ended June 30, 2014, Telenet attracted over 36,900 net digital TV subscribers.

1.4 BROADBAND INTERNET

Telenet is the leading provider of residential broadband internet services in Flanders. Through its HFC upgraded network, Telenet offers its residential subscribers broadband internet service at downstream data transfer speeds of up to 160 Mbps. Telenet's current residential offerings include multiple tiers, which range from "Basic Internet", which allows end users to receive data from the internet at a downstream data transfer speed of up to 30 Mbps, to "Internet 160", which offers end users a downstream speed of up to 160 Mbps. Telenet believes its broadband internet subscriber base is one of the most advanced in Europe given that the average download speed per broadband internet subscriber reached 78 Mbps at June 30, 2014 versus 43 Mbps at June 30, 2013 prior to the launch of the new all-in-one bundles "Whop" and "Whoppa".

Telenet's Combined Network uses EuroDocsis 3.0 technology, which positions Telenet as the fastest internet service provider in its footprint with download speeds of up to 200 Mbps for certain of its business customers. Under current offerings, all new bundled broadband internet customers enjoy download speeds of at least 60 Mbps, which exceeds the base tier download speeds of Telenet's direct competitors.

Thanks to continuing investments in its leading HFC network, Telenet's customers can continue to enjoy a great broadband internet experience, both at home and on the move. To this end, Telenet made further progress with the deployment of WiFi Homespots across its footprint. A Homespot is a modem that transmits two concurrent signals: one for private use and another for public use. This enables customers, who have a Telenet wireless internet modem, to log onto the WiFi network of friends or relatives with their own login and hence, they can use a much faster data network compared to the wireless 3G networks. At June 30, 2014, Telenet operated nearly 1.1 million active WiFi Homespots, which represented approximately 72% of its broadband internet subscriber base. Through a partnership with the Walloon cable operator VOO, Telenet's broadband internet customers can freely use the VOO WiFi Homespots in Wallonia and Brussels and vice versa.

At June 30, 2014, Telenet served 1,492,900 broadband internet subscribers, up 5% as compared to June 30, 2013. As a result, approximately 51.4% of the homes passed by its leading HFC network subscribed to one of its leading broadband internet products as compared to 49.4% at June 30, 2013. During the six months ended June 30, 2014, Telenet attracted 28,000 net broadband internet subscribers. Annualized churn for our broadband

internet service was 7.2% for the six months ended June 30, 2014, which is the same level as for the six months ended June 30, 2013.

The broadband internet access market in Belgium is well established, with broadband internet access penetration at approximately 33% and 34% of the total population, for Belgium and the Flanders region, respectively, based on the latest annual report from the national telecoms regulator BIPT ("Belgian Institute for Postal Services and Telecommunications"). Telenet's ability to continue to further grow the broadband market will depend in part on increases in the number of households with an internet connectable device in Flanders and parts of Brussels.

1.5 TELEPHONY

1.5.1 Fixed telephony

Telenet offers its residential subscribers local, national and international long distance fixed telephony services and a variety of value-added features. In Flanders, Telenet is currently the largest competitor to Belgacom NV/SA, 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 telephony subscribers use voice-over-internet protocol ("VoIP") technology, which utilizes the open standards EuroDocsis protocol, and through which Telenet is able to provide both internet and telephony services.

Telenet's residential telephony subscribers are charged a combination of fixed monthly fees for their telephone line, variable fees based on actual usage and, for certain tariff plans, fixed fees for unlimited calling to national fixed lines at all times. Flat-rate usage charges apply for calls placed to other fixed and mobile lines in Belgium and all European member states during off-peak hours. Telenet seeks to price its residential telephony products to provide a better value alternative to Belgacom. It also offers its residential subscribers enhanced telephony features for additional fees. Enhanced offerings include packages of features and individual services such as voicemail and caller ID. In early May 2013, Telenet enriched its fixed telephony offer through the launch of "Triiing". This application allows fixed telephony subscribers to call with their smartphones over WiFi networks at attractive flat fee rates instead of generally more expensive mobile tariffs. As around 50% of calls originated by mobile phones are made at home, "Triiing" is essentially a money saver for Telenet's customers. At the end of June 2014, Telenet already had 213,000 registered devices using the app.

During the six months ended June 30, 2014, Telenet attracted 42,300 net fixed telephony subscribers. At June 30, 2014, Telenet served 1,107,300 fixed telephony subscribers, which was up 11% compared to June 30, 2013. As a result, approximately 38.1% of the homes passed by its network at June 30, 2014 subscribed to its fixed line telephony service as compared to 34.6% at June 30, 2013. Since mid-2013, Telenet has experienced meaningful growth in net fixed telephony subscriber additions driven by the successful repositioning of its multiple-play bundles and the launch of "Triiing". Annualized churn for its fixed telephony service improved sharply from 8.3% for the six months ended June 30, 2013 to 6.9% for the six months ended June 30, 2014 despite the competitive market.

1.5.2 Mobile telephony

Telenet offers its mobile telephony services under the Telenet Mobile brand name. Telenet provides this service through a mobile virtual network operator ("MVNO") partnership with Mobistar NV, the second largest mobile operator in Belgium. In April 2012, Mobistar and Telenet extended their strategic partnership to 2017. With the renewed Full-MVNO agreement, Telenet further expanded its offer for mobile voice and data using Mobistar's mobile telecommunications network, and has gained access to Mobistar's future 4G/LTE ("Long-Term Evolution") mobile network. Through a partnership with Telenet, the Walloon cable operator Tecteo SCRL also uses of this renewed Full-MVNO agreement to provide mobile services for its cable customers. The renewed Full-MVNO agreement can be terminated in case of material breach and certain events, including changes of control and regulatory events. In the event of termination, an exit plan will apply permitting Telenet to migrate its mobile telephony customers to another radio access network provider.

In July 2011, Telenet Tecteo BidCo NV, a subsidiary of the Company in which Tecteo SCRL holds a 25% stake, acquired the fourth 3G mobile spectrum license in Belgium, for the minimum reserved price of €71.5 million. In total, Telenet Tecteo BidCo NV acquired 14.8 MHz of paired 3G spectrum in the 2.1 GHz band, and it exercised the option to acquire another 4.8 MHz of paired 2G spectrum in the 900 MHz band and 10 MHz of paired 2G spectrum in the 1800 MHz band as of November 27, 2015 for a total consideration of €31.5 million. Telenet has carefully weighed all available options to operate its frequencies in the 2.1 GHz band, leveraging as much as possible on existing infrastructure assets and seeking a more intense collaboration with the existing Belgian mobile network operators through mutually beneficial partnerships. In December 2013, Telenet's management determined that it would not be able to utilize the spectrum rights (held by Telenet Tecteo BidCo NV) as a result of the conclusion of negotiations with network operators in Belgium and the absence of regulatory alternatives. This resulted in a triggering event with respect to the intangible asset related to 3G mobile spectrum license, and, after performing an impairment analysis, Telenet recorded an impairment charge of €53.3 million during the fourth quarter of 2013 to reduce the carrying amount of this intangible asset to zero. On February 13, 2014, Telenet Tecteo BidCo NV notified the BIPT that it will return the acquired 3G mobile spectrum by April 1, 2014. Following Telenet's assessment that it will not be able to utilize the 3G spectrum rights, Telenet Tecteo BidCo NV also informed the BIPT at the end of 2013 that it will not use its option to use the aforementioned 2G spectrum.

In March 2014, Telenet extended its existing "King" and "Kong" mobile line-up by introducing the "King Supersize" option, which provides customers with twice as many minutes, text messages and data as a regular "King" tariff plan for an additional €5 per month. Telenet also made its "Kong" offer more attractive by reducing headline prices (for both new and existing subscribers) from €50 per month to €45 per month while expanding the usage limits for data, messaging and voice specifications. As of March 31, 2014, Telenet's mobile telephony subscribers also get free access to 4G. As a result, Telenet was able to significantly boost its active mobile telephony subscriber base from 674,900 active postpaid subscribers at June 30, 2013 to 820,800 at June 30, 2014. During the six months ended June 30, 2014, Telenet achieved 70,300 net postpaid subscriber additions in its Flanders and Brussels franchise areas.

1.5.3 Interconnection

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network. For a subscriber located on one telephony network to complete a telephone call to an end user served by another telephony network, the subscriber's network service provider must connect to the network serving the end user. Typically, the network serving the end user charges the subscriber's service provider a fee to terminate the communication on its network, which is based on a call set-up charge and on the length of the telephone call. Telenet's principal interconnection agreements are with Belgacom and the main telecommunication operators in Belgium and Luxembourg. Belgacom provided fixed telephony services to an estimated 69% of the Belgian fixed-line market at the end of 2013. 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, 2014, Telenet incurred interconnection expenses of €75.6 million (€68.5 million for the six months ended June 30, 2013) and received interconnection revenue of €45.4 million (€40.3 million for the six months ended June 30, 2013). Telenet reports the interconnection revenue generated by its fixed and mobile telephony subscribers under 'Residential telephony', while the incurred interconnection fees are accounted for under 'Network operating and service costs'.

Telenet's interconnection practices are subject to comprehensive regulation by the BIPT. Following the adoption of the EU Regulatory Framework in Belgian law, the BIPT decided in August 2006 to implement a three-year gliding path to near reciprocity for fixed telephony services starting on January 1, 2007, which was disputed by both Belgacom and Telenet. In the course of 2013, a settlement was reached with Belgacom regarding this interconnection dispute.

As for mobile telephony, the BIPT imposed sharply declining prospective mobile termination rates following its market analysis dated June 2010. As a result, mobile termination rates have been capped for each mobile network operator at €1.08 cent per minute starting January 2013 (while still taking into account inflation versus year of reference). This marks a 60% decline compared to the average mobile termination rate of €2.67 cent per minute, which was applicable as of January 1, 2012. Although the previous regulatory glide path for mobile termination rates has ended on December 31, 2013, the BIPT has not released mobile termination caps for 2014. In the context of the Telenet mobile interconnection discussions with Belgacom, a definitive interconnection agreement was signed. Telenet's agreement with Belgacom Mobile can be terminated by either party on eight-months prior notice. A number of other fixed domestic operators have shown interest in setting up a direct interconnect with Telenet.

Telenet's Full-MVNO agreement with Mobistar necessitated a number of new interconnection agreements to allow other domestic operators to connect to its mobile core network. Interconnection agreements with the main network operators in Belgium are in service. For the purpose of serving mobile telephony subscribers roaming abroad, Telenet has closed a roaming agreement with an international provider, acting as a roaming hub provider. In the premium service mobile business, Telenet connects to content aggregators, and as such provides mobile telephony subscribers access to premium text and multimedia services.

1.6 BUSINESS SERVICES

Telenet's business customers include small and medium-sized enterprises ("SMEs") with up to one hundred employees; larger corporations; public, healthcare and educational institutions; and carrier customers that include international voice, data and internet service providers. For the six months ended June 30, 2014, Telenet's business services operations generated €46.6 million in revenue, which was up 5% compared to the six months ended June 30, 2013. Telenet markets its business services under the Telenet for Business brand name. Telenet's corporate customers generally connect to the Combined Network directly through a fiber optic connection and its SME customers connect to the Combined Network through a fiber, digital subscriber line ("DSL") or coaxial connection, depending on the scope of their needs and their location relative to the Combined Network.

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

Sales and marketing teams for Telenet's business customers are organized on a regional, business sector and customer size basis. The prices that Telenet offers its corporate, public, healthcare, educational and carrier customers are usually negotiated within fixed parameters, whereas more standardized prices typically apply to Telenet's SME customers. For certain large corporations, Telenet enters into individual agreements under which it must meet minimum service levels.

The availability of EuroDocsis 3.0 represents an important development for Telenet's positioning in the business-to-business ("B2B") market. Given the higher download speeds, better product specifications and improved quality of service over competing technologies, Telenet is in a strong position to increase its market share in the B2B market both for select, smaller corporate segments and larger corporate accounts. Telenet's leading connectivity solutions are being complemented by a growing portfolio of value-added services, such as hosting, managed security and cloud computing amongst others. This will enable Telenet for Business to offer a single-user experience for not only connectivity solutions but also for a whole range of additional value-added services.

1.7 NETWORK

Through its Combined Network, Telenet provides cable television in analog, digital and HD formats, broadband internet and fixed telephony services to both residential and business customers who reside in its service area. Telenet's combined broadband HFC network consists of a fiber backbone with local loop connections constructed of coaxial cable with a minimum capacity of 600 MHz. The Combined Network uses EuroDocsis 3.0 technology, which enables Telenet to currently offer downstream speeds of up to 200 Mbps. 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 DSL technology. DSL technology enables Telenet to serve business customers that are not currently close to its network in a more cost effective manner than through Belgacom's telephone network.

