Half year report 2021

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Introduction

Introduction

Telenet Group Holding NV (hereafter 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 2020 Annual Report, which was published on March 26, 2021 (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, 2021 and 2020 and the audited consolidated annual financial statements as of and for the year ended December 31, 2020 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 financial and operational outlook; future growth prospects; strategies; product, network and technology launches and expansion and the anticipated impact of acquisitions on Telenet's combined operations and financial performance, which involve known and unknown risks, uncertainties and other factors that may cause 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 liquidity or results of operations; potential adverse competitive, economic or regulatory developments; the potential adverse impact of the recent outbreak of the novel coronavirus (COVID-19) pandemic, significant debt payments and other contractual commitments; Telenet's ability to fund and execute Telenet's business plan; Telenet's ability to generate cash sufficient to service debt; interest rate and currency exchange rate fluctuations; the impact of new business opportunities requiring significant up-front investments; ability to attract and retain customers and increase overall market penetration; Telenet's ability to compete against other communications and content distribution businesses; Telenet's ability to maintain contracts that are critical to its operations; Telenet's ability to respond adequately to technological developments; Telenet's ability to develop and maintain back-up for its critical systems; Telenet's 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; Telenet's ability to have an impact upon, or to respond effectively to, new or modified laws or regulations; Telenet's ability to make value-accretive investments; and its ability to sustain or increase shareholder distributions in future periods. Telenet assumes no obligation to update these forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

About Telenet

As a provider of entertainment and telecommunication services in Belgium, Telenet is always looking for the perfect experience in the digital world for its customers. Under the brand name Telenet, the Company focuses on offering digital television, high-speed Internet and fixed and mobile telephony services to residential customers in Flanders and Brussels. Under the brand name BASE, it supplies mobile telephony in Belgium. The Telenet Business department serves the business market in Belgium and Luxembourg with connectivity, hosting and security solutions. More than 3,000 employees have one aim in mind: making living and working easier and more pleasant. Telenet Group is part of Telenet Group Holding NV and is quoted on Euronext Brussels under ticker symbol TNET. For more information, visit www.telenet.be. Liberty Global - one of the world's leading converged video, broadband and communications companies, innovating and empowering people in six countries across Europe to make the most of the digital revolution – owns a direct stake of 58.3% in Telenet Group Holding NV (excluding any treasury shares held by the latter from time to time).

Definitions

For purposes of calculating **rebased** growth rates on a comparable basis, Telenet has adjusted its historical revenue and Adjusted EBITDA to reflect the impact of the following transactions, to the same extent revenue and adjusted EBITDA related to these transactions is included in its current results: (i) exclude the revenue and Adjusted EBITDA of Telenet's former Luxembourg cable subsidiary Coditel S.à r.l. (deconsolidated as of April 1, 2020), (ii) reflect changes related to the IFRS accounting outcome of certain content rights agreements entered into during the third quarter of 2020 and (iii) reflect changes related to subscription and usage-related revenues and interconnect revenue generated by Telenet's Small & Medium Sized ("SME") and Large Enterprise ("LE") business customers as of Q1 2021 out of business services revenue into mobile telephony and other revenue, respectively. Telenet reflects the revenue and Adjusted EBITDA of acquired businesses in its historical amounts based on what it believes to be the most reliable information that is currently available (generally pre-acquisition financial statements), as adjusted for the estimated effects of (a) any significant differences between Telenet's accounting policies and those of the acquired entities, (b) any significant effects of acquisition accounting adjustments, and (c) other items the Company deems appropriate. Telenet does not adjust pre-acquisition periods to eliminate nonrecurring items or to give retroactive effect to any changes in estimates that might be implemented during post-acquisition periods. As Telenet did not own or operate the acquired businesses during the pre-acquisition periods, no assurance can be given that Telenet has identified all adjustments necessary to present the revenue and Adjusted EBITDA of these entities on a basis that is comparable to the corresponding post-acquisition amounts that are included in its historical results or that the pre-acquisition financial statements Telenet has relied upon do not contain undetected errors. In addition, the rebased growth percentages are not necessarily indicative of the revenue and Adjusted EBITDA that would have occurred if these transactions had occurred on the dates assumed for purposes of calculating rebased amounts or the revenue and Adjusted EBITDA that will occur in the future. The rebased growth percentages have been presented as a basis for assessing growth rates on a comparable basis. Rebased growth is a non-GAAP measure as contemplated by the U.S. Securities and Exchange Commission's Regulation G and 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.

EBITDA is defined as profit before net finance expense, the share of the result of equity accounted investees, income taxes, depreciation, amortization and impairment. **Adjusted EBITDA** is defined as EBITDA before stock-based compensation, post measurement period adjustments related to business acquisitions and restructuring charges, and before operating charges or credits related to successful or unsuccessful acquisitions or divestitures. Operating charges or credits related to acquisitions or divestitures include (i) gains and losses on the disposition of long-lived assets, (ii) due diligence, legal, advisory and other third-party costs directly related to the Company's efforts to acquire or divest controlling interests in businesses, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Adjusted EBITDA is a non-GAAP measure as contemplated by the U.S. Securities and Exchange Commission's Regulation G and represents 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 matter to the most directly comparable EU IFRS measure is disclosed in section 2.7 on page 16.

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

Operating Free Cash Flow ("OFCF") is defined as Adjusted EBITDA minus accrued capital expenditures as reported in the Company's condensed consolidated interim statement of financial position. Accrued capital expenditures exclude the recognition of football broadcasting rights and mobile spectrum licenses. Operating Free Cash Flow is a non-GAAP measure as contemplated by the U.S. Securities and Exchange Commission's Regulation G and represents 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.

Adjusted Free Cash Flow is defined as net cash provided by the Company's operating activities, plus (i) cash payments for third-party costs directly associated with successful and unsuccessful acquisitions and divestitures and (ii) expenses financed by an intermediary, less (i) purchases of property and equipment and purchases of intangibles as reported in the Company's condensed consolidated interim statement of cash flows, (ii) principal payments on amounts financed by vendors and intermediaries, (iii) principal payments on 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 condensed consolidated interim statement of cash flows. Adjusted Free Cash Flow is a non-GAAP measure as contemplated by the U.S. Securities and Exchange Commission's

Regulation G and 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.

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

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

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

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

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

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

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

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

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

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

Net total leverage is defined as the sum of loans and borrowings under current and non-current liabilities minus cash and cash equivalents ("Net Total Debt"), as recorded in the Company's condensed consolidated interim statement of financial position, divided by the last two quarters' Consolidated Annualized Adjusted EBITDA. In its condensed consolidated interim statement of financial position, Telenet's USD-denominated debt has been converted into € using the June 30, 2021 EUR/USD exchange rate. As Telenet has entered into several derivative transactions to hedge both the underlying floating interest rate and exchange risks, the €-equivalent hedged amounts were €2,041.5 million (USD 2,295.0 million Term Loan AR) and €882.8 million (USD 1.0 billion Senior Secured Notes due 2028), respectively. For the calculation of its net leverage ratio, Telenet uses the €-equivalent hedged amounts given the underlying economic risk exposure. Net total leverage is a non-GAAP measure as contemplated by the U.S. Securities and Exchange Commission's Regulation G.

Net covenant leverage is calculated as per the 2020 Amended Senior Credit Facility definition, using Net Total Debt (using the €-equivalent hedged amounts for its USD-denominated debt as highlighted above), excluding (i) subordinated shareholder loans, (ii) capitalized elements of indebtedness under the Clientele and Annuity Fees, (iii) any finance leases entered into on or prior to August 1, 2007, (iv) any indebtedness incurred under the network lease entered into with the pure intermunicipalities, (v) any vendor financing-related liabilities, and including (vi) the Credit Facility Excluded Amount (which is the greater of (a) €400.0 million and (b) 0.25x Consolidated Annualized Adjusted EBITDA), divided by last two quarters' Consolidated Annualized Adjusted EBITDA.