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

Customers connect to the Combined Network through a coaxial connection from one of Telenet's nodes. Amplifiers are used on the coaxial lines to strengthen both downstream and return path signals on the local loop. Network quality usually deteriorates as customer penetration rates on any particular node increases. When required, the scalability of Telenet's network enables it to address this problem, within limits, through node splits. Telenet uses node splits, among other measures, to manage potential congestion in certain parts of the Combined Network. Telenet has reduced the number of homes connected to an optical node from an average 1,400 in 2010 to an average of 530 homes at June 30, 2014. As not all homes connected subscribe to broadband internet services from Telenet, the number of active broadband households per optical node approximated 270 at June 30, 2014.

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.

1.8 STRATEGY

The Company's customer-centric goal is to offer the best and most reliable technology for customers to enjoy their digital lifestyles at home and away. By providing innovative and competitive fixed and mobile products accompanied by high-quality and effective customer service, the Company aims to reach this goal. Telenet's proven long-term multiple-play strategy enables the Company to increase the ARPU per customer relationship as more customers choose Telenet for all their digital services, and a continued focus on customer satisfaction aims to reduce the propensity to churn. Telenet's focus is on delivering leading broadband and flat-fee fixed telephony services alongside a fully interactive and rich digital TV platform. Therefore, Telenet will continue to invest in its HFC network to stay ahead of other platforms and to outperform competing product offerings.

Telenet currently offers download speeds of up to 160 Mbps for residential customers, which reaffirms its status as the fastest internet service provider in its footprint. Telenet is confident that the combination of an optimization of its network bandwidth and the introduction of EuroDocsis 3.1 will keep Telenet in a leading position to deliver high-speed services in the years to come. Telenet will closely monitor its capital expenditure levels in order to make sure that its investments drive incremental returns.

Telenet continues to see many opportunities to upsell its single-play customers, which still represented 23% of its overall customer base as of June 30, 2014, to triple- and quadruple-play services and aims to convert the remaining analog cable TV subscribers, which constitute approximately 26% of its basic cable television subscribers, to the higher ARPU digital platform. Concurrently, Telenet will seek to increase the proportion of digital cable television subscribers subscribing to additional premium content offerings. At June 30, 2014, approximately 14% of its digital cable television customers subscribed to additional premium content offerings (excluding Sporting Telenet). The introduction of "Rex" and "Rio" in September 2013 has further enhanced Telenet's unique and leading positioning in terms of both local and international premium content with 112,900 subscribers to "Rex" and "Rio" at June 30, 2014, up 69% compared to December 31, 2013.

In the course of the second quarter of 2014, Telenet laid further foundations for future healthy growth as it successfully renewed the Belgian football broadcasting rights for another three years. This extension on a non-exclusive basis allows Telenet to continue to offer all matches of the Jupiler Pro League on its sports pay TV channels, alongside the main international leagues and other international sports events, while optimizing its investment costs. The Company also made a strategic 50% investment in the Flemish media company De Vijver Media for an aggregate €58 million, pending approval from the European Competition Authorities. This participation in this extremely creative company heralds a new step to achieve innovation in local content, together with an existing strong channel group. This investment is consistent with Telenet's objective to offer Flemish viewers the best and most modern multimedia entertainment, while securing strategic access to local content.

Telenet continues to expect further penetration growth for the broadband market in its footprint and to gain additional subscribers through a combination of sustained product and speed leadership and customer service. Telenet remains upbeat about its growth opportunities in the business services market. Its B2B portfolio mainly comprises services, for which market share growth in 2014 and beyond is forecasted despite the highly competitive environment. Telenet for Business, Telenet's business services unit, wishes to build on the investments of recent years by approaching the market with an integrated portfolio of leading connectivity, security and hosting solutions and with a strong focus on widely available coax products.

The Company's successful repositioning in mobile and its focus on more cost-effective mobile subscriber acquisitions will increasingly contribute to the overall top line and Adjusted EBITDA growth. Customers value Telenet's simple, transparent and competitive mobile offers, which create an opportunity to cross-sell mobile into its significant fixed subscriber base. At June 30, 2014, around 18% of Telenet's fixed customer base also subscribed to its mobile products, implying a considerable growth opportunity ahead.

Telenet wishes to further excel in customer service and loyalty. Telenet will continue to optimize its processes and platforms focusing on the customer. By doing things in a better and smarter way, Telenet will be able to control its cost base, which will allow further investments in business growth.

2 Discussion of the condensed consolidated interim financial statements

2.1 REVENUE BY SERVICE

For the six months ended June 30, 2014, Telenet generated revenue of €838.8 million, marking a 3% increase compared to the six months ended June 30, 2013 when we produced revenue of €813.6 million. All of Telenet's revenue growth in the period was organic and driven by (i) continued growth in its residential broadband internet business as a result of solid RGU growth; (ii) the benefit from the selective price increase on certain fixed services in February 2014, (iii) a growing contribution from its mobile activities, and (iv) a 5% increase in business services revenue. These favorable impacts were partly offset by (i) substantially lower revenue from the sale of standalone handsets of €9.1 million on which Telenet generally earns a small margin; (ii) €3.6 million lower analog carriage fees, and (iii) lower usage-related revenue. Excluding the negative impact from the lower standalone handset sales and lower analog carriage fees, Telenet's revenue growth rate would have been meaningfully higher.

Telenet's revenue for the six months ended June 30, 2014 remained well balanced with cable television, including basic cable television, digital and premium cable television, residential broadband internet and residential telephony all representing significant proportions of its total revenue.

2.1.1 Cable television

For the six months ended June 30, 2014, Telenet's aggregate cable television revenue, which comprises basic cable television and premium cable television revenue, was €277.0 million (€277.2 million for the six months ended June 30, 2013).

Telenet's basic cable television revenue, which represents the monthly fee paid by its basic cable TV subscribers for the analog and digital channels they receive in the basic tier, amounted to €160.5 million for the six months ended June 30, 2014 and was up 2% versus the same period in the prior year. The negative impact from the decrease in Telenet's active subscriber base was more than offset by higher revenue from copyright fees following the price increase in February 2014. As Telenet pays these copyright fees directly to copyright collection agencies for certain content provided by the public broadcasters, the aforementioned increase does not benefit Adjusted EBITDA.

Telenet's premium cable television revenue represents the revenue generated by its digital cable television subscribers on top of the basic cable television revenue described above and includes amongst others recurring set-top box rental fees and the revenue generated by supplemental channel offerings and VOD. For the six

months ended June 30, 2014, Telenet's premium cable television business generated revenue of €116.5 million, representing a 2% decrease compared to the six months ended June 30, 2013. Higher set-top box rental revenue and subscription revenue was more than offset by a growing proportion of bundle discounts following the repositioning of Telenet's triple-play bundles in June 2013 and the temporary discounts for "Rex" and "Rio".

2.1.2 Residential broadband internet

The residential broadband internet revenue generated by Telenet's residential and small business broadband internet RGUs totaled €257.8 million for the six months ended June 30, 2014 and was up 14% compared to the six months ended June 30, 2013 when Telenet recorded residential broadband internet revenue of €225.5 million. Revenue growth was driven by a solid 5% growth in Telenet's RGU base, a more favorable allocation of revenue from the "Whop" and "Whoppa" bundles compared to the former triple-play bundles and the benefit from the aforementioned price increase as from February 2014.

2.1.3 Residential telephony

Telenet's residential telephony revenue includes recurring subscription-based revenue from both fixed and mobile telephony subscribers as well as interconnection revenue generated by these customers. Residential telephony revenue reached €233.5 million for the six months ended June 30, 2014, and was only slightly up compared to the six months ended June 30, 2013 as a higher contribution from the mobile telephony business was offset by lower fixed telephony revenue as a result of a higher proportion of bundle discounts.

Residential fixed telephony revenue was €109.6 million for the six months ended June 30, 2014 with a solid 11% subscriber increase offset by a growing proportion of bundle discounts and lower usage-related revenue following the continued success of Telenet's "FreePhone Europe" flat-fee rate plans. Residential mobile telephony revenue yielded €123.9 million for the six months ended June 30, 2014, including €39.5 million of interconnection revenue. Telenet's residential mobile telephony revenue increased 7% compared to the six months ended June 30, 2013 driven by continued growth in the number of postpaid subscribers, partially offset by a decrease in mobile ARPU as mentioned earlier.

2.1.4 Distributors/Other

Distributors/Other revenue primarily includes (i) third-party sales and stand-alone mobile handset sales, (ii) channel carriage fees, (iii) cable television activation and installation fees, and (iv) set-top box sales revenue. Distributors/Other revenue reached €23.9 million for the six months ended June 30, 2014, which was €10.9 million lower than the €34.8 million we recorded for the six months ended June 30, 2013. This 31% year-on-year revenue decrease was primarily driven by substantially lower revenue from the sale of standalone handsets and lower analog carriage fees.

2.1.5 Business services

Revenue generated by business customers on all coax-related products is allocated to one of the aforementioned revenue lines and is not captured within Telenet for Business, Telenet's business services division. The revenue reported under business services relates to the revenue generated on non-coax products, including fiber and leased DSL lines, the carrier business, as well as value-added services such as hosting and managed security. Telenet for Business generated revenue of €46.6 million for the six months ended June 30, 2014, which was up 5% compared to the six months ended June 30, 2013 when Telenet's business services yielded revenue of €44.2 million and reflected the negative impact from changes in the way Telenet recognizes certain upfront fees. Revenue growth was driven by wholesale services for mobile, and fixed voice as continued pricing pressure was offset by strong growth from the ISDN BA product offering for medium-sized businesses.

2.2 TOTAL EXPENSES

For the six months ended June 30, 2014, total operating expenses were €561.6 million, reflecting a 2% decrease compared to the six months ended June 30, 2013 when Telenet incurred total operating expenses of €571.4 million. Slightly higher employee benefit expenses and higher depreciation and amortization charges for the six months ended June 30, 2014 were more than offset by a 9% decrease in network operating and service costs. This decrease in network operating and service costs was predominantly driven by significantly lower costs associated with both handset sales and subsidies and was partly offset by increased copyright costs and higher interconnect costs. Total operating expenses for the six months ended June 30, 2014 also reflected a €12.5 million favorable impact from the settlement of certain operational contingencies, while operating expenses for the six months ended June 30, 2013 were favorably impacted by a €15.7 million reversal of depreciation charges following a settlement on set-top box related import duties.

Operating expenses represented approximately 67% of revenue for the six months ended June 30, 2014 as compared to approximately 70% for the six months ended June 30, 2013. The relative decrease compared to the prior year period was primarily driven by lower costs associated with handset sales and subsidies and lower advertising, sales and marketing expenses, partly offset by higher personnel expenses and other costs.

2.2.1 Cost of services provided

Cost of services provided as a percentage of revenue reached approximately 53% for the six months ended June 30, 2014 as compared to approximately 55% for the six months ended June 30, 2013.

2.2.2 Selling, general and administrative expenses

Selling, general and administrative expenses represented approximately 14% of overall revenue for the six months ended June 30, 2014 as compared to approximately 15% for the six months ended June 30, 2013. Slightly higher employee benefit expenses were more than offset by lower advertising, sales and marketing expenses and lower expenses related to share based compensation.

2.3 EXPENSES BY NATURE

Employee benefits increased 6% from €73.8 million for the six months ended June 30, 2013 to €78.2 million for the six months ended June 30, 2014 as a result of the 1% mandatory wage indexation for all employees in January 2014 and modest growth in Telenet's employee base, reflecting the continued growth of its operations.

Depreciation and amortization, including gains on disposal of property and equipment and other intangible assets, grew by 4% year-on-year and reached €176.0 million for the six months ended June 30, 2014 compared to €168.8 million for the six months ended June 30, 2013 and reflected last year's €15.7 million favorable impact of the reversal of set-top box related import duties. In addition to this one-time effect, depreciation and amortization charges for the six months ended June 30, 2014 were also impacted by an extension to the expected useful life of the latest generation of set-top boxes. Furthermore, the Company incurred lower amortization expenses for the six months ended June 30, 2014 versus the six months ended June 30, 2013 due to the full impairment of the intangible asset related to the 3G mobile spectrum license at December 31, 2013.

Network operating and service costs, which include all of Telenet's direct expenses such as costs related to handset sales and subsidies, interconnection, programming, copyrights, call center and network-related expenses, continued to represent the largest portion of total operating expenses. Compared to the six months ended June 30, 2013, network operating and service costs decreased by €24.2 million, or 9%, to €239.0 million for the six months ended June 30, 2014, primarily as a result of significantly lower costs associated with handset sales and subsidies. Furthermore, network operating and service costs for the six months ended June 30, 2014 reflected a nonrecurring €12.5 million favorable impact from the settlement of certain operational contingencies.