Important reporting changes

Inclusion of Small and Medium Sized ("SME") and Large Enterprise ("LE") business customers: As of Q2 2021, Telenet's postpaid and total mobile subscriber counts include its SME and LE business customers, which were previously not recorded in its SIM count. Telenet has represented its consolidated subscriber counts as presented below as of Q1 2020 in order to allow both investors and analysts to assess its operational performance on a like-for-like basis. Consequently, Telenet has added 130,100, 132,600, 140,500, 146,100, 156,600 and 158,900 mobile postpaid subscribers to its subscriber count for the quarterly periods from Q1 2020 up to Q2 2021. As a result of the aforementioned change, the subscription and usage-related revenue generated by Telenet's SME and LE business customers is now being reported under mobile telephony revenue (as opposed to business services revenue previously), while the interconnect revenue is now being recognized under other revenue (as opposed to business services revenue previously). Telenet provides rebased year-on-year changes in order to allow both investors and analysts to assess the Company's financial performance on a like-for-like basis and represented its Q1 2021 revenue accordingly.

Rebased growth: For purposes of calculating rebased growth rates on a comparable basis, Telenet has adjusted its historical revenue and Adjusted EBITDA to reflect the impact of the following transactions, to the same extent revenue and Adjusted EBITDA related to these transactions is included in its current results: (i) exclude the revenue and Adjusted EBITDA of its former Luxembourg cable subsidiary Coditel S.à r.l. (deconsolidated as of April 1, 2020), (ii) reflect changes related to the IFRS accounting outcome of certain content rights agreements entered into during the third quarter of 2020 and (iii) reflect changes related to subscription and usage-related revenue and interconnect revenue generated by Telenet's Small & Medium Sized ("SME") and Large Enterprise ("LE") business customers as of Q1 2021 out of business services revenue into mobile telephony and other revenue, respectively. See Definitions for more disclosures.

Accounting framework Streamz joint venture and Belgian football broadcasting rights: Mid-September 2020, Telenet launched "Streamz": A unique streaming service of DPG Media and Telenet, in which Telenet has a 50% shareholding. Consequently, neither the operational nor the financial results of the joint venture itself are consolidated into Telenet's accounts. However, as Telenet offers both "Streamz" and "Streamz+" directly to customers through its digital TV platform, Telenet will continue to include the number of premium entertainment customers to whom it directly serves. The revenue generated by these direct premium entertainment subscribers is unaffected and remains within Telenet's video subscription revenue, while the content-related costs are accounted for as direct costs (programming-related expenses) and hence impacting Adjusted EBITDA. In August 2020, Telenet signed a five-year agreement with Eleven Sports for the broadcasting of the Belgian football league. Unlike the previous contract, the cost of the new Belgian football contract will be accounted for as a direct cost (programming-related expenses) and hence impacting Telenet's Adjusted EBITDA. Both changes have started to impact (operating) expenses and Adjusted EBITDA as of the third quarter of 2020. Telenet provides rebased year-on-year changes in order to allow both investors and analysts to assess the Company's financial performance on a like-for-like basis.

1. Information on the Company

The following Management Discussion and Analysis is based on the condensed consolidated Interim Financial Statements of Telenet as of and for the six months ended June 30, 2021 and 2020 and the audited consolidated financial statements of Telenet as of and for the year ended December 31, 2020, prepared in accordance with EU IFRS. The Company has included selected financial information on Telenet as of and for the relevant periods. You should read the condensed consolidated interim financial statements attached hereto, including the notes thereto, together with the following discussion and analysis.

For a detailed description of Telenet's activities, network and strategy, refer to the 2020 Annual Report.

1.1 Multiple play

OVERVIEW & MULTIPLE-PLAY

At June 30, 2021, Telenet served 2,037,300 unique customer relationships, which represented approximately 60% of the 3,388,900 homes passed by its leading hybrid fiber coaxial ("HFC") network across its Flemish and Brussels footprint. Telenet's cable network consists of a dense fiber backbone with local loop coaxial cable connections and spectrum of up to 1.2 GHz. Through both EuroDocsis 3.0 and 3.1 technologies, the Company offers data download speeds of up to 1 gigabit per second ("Gbps") across its entire footprint, reaffirming its leading market position as the fastest internet service provider.

At June 30, 2021, Telenet provided 4,639,700 fixed services ("RGUs") consisting of 1,785,900 video, 1,712,100 broadband internet and 1,141,700 fixed-line telephony subscriptions. Within the video mix, approximately 95% of its video subscribers have upgraded to the higher ARPU enhanced video platform at June 30, 2021, leaving just 90,300 analog TV subscribers who will largely be converted to digital by the end of this year as part of Telenet's "Signal Switch" campaign. Enhanced video subscribers enjoy an enriched TV experience with unrestricted access to a wider range of digital, HD and pay television sports, series and movies channels, a vast library of domestic and international video-on-demand ("VOD") content and Telenet's over-the-top ("OTT") platform "Telenet TV" and "Yelo". At June 30, 2021, the Company also served 2,956,900 mobile subscribers, of which approximately 88% are subscribed to one of its attractive mobile or fixed mobile converged ("FMC") rate plans. As of Q2 2021, Telenet's mobile subscriber count also includes its SME and LE business customers as mentioned above under 'Important reporting changes'.

Telenet reached a bundling rate of 2.28 fixed RGUs per unique customer relationship at June 30, 2021, which was broadly stable compared to the prior year period. Approximately 33% of its cable customers subscribed to a quadruple-play bundle at June 30, 2021 (excluding mobile subscriptions under the BASE brand), a modest 1 percentage point increase compared to last year, which underlines the continued appetite of consumers and businesses for Telenet's multiple-play value propositions. Telenet's FMC customer base, which represents the sum of Telenet's "WIGO", "YUGO" and "KLIK" propositions, in addition to the recently added "ONE" and "ONE UP" bundles, reached 685,900 subscribers, up 15% year-on-year.

ARPU PER CUSTOMER RELATIONSHIP

The ARPU per customer relationship, which excludes Telenet's mobile telephony revenue and certain other types of revenue, is one of its core operating statistics as the Company seeks to obtain a larger share of its customers' telecommunication and entertainment spending. For the six months ended June 30, 2021, the monthly ARPU per customer relationship reached €59.3, representing a 2% increase compared to the prior year period. Growth in the ARPU per customer relationship was underpinned by (i) a greater share of higher-tier broadband subscribers in Telenet's mix, (ii) the favorable impact of the October 2020 price adjustment, (iii) a higher proportion of multiple-play subscribers and (iv) a relatively lower proportion of bundle discounts (including fixed-term promotions). These factors were only partly offset by a greater proportion of revenue being allocated to mobile telephony from Telenet's recently launched "ONE" FMC bundles compared to its legacy bundles as further detailed under 2. 1 Revenue.

1.2 Broadband internet

At June 30, 2021, Telenet served 1,712,100 broadband internet subscribers. The continued growth of Telenet's broadband customer base reflects the impact of the COVID-19 pandemic, which is still driving customer demand for reliable high-speed connectivity solutions. Telenet attracted 9,000 and 6,000 net new subscribers in Q1 and Q2 respectively. Given the demonstrated capabilities of the Company's 1 Gbps HFC network across its entire footprint, Telenet is well positioned for the future. Annualized churn increased only slightly from 7.3% for the six months ended June 30, 2020 to 7.5% for the six months ended June 30, 2021. Substantially all of Telenet's retail locations were forced to close between mid-March 2020 and mid-May 2020 as a result of the COVID-19 pandemic, which favorably impacted churn rates across all products during that period.

For the six months ended June 30, 2021, Telenet distributed 102,000 WiFi boosters to maximize customers' home connectivity. The total installed base of customers having one or more WiFi boosters increased to 888,000, all equipped with Telenet's in-home plug-and-play connectivity solution, up 38% compared to June 30, 2020. Approximately 52% of Telenet's broadband customer base at June 30, 2021 opted for the aforementioned in-home connectivity solution as compared to approximately 38% a year ago. Since the launch of its new "ONE" FMC bundles at the end of April this year, Telenet now includes 1 gigabit per second download speeds by default in the high-end "ONE UP" bundle propositions. This further drove the weighted average data download speed across the broadband subscriber base to 225 Mbps at June 30, 2021, up from 206 Mbps at June 30 last year.

1.3 Fixed-line telephony

At June 30, 2021, Telenet served 1,141,700 fixed-line telephony subscribers, representing a 4% decrease and net loss of 30,100 subscribers (Q1 2021: -10,800 and Q2 2021: -19,300) compared to the same period of last year. In addition to the generally declining fixed-line telephony market, Telenet's recently launched "ONE" FMC bundles accelerated this downward trend as fixed-line telephony is no longer activated by default in the new "ONE" package, but needs a customer opt-in. As customers pay the same bundle price, irrespective of whether the fixed-line voice solution is activated or not, this does not impact Telenet's overall revenue. Annualized churn for Telenet's fixed-line telephony service therefore reached 9.9% for the six months ended June 30, 2021 and increased compared to the 8.3% for same period of last year during which a full lockdown was still in place.

1.4 Mobile telephony

Telenet's mobile telephony subscriber base, which excludes subscribers under its commercial wholesale partnerships, totaled 2,956,900 subscribers at June 30, 2021, including 2,607,300 postpaid subscribers. The remaining 349,600 mobile subscribers are prepaid subscribers under the BASE brand. As mentioned under 'Important reporting changes', Telenet's mobile subscriber counts for all periods as of Q1 2020 have been restated to include its SME and LE business customers. The growth of the mobile postpaid subscriber base for the six months ended June 30, 2021 reached 33,700 net organic SIMs driven by a higher level of cross-selling through Telenet's new "ONE" FMC bundles and a solid performance of the new Telenet Business mobile rate plans. Telenet's prepaid subscriber base decreased by 32,200 SIMs for the six months ended June 30, 2021, confirming the ongoing market trend of the declining share of prepaid subscribers in the mobile segment.

1.5 Video

TOTAL VIDEO

At June 30, 2021, Telenet's total basic and enhanced video customer base reached 1,785,900 RGUs This represented a net organic loss of 25,800 video subscribers for the six months ended June 30, 2021 (Q1 2021: -12,700 and Q2: -13,100). This net loss excludes migrations to Telenet's enhanced video service and represents customers churning to competitors' platforms, such as other digital television, OTT and satellite providers, or customers terminating their video service or moving out of Telenet's service footprint. Within the mix of video subscribers, the proportion of analog basic TV subscribers continued to contract, reaching 90,300 at June 30, 2021. In October 2019, Telenet launched its "Signal Switch" campaign in order to prepare for the switch-off of both the analog radio and video signals by the end of this year. This will free up capacity on the network for the ever-increasing digital traffic. After a temporary pause of this project related to COVID-19, it has been relaunched in the course of Q1 2021, driving an increased level of upsell of Telenet's enhanced video platform as further mentioned below.

ENHANCED VIDEO

At June 30, 2021, 1,695,600 of Telenet's video customers had upgraded to its higher ARPU enhanced video services, enabling them to enjoy an enriched TV experience, including free and unrestricted access to Telenet's OTT video apps "Telenet TV" and "Yelo", through which they can enjoy a unique content experience on multiple connected devices in the home and out-of-home. This features Telenet's latest digital TV platform, including its next-generation cloud-based set-top box with voice recognition capabilities, which the Company launched at the end of April 2019. For the customers using this latest digital TV platform the Telenet TV app is also available on Apple TV since mid-December 2020. Through this media box, customers can transfer their familiar television experience to a second television screen anywhere in the European Union and without an additional decoder. Telenet's enhanced video customer base for the six months ended June 30, 2021 increased by 7,600 net RGUs, marking a significant improvement compared to 3,000 net additions in the same period of last year. The increased net subscriber uptake was driven by both the continued roll-out of Telenet's "Signal Switch" project and a solid video attach rate to the new "ONE" FMC bundles, demonstrating limited cord cutting in Telenet's footprint.

Mid-September 2020, Telenet launched "Streamz": A unique streaming service of DPG Media and Telenet, in which Telenet holds a 50% share. Consequently, neither the operational nor the financial results of the joint venture itself are consolidated into Telenet's accounts. However, as Telenet offers both "Streamz" and "Streamz+" directly to customers through its digital TV platform, Telenet will continue to include the number of premium entertainment customers to whom it directly serves. The revenue generated by these direct premium entertainment subscribers is unaffected and remains within Telenet's video subscription revenue, while the content-related costs are accounted for as direct costs (programming-related expenses) and hence impacting Adjusted EBITDA. Refer to 2. Financial Highlights for additional information.

Following the launch of the "Streamz" streaming service, Telenet introduced a new "Streamz+" product and rebranded the former "Play" product into "Streamz" alongside "Play More", which continues to exist. Telenet believes its joint OTT platform is uniquely positioned, combining the best locally produced series of all local broadcasters VTM, Play and VRT, supplemented with must-see international content from HBO, in addition to an extensive kids zone, films and documentaries. Streamz is available to everyone through the Streamz app, online at Streamz.be and for Telenet customers through its digital TV platforms. In addition, Telenet continues to have a leading market position as far as sports is concerned. "Play Sports" continues to broadcast both domestic and international football competitions, such as the English Premier League exclusively, and via the Eleven Sports channels: the Belgian Jupiler Pro League, La Liga, Serie A and Bundesliga 1. Telenet recently extended the rights to the Premier League for another three seasons until the 2024 – 2025 season. Other sports, such as cyclo-cross, basketball, hockey, tennis, golf and motor sports, are also included in Telenet's broad sports offering. During the first quarter of 2021, Telenet launched "Play Sports Open", a new linear channel in Telenet's basic TV offering. Play Sports Open offers all Telenet TV customers a selection of matches from different competitions, including Premier League, Europa League, Eredivisie, ATP and WTA Tennis, Belgian Hockey and Basketball, Cyclo-cross, Formula 1 and MXGP. This channel also includes both proprietary and acquired programs and documentaries.

Furthermore, as Telenet is evolving to offer all relevant premium entertainment to its customers, Telenet has started to integrate other main subscription VOD services (including amongst others Netflix and Amazon Prime) to its customers through their set-top box environment and it intends to continue to expand with other relevant VOD services in the future. Consequently, Telenet is well positioned as a leading player in the premium entertainment segment within its footprint. This is also underpinned when looking at the penetration of the premium entertainment services Telenet offers as a percentage of its total enhanced video subscriber base, which is one of the key performance metrics Telenet tracks. Telenet's total premium entertainment subscriber base, including "Streamz", "Streamz+", "Play More" and "Play Sports" equaled approximately 36% of its total enhanced TV customer base[1] at June 30, 2021, which was broadly stable compared to June 30, 2020.

[1] Including 405,500 direct subscriptions to Telenet's premium entertainment packages "Streamz", "Streamz+" and "Play More" and 212,500 "Play Sports" customers at June 30, 2021.