Advertising, sales and marketing expenses of €31.3 million for the six months ended June 30, 2014 showed a 7% decrease compared to the six months ended June 30, 2013, reflecting the launch of Telenet's revamped multiple-play bundles in June 2013, lower sales commissions due to relatively lower net new subscriber growth for both fixed and mobile services and timing variances in some of Telenet's campaigns.

Other costs, including operating charges related to acquisitions or divestitures, amounted to €31.8 million for the six months ended June 30, 2014 compared to €25.0 million for the six months ended June 30, 2013 and included, amongst other, business-supporting corporate advisory, consulting and legal fees.

2.4 ADJUSTED EBITDA

For the six months ended June 30, 2014, Telenet realized Adjusted EBITDA of €460.1 million, up 10% compared to the six months ended June 30, 2013 when Telenet produced Adjusted EBITDA of €417.8 million. The corresponding Adjusted EBITDA margin reached 54.9% for the six months ended June 30, 2014 and was up sharply from 51.4% for the six months ended June 30, 2013 despite a higher share of lower margin mobile and entertainment revenue. Telenet's Adjusted EBITDA for the six months ended June 30, 2014 reflected a €12.5 million favorable impact from the settlement of certain operational contingencies. Excluding this nonrecurring impact, Adjusted EBITDA growth would have been lower. The robust year-on-year growth in Adjusted EBITDA was primarily driven by substantially lower costs associated with handset subsidies relative to the six months ended June 30, 2013, reflecting timing variances in some of our campaigns, while we maintained overall control of our overhead expenses.

	For the six months ended June 30,	
	2014	**2013**
	(in thousands of euro)	
Adjusted EBITDA	**460,085**	**417,764**
Adjusted EBITDA margin	54.9%	51.4%
Share based compensation	(5,340)	(6,781)
Operating charges related to acquisitions or divestitures	(1,565)	-
EBITDA	**453,180**	**410,983**
Depreciation, amortization and impairment	(176,021)	(168,807)
Operating profit	**277,159**	**242,176**
Net finance expense	(183,790)	(80,050)
Other income	344	(153)
Income tax expense	(44,878)	(51,996)
Profit for the period	**48,835**	**109,977**

2.5 OPERATING PROFIT

Telenet generated operating profit of €277.2 million for the six months ended June 30, 2014, up 14% compared to the six months ended June 30, 2013 when operating profit reached €242.2 million.

2.6 NET FINANCE EXPENSES

For the six months ended June 30, 2014, net finance expenses totaled €183.8 million compared to €80.0 million of net finance expenses incurred for the six months ended June 30, 2013. The increase in net finance expenses was primarily driven by a decrease in the fair value of derivatives. For the six months ended June 30, 2014, interest rate derivatives yielded a non-cash loss of €45.1 million, whereas the the six months ended June 30, 2013 showed a non-cash gain of €51.1 million. Furthermore, the Company also incurred a €7.3 million loss on the extinguishment of debt for the six months ended June 30, 2014 following the early prepayment of certain Term Loans and the Senior Secured Notes due 2016 during April 2014. Relative to the six months ended June 30, 2013, interest income and foreign exchange gain decreased €1.2 million to €0.3 million for the six months ended June 30, 2014, reflecting lower average interest rates on deposits and investments. Interest expenses, foreign exchange loss and other finance expenses reached €131.7 million for the six months ended June 30, 2014 and were broadly stable compared to the six months ended June 30, 2013 as the Company's overall indebtedness remained broadly unchanged compared to the six months ended June 30, 2013. Please refer to Section 2.10 - Debt profile, cash balance and net leverage ratio for detailed information about our debt maturity profile.

2.7 INCOME TAXES

Telenet recorded income tax expense of €44.9 million for the six months ended June 30, 2014 compared to income tax expense of €52.0 million for the six months ended June 30, 2013, representing a 14% decrease year-on-year.

2.8 NET INCOME

For the six months ended June 30, 2014, Telenet earned net income of €48.8 million compared to €110.0 million for the six months ended June 30, 2013. Although operating profit showed a robust 14% growth for the six months ended June 30, 2014, net income decreased 56% compared to the six months ended June 30, 2013 as Telenet incurred a €45.1 million non-cash loss on derivatives and recorded a €7.3 million loss on the extinguishment of debt following the prepayment of certain Term Loans and the Senior Secured Notes due 2016.

2.9 CASH FLOW AND LIQUIDITY

2.9.1 Net cash from operating activities

Telenet's operating activities yielded net cash of €344.0 million for the six months ended June 30, 2014, representing a strong 28% increase compared to the six months ended June 30, 2013 when net cash from operating activities reached €269.3 million. Slightly higher cash interest expenses were more than offset by the robust Adjusted EBITDA growth Telenet achieved for the six months ended June 30, 2014. Furthermore, the trend in working capital improved substantially relative to the six months ended June 30, 2013 as a result of a new working capital policy.

2.9.2 Net cash used in investing activities

Telenet used €184.2 million of net cash in investing activities for the six months ended June 30, 2014, up 12% compared to the six months ended June 30, 2013. The cash used in investing activities comprised the cash payments for capital expenditures, including the cash payment of €11.0 million for the Belgian football broadcasting rights, net of the proceeds received from other operators and broadcasters using a portion of these rights. This amount covered the final payment for the previous 2013-2014 season. In June 2014, Telenet successfully renewed the broadcasting rights for the Jupiler Pro League for another three years, starting July 2014. Under the renewed non-exclusive contract, Telenet will pay approximately €17.5 million in August 2014 to cover the first leg of the upcoming 2014-2015 season and Telenet intends to make a second payment in early January next year for the remainder of the new season. Please refer to Section 2.11 – *Capital expenditures* for detailed information about the underlying accrued capital expenditures.

2.9.3 Free Cash Flow

For the six months ended June 30, 2014, Telenet generated €150.6 million of Free Cash Flow, representing a 50% increase compared to the six months ended June 30, 2013. A €20.0 million year-on-year increase in cash capital expenditures was more than offset by a €74.7 million increase in the net cash generated from operating activities, driven by solid Adjusted EBITDA growth and an improved working capital trend.

	For the six months ended June 30,	
	2014	2013
	(in thousands of euro)	
Net cash from operating activities	344,003	269,345
Purchases of property and equipment	(135,724)	(119,434)
Purchases of intangibles	(50,978)	(46,023)
Principal payments on capital leases (excluding network-related leases assumed in acquisitions)	(2,472)	(2,320)
Principal payments on post acquisition additions to network leases	(4,230)	(1,110)
Free Cash Flow	**150,599**	**100,458**

2.9.4 Net cash from financing activities

Net cash used in financing activities was €192.0 million for the six months ended June 30, 2014 compared to net cash used in financing activities of €897.3 million for the six months ended June 30, 2013. The evolution of net cash used in financing activities for the six months ended June 30, 2014 primarily reflected: (i) a net decrease of €147.7 million in Telenet's overall indebtedness as excess cash was used to repay the remaining outstanding amounts under certain Term Loans following the April 2014 refinancing, (ii) the repurchase of 1.1 million shares under the Share Repurchase Program 2014 for an aggregate amount of €48.2 million offset by the proceeds from the sale of treasury shares amounting to €14.3 million, and (iv) €10.4 million related to capital lease repayments and other financial payments. The net cash used in financing activities for the six months ended June 30, 2013 primarily reflected the payment of an extraordinary dividend to shareholders in early May 2013 for an aggregate amount of €905.2 million.

2.10 DEBT PROFILE, CASH BALANCE AND NET LEVERAGE RATIO

2.10.1 Debt profile

As of June 30, 2014, Telenet carried a total debt balance (including accrued interest) of €3,736.7 million, of which €1,357.0 million principal amount is owed under the 2010 Amended Senior Credit Facility and €1,900.0 million principal amount is related to the Notes issued in 2010, 2011 and 2012. Telenet's total debt balance at June 30, 2014 also included €45.9 million for the outstanding portion of the 3G mobile spectrum including accrued interest. The remainder primarily represents the capital lease obligations associated with the Interkabel acquisition.

In March 2014, Telenet announced an extension offer for Term Loans Q, R and T under the existing 2010 Amended Senior Credit Facility and the redemption of the Senior Secured Notes due 2016. As a result of the aforementioned refinancing, which was completed in April 2014, Telenet issued a new €474.1 million floating rate Term Loan under the 2010 Amended Senior Credit Facility ("Term Loan W") due June 30, 2022 carrying a margin of 3.25% over Euribor. In addition, Telenet issued a new €882.9 million floating rate Term Loan under the 2010 Amended Senior Credit Facility ("Term Loan Y") due June 30, 2023 carrying a margin of 3.50% over Euribor. The net proceeds of these new issuances, together with available cash and cash equivalents, were used to fully

redeem the outstanding amounts under Term Loans Q, R and T and the €100.0 million Senior Secured Notes due 2016. As a result, Telenet does not have any maturities of its outstanding debt prior to November 2020.

2.10.2 Debt overview and payment schedules

The table below provides an overview of the Company's debt instruments and payment schedule at the end of June 2014.

	Total Facility as per	Drawn amount	Undrawn amount	Maturity Date	Interest rate	Interest payments due
	June 30, 2014 (in thousands of euro)					
2010 Amended Senior Credit Facility:						
Term Loan W	474,084	474,084	-	June 30, 2022	Floating | 1-month Euribor + 3.25%	Monthly
Term Loan Y	882,916	882,916	-	June 30, 2023	Floating | 1-month Euribor + 3.50%	Monthly
Revolving Credit Facility (Facility S)	36,851	-	36,851	December 31, 2016	Floating | 1-month Euribor + 2.75%	Not applicable
Revolving Credit Facility (Facility X)	286,000	-	286,000	September 30, 2020	Floating | 1-month Euribor + 2.75%	Not applicable
Senior Secured Fixed Rate Notes						
€500 million Senior Secured Notes due 2020	500,000	500,000	-	November 15, 2020	Fixed | 6.375%	Semi-annually (May and Nov.)
€300 million Senior Secured Notes due 2021	300,000	300,000	-	February 15, 2021	Fixed | 6.625%	Semi-annually (Feb. and Aug.)
€450 million Senior Secured Notes due 2022	450,000	450,000	-	August 15, 2022	Fixed | 6.25%	Semi-annually (Feb. and Aug.)
€250 million Senior Secured Notes due 2024	250,000	250,000	-	August 15, 2024	Fixed | 6.75%	Semi-annually (Feb. and Aug.)
Senior Secured Floating Rate Notes						
€400 million Senior Secured Notes due 2021	400,000	400,000	-	June 15, 2021	Floating | 3-month Euribor+3.875%	Quarterly (March, June, Sep. and Dec.)
Total notional amount	**3,579,851**	**3,257,000**	**322,851**			

2.10.3 Cash balance and availability of funds

At June 30, 2014, Telenet held €181.9 million of cash and cash equivalents compared to €214.1 million at December 31, 2013 as Telenet used part of its outstanding cash balance (i) to redeem the remaining outstanding amounts under certain Term Loans following the April 2014 refinancing and, (ii) to repurchase shares under the Share Repurchase Program 2014. The cash usage was partially offset by robust growth in our underlying Free Cash Flow. As part of the April 2014 refinancing, Telenet also extended the size and tenor of its Revolving Facility. At June 30, 2014, Telenet had access to an additional committed Revolving Facility of €322.9 million, subject to compliance with the covenants mentioned below. A substantial portion of its Revolving Facility (€286.0 million) is available until September 30, 2020, while the remaining amount (€36.9 million) is available until December 31, 2016.

2.10.4 Net leverage ratio

As of June 30, 2014, the outstanding balance of the 2010 Amended Senior Credit Facility and outstanding cash balance resulted in a Net Total Debt to Consolidated Annualized EBITDA ratio of 3.6x compared to 4.0x at December 31, 2013. Telenet's current net leverage ratio is significantly below the covenant of 6.0x and the availability test of 5.0x.

2.11 CAPITAL EXPENDITURES

Accrued capital expenditures reached €187.7 million for the six months ended June 30, 2014, representing approximately 22% of revenue and up 6% compared to the six months ended June 30, 2013 when Telenet incurred accrued capital expenditures of €177.8 million. Accrued capital expenditures for the six months ended June 30, 2013 were impacted by a €16.1 million reversal of set-top box related import duties and the extension of the UK Premier League football broadcasting rights for three seasons, starting August 2013. These broadcasting rights have been capitalized as intangible assets and are being amortized on a pro-rata basis as the seasons progress. In June 2014, Telenet successfully renewed the football broadcasting rights for the Jupiler Pro League for three seasons, starting July 2014. The first season under the current three-year contract has been capitalized as an intangible asset and will be amortized on a pro-rata basis as the season progresses. Excluding capitalized content rights in both periods and the nonrecurring benefit from the reversal of set-top box related import duties for the six months ended June 30, 2013, accrued capital expenditures would have represented approximately 18% and 21% of revenue for the six months ended June 30, 2014 and the six months ended June 30, 2013, respectively.

Set-top box related capital expenditures decreased 12% from €22.7 million for the six months ended June 30, 2013 to €20.0 million for the six months ended June 30, 2014 as Telenet reduced its set-top box inventory levels in the beginning of the year and recorded an overall lower intake of net digital TV subscribers compared to the six months ended June 30, 2013. For the six months ended June 30, 2014, set-top box related capital expenditures reached approximately 13% of total accrued capital expenditures (excluding capitalized content rights). Capital expenditures for customer installations totaled €34.3 million for the six months ended June 30, 2014, or approximately 22% of total accrued capital expenditures (excluding capitalized content rights), compared to €36.4 million for the six months ended June 30, 2013. The 6% year-on-year decline in customer installations capital expenditures mirrored a lower level of net new subscriber growth for Telenet's advanced fixed services as compared to the six months ended June 30, 2013, while Telenet continued to benefit from efficiencies as customers increasingly opted for self-installation.

Accrued capital expenditures for network growth and upgrades decreased 24% from €51.4 million for the six months ended June 30, 2013 to €39.0 million for the six months ended June 30, 2014, and represented approximately 25% of total accrued capital expenditures (excluding capitalized content rights). The decrease was primarily driven by timing variances in the execution of some network investments and relatively lower spending on node-splitting as Telenet already reached an average of approximately 530 homes per node at June 30, 2014. As not all homes passed by its HFC network subscribe to its broadband internet services, the number of connected homes per node approximated 270 at June 30, 2014.

The remainder of accrued capital expenditures included refurbishments and replacements of network equipment, sports content acquisition costs, and recurring investments in IT platform and systems. These reached €94.4 million for the six months ended June 30, 2014 compared to €67.3 million for the six months ended June 30, 2013, and were impacted by the renewal of the Belgian football broadcasting rights, as mentioned above. Approximately 60% of accrued capital expenditures for the six months ended June 30, 2014 (excluding capitalized content rights) were scalable and subscriber growth related.

3 Risk factors

3.1 GENERAL INFORMATION

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

- Telenet's substantial leverage and debt service obligations;
- Telenet's ability to generate sufficient cash to service its debt, to control and finance its capital expenditures and operations;
- Telenet's ability to raise additional financing;
- Risks associated with Telenet's structure, and Telenet's indebtedness;
- Risks of default by the counterparties to the Company's derivative and other financial instruments;
- Telenet's relationship with its shareholders;
- Economic and business conditions and industry trends in which Telenet and the entities in which it has interests, operate;
- The competitive environment in which Telenet, and the entities in which it has interests, operate, including competitor responses to its products and services;
- Changes in, or failure or inability to comply with, government regulations in Belgium and adverse outcomes from regulatory proceedings;
- The application of competition law generally and government intervention that opens Telenet's broadband distribution and television networks to competitors, which may have the effect of reducing Telenet's control over the management of, or the quality of, its network and Telenet's ability to reach the expected returns on investment;
- General adverse regulatory or other developments affecting or restricting the effectiveness and use of Telenet's network or its equipment;
- The outcome of any pending or threatened litigation;
- Fluctuations in currency exchange rates and interest rates;
- Instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- Consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- Changes in consumer television viewing preferences and habits;
- Consumer acceptance of existing service offerings, including Telenet's analog and digital cable television, broadband internet, fixed telephony, mobile telephony and business service offerings, and of

new technology, programming alternatives and other products and services that Telenet may offer in the future;

- Telenet's ability to manage rapid technological changes;
- Telenet's ability to maintain or increase the number of subscriptions to its digital cable television, broadband internet services, fixed-line telephony and mobile services offerings and the average revenue per household;
- Telenet's ability to provide satisfactory customer service, including support for new and evolving products and services;
- Telenet's ability to increase or maintain rates to its subscribers or to pass through increased costs to its subscribers;
- The impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- Changes in laws or treaties relating to taxation, or the interpretation thereof, in Belgium;
- Changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of Telenet's financial risks;
- The ability of suppliers and vendors to timely deliver quality products, equipment, software and services;
- The availability of attractive programming for Telenet's analog and digital cable television services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- Uncertainties inherent in the development and integration of new business lines and business strategies;
- Telenet's ability to adequately forecast and plan for future network requirements;
- The availability of capital for the acquisition and/or development of telecommunications networks and services;
- Telenet's ability to successfully integrate and recognize anticipated efficiencies from the businesses it may acquire;
- Leakage of sensitive customer data;
- The loss of key employees and the availability of qualified personnel and Telenet's ability to interact with labor councils and unions;
- Changes in the nature of key strategic relationships with partners and joint ventures; and
- Events that are outside Telenet's control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

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

3.2 LEGAL PROCEEDINGS AND REGULATORY DEVELOPMENTS

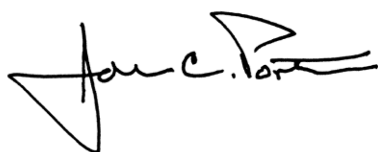
Telenet is involved in a number of legal proceedings that have arisen in the ordinary course of its business. Telenet discusses in its 2013 Annual Report certain pending lawsuits in which the Company is involved, which may have, or have had in the recent past, significant effects on its financial position or profitability. In note 5.22, 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 2013 Annual Report or explained in note 5.22 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.

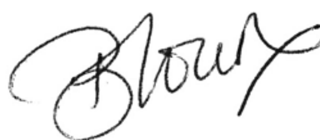
4 Fair view statement by the management of the Company

We, the undersigned, John Porter, Chief Executive Officer of Telenet Group Holding NV, and Birgit Conix, 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
CEO

Birgit Conix
CFO

Condensed consolidated interim financial statements

1 Condensed consolidated interim statement of financial position

	Note	June 30, 2014	December 31, 2013
Assets		(in thousands of euro)	
Non-current assets:			
Property and equipment	5.4	1,388,662	1,386,053
Goodwill	5.5	1,241,813	1,241,813
Other intangible assets	5.6	258,711	251,916
Deferred tax assets	5.14	92,731	82,117
Other assets	5.8	5,301	7,683
Total non-current assets		**2,987,218**	**2,969,582**
Current assets:			
Inventories	5.9	13,979	15,386
Trade receivables	5.7	144,674	118,670
Other current assets	5.8	77,458	83,829
Cash and cash equivalents	5.10	181,879	214,103
Total current assets		**417,990**	**431,988**
Total assets		**3,405,208**	**3,401,570**
Equity and Liabilities			
Equity:			
Share capital	5.11	12,645	12,582
Share premium and other reserves	5.11	994,397	982,163
Retained loss	5.11	(2,441,996)	(2,465,933)
Remeasurements	5.11	(8,242)	(7,498)
Total equity attributable to owners of the Company		**(1,443,196)**	**(1,478,686)**
Non-controlling interests	5.11	8,632	8,292
Total equity		**(1,434,564)**	**(1,470,394)**
Non-current liabilities:			
Loans and borrowings	5.12	3,656,608	3,790,420
Derivative financial instruments	5.13	154,877	110,959
Deferred revenue	5.18	2,321	2,682
Deferred tax liabilities	5.14	117,473	109,436
Other liabilities	5.15	82,665	90,828
Total non-current liabilities		**4,013,944**	**4,104,325**
Current liabilities:			
Loans and borrowings	5.12	80,120	77,909
Trade payables		165,187	141,826
Accrued expenses and other current liabilities	5.17	325,035	340,558
Deferred revenue	5.18	77,797	78,985
Derivative financial instruments	5.13	41,020	39,850
Current tax liability	5.16	136,669	88,511
Total current liabilities		**825,828**	**767,639**
Total liabilities		**4,839,772**	**4,871,964**
Total Equity and liabilities		**3,405,208**	**3,401,570**

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

	Note	For the six months ended June 30,	
		2014	2013
		(in thousands of euro, except per share data)	
Profit for the period			
Revenue	5.18	838,795	813,584
Cost of services provided	5.19	(444,790)	(446,980)
Gross profit		**394,005**	**366,604**
Selling, general and administrative expenses	5.19	(116,846)	(124,428)
Operating profit		**277,159**	**242,176**
Finance income		350	52,589
Net interest income and foreign exchange gain	5.20	350	1,525
Net gain on derivative financial instruments	5.13	-	51,064
Finance expense		(184,140)	(132,639)
Net interest expense, foreign exchange loss and other finance expense	5.20	(131,733)	(132,639)
Net loss on derivative financial instruments	5.13	(45,107)	-
Loss on extinguishment of debt	5.20	(7,300)	-
Net finance expenses	5.20	**(183,790)**	**(80,050)**
Other income / (loss)		344	(153)
Profit before income tax		93,713	161,973
Income tax expense		(44,878)	(51,996)
Profit for the period		**48,835**	**109,977**
Other comprehensive income for the period, net of income tax			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability/(asset)		**(744)**	**-**
Other comprehensive income for the period, net of income tax		**(744)**	**-**
Total comprehensive income for the period		**48,091**	**109,977**
Profit attributable to:		**48,835**	**109,977**
Owners of the Company		48,834	109,969
Non-controlling interests		1	8
Total comprehensive income for the period, attributable to:		**48,091**	**109,977**
Equity owners of the Company		48,090	109,969
Non-controlling interests		1	8
Earnings per share			
Basic earnings per share in €	5.21	0.42	0.96
Diluted earnings per share in €	5.21	0.42	0.95

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

3 Condensed consolidated interim statement of changes in equity

(in thousands of euro, except share data)	Note	Number of shares	Share capital	Share premium	Equity-based compen-sation reserve	Legal reserve	Reserve for own shares	Other reserves	Retained loss	Remeasurements	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the Company											
January 1, 2013		**113,408,536**	**12,331**	**6,084**	**43,818**	**70,021**	**(5,763)**	**827,427**	**(1,674,427)**	**(6,044)**	**(726,553)**	**6,166**	**(720,387)**
Total comprehensive income for the period													
Profit for the period		-	-	-	-	-	-	-	109,969	-	109,969	8	109,977
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**109,969**	**-**	**109,969**	**8**	**109,977**
Transactions with owners, recorded directly in equity													
Contributions by and distributions to owners of the Company													
Recognition of share-based compensation	5.11	-	-	-	6,781	-	-	-	-	-	6,781	-	6,781
Proceeds received upon exercise of Warrants	5.11	1,423,846	154	17,453	-	-	-	-	-	-	17,607	-	17,607
Dividend	5.11	-	-	-	-	-	-	-	(905,435)	-	(905,435)	-	(905,435)
Total contributions by and distributions to owners of the Company		**1,423,846**	**154**	**17,453**	**6,781**	**-**	**-**	**-**	**(905,435)**	**-**	**(881,047)**	**-**	**(881,047)**
Changes in ownership interests in subsidiaries													
Capital contributions by NCI		-	-	-	-	-	-	-	-	-	-	(87)	(87)
Total transactions with owners of the Company		**1,423,846**	**154**	**17,453**	**6,781**	**-**	**-**	**-**	**(905,435)**	**-**	**(881,047)**	**(87)**	**(881,134)**
June 30, 2013		**114,832,382**	**12,485**	**23,537**	**50,599**	**70,021**	**(5,763)**	**827,427**	**(2,469,893)**	**(6,044)**	**(1,497,631)**	**6,087**	**(1,491,544)**

(in thousands of euro, except share data)	Note	Number of shares	Share capital	Share premium	Equity-based compensation reserve	Legal reserve	Reserve for own shares	Other reserves	Retained loss	Remeasurements	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the Company											
January 1, 2014		**115,719,152**	**12,582**	**32,686**	**54,380**	**72,447**	**(5,713)**	**828,363**	**(2,465,933)**	**(7,498)**	**(1,478,686)**	**8,292**	**(1,470,394)**
Total comprehensive income for the period													
Profit for the period		-	-	-	-	-	-	-	48,834	-	48,834	1	48,835
Other comprehensive income		-	-	-	-	-	-	-	-	(744)	(744)	-	(744)
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**48,834**	**(744)**	**48,090**	**1**	**48,091**
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	5.11	-	-	-	-	1,949	-	-	(1,949)	-	-	-	-
Recognition of share-based compensation	5.11	-	-	-	5,340	-	-	-	-	-	5,340	-	5,340
Transaction costs of equity transactions	5.11	-	-	-	-	-	-	(34)	-	-	(34)	-	(34)
Own shares acquired	5.11	-	-	-	-	-	(48,205)	-	-	-	(48,205)	-	(48,205)
Own shares sold	5.11	-	-	-	-	-	37,285	(16)	(22,948)	-	14,321	-	14,321
Proceeds received upon exercise of Warrants	5.11	236,109	25	3,381	-	-	-	-	-	-	3,406	-	3,406
Issuance of share capital through Employee Share Purchase Plan	5.11	352,650	38	12,534	-	-	-	-	-	-	12,572	-	12,572
Total contributions by and distributions to owners of the Company		**588,759**	**63**	**15,915**	**5,340**	**1,949**	**(10,920)**	**(50)**	**(24,897)**	**-**	**(12,600)**	**-**	**(12,600)**
Changes in ownership interests in subsidiaries													
Capital contributions by NCI		-	-	-	-	-	-	-	-	-	-	339	339
Total transactions with owners of the Company		**588,759**	**63**	**15,915**	**5,340**	**1,949**	**(10,920)**	**(50)**	**(24,897)**	**-**	**(12,600)**	**339**	**(12,261)**
June 30, 2014		**116,307,911**	**12,645**	**48,601**	**59,720**	**74,396**	**(16,633)**	**828,313**	**(2,441,996)**	**(8,242)**	**(1,443,196)**	**8,632**	**(1,434,564)**