2. Discussion of the consolidated financial statements

2.1 Revenue by service

Telenet generated revenue of €1,288.3 million for the six months ended June 30 2021, which represented an increase of over 1% (+1.3%) versus €1,272.2 million of revenue the Company generated for the six months ended June 30, 2020. Revenue for the six months ended June 30, 2020 still included the contribution of Telenet's Luxembourg cable subsidiary Coditel S.à r.l., which has been merged into Eltrona on April 1, 2020 and in which Telenet holds a 50% minus 1 share shareholding. As such, Telenet no longer consolidates its results as of Q2 2020. Also important to note for comparison basis is that (i) Telenet's top line performance for the six months ended June 30, 2020 reflected the adverse impact of the global COVID-19 pandemic on its business with a more outspoken impact in Q2 2020 especially given the strong decline in the advertising and production revenue as recorded under other revenue and (ii) the reclassification of subscription, usage-related and interconnect revenue generated by its SME and LE business customers.

Excluding the impact of the aforementioned Luxembourg cable divestment, Telenet's rebased revenue for the six months ended June 30, 2021 grew more than 1% (+1.4%) compared to the six months ended June 30, 2020. Relative to the six months ended June 30, 2020, Telenet's other revenue increased just over 1% over the six months ended June 30, 2021 as a strong 30% year-on-year rebound in its advertising and production revenue was almost fully offset by a 19% decline in the interconnect revenue as Q1 2020 was only impacted in a limited way by the global COVID-19 pandemic. Telenet's rebased total subscription revenue, which includes both its cable and mobile subscription revenue, grew 1% year-on-year for the six months ended June 30, 2021 and continues to represent a solid source of cash flow for its business. This positive trend was driven by solid growth in Telenet's cable subscription revenue driven by (i) continued momentum for its FMC bundles in both the residential and the business segments, (ii) the uptiering of broadband customers to higher speed bundles and (iii) the benefit of the October 2020 rate adjustment. As a result of changes to the allocation of revenue from Telenet's new "ONE FMC bundles compared to its former "WIGO" and "YUGO" FMC bundles, mobile telephony revenue increased by €0.9 million for the six months ended June 30, 2021, with a corresponding decrease in cable subscription revenue. Finally, Telenet's B2B business continued to perform well with rebased revenue up 7% for the six months ended June 30, 2021 compared to the six months ended June 30, 2020.

2.1.1 Video

Telenet's video revenue represents the monthly fee paid by its video subscribers for the channels they receive in the basic tier and the revenue generated by its enhanced video subscribers which primarily includes (i) recurring set-top box rental fees, (ii) fees for supplemental premium content offerings, including its subscription VOD packages “Streamz”, "Streamz+" “Play More” and “Play Sports” and (iii) transactional and broadcasting-on-demand services. Telenet's video revenue for the six months ended June 30, 2021 amounted to €278.8 million, representing a 2% decrease compared to the six months ended June 30, 2020 on a reported basis. On a rebased basis, which excludes the inorganic impact from the sale of Telenet's Luxembourg cable business in April 2020, Telenet's video revenue was down 1%. This reflected (i) a lower average number of video RGUs, (ii) the adverse impact of the COVID-19 pandemic on its transactional video-on-demand revenue caused by certain delays in the release of new blockbuster movies and series and (iii) the decline in revenue allocation because of the new "ONE" FMC bundles as described above and (iv) the benefit from the October 2020 price adjustment.

2.1.2 Broadband internet

The revenue generated by Telenet's residential and small business broadband internet RGUs totaled €337.8 million for the six months ended June 30, 2021, up over 4% compared to the six months ended June 30, 2020, both on a reported and rebased basis. This robust year-on-year performance reflected (i) the benefit from the October 2020 price adjustment, (ii) the continued uptiering of Telenet's broadband internet customer base and (iii) the successful launch of the new "ONE" FMC propositions. This was partly offset by the aforementioned change in revenue allocation from the new "ONE" FMC bundles.

2.1.3 Fixed-line telephony

Telenet's fixed-line telephony revenue includes recurring subscription-based revenue from its fixed-line telephony subscribers and variable usage-related revenue, but excludes the interconnect revenue generated by these customers, which is reported under other revenue. For the six months ended June 30, 2021, Telenet's fixed-line telephony revenue fell 4% year-on-year on both a reported and rebased basis to €109.3 million. This mainly reflected lower average RGUs over the period and the aforementioned change in revenue allocation from the new "ONE" FMC bundles, which more than offset the favorable impact of the October 2020 price adjustment and higher usage related to COVID-19.

2.1.4 Mobile telephony

Telenet's mobile telephony revenue represents the subscription-based revenue generated by its direct mobile telephony subscribers and out-of-bundle revenue, but excludes (i) the interconnect revenue generated by these customers, (ii) the revenue earned from handset sales and (iii) revenue recognized under its "Choose Your Device" programs, which are all recorded in other revenue. Telenet's mobile telephony revenue also includes the subscription and usage-related revenue generated by its SME and LE business customers as mentioned above. For the six months ended June 30, 2021, Telenet generated mobile telephony revenue of €238.0 million, representing a year-on-year increase of almost 7% on a reported basis mainly as a result of the inclusion of the subscription and usage-related revenue generated by Telenet's SME and LE business customers which was recorded under business service June 30, 2020. On a rebased basis, Telenet's mobile telephony revenue was up 1% for the six months ended June 30, 2021. The increase was mainly attributable to higher mobile usage driven by COVID-19 lockdown restrictions in the 2020 period and the positive impact on mobile revenue from the aforementioned ONE FMC allocation change.

2.1.5 Business services

The revenue reported under business services relates to (i) the revenue generated on non-coax products, including fiber and leased DSL lines, (ii) Telenet's carrier business and (iii) value-added services such as network hosting and managed data security. Revenue generated by Telenet's business customers on all coax-related products, such as Telenet's flagship "KLIK" bundle, is allocated to its cable subscription revenue lines and is not captured within Telenet Business, Telenet's business services division. The business services revenue no longer includes the subscription, usage-related and interconnect revenue generated by Telenet's SME and LE business customers as mentioned above, now reflected under mobile telephony and other revenue, respectively.

Telenet Business generated revenue of €90.3 million for the six months ended June 30, 2021, representing an 8% year-on-year decline on a reported basis as a result of the aforementioned change in the way Telenet reports the subscription and usage-related revenue generated by its SME and LE business customers. On a rebased basis, Telenet's B2B revenue for the six months ended June 30, 2021 was up 7% year-on-year. The increase was mainly driven by the expansion of Telenet's ICT integrator and large enterprises customer base and higher voice, video, data, security and equipment revenue.

2.1.6 Other

Other revenue primarily includes (i) interconnect revenue from both Telenet's fixed-line and mobile telephony customers, including its SME and LE business customers as mentioned above (ii) advertising and production revenue from Telenet's wholly-owned media subsidiary De Vijver Media NV, (iii) mobile handset sales, including the revenue earned under its "Choose Your Device" programs, (iv) wholesale revenue generated through both Telenet's commercial and regulated wholesale businesses, (v) product activation and installation fees and (vi) set-top box sales revenue.

Telenet's other revenue reached €234.1 million for the six months ended June 30, 2021, a modest year-on-year increase of 2% and 1% on a reported and rebased basis, respectively, as a strong 30% year-on-year rebound in Telenet's advertising and production revenue was almost fully offset by a 19% decline in its interconnect revenue as Q1 2020 was only impacted in a limited way by the global COVID-19 pandemic.

For more details on other revenue, please refer to note 5.12 in the condensed consolidated interim financial statements.