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

4 Condensed consolidated interim statement of cash flows

	Note	For the six months ended June 30, 2014	2013
Cash flows provided by operating activities:		(in thousands of euro)	
Profit for the period		48,835	109,977
Adjustments for:			
Depreciation, amortization, impairment and restructuring	5.19	177,131	170,013
Gain on disposal of property and equipment and other intangible assets	5.19	(1,110)	(1,206)
Income tax expense		44,878	51,996
Decrease in allowance for bad debt	5.7	(931)	(1,064)
Net interest income and foreign exchange gain	5.20	(350)	(1,525)
Net interest expense, foreign exchange loss and other finance expense	5.20	131,733	132,639
Net loss/(gain) on derivative financial instruments	5.20	45,107	(51,064)
Loss on extinguishment of debt	5.20	7,300	-
Other loss/(income)		(344)	153
Share based payments	5.19	5,340	6,781
Change in:			
Trade receivables		(25,073)	(15,316)
Other assets		(131)	(26,687)
Deferred revenue		(1,549)	(361)
Trade payables		23,247	8,647
Other liabilities		(5,563)	736
Accrued expenses and other current liabilities		11,707	(3,850)
Interest paid		(116,426)	(111,398)
Interest received		214	911
Income taxes paid		(12)	(37)
Net cash provided by operating activities		**344,003**	**269,345**
Cash flows used in investing activities:			
Purchases of property and equipment		(135,724)	(119,434)
Purchases of intangibles		(50,978)	(46,023)
Acquisitions of subsidiaries and affiliates, net of cash acquired		-	(432)
Proceeds from sale of property and equipment and other intangibles		2,493	1,656
Purchases of broadcasting rights for resale purposes		(7,115)	(7,597)
Proceeds from the sale of broadcasting rights for resale purposes		7,115	7,597
Net cash used in investing activities		**(184,209)**	**(164,233)**
Cash flows used in financing activities:			
Repayments of loans and borrowings	5.12	(721,355)	-
Proceeds from loans and borrowings	5.12	573,683	-
Payments of finance lease liabilities		(14,076)	(7,410)
Payments for debt issuance costs		(12,362)	(374)
Payments for other financing activities		-	(1,949)
Repurchase of own shares	5.11	(48,205)	-
Sale of own shares	5.11	14,321	-
Proceeds from exercise of options and warrants	5.11	3,406	17,607
Proceeds from capital transactions with equity participants		-	(83)
Proceeds from issuance of share capital through Employee Share Purchase Plan	5.11	12,572	-
Payments related to capital reductions and dividends	5.11	(2)	(905,151)
Net cash used in financing activities		**(192,018)**	**(897,360)**
Net decrease in cash and cash equivalents		**(32,224)**	**(792,248)**
Cash and cash equivalents:			
at January 1	5.10	214,103	906,300
at June 30	5.10	181,879	114,052

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, 2014

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 cable television, including premium television services, broadband internet and telephony services to residential subscribers in Flanders and certain communes in Brussels as well as broadband internet, data and voice services in the business market throughout Belgium. The Company also offers mobile telephony services through a mobile virtual network operator ("MVNO") partnership with Mobistar. Telenet Group Holding NV and its principal operating subsidiaries are limited liability companies organized under Belgian law. Subsidiaries and special purpose entities have been incorporated in Luxembourg in 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, 2013. Results for the six months ended June 30, 2014 are not necessarily indicative of future results.

The Interim Financial Statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value. The methods used to measure fair values are discussed in Note 5.3.2. The Interim Financial Statements were approved for issue by the board of directors on July 29, 2014.

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 unless otherwise indicated.

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 5.13: Derivative financial instruments
- note 5.14: Deferred taxes

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

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 as a single operation, and assess its performance and make resource allocation decisions based on an overall Profit and Loss Statement. The Profit and Loss Statement is analyzed at least on a monthly basis with only revenue and direct costs allocated to separate product and service lines. The primary measure of profit within the Profit and Loss Statement used by the CODM to assess performance is Adjusted EBITDA, and the Profit and Loss Statement

does not present Adjusted EBITDA for separate product and service lines. Notwithstanding that revenue and direct costs are allocated to the separate product and service lines, as a differentiated Profit and Loss Statement is not used by the CODM to manage Telenet's operations, assess performance or make resource allocation decisions, Telenet has determined that its operations constitute one single segment.

5.2 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Company in these Interim Financial Statements are the same as those applied in the Company's consolidated financial statements as of and for the year ended December 31, 2013. The following changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as of and for the year ending December 31, 2014.

5.2.1 Changes in accounting policies

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2014.

- IFRS 10 *Consolidated Financial Statements (2011)*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- *Amendments to IFRS 10, IFRS11 and IFRS12*
- IAS 28 *Investments in Associates and Joint Ventures*
- *Amendments to IAS36 Impairment of assets – Recoverable Amount Disclosures for Non-Financial Assets*

The adoption of these standards and amendments did not have an impact on the Company's financial position, statement of profit or loss and other comprehensive income or cash flows.

Subsidiaries

Subsidiaries are entities controlled by the Company.

As a result of IFRS 10 (2011), the Company has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Company has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

Joint arrangements

As a result of IFRS 11, the Company has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Company has classified its interests in joint arrangements as either joint operations (if the Company has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Company has rights only to the net assets of an arrangement). When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

Interests in equity-accounted investees
The Company's interest in equity-accounted investees comprises interests in associates and joint ventures.

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint ventures are accounted for using the equity method and are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of the equity-accounted investees, until the date on which significant influence or joint control ceases.

As the Company already applied equity method accounting for its interests in associates and joint ventures under IAS31, the adoption of IFRS 12 had no impact on the Interim Financial Statements.

5.3 FINANCIAL INSTRUMENTS

5.3.1 Financial risk management

During the six months ended June 30, 2014, 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, 2013.

5.3.2 Financial instruments

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.

The following tables show the carrying amounts and fair values of financial assets and liabilities, including their levels of fair value hierarchy.

The table below does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

June 30, 2014 (in thousands of euro)	Note	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets						
Financial assets carried at fair value						
Derivative financial assets	5.13	46	46	-	46	-
Total financial assets carried at fair value		46	46	-	46	-
Financial liabilities						
Financial liabilities carried at fair value						
Derivative financial liabilities	5.13	195,897	195,897	-	195,897	-
Total financial liabilities carried at fair value		195,897	195,897	-	195,897	-
Financial Liabilities carried at amortized cost						
Loans, borrowings and finance lease liabilities (excluding deferred financing fees)	5.12					
- 2010 Amended Senior Credit Facility		1,357,915	1,358,634	-	1,358,634	-
- Senior Secured Fixed Rate Notes		1,528,581	1,665,305	-	1,665,305	-
- Senior Secured Floating Rate Notes		400,689	407,441	-	407,441	-
- Finance lease obligations		372,860	333,289	-	333,289	-
- Clientele fee > 20 years		86,538	74,835	-	74,835	-
- 3G Mobile Spectrum		45,879	39,456	-	39,456	-
Total financial liabilities carried at amortized cost		3,792,462	3,878,960	-	3,878,960	-

December 31, 2013 (in thousands of euro)	Note	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets						
Financial assets carried at fair value						
Derivative financial assets	5.13	66	66	-	66	-
Total financial assets carried at fair value		66	66	-	66	-
Financial liabilities						
Financial liabilities carried at fair value						
Derivative financial liabilities	5.13	150,809	150,809	-	150,809	-
Total financial liabilities carried at fair value		150,809	150,809	-	150,809	-
Financial Liabilities carried at amortized cost						
Loans, borrowings and finance lease liabilities (excluding deferred financing fees)	5.12					
- 2010 Amended Senior Credit Facility		1,405,117	1,419,561	-	1,419,561	-
- Senior Secured Fixed Rate Notes		1,629,259	1,742,262	-	1,742,262	-
- Senior Secured Floating Rate Notes		400,738	402,878	-	402,878	-
- Finance lease obligations		358,020	304,525	-	304,525	-
- Clientele fee > 20 years		83,097	64,238	-	64,238	-
- 3G Mobile Spectrum		45,879	36,845	-	36,845	-
Total financial liabilities carried at amortized cost		3,922,110	3,970,309	-	3,970,309	-

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

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Loans, borrowings and finance lease liabilities : - 2010 Amended Senior Credit Facility - Senior Secured Fixed Rate Notes - Senior Secured Floating Rate Notes	Market comparison technique The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable.	Not applicable.
Loans, borrowings and finance lease liabilities : - Finance lease obligations - Clientele fee > 20 years - 3G Mobile spectrum	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, 2014, no financial assets or liabilities 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 1,2014	**112,125**	**2,362,362**	**63,779**	**51,207**	**2,589,473**
Additions	489	275	125,752	44	126,560
Transfers	2,387	106,994	(111,136)	1,755	-
Disposals	-	(2,048)	-	(2)	(2,050)
Write off of fully depreciated assets	-	(21,455)	-	-	(21,455)
At June 30, 2014	**115,001**	**2,446,128**	**78,395**	**53,004**	**2,692,528**
Accumulated Depreciation					
At January 1,2014	**40,865**	**1,124,050**	**-**	**38,505**	**1,203,420**
Depreciation charge for the year	2,993	117,483	-	2,666	123,142
Disposals	-	(1,239)	-	(2)	(1,241)
Write off of fully depreciated assets	-	(21,455)	-	-	(21,455)
At June 30, 2014	**43,858**	**1,218,839**	**-**	**41,169**	**1,303,866**
Carrying Amount					
At June 30, 2014	71,143	1,227,289	78,395	11,835	1,388,662
At January 1,2014	71,260	1,238,312	63,779	12,702	1,386,053
Carrying Amount of Finance Leases included in Property and Equipment					
At June 30, 2014	28,357	261,806	-	-	290,163
At January 1,2014	29,704	273,112	-	-	302,816

Accrued capital expenditures on property and equipment reached €126.6 million for the six months ended June 30, 2014, representing the following additions:

- accrued capital expenditures for network growth and upgrades for an amount of €39.0 million;
- capital expenditures for customer installations for an amount of €34.3 million;
- refurbishments and replacements of network equipment for an amount of €33.3 million; and
- set-top box related capital expenditures for an amount of €20.0 million.

For the six months ended June 30, the Company removed €21.5 million of gross cost and accumulated depreciation related to fully depreciated assets which are no longer used by the Company.

Disposals of property and equipment for the six months ended June 30, 2014 mainly consisted of:

- sale of set-top boxes with a net book value of €0.8 million, with no gain or loss on disposal;
- sale of scrap material with a zero net book value, resulting in a gain on disposal of €0.8 million; and
- sale of hard disks from recycled HD Digicorders with a zero net book value, resulting in a gain on disposal of €0.3 million.

5.5 GOODWILL

Goodwill remained unchanged compared to the goodwill reported in the consolidated financial statements as of and for the year ended December 31, 2013.

5.6 OTHER INTANGIBLE ASSETS

The following table shows the components of the Company's other intangible assets, all of which have a finite useful life.

(in thousands of euro)	Network user rights	Trade name	Software	Customer relationships	Broadcasting rights	Other	Subtotal	Broadcasting rights for resale purposes	Total
Cost									
At January 1,2014	**102,222**	**121,514**	**366,813**	**212,776**	**129,052**	**21,125**	**953,502**	**-**	**953,502**
Additions	-	-	27,963	-	33,218	-	61,181	20	61,201
Disposals	-	-	(411)	-	-	-	(411)	(20)	(431)
Write-off of fully amortized assets	-	-	(40)	-	(94,175)	-	(94,215)	-	(94,215)
At June 30, 2014	**102,222**	**121,514**	**394,325**	**212,776**	**68,095**	**21,125**	**920,057**	**-**	**920,057**
Accumulated Amortization									
At January 1,2014	**102,222**	**103,331**	**273,167**	**135,197**	**84,859**	**2,810**	**701,586**	**-**	**701,586**
Amortization charge of the year	-	4,045	15,231	9,888	24,694	131	53,989	-	53,989
Disposals	-	-	(14)	-	-	-	(14)	-	(14)
Write-off of fully amortized assets	-	-	(40)	-	(94,175)	-	(94,215)	-	(94,215)
At June 30, 2014	**102,222**	**107,376**	**288,344**	**145,085**	**15,378**	**2,941**	**661,346**	**-**	**661,346**
Carrying Amount									
At June 30, 2014	-	14,138	105,981	67,691	52,717	18,184	258,711	-	258,711
At January 1,2014	-	18,183	93,646	77,579	44,193	18,315	251,916	-	251,916

During 2011, the Company acquired the exclusive broadcasting rights associated with the Belgian football championship for three seasons from July 2011 to May 2014, as well as non-exclusive rights to certain matches for the two seasons from July 2012 to May 2014 for €89.4 million. These intangible assets became fully amortized upon their expiration in May 2014 and are presented as a write-off of fully amortized assets for the six month period ended June 30, 2014 in the table above.

Following a tendering procedure in June 2014, the Company acquired the non-exclusive broadcasting rights of the Belgian football championship for the next three seasons starting July 2014. On the acquisition date, the rights related to the first season (2014-2015) met the recognition criteria for intangible assets, which resulted in an addition of broadcasting rights of €28.0 million.

5.7 TRADE RECEIVABLES

	June 30, 2014	December 31, 2013
	(in thousands of euro)	
Trade receivables	147,101	122,028
Less: allowance for bad debt	(2,427)	(3,358)
Trade receivables, net	**144,674**	**118,670**

5.8 OTHER ASSETS

5.8.1 Non-current

	June 30, 2014	December 31, 2013
	(in thousands of euro)	
Outstanding guarantees to third parties for own liabilities (cash paid)	1,056	2,165
Receivables from sale of sports broadcasting rights	3,009	4,578
Investments in equity accounted investees	1,221	877
Derivative financial instruments	15	63
Other non-current assets	**5,301**	**7,683**

5.8.2 Current

	June 30, 2014	December 31, 2013
	(in thousands of euro)	
Recoverable withholding taxes	275	305
Prepaid content	7,209	6,092
Prepayments	21,544	15,044
Unbilled revenue	37,884	44,947
Receivables from sale of sports broadcasting rights	2,774	11,227
Other	7,772	6,214
Other current assets	**77,458**	**83,829**

5.9 INVENTORIES

As of June 30, 2014, inventories amounted to €14.0 million (December 31, 2013: €15.4 million) and consisted mainly of mobile handsets as well as HD digiboxes, other DTV materials and powerline adaptors.

The decrease compared to December 31, 2013 of €1.4 million was mainly due to a decrease in HD digiboxes of €0.9 million and a decrease in the mobile handsets inventory of €0.4 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 €1.8 million as of June 30, 2014 compared to €1.5 million as of December 31, 2013.

5.10 CASH AND CASH EQUIVALENTS

	June 30, 2014	December 31, 2013
	(in thousands of euro)	
Cash at bank and on hand	131,966	145,305
Certificates of deposit	49,913	68,798
Total cash and cash equivalents	**181,879**	**214,103**

At June 30, 2014, Telenet held €181.9 million of cash and cash equivalents compared to €214.1 million at December 31, 2013. During the six months ended June 30, 2014, Telenet used part of its outstanding cash balance (i) to redeem the remaining outstanding amounts under certain Term Loans following the April 2014 refinancing (Note 5.12) and, (ii) to repurchase shares under the Share Repurchase Program 2014 (Note 5.11.1). This cash usage was partially offset by robust growth in our underlying Free Cash Flow. As part of the April 2014 refinancing, we also extended the size and tenor of our Revolving Facility. At June 30, 2014, we therefore had full access to an additional committed Revolving Facility of €322.9 million, subject to compliance with the covenants applicable to our Senior Credit Facility. A substantial amount of our Revolving Facility (€286.0 million) is available until September 30, 2020, while the remaining amount (€36.9 million) is available until December 31, 2016.

5.11 SHAREHOLDERS' EQUITY

5.11.1 Shareholders' equity

As of June 30, 2014, the Company's share capital amounted to €12,645,929.48 (December 31, 2013: €12,581,931.37).

Warrants exercised during the six months ended June 30, 2014 resulted in a capital increase of €25,665.05, an increase of share premium of €3,380,984.31 and the issuance of 236,109 new shares. The details of the exercises are summarized in the following table:

Class of warrants	Number of warrants exercised	Exercise date	Share price at exercise date (closing price)
Warrant Plan 2007 quater warrants	33,685	April 10, 2014	€ 42.44
Warrant Plan 2007 septies warrants	76,662	April 10, 2014	€ 42.44
Warrant Plan 2010 primo warrants	111,206	April 10, 2014	€ 42.44
Warrant Plan 2010 bis warrants	1,976	April 10, 2014	€ 42.44
Warrant Plan 2010 ter warrants	12,580	April 10, 2014	€ 42.44

The Employee Share Purchase Plan 2014 (Note 5.11.3) resulted in a capital increase of €38,333.06, an increase of share premium of €12,533,668.10 and the issuance of 352,650 new shares on June 13, 2014.

As a result of the Company's shareholders disbursements policy and disbursements made in prior years, the Interim Financial Statements as of June 30, 2014 showed a negative (consolidated) equity amounting to €1,434.6 million.

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.

The board of directors has considered the Company's net equity position and has prepared the Interim Financial Statements applying the accounting policies consistently assuming the ability to continue as a going concern taking into account amongst others:

- the forecasted earnings for the next years;
- a projected steadily strong positive cash flow;
- the various modifications to the Company's debt in 2010, 2011, 2012 and 2014 resulting in a significantly extended average maturity of its financial obligations spread over balanced maturity dates.

Own shares

As of June 30, 2014, the Company held 396,052 own shares, acquired under the Share Repurchase Program 2014, for a total amount of €16.6 million.

During the six months ended June 30, 2014, the Company acquired 1,100,000 own shares under the Share Repurchase Program 2014, for a total amount of €48.2 million.

Stock options exercised during the six months ended June 30, 2014 resulted in a payment of €14.3 million to the Company and the delivery of 922,400 own shares by the Company to the concerned stock option holders. 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)	Share price at exercise date (closing price)
Specific Stock Option Plan 2010-2014	900,000	April 16, 2014	€ 42.47
Employee Stock Option Plan 2013 primo	21,600	April 10, 2014	€ 42.44
Employee Stock Option Plan 2013 bis	800	April 10, 2014	€ 42.44

5.11.2 Employee share based compensation

Warrant plan 2007 and Warrant plan 2010

For more information regarding the Warrant Plan 2007 and Warrant Plan 2010, we refer to the Company's consolidated financial statements as of and for the year ended December 31, 2013.

Specific Stock Option Plan 2010-2014

On March 24, 2010, the board of directors approved a specific stock option plan for the former CEO, Mr. Duco Sickinghe, for a total number of 850,000 stock options on existing shares ("the Specific Stock Option Plan 2010-2014" or "SSOP 2010-2014"). After giving impact to the 2011 and 2012 capital reduction and the 2013 extraordinary dividend payment, this number increased to 1,342,624 stock options. Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company. On April 28, 2010, the extraordinary general shareholder's meeting of the Company approved certain terms and conditions of the SSOP 2010-2014.

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

The vesting of these stock options was contingent upon the achievement of certain performance criteria. The Remuneration & Nomination Committee, in consultation with the former CEO, determined for each installment

the performance criteria and each year the Remuneration & Nomination Committee decided whether these criteria were met.

All stock options under the Telenet Specific Stock Option Plan 2010-2014 vested and became exercisable during defined exercise periods following January 1, 2014. All options under the SSOP 2010-2014 have an expiration date of September 4, 2017.

During the six months ended June 30, 2014, the beneficiary of the SSOP 2010-2014 exercised 900,000 options, resulting in the delivery of 900,000 own shares by the Company on April 16, 2014.

Employee Stock Option Plan 2013

On April 22, 2013, the board of directors approved a general stock option plan for the employees, for a total number of 1,200,000 stock options on existing shares, under the condition of approval and within the limits of the authorized capital as approved by the general shareholders' meeting of April 24, 2013 (the "Employee Stock Option Plan 2013" or "ESOP 2013"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

On July 4, 2013, the board of directors authorized a first grant under this plan (ESOP 2013 primo) to certain beneficiaries.

On October 22, 2013, the board of directors offered a second tranche of stock options to certain key management personnel (ESOP 2013 bis).

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

During the first six months of 2014, beneficiaries of the ESOP 2013 plans exercised 22,400 options, resulting in the delivery of 22,400 own shares held by the Company on April 10, 2014.

CEO Stock Option Plan 2013 and CEO Stock Option Plan 2014

For more information regarding the CEO Stock Option Plan 2013 and the CEO Stock Option Plan 2014, we refer to the Company's consolidated financial statements as of and for the year ended December 31, 2013.

Total compensation expense associated with the Company's stock option and warrant plans was €2.5 million and €6.8 million for the six months ended June 30, 2014 and 2013, respectively.

Performance shares

In December 2011, Telenet granted its Senior Leadership Team members (other than its chief executive officer) a total of 31,914 performance shares ("the 2011 Telenet Performance Shares"). The performance target applicable to the 2011 Telenet Performance Shares was the achievement of a compound annual growth rate (CAGR) for operating free cash flow (OFCF), when comparing 2013 OFCF to 2010 OFCF. A performance range of 75% to 150% of the target OFCF CAGR would generally result in award recipients earning 50% to 150% of their 2011 Telenet Performance Shares, subject to reduction or forfeiture based on individual performance and service requirements. On February 11, 2014 the Remuneration & Nomination Committee and the Board of Directors determined the performance criteria for the 2011 Telenet Performance Shares had not been achieved and, as

such, the unvested awards were cancelled. However, the Board of Directors decided to grant an additional cash bonus to the relevant Senior Leadership members, for a maximum amount of €1.0 million (cost to the Company), to be allocated discretionary by the CEO of the Company.

For more information regarding the 2012 Telenet Performance Shares and the 2013 Telenet Performance Shares, we refer to the Company's consolidated financial statements as of and for the year ended December 31, 2013.

In May 2014, Telenet granted its Senior Leadership Team members (other than its chief executive officer) and one other manager a total of 27,694 performance shares ("the 2014 Telenet Performance Shares"). The performance target applicable to the 2014 Telenet Performance Shares is the achievement of a compound annual growth rate (CAGR) for Adjusted EBITDA, when comparing the Adjusted EBITDA during the period started as of January 1, 2014 and ending on December 31, 2016 to the Adjusted EBITDA for the period started on January 1, 2013 and ended on December 31, 2013. A performance range of 75% to 150% of the target Adjusted EBITDA CAGR would generally result in award recipients earning 50% to 150% of their 2014 Telenet Performance Shares, subject to reduction or forfeiture based on individual performance and service requirements. The earned 2014 Telenet Performance Shares will vest on May 22, 2017. Any compensation costs attributable to the 2014 Telenet Performance Shares are recognized over the requisite service period of the awards and will be included in stock-based compensation in Telenet's consolidated statements of operations.

In the six months ended June 30, 2014, Telenet recognized €-0.2 million of compensation expense in respect of the Telenet Performance Shares plans (for the six months ended June 30, 2013: €0.6 million).

5.11.3 Employee share purchase plan 2014

In 2014, the board of directors approved the issuance of a new Employee Share Purchase Plan (the "Employee Share Purchase Plan 2014" or "ESPP 2014") within the limits of the authorized capital as approved by the extraordinary shareholder's meeting of April 25, 2012 for a maximum amount of €0.1 million (excluding share premium). In March 2014, the board of directors offered to all of Telenet's employees the opportunity to purchase new shares of the Company under the terms of the ESPP 2014 at a discount of 16.67% to the average share purchase price over the 20 business day period following March 31, 2014. Based on the average share price of €42.78 during this 20 business day period, the shares were offered to the personnel at a subscription price of €35.65. As the shares were fully vested at the time of the transaction, the Company recognized €3.0 million as compensation expense in the six months ended June 30, 2014 for the 352,650 shares that were purchased.

5.12 LOANS AND BORROWINGS

The debt balances specified below include accrued interest and commitment fees as of June 30, 2014 and December 31, 2013.