2.2 Total expenses

For the six months ended June 30, 2021, Telenet incurred total expenses of €975.8 million, representing a 1% increase compared to the six months ended June 30, 2020. Telenet's total expenses for the six months ended June 30, 2020 included (i) a full quarter contribution from Telenet's Luxembourg cable business prior to the divestment to Eltrona as of April 1, 2020 as well as (ii) a €18.5 million goodwill impairment charge on De Vijver Media following the re-assessment of their strategic long-range plan in Q2 2020, reflecting the impact of the COVID-19 pandemic on its financial profile. Total expenses represented approximately 76% of revenue for the six months ended June 30, 2021 (for the six months ended June 30, 2020: approximately 76%). Cost of services provided as a percentage of revenue represented approximately 49% for the six months ended June 30, 2021 (for the six months ended June 30, 2020: approximately 55%), while selling, general and administrative expenses represented approximately 27% of Telenet's total revenue for the six months ended June 30, 2021 (for the six months ended June 30, 2020: approximately 21%).

Telenet's operating expenses, which include its (i) network operating expenses, (ii) direct costs, (iii) staff-related expenses, (iv) sales and marketing expenses, (v) outsourced labor and professional services and (vi) other indirect expenses, increased just over 4% on a reported basis for the six months ended June 30, 2021 and reflected changes to the IFRS accounting treatment of certain content-related costs for Telenet's premium entertainment packages and the Belgian football broadcasting rights because of changes related to the underlying contracts. On a rebased basis, Telenet's operating expenses for the six months ended June 30, 2021 remained broadly stable compared to the six months ended June 30, 2020. This was predominantly driven by an 8% rebased decrease (€20.4 million) in Telenet's direct costs, which partially offset higher staff-related expenses and higher network operating expenses.

2.3 Expenses by nature

2.3.1 Network operating expenses

Network operating expenses for the six months ended June 30, 2021 were €106.1 million, an increase of over 5% year-on-year on both a reported and rebased basis. This increase relates to a greater proportion of technical customer visits, reflecting an increase in homeworking as a result of the COVID-19 pandemic, as well as the resumption of Telenet's analog Signal Switch program.

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

Telenet's direct costs include all of its direct expenses such as (i) programming and copyright costs, including, as of Q3 2020, costs related to the purchase of content for its "Streamz", "Streamz+" and "Play More" packages, as well as the costs related to the Belgian football broadcasting rights, (ii) interconnect costs and (iii) handset sales and subsidies. For the six months ended June 30, 2021, Telenet's direct costs were €250.3 million, a 3% increase compared to the six months ended June 30, 2020, reflecting the aforementioned changes to the IFRS accounting treatment of certain content-related costs for its premium entertainment packages and the Belgian football broadcasting rights because of changes related to the underlying contracts. On a rebased basis, Telenet's direct costs for the six months ended June 30, 2021 decreased 8% year-on-year due to significantly lower interconnect and roaming expenses, as well as lower programming costs.

2.3.3 Staff-related expenses

Staff-related expenses for the six months ended June 30, 2021 were €138.1 million, which represented an increase of 4% compared to the six months ended June 30, 2020 on both a reported and rebased basis. This reflected (i) lower staff-related expenses for the six months ended June 30, 2020 following the COVID-19 pandemic, (ii) a higher average headcount and (iii) the effect of the mandatory wage indexation as of early 2021.

2.3.4 Sales and marketing expenses

Telenet's sales and marketing expenses for the six months ended June 30, 2021 were €39.3 million, representing a 2% year-on-year decrease. On a rebased basis, sales and marketing expenses for the six months ended June 30, 2021 increased 2% year-on-year, reflecting a pick-up in its retail market activity as compared to last year when Telenet's sales and marketing spend was at a lower level due to the COVID-19 pandemic.

2.3.5 Outsourced labor and professional services

Costs related to outsourced labor and professional services were €15.2 million for the six months ended June 30, 2021, a 6% year-on-year increase both on a reported and rebased basis, respectively, as Telenet's expenses for the six months ended June 30, 2020 reflected the impact of the global COVID-19 pandemic with lower costs.

2.3.6 Other indirect expenses

Other indirect expenses reached €50.6 million for the six months ended June 30, 2021, representing a 16% increase compared to the six months ended June 30, 2020 both on a reported and rebased basis, due to higher outsourced call center costs triggered by COVID-19 regulation requiring mandatory homeworking and an increase in bad debt provisions.

2.3.7 Depreciation, amortization, and restructuring, incl. impairment of long-lived assets and gain on disposal of assets

Depreciation and amortization, including impairment of long-lived assets, gain on disposal of assets and restructuring charges, reached €358.5 million for the six months ended June 30, 2021 compared to €386.8 million for the six months ended June 30, 2020 which included the aforementioned €18.5 million goodwill impairment charge.

2.4 Net finance expenses

For the six months ended June 30, 2021, net finance expense totaled €28.8 million compared to €97.8 million for the six months ended June 30, 2020. Finance income for the six months ended June 30, 2021 increased substantially year-on-year to €152.9 million from €27.7 million for the six months ended June 30, 2020, which included a non-cash gain on Telenet's derivatives of €152.3 million and €22.7 million for the six months ended June 30, 2021 and 2020, respectively. Finance expense for the six months ended June 30, 2021 increased 45% to €181.7 million from €125.5 million for the six months ended June 30, 2020. Finance expense for the six months ended June 30, 2021 included a €87.6 million non-cash foreign exchange loss on Telenet's USD-denominated debt versus a small non-cash foreign exchange gain of €4.7 million for the six months ended June 30, 2020. As detailed under 2.11 Debt profile, cash balance and net total leverage ratio, Telenet's USD-denominated debt has been hedged until the respective maturity dates, hence minimizing the impact of foreign exchange fluctuations on its cash flows. Excluding this impact, Telenet's net interest expense for the six months ended June 30, 2021 decreased 15%, reflecting the benefit of certain refinancing transactions in the first half of 2020.

2.5 Income taxes

Telenet recorded income tax expense of €69.7 million for the six months ended June 30, 2021 compared to €16.4 million for the six months ended June 30, 2020. Telenet's income tax expense for the six months ended June 30, 2020 was favorably impacted by the recognition of the innovation income tax deduction, including a one-time effect of deductions related to prior periods, whereas income tax expense for the six months ended June 30, 2021 reflected a more normalized run-rate.

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

2.6 Net result

Telenet realized a net profit of €211.7 million for the six months ended June 30, 2021 compared to €184.9 million for the six months ended June 30, 2020. The 14% increase in Telenet's net profit was primarily driven by significantly lower net finance expense, as mentioned above, as well as a 3% growth in its operating profit, which more than offset higher income tax expense as mentioned above. For the six months ended June 30, 2021, Telenet achieved a net profit margin of 16.4% compared to 14.5% for the six months ended June 30, 2020.

2.7 Adjusted EBITDA

For the six months ended June 30, 2021, Telenet achieved Adjusted EBITDA of €688.7 million, which represented a modest decline of just over 1% versus the €698.0 million it delivered for the six months ended June 30, 2020. This was mainly driven by (i) the aforementioned changes to the IFRS accounting outcome of certain content-related costs for Telenet's premium entertainment packages and the Belgian football broadcasting rights because of changes related to the underlying contracts and (ii) the divestment of Telenet's Luxembourg cable business into Eltrona as mentioned earlier. For the six months ended June 30, 2021, Telenet achieved an Adjusted EBITDA margin of 53.5% compared to 54.9% for the six months ended June 30, 2020.

On a rebased basis, excluding these impacts, Telenet's Adjusted EBITDA for the six months ended June 30, 2021 increased nearly 3% (+2.9%) driven by (i) an 8% decline in its direct costs, which partially offset higher staff-related expenses and higher network operating expenses and (ii) healthy organic top line growth of more than 1% over the period. On a rebased basis, Telenet succeeded in expanding its Adjusted EBITDA margin for the six months ended June 30, 2021 by 80 basis points versus the six months ended June 30, 2020.