	June 30, 2014	December 31, 2013
	(in thousands of euro)	
2010 Amended Senior Credit Facility:		
Revolving Credit Facility S	74	299
Revolving Credit Facility X	708	-
Term Loan Q	-	431,079
Term Loan R	-	798,720
Term Loan T	-	175,019
Term Loan W	474,129	-
Term Loan Y	883,004	-
Senior Secured Fixed Rate Notes		
€500 million Senior Secured Notes due 2020	504,073	504,073
€100 million Senior Secured Notes due 2016	-	100,678
€300 million Senior Secured Notes due 2021	307,508	307,508
€450 million Senior Secured Notes due 2022	460,625	460,625
€250 million Senior Secured Notes due 2024	256,375	256,375
Senior Secured Floating Rate Notes		
€400 million Senior Secured Notes due 2021	400,689	400,738
Finance lease obligations	372,860	358,020
3G Mobile Spectrum	45,879	45,879
Clientele fee > 20 years	86,538	83,097
	3,792,462	**3,922,110**
Less: deferred financing fees	(55,734)	(53,781)
	3,736,728	**3,868,329**
Less: current portion	(80,120)	(77,909)
Total non-current loans and borrowings	**3,656,608**	**3,790,420**

On March 24, 2014, Telenet International Finance S.à r.l. ("Telenet International Finance"), a wholly owned subsidiary of the Company and which acts as the Company's financing subsidiary, announced an extension offer for Term Loans Q, R and T under its existing 2010 Amended Senior Credit Facility and the redemption of its 5.3% Senior Secured notes due 2016 ("Facility N" under the existing 2010 Amended Senior Credit Facility). Holders of Term Loans Q, R and T were invited to extend their maturity to June 2022 in a new euro-denominated Term Loan W with a targeted size of €500.0 million. Proceeds of any new money raised to supplement non-rolled exposure was used to repay the 5.30% Senior Secured Notes due 2016 and existing Term Loans.

As a result of the aforementioned refinancing, which was completed in April 2014, Telenet International Finance issued a new €474.1 million floating rate Term Loan under the 2010 Amended Senior Credit Facility ("Facility W") due June 30, 2022 carrying a margin of 3.25% over Euribor. In addition, Telenet International Finance issued a new €882.9 million floating rate Term Loan under the 2010 Amended Senior Credit Facility ("Facility Y") due June 30, 2023 carrying a margin of 3.50% over Euribor. The net proceeds of these new issuances, together with available cash and cash equivalents, was used to fully redeem the outstanding amounts under Term Loans Q, R and T and the €100.0 million Senior Secured Notes due 2016. Consequently, the Company faces no debt

amortizations prior to November 2020 and was able to extend the average maturity of its debt at attractive market conditions.

In addition, as part of the aforementioned refinancing, Telenet International Finance also launched an extension process for its existing Revolving Facility ("Facility S") with maturity December 31, 2016 carrying a margin of 2.75% over Euribor. Lenders under Facility S were asked to renew and extend their commitments into a new revolving facility ("Facility X") with maturity September 30, 2020 and carrying a margin of 2.75% over Euribor. As a result, Telenet International Finance has full access to a committed Revolving Facility of €322.9 million, being €36.9 million under "Facility S" (with availability up to December 31, 2016) and €286.0 million under "Facility X" (with availability up to September 30, 2020).

5.13 DERIVATIVE FINANCIAL INSTRUMENTS

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

	June 30, 2014	December 31, 2013
	(in thousands of euro)	
Current assets	31	3
Non-current assets	15	63
Current liabilities	(41,020)	(39,850)
Non-current liabilities	(154,877)	(110,959)
	(195,851)	**(150,743)**
Interest rate derivatives	(195,708)	(150,060)
Foreign exchange forwards	(143)	(689)
Embedded derivatives	-	6
	(195,851)	**(150,743)**

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

	For the six months ended June 30,	
	2014	**2013**
	(in thousands of euro)	
Interest rate derivatives	(45,647)	49,695
Foreign exchange forwards	547	1,400
Embedded derivatives	(7)	(31)
	(45,107)	**51,064**

The shift from a gain on interest rate derivative instruments of €49.7 million for the six months ended June 30, 2013 to a loss for the six months ended June 30, 2014 of €45.6 million is the result of a downward shift in the euro swap curve, which has an unfavorable impact on the mark-to-market valuation of these interest rate derivatives.

5.14 DEFERRED TAXES

Telenet Group Holding NV and its subsidiaries had available combined cumulative tax loss carry forwards of €447.0 million and €358.1 million as of June 30, 2014 and December 31, 2013, respectively. Under current Belgian and Luxembourg tax laws, these loss carry forwards have an indefinite life 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.

During the six months ended June 30, 2014, the Company recognized €3.3 million of deferred tax benefits. The Company did not recognize deferred tax assets of €109.1 million and €75.3 million as of June 30, 2014 and December 31, 2013, respectively, in respect of 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.

5.15 OTHER NON-CURRENT LIABILITIES

	June 30, 2014	December 31, 2013
	(in thousands of euro)	
Employee benefit obligations	14,073	13,400
Other personnel related obligations	1,205	1,258
Long service awards	7,173	6,969
Interkabel out of market opex	13,828	13,609
Asset retirement obligations	3,492	3,484
Liabilities regarding sports broadcasting rights	10,306	15,030
Restructuring provision Norkring	28,610	33,931
Other	3,978	3,147
Total Other non-current liabilities	**82,665**	**90,828**

5.16 CURRENT TAX LIABILITY

The Company recognized €48.2 million of current tax expense in the six months ended June 30, 2014. As of June 30, 2014, the current tax liability amounted to €136.7 million (December 31, 2013 €88.5 million).

5.17 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	June 30, 2014	December 31, 2013
	(in thousands of euro)	
Customer deposits	23,274	22,757
Compensation and employee benefits	51,840	64,221
VAT and withholding taxes	31,915	31,640
Dividend payable to shareholders	1,013	1,017
Accrued programming fees	49,633	66,378
Accrued capital expenditure	17,801	20,063
Accrued other liabilities - invoices to receive regarding:		
Goods received and services performed	17,577	28,763
Professional fees	13,861	15,254
Warehouse items received	6,487	4,363
Interconnect	25,331	18,839
Advertising, marketing and public relations	5,331	4,338
Infrastructure	10,428	8,560
Other	19,109	19,965
Accrued interest on derivatives	4,573	4,890
Restructuring provision Norkring	4,493	-
Liabilities regarding sports broadcasting rights	41,356	28,491
Other current liabilities	1,013	1,019
Total Accrued expenses and other current liabilities	**325,035**	**340,558**

Compared to December 31, 2013, total accrued expenses and other current liabilities decreased by €15.5 million to €325.0 million as of June 30, 2014. This is mainly due to the reduction in accrued programming fees (€-16.7 million or -25%). Total liabilities for compensation and employee benefits decreased by €12.4 from €64.2 million to €51.8 million as at June 30, 2014. A third major decrease relates to accrued other liabilities related to invoices to receive for goods received and services performed, which decreased from €28.8 million at year end 2013 to €17.6 million as of June 30, 2014.

On the other hand, liabilities regarding sports broadcasting rights increased by €12.9 million, which was mainly due to the newly acquired non-exclusive Belgian football rights related to the season 2014-2015. Accrued other liabilities related to invoices to receive for interconnect services increased by €6.5 million, amounting to €25.3 million at the end of June 2014.

5.18 REVENUE

The Company's revenue is comprised of the following:

	For the six months ended June 30,	
	2014	**2013**
	(in thousands of euro)	
Cable television:		
Basic Subscribers [1]	160,507	157,800
Premium Subscribers [1]	116,515	119,361
Residential:		
Internet	257,794	225,500
Telephony [2]	233,527	231,864
Distributors/Other	23,881	34,804
Business	46,571	44,255
Total Revenue	**838,795**	**813,584**

The Company also has deferred revenue as follows:

	June 30, 2014	**December 31, 2013**
(in thousands of euro)		
Cable television:		
Basic Subscribers [1]	25,425	25,405
Premium Subscribers [1]	808	2,254
Residential:		
Internet	11,129	11,486
Telephony [2]	7,185	6,996
Distributors/Other	30,506	29,762
Business	5,065	5,764
Total Deferred Revenue	**80,118**	**81,667**
Current portion	77,797	78,985
Non-current portion	2,321	2,682

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

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

2 Residential telephony revenue includes the recurring subscription-based revenue from both fixed and mobile telephony subscribers as well as the interconnection revenue generated by these customers.

5.19 EXPENSES BY NATURE

	Note	As of and for the six months ended June 30,	
		2014	2013
		(in thousands of euro)	
Employee benefits:			
Wages, salaries, commissions and social security costs		66,197	62,279
Other employee benefit costs		12,030	11,557
		78,227	**73,836**
Depreciation	5.4	123,142	108,631
Amortization	5.6	29,295	40,846
Amortization of broadcasting rights	5.6	24,694	20,536
Gain on disposal of property and equipment and other intangible assets		(1,110)	(1,206)
Network operating and service costs		239,038	263,183
Advertising, sales and marketing		31,249	33,833
Share-based payments granted to directors and employees		5,340	6,781
Operating charges related to acquisitions or divestitures		1,565	-
Other costs		30,196	24,968
Total costs and expenses		**561,636**	**571,408**

For the six months ended June 30, 2014, total operating expenses were €561.6 million, reflecting a 2% decrease compared to the six months ended June 30, 2013 when Telenet incurred total operating expenses of €571.4 million. Slightly higher employee benefit expenses and higher depreciation and amortization charges for the six months ended June 30, 2014 were more than offset by a 9% decrease in network operating and service costs. This decrease in network operating and service costs was predominantly driven by significantly lower costs associated with both handset sales and subsidies and was partly offset by increased copyright costs and higher interconnect costs. Total operating expenses for the six months ended June 30, 2014 also reflected a €12.5 million favorable impact from the settlement of certain operational contingencies, while operating expenses for the six months ended June 30, 2013 were favorably impacted by a €15.7 million reversal of depreciation charges following a settlement on set-top box related import duties.

5.20 FINANCE INCOME / EXPENSE

	As of and for the six months ended June 30,	
	2014	2013
Recognized in the statement of profit or loss and comprehensive income	(in thousands of euro)	
Finance income		
Net interest income and foreign exchange gain		
Interest income on bank deposits and commercial paper	198	892
Interest income on receivables	152	633
Net foreign exchange gain	-	-
	350	**1,525**
Net gain on derivative financial instruments	-	51,064
	350	**52,589**
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	(106,367)	(105,797)
Net interest expense on derivatives at fair value through profit or loss	(21,776)	(22,726)
Amortization of financing cost	(3,476)	(3,591)
Net foreign exchange loss	(114)	(525)
	(131,733)	**(132,639)**
Net loss on derivative financial instruments	(45,107)	-
Loss on extinguishment of debt	(7,300)	-
	(184,140)	**(132,639)**
Net finance expenses	**(183,790)**	**(80,050)**

5.21 EARNINGS PER SHARE

5.21.1 Basic

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

	As of and for the six months ended June 30,	
	2014	**2013**
	(in thousands of euro, except share and per share data)	
Net profit attributable to the equity holders of the Company	48,834	109,969
Weighted average number of ordinary shares	115,464,134	114,040,067
Weighted average number of shares used in the calculation of basic earnings per share	**115,464,134**	**114,040,067**
Basic earnings per share in €	0.42	0.96

5.21.2 Diluted

Diluted earnings per share are calculated by using the treasury stock method by adjusting the weighted average number of shares used in the calculation of basic earnings per share to assume full conversion of all dilutive potential ordinary shares. During the six months ended June 30, 2013, the Company had eleven categories of dilutive potential ordinary shares:

- Warrant Plan 2007 bis
- Warrant Plan 2007 ter
- Warrant Plan 2007 quater
- Warrant Plan 2007 quinquies
- Warrant Plan 2007 sexies
- Warrant Plan 2007 septies
- Warrant Plan 2008
- Warrant Plan 2009
- Warrant Plan 2010 primo
- Warrant Plan 2010 bis
- Warrant Plan 2010 ter

During the six months ended June 30, 2014, the Company had six categories of dilutive potential ordinary shares:

- Warrant Plan 2007 quater
- Warrant Plan 2007 sexies
- Warrant Plan 2007 septies
- Warrant Plan 2010 primo
- Warrant Plan 2010 bis
- Warrant Plan 2010 ter

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

	As of and for the six months ended June 30,	
	2014	**2013**
	(in thousands of euro, except share and per share data)	
Weighted average number of shares used in the calculation of basic earnings per share	115,464,134	114,040,067
Adjustment for:		
Warrant Plan 2007 bis Warrants	-	14,836
Warrant Plan 2008 Warrants	-	175,214
Warrant Plan 2007 ter Warrants	-	2,438
Warrant Plan 2007 quater Warrants	267,063	416,715
Warrant Plan 2009 Warrants	-	219,956
Warrant Plan 2007 quinquies Warrants	-	162,295
Warrant Plan 2007 sexies Warrants	5,375	35,460
Warrant Plan 2007 septies Warrants	70,645	101,726
Warrant Plan 2010 primo Warrants	383,564	412,967
Warrant Plan 2010 bis Warrants	13,019	17,501
Warrant Plan 2010 ter Warrants	59,397	48,668
Weighted average number of shares used in the calculation of diluted earnings per share	**116,263,197**	**115,647,843**
Diluted earnings per share in €	0.42	0.95

5.22 COMMITMENTS AND CONTINGENCIES

5.22.1 Pending litigations

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

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 PICs Agreement), which closed effective October 1, 2008. Telenet has been involved in various litigations concerning the PICs Agreement and the non-binding agreement-in-principle preceding the PICs Agreement. Beginning in December 2007, Belgacom NV/SA (Belgacom), the incumbent telecommunications operator in Belgium, instituted several proceedings seeking to block implementation of these agreements.