Reconciliation between profit for the period and Adjusted EBITDA

(€ in millions)	For the six months ended June 30,	
	2021	**2020**
Profit for the period	**211.7**	**184.9**
Income tax expense	69.7	16.4
Share of the result of equity accounted investees	2.3	(1.3)
Loss (gain) on disposal of assets/liabilities related to a subsidiary or a joint venture	—	4.3
Net finance expense	28.8	97.8
Depreciation, amortization, impairment and gain on disposal of assets	357.6	381.8
EBITDA	**670.1**	**683.9**
Share based compensation	12.8	8.0
Operating charges related to acquisitions or divestitures	6.9	1.7
Restructuring charges	0.9	5.0
Measurement period adjustments related to business acquisitions	(2.0)	(0.6)
Adjusted EBITDA	**688.7**	**698.0**
Adjusted EBITDA margin	53.5 %	54.9 %
Net profit margin	16.4 %	14.5 %

2.8 Capital expenditures

Accrued capital expenditures for the six months ended June 30, 2021 reached €281.8 million, a decrease of 5% versus the six months ended June 30, 2020 and equivalent to approximately 22% of revenue over the period (for the six months ended June 30, 2020: approximately 23%). Telenet's accrued capital expenditures for the six months ended June 30, 2021 included the impacts of (i) the temporary six-month extension of both its 2G and 3G mobile spectrum licenses in March this year, awaiting the upcoming multiband spectrum auction which is due to commence either late 2021 or early 2022, (ii) the impact of the Streamz premium entertainment joint venture, (iii) the divestiture of Telenet's former Luxembourg cable business (deconsolidated as of April 1, 2020), and (iv) the recognition of certain football broadcasting rights for the six months ended June 30, 2021. Excluding the recognition of certain football broadcasting rights and the aforementioned mobile spectrum licenses from Telenet's accrued capital expenditures, consistent with the basis for the calculation of its Operating Free Cash Flow Telenet's accrued capital expenditures for the six months ended June 30, 2021 were €270.4 million, equivalent to approximately 21% of revenue, and representing a 9% year-on-year decrease.

Capital expenditures related to customer premises equipment, which includes Telenet's spending on set-top boxes, modems and WiFi powerlines, represented €51.4 million for the six months ended June 30, 2021 and was down 2% compared to the six months ended June 30, 2020. Capital expenditures related to customer premises equipment for the six months ended June 30, 2021 represented approximately 19% of its total accrued capital expenditures (excluding the recognition of certain football broadcasting rights and the aforementioned mobile spectrum licenses).

Accrued capital expenditures for network growth and upgrades amounted to €31.3 million for the six months ended June 30, 2021, marking a 19% decrease compared to the six months ended June 30, 2020 and predominantly reflected the completion of both Telenet's fixed and mobile network infrastructure improvement programs as well as, to a lesser extent, the impact of COVID-19 on its field operations. For the six months ended June 30, 2021, network-related capital expenditures represented approximately 12% of total accrued capital expenditures (excluding the recognition of certain football broadcasting rights and the aforementioned mobile spectrum licenses).

Capital expenditures for products and services, which reflects Telenet's investments in product development and the upgrade of its IT platforms and systems, amongst others, totaled €85.2 million for the six months ended June 30, 2021. This represented a strong 13% year-on-year increase, reflecting higher spending on Telenet's IT upgrade program. Capital expenditures for products and services represented approximately 32% of total accrued capital expenditures for the six months ended June 30, 2021 (excluding the recognition of certain football broadcasting rights and the aforementioned mobile spectrum licenses).

The remainder of Telenet's accrued capital expenditures includes (i) refurbishments and replacements of network equipment, (ii) sports and programming acquisition costs, including certain content acquired by De Vijver Media, (iii) certain recurring investments in its IT platform and systems and (iv) lease-related capital additions. These reached €113.9 million for the six months ended June 30, 2021, representing a 13% decrease compared to the six months ended June 30, 2020.

The above implies that approximately 63% of Telenet's accrued capital expenditures for the six months ended June 30, 2021 (excluding the recognition of certain football broadcasting rights and the aforementioned mobile spectrum licenses) were scalable and subscriber growth related. Telenet continues to closely monitor its capital expenditures in order to drive incremental returns.

Reconciliation between accrued capital expenditures and cash capital expenditures

(€ in millions)	For the six months ended June 30,	
	2021	**2020**
Accrued capital expenditures	**281.8**	**297.6**
Assets acquired under capital-related vendor financing arrangements	(29.9)	(49.1)
Assets acquired under lease agreements	(18.9)	(39.3)
Changes in current liabilities related to capital expenditures	6.5	23.0
Total cash capital expenditures, net	**239.5**	**232.2**

2.9 Operating Free Cash Flow

Telenet yielded an Operating Free Cash Flow of €418.3 million for the six months ended June 30, 2021 compared to €400.4 million for the six months ended June 30, 2020. The robust 4% year-on-year increase was mainly driven by significantly lower accrued capital expenditures versus the six months ended June 30, 2020. On a rebased basis and excluding the recognition of both football broadcasting rights and mobile spectrum licenses, as well as the impact of certain lease-related capital additions on Telenet's accrued capital expenditures, consistent with the basis of Telenet's 2018-2021 Operating Free Cash Flow CAGR guidance, Operating Free Cash Flow for the six months ended June 30, 2021 increased nearly 4% year-on-year and largely reflected the same driver as mentioned above.

Reconciliation between Adjusted EBITDA and Operating Free Cash Flow

(€ in millions)	For the six months ended June 30,	
	2021	2020
Adjusted EBITDA	**688.7**	**698.0**
Accrued capital expenditures	(281.8)	(297.6)
Recognition of football broadcasting rights	3.0	—
Recognition of mobile spectrum licenses	8.4	—
Accrued capital expenditures excluding recognition of football broadcasting rights and mobile spectrum licenses	**(270.4)**	**(297.6)**
Operating Free Cash Flow	**418.3**	**400.4**

2.10 Cash flow and liquidity

2.10.1 Net cash from operating activities

For the six months ended June 30, 2021, Telenet's operations yielded €511.3 million of net cash compared to the €571.7 million it generated for the six months ended June 30, 2020. The net cash from Telenet's operating activities for the six months ended June 30, 2020 included the impact of the divestiture of its former Luxembourg cable business (deconsolidated as of April 1, 2020). Telenet's net operating cash flow decreased 11% year-on-year mainly due to €95.2 million of cash taxes paid in the six months ended June 30, 2021 whereas last year it settled its cash taxes during the fourth quarter of the year. This different year-on-year phasing more than offset €8.7 million lower cash interest expenses and a favorable trend in Telenet's working capital.

2.10.2 Net cash used in investing activities

Telenet used €255.0 million of net cash in investing activities for the six months ended June 30, 2021, broadly stable compared to €255.4 million for the six months ended June 30, 2020. Telenet utilizes a vendor financing program through which it is able to extend the payment terms for certain suppliers to 360 days at an attractive all-in cost. For the six months ended June 30, 2021, Telenet acquired €29.9 million of assets through capital-related vendor financing arrangement, favorably impacting its net cash used in investing activities for the equivalent amount. This represented a decline of 39% year-on-year versus the same period of last year. Please refer to Section 2.8 - Capital expenditures for a reconciliation between accrued capital expenditures and cash capital expenditures.

2.10.3 Net cash used in financing activities

For the six months ended June 30, 2021, the net cash used in financing activities was €243.4 million compared to €346.3 million for the six months ended June 30, 2020, representing a strong decrease of 30% year-on-year. Telenet's net financing cash flow for the six months ended June 30, 2020 reflected (i) the start and completion of Telenet's €34.4 million Share Repurchase Program 2020, (ii) the €56.6 million voluntary redemption of part of its Senior Secured Fixed Rate Notes in addition to (iii) €142.3 million of dividends paid to shareholders as part of Telenet's shareholder remuneration policy. The net cash used in financing activities for the six months ended June 30, 2021 reflected (i) a net €42.6 million reduction in Telenet's outstanding loans and borrowings, including scheduled repayments under its vendor financing program, as well as (ii) a dividend payment of €156.0 million, up 10% year-on-year. The remainder of Telenet's net cash used in financing activities primarily consisted of lease repayments and other financial payments.

2.10.4 Adjusted Free Cash Flow

For the six months ended June 30, 2021, Telenet generated Adjusted Free Cash Flow of €202.5 million compared to €263.9 million for the six months ended June 30, 2020. Relative to the six months ended June 30, 2020, Telenet's Adjusted Free Cash Flow decreased 23%, mainly due to the aforementioned annual cash tax payment, yet fully embedded in Telenet's FY 2021 guidance. Telenet's Adjusted Free Cash Flow for the six months ended June 30, 2021 also included a modest €3.4 million contraction in its vendor financing program whereas its Adjusted Free Cash Flow for the six months ended June 30, 2020 included a benefit of €10.6 million. Excluding these movements, Telenet's underlying Adjusted Free Cash Flow performance would have been marginally better.

(€ in millions)	For the six months ended June 30,	
	2021	**2020**
Net cash from operating activities	511.3	571.7
Cash payments for direct acquisition and divestiture costs	2.4	0.9
Expenses financed by an intermediary	189.7	170.4
Purchases of property and equipment	(143.8)	(144.1)
Purchases of intangibles	(95.7)	(88.1)
Principal payments on amounts financed by vendors and intermediaries	(222.9)	(207.6)
Principal payments on leases (excluding network-related leases assumed in acquisitions)	(22.6)	(17.6)
Principal payments on post acquisition additions to network leases	(15.9)	(21.7)
Adjusted Free Cash Flow	**202.5**	**263.9**

2.11 Debt profile, cash balance and net leverage ratio

2.11.1 Debt profile

At June 30, 2021, Telenet carried a total debt balance (including accrued interest) of €5,470.7 million, of which €1,384.0 million principal amount is related to the € and USD-denominated Senior Secured Fixed Rate Notes due March 2028 and €3,047.0 million principal amount is owed under its 2020 Amended Senior Credit Facility with maturities ranging from April 2028 through April 2029. Telenet's total debt balance at June 30, 2021 also included a principal amount of €347.6 million related to its vendor financing program, while the remainder primarily represents lease obligations associated with the Interkabel Acquisition and other leases.

At June 30, 2021, Telenet carried €347.6 million of short-term debt related to its vendor financing program, all of which is maturing within less than twelve months. This represented a modest decrease of €3.4 million versus December 31, 2020, adversely impacting Adjusted Free Cash Flow by the same amount. For the full year 2021, Telenet continues to anticipate a broadly stable evolution from December 31, 2020 as embedded in Telenet's FY 2021 Adjusted Free Cash Flow outlook. As of end-October 2020, the applicable margin on Telenet's future short-dated commitments under the vendor financing program has been reduced by another 15 basis points to 1.95% over EURIBOR floored at 0%. This reduced interest cost comes on top of an equivalent 15 basis points margin reduction in February 2020. Given the aforementioned size of the program, this will have a modest accretive impact on Telenet's Adjusted Free Cash Flow in 2021 and beyond.

Telenet didn't transact any refinancings or debt amortizations over the six months ended June 30, 2021, while substantially all of its floating interest rate risk and foreign exchange currency risk have been hedged until the maturity of such debt instruments through a series of derivatives, improving the visibility on its future Adjusted Free Cash Flow. Excluding short-term liabilities related to Telenet's vendor financing program, Telenet faces no debt maturities prior to March 2028 with a weighted average maturity of approximately 7.0 years at June 30, 2021. In addition, the Company also had full access to €555.0 million of undrawn commitments under its revolving credit facilities at June 30, 2021, with certain availabilities up to September 2026.

2.11.2 Debt overview and payment schedules

For an overview of the Company’s debt instruments and payment schedule at June 30, 2021, refer to note 5.9 to the condensed consolidated interim financial statements of the Company.

2.11.3 Cash balance and availability of funds

At June 30, 2021, Telenet held €94.9 million of cash and cash equivalents compared to €82.0 million at December 31, 2020. In order to minimize the concentration of counterparty risk, Telenet's cash equivalents and AAA-rated money market funds are placed with highly rated European and US financial institutions and Telenet strives to invest at least 75% of its cash and cash equivalents in AAA-rated money market funds. In addition to Telenet's available cash balance, it also had full access to €555.0 million of available commitments under its 2020 Amended Senior Credit Facility and other revolving credit facilities, subject to compliance with the covenants mentioned below.

2.11.4 Net leverage ratio

At the occasion of the December 2018 Capital Markets Day - and as updated at the end of October last year when Telenet tightened its shareholder remuneration policy - Telenet reconfirmed its leverage framework, maintained at 3.5x to 4.5x Net Total Debt to Consolidated Annualized Adjusted EBITDA ("net total leverage"). In absence of any material acquisitions and/or significant changes in Telenet's business or regulatory environment, Telenet intends to stay around the 4.0x mid-point through an attractive and sustainable level of shareholder disbursements. This now includes a gross dividend per share floor of €2.75, representing the upper end of the previous pay-ratio between 50-70% as a percentage of Telenet's Adjusted Free Cash Flow. At June 30, 2021, Telenet's net total leverage was 4.0x, which was modestly down compared to 4.1x at December 31, 2020 despite the aforementioned gross dividend payment in early May, which was fully offset by the robust Adjusted Free Cash Flow generation over the six months ended June 30, 2021.

Telenet's net covenant leverage, as calculated under the 2020 Amended Senior Credit Facility, differs from its net total leverage as it excludes (i) lease-related liabilities, (ii) any vendor financing-related short-term liabilities and includes (iii) the Credit Facility Excluded Amount (which is the greater of €400.0 million and 0.25x Consolidated Adjusted Annualized EBITDA). Telenet's net covenant leverage reached 3.0x at June 30, 2021, which was unchanged versus December 31, 2020. Telenet's current net covenant leverage ratio is significantly below the springing maintenance covenant of 6.0x and the incurrence test of 4.5x net senior leverage. The aforementioned maintenance covenant only applies, however, in case Telenet would draw 40% or more under its revolving credit facilities. At June 30, 2021, Telenet's revolving credit facilities were fully undrawn as mentioned above.

3. Risk factors

3.1 General information

Certain statements in this Half Year Report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. To the extent that statements in this Half Year Report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under section 1. 'Information on the Company' may contain forward-looking statements, including statements regarding Telenet's business, product, foreign currency and finance strategies in 2021, subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, the maturity of the Company's markets, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated changes in Telenet's revenue, costs or growth rates, Telenet's liquidity, credit risks, foreign currency risks, target leverage levels, Telenet's future projected contractual commitments and cash flows and other information and statements that are not historical fact. Where, in any forward-looking statement, the Company expresses an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the risks and uncertainties discussed in the Company's 2020 Annual Report under 8.4 'Internal Control and Risk Management Systems'.

In early 2020, Telenet activated its crisis team to closely monitor the evolution of the COVID-19 virus outbreak and take appropriate measures quickly, as needed, in relation to key areas of importance, such as employee and customer safety (including employees' emotional well-being while working primarily from home) and continuity of operational activities.