Belgacom 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 on the basis that the PICs should have organized a tendering procedure or public market consultation before entering into the agreement-in-principle, and that the failure to organize such a consultation violates the equality, non-discrimination and transparency principles. In March 2008, the President of the Court of First Instance of Antwerp ruled in favor of Belgacom in the summary proceedings, which ruling was overturned by the Court of Appeal of Antwerp in June 2008. Belgacom brought this appeal judgment before the Cour de Cassation (the Belgian Supreme Court), which confirmed the appeal judgment in September 2010. On April 6, 2009, the Court of First Instance of Antwerp ruled in favor of the PICs and Telenet, dismissing Belgacom's request for the rescission of the agreement-in-principle and the PICs Agreement. On June 12, 2009, Belgacom appealed this judgment with the Court of Appeal of Antwerp. In this appeal, Belgacom is also seeking compensation for damages should the PICs Agreement not be rescinded. However, the claim for compensation has not yet been quantified. At the introductory hearing, which was held on September 8, 2009, the proceedings on appeal were postponed indefinitely at the request of Belgacom.

In parallel with the above proceedings, Belgacom filed a complaint with the Government Commissioner seeking suspension of the approval by the PICs' board of directors of the agreement-in-principle and initiated suspension and annulment procedures before the Belgian Council of State against these approvals and subsequently against the board resolutions of the PICs approving the PICs Agreement. In this complaint, Belgacom's primary argument was that the PICs should have organized a public market consultation before entering into the agreement-in-principle and the PICs Agreement. Belgacom's efforts to suspend approval of these agreements were unsuccessful. In the annulment cases, the Council of State decided on May 2, 2012 to refer a number of questions of interpretation under EU law for preliminary ruling to the European Court of Justice (ECJ). On November 14, 2013, the European Court of Justice ruled that the reasons invoked by the PICs not to organize a market consultation were not overriding reasons of public interest to justify abolishing the PIC's duty to organize such consultation. The annulment cases were resumed with the Belgian Council of State, which was required to follow the interpretation given by the European Court of Justice with respect to the points of EU law. On January 16, 2014, the Auditor with the Belgian Council of State rendered a negative advice and on May 27, 2014, the Belgian Council of State ruled in favor of Belgacom and annulled (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. The Belgian Council of State ruling did not annul the 2008 PICs Agreement itself. Belgacom is now free to start civil proceedings in order to have the 2008 PICs Agreement annulled and claim damages.

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

Litigation regarding cable access

In December 2010, the Belgium Regulatory Authorities published their respective draft decisions reflecting the results of their joint analysis of the broadcasting market in Belgium. After a public consultation, the draft decisions were submitted to the European Commission. The European Commission issued a notice on the draft decision that criticized the analysis of the broadcasting markets on several grounds, including the fact that the Belgium Regulatory Authorities failed to analyze upstream wholesale markets. It also expressed doubts as to the necessity and proportionality of the various remedies. The Belgium Regulatory Authorities adopted a final decision on July 1, 2011 (the July 2011 Decision) with some minor revisions. The regulatory obligations imposed by the July 2011 Decision include (i) an obligation to make a resale offer at "retail minus'' of the cable analog package available to third party operators (including Belgacom), (ii) an obligation to grant third-party operators (except Belgacom) access to digital television platforms (including the basic digital video package) at "retail minus," and (iii) an obligation to make a resale offer at "retail minus'' of broadband internet access available to beneficiaries of the digital television access obligation that wish to offer bundles of digital video and broadband internet services to their customers (except Belgacom).

After Telenet submitted draft reference offers regarding the obligations described above in February 2012, the Belgium Regulatory Authorities made their observations and launched a national consultation process and consulted with the European Commission. Although the European Commission expressed doubts regarding the analog resale offers on August 8, 2013, the European Commission did not object to the decision on the reference offers. The Belgium Regulatory Authorities published their final decision on September 9, 2013. The regulated wholesale services must be available approximately six months after a third-party operator files a letter of intent and pays an advance payment to each cable operator. On December 27, 2013, wireless operator Mobistar submitted a letter of intent and paid the advance payment on January 10, 2014. As a result hereof Telenet has implemented the access obligations as described in its reference offers. Telenet has complied with its implementation obligation towards Mobistar in due time, i.e. within the period of six months as set forth by the regulator. As of June 23, 2014 the access to the Telenet network has become operational and can be applied by Mobistar.

On April 2, 2013, the Belgium Regulatory Authorities issued a draft decision regarding the "retail-minus" tariffs of minus 35% for basic TV (basic analog and digital video package) and minus 30% for the bundle of basic TV and broadband internet services. A "retail-minus" method of pricing involves a wholesale tariff calculated as the retail price for the offered service by Telenet, excluding value-added taxes and copyrights, and further deducting the retail costs avoided by offering the wholesale service (such as costs for billing, franchise, consumer service, marketing, and sales). On October 4, 2013, the Belgium Regulatory Authorities notified a draft quantitative decision to the European Commission in which they changed the "retail-minus" tariffs to minus 30% for basic TV (basic analog and digital video package) and to minus 23% for the bundle of basic TV and broadband internet services. Even though the European Commission made a number of comments regarding the appropriateness of certain assumptions in the proposed costing methodology, the Belgian Regulatory Authorities adopted such retail-minus tariffs on December 11, 2013.

Telenet filed an appeal against the July 2011 Decision with the Brussels Court of Appeal. On September 4, 2012, the Brussels Court of Appeal rejected Telenet's request to suspend the July 2011 Decision pending the proceedings on the merits. Due to this rejection and the approval of the reference offers by the Belgium Regulatory Authorities, Telenet was obliged to begin the process of implementing its reference offers. A final ruling on the merits can be expected before the end of 2014. Telenet also filed an appeal with the Brussels Court of Appeal against the decision regarding the qualitative and the quantitative aspects of the reference offer. A decision with respect to these appeals should not be expected before the fourth quarter of 2014. There can be no certainty that Telenet's appeals will be successful.

The July 2011 Decision aims to, and in its application may, strengthen Telenet's competitors by granting them resale access to Telenet's network to offer competing products and services notwithstanding Telenet's substantial historical financial outlays in developing the infrastructure. In addition, any resale access granted to competitors could (i) limit the bandwidth available to Telenet to provide new or expanded products and services to the customers served by its network and (ii) adversely impact Telenet's ability to maintain or increase its revenue and cash flows. The extent of any such adverse impacts ultimately will be dependent on the extent that competitors take advantage of the resale access ultimately afforded to Telenet's network and other competitive factors or market developments.

Litigation regarding signal integrity regulation

The Flemish Parliament adopted legislation imposing on distributors strict integrity of broadcasting signals and the requirement to request authorization from broadcasters when contemplating offering inter alia recording through an electronic program guide. Broadcasters have argued that the high penetration of PVR's in the Flemish market, combined with high ad-skipping as a result, undermines the revenue of broadcasters. The Flemish decree provides that broadcasters and distributors must in first instance try to find a commercial solution. In case the parties concerned cannot find a commercial solution, the Flemish decree provides for a mediation procedure, which, if unsuccessful, can eventually lead to civil litigation. This legislation risks to have a negative impact on the possibility to launch new innovative applications and to increase the Company's financial contribution to broadcasters.

With respect to this new regulation, Telenet has filed a request for annulment before the Constitutional Court in February 2014. The request for annulment is amongst others motivated by the potential discrimination as it is not applicable to new market players or technologies.

5.22.2 Other contingent liabilities

Acquisition of a 50% stake in De Vijver Media

On June 16, 2014, Telenet signed an agreement for the acquisition of a 50% stake in De Vijver Media NV, a Belgian media company active in free-to-air broadcasting (through its TV channels "Vier" and "Vijf") and content production (through its production company "Woestijnvis"). The 50% stake will be acquired through a combination of share purchases (€26 million) and a cash contribution to the share capital of De Vijver Media NV (€32 million). The remaining 50% of the company will be held by Waterman & Waterman (the holding company of the management duo Wouter Vandenhaute and Erik Watté) and Corelio NV (a Belgian print and online media group). The closing of the transaction is subject to approval from the European Competition Authorities, which is expected in September or October 2014.

In addition to the foregoing item, we have 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 and copyright fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our 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.

5.23 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 2014 and 2013. Related parties further include Pebble Media NV, Doccle CVBA and Doccle.Up NV.

The following tables summarize significant related party balances and transactions for the period.

5.23.1 Statement of financial position

	June 30, 2014	December 31, 2013
	(in thousands of euro)	
Trade receivables	482	855
Trade payables and accrued liabilities	3,957	3,939

During the six months ended June 30, 2014, the Company purchased equipment from a subsidiary of Liberty Global plc for an amount of EUR 3.1 million (six months ended June 30, 2013 : EUR 0.0 million).

5.23.2 Statement of profit and loss and other comprehensive income

	For the six months ended June 30,	
	2014	**2013**
	(in thousands of euro)	
Operating		
Revenue	977	781
Operating expenses	67	(1,252)

5.23.3 Key management compensation

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

	For the six months ended June 30,	
	2014	**2013**
	(in thousands of euro)	
Salaries and other short-term employee benefits	3,577	3,218
Post-employment benefits	240	91
Share-based payments (compensation cost recognized)	2,225	6,047
	6,042	**9,356**

5.24 OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements with any of its affiliates or with any unconsolidated entities.

5.25 SUBSEQUENT EVENTS

There were no significant events subsequent to June 30, 2014, that would require adjustment to or disclosure in the accounting data included in these Interim Financial Statements.

REVIEW REPORT OF THE STATUTORY AUDITOR

Statutory auditor's report to the board of directors of Telenet Group Holding NV on the review of the condensed consolidated interim financial information as at 30 June 30 2014 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 2014, 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 2014 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.

Brussels, 29 July 29 2014

KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises
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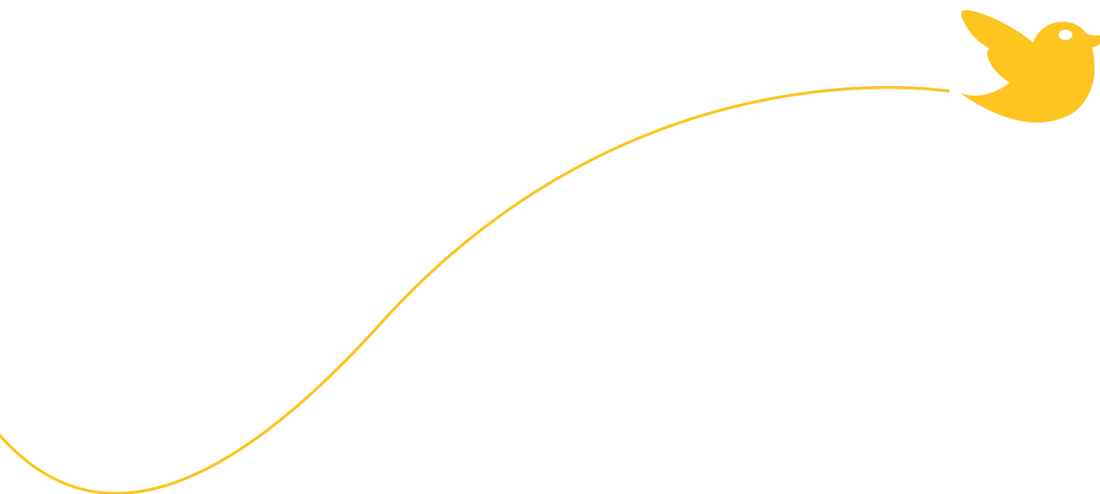

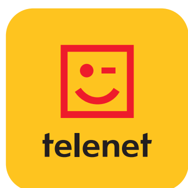

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