The measures are regularly adapted in line with the rules and restrictions imposed by the government. As an example, the homeworking rules and return-to-office strategy have been adapted several times in view of changes in the governmental rules following the COVID-19 evolution in Belgium. Since mid 2021 employees are returning to the office on an ad hoc basis as telework is no longer mandatory. A structural 'back to the office' approach will be applied as from September 2021. Herewith, each employee will join a 'welcome back day' during which insights will be given on the new way of working where employees will be expected to work at least 40% at the office on a quarterly basis. This approach is based on the assumption that the number of infections remains under control, and can be adapted if and when needed.

Since the outbreak of the pandemic early 2020, the Audit and Risk Committee monitors the COVID-19 impact on Telenet. In particular, the following quarterly topics have been added to the agenda of the Audit and Risk Committee meetings of 2020 and 2021:

- COVID-19 operational impact (health and safety measures, evolution of infections at employees, homeworking rules and evolution, re-COVID strategy, operational measures, etc)
- COVID-19 financial impact on revenue, Adjusted EBITDA and Operating Free Cash Flow for the different impacted domains (#samenerdoor campaigns, operational performance, customer impact, impact of shop closures, impact on advertising and sports rights, interconnect and roaming impact, bad debt impact, etc)

Refer to section 1 & 2 for the specific impact of the COVID-19 pandemic on Telenet's operational and financial performance for the six months ended June 30, 2021.

3.2 Legal proceedings

Telenet is involved in a number of legal proceedings that have arisen in the ordinary course of its business. Telenet discusses in its 2020 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 5.15, 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 2020 Annual Report or explained in note 5.15 that are expected to have a material adverse impact on the Company's business or consolidated financial position. Telenet notes, however, that the outcome of legal proceedings can be extremely difficult to predict with certainty, and Telenet offers no assurances in this regard.

4. Fair view statement by the management of the Company

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

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

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

John Porter

Chief Executive Officer

Erik Van den Enden

Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Condensed consolidated interim statement of financial position

(€ in millions)	Note	June 30, 2021	December 31, 2020
Assets			
Non-current assets:			
Property and equipment	5.4	2,213.4	2,288.0
Goodwill	5.5	1,824.5	1,824.5
Other intangible assets	5.6	694.1	693.6
Deferred tax assets	5.11	188.5	214.7
Investments in and loans to equity accounted investees	5.7	124.2	111.7
Other investments		7.7	5.7
Derivative financial instruments	5.10	17.3	58.6
Other non-current assets		28.8	33.6
Total non-current assets		**5,098.5**	**5,230.4**
Current assets:			
Inventories		26.7	27.3
Trade receivables		178.5	187.2
Other current assets		147.9	126.1
Cash and cash equivalents		94.9	82.0
Derivative financial instruments	5.10	32.5	48.1
		480.5	**470.7**
Assets held for sale		—	0.3
Total current assets		**480.5**	**471.0**
Total assets		**5,579.0**	**5,701.4**

(€ in millions)	Note	June 30, 2021	December 31, 2020

Equity and liabilities

Equity:			
Share capital	5.8	12.8	12.8
Share premium	5.8	80.7	80.7
Other reserves	5.8	699.0	686.3
Retained losses	5.8	(2,174.8)	(2,249.9)
Remeasurements	5.8	(9.6)	(12.3)
Total equity attributable to owners of the Company		**(1,391.9)**	**(1,482.4)**
Non-controlling interests	5.8	3.4	28.4
Total equity		**(1,388.5)**	**(1,454.0)**
Non-current liabilities:			
Loans and borrowings	5.9	4,972.9	4,918.3
Derivative financial instruments	5.10	293.8	508.0
Deferred revenue	5.12	3.2	3.6
Deferred tax liabilities	5.11	124.6	124.7
Other non-current liabilities		46.8	56.2
Provisions		10.2	12.2
Total non-current liabilities		**5,451.5**	**5,623.0**
Current liabilities:			
Loans and borrowings	5.9	497.8	499.6
Trade payables		205.9	174.9
Accrued expenses and other current liabilities		405.3	399.5
Provisions		92.5	83.6
Deferred revenue	5.12	118.7	122.8
Derivative financial instruments	5.10	61.9	65.6
Current tax liability	5.11	133.9	184.6
		1,516.0	**1,530.6**
Liabilities directly associated with the assets held for sale		—	1.8
Total current liabilities		**1,516.0**	**1,532.4**
Total liabilities		**6,967.5**	**7,155.4**
Total equity and liabilities		**5,579.0**	**5,701.4**

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

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

(€ in millions, except per share data)		For the six months ended June 30,	
	Note	2021	2020

Profit for the period

Revenue	5.12	1,288.3	1,272.2
Cost of services provided	5.13	(632.6)	(701.8)
Gross profit		**655.7**	**570.4**
Selling, general and administrative expenses	5.13	(343.2)	(268.3)
Operating profit		**312.5**	**302.1**
Finance income		152.9	27.7
Net interest income and foreign exchange gain and other financial income		0.5	5.0
Net gain on derivative financial instruments	5.10	152.3	22.7
Net gain on extinguishment of debt		0.1	—
Finance expense		(181.7)	(125.5)
Net interest expense, foreign exchange loss and other finance expense		(181.7)	(110.3)
Net loss on extinguishment of debt		—	(15.2)
Net finance expenses		**(28.8)**	**(97.8)**
Share in the result of equity accounted investees	5.7	(1.4)	1.3
Impairment of equity accounted investees	5.7	(0.9)	—
Loss on disposal of assets related to a joint venture		—	(4.3)
Profit before income tax		**281.4**	**201.3**
Income tax expense	5.11	(69.7)	(16.4)
Profit for the period		**211.7**	**184.9**

(€ in millions, except per share data)	For the six months ended June 30,	
	2021	2020
Other comprehensive income (loss) for the period, net of income tax		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit liability/(asset), net of income tax	2.7	(12.5)
Other comprehensive income (loss) for the period, net of income tax	**2.7**	**(12.5)**
Total comprehensive income for the period	**214.4**	**172.4**
Profit attributable to:	**211.7**	**184.9**
Owners of the Company	212.0	185.2
Non-controlling interests	(0.3)	(0.3)
Total comprehensive income for the period, attributable to:	**214.4**	**172.4**
Owners of the Company	214.7	172.7
Non-controlling interests	(0.3)	(0.3)
Earnings per share		
Basic earnings per share in €	1.9	1.7
Diluted earnings per share in €	1.9	1.7

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

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

Attributable to equity holders of the Company	Note	Share capital	Share premium	Share-based payment reserve	Legal reserve	Reserve for own shares	Other reserves	Retained losses	Remeasurements	Total	Non-controlling interest	Total equity
(€ in millions)												
January 1, 2021		12.8	80.7	135.6	64.8	(199.4)	685.3	(2,249.9)	(12.3)	(1,482.4)	28.4	(1,454.0)
Total comprehensive income for the period												
Profit for the period		—	—	—	—	—	—	212.0	—	212.0	(0.3)	211.7
Other comprehensive income [1]		—	—	—	—	—	—	—	2.7	2.7	—	2.7
Total comprehensive income for the period		—	—	—	—	—	—	212.0	2.7	214.7	(0.3)	214.4
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners of the Company												
Recognition of share-based compensation	5.8	—	—	6.9	—	—	—	—	—	6.9	—	6.9
Own shares sold	5.8	—	—	—	—	5.8	—	(5.8)	—	—	—	—
Dividend declared	5.8	—	—	—	—	—	—	(150.2)	—	(150.2)	—	(150.2)
Liquidation Telenet Tecteo Bidco NV and Telenet Finance BV	5.8	—	—	—	—	—	—	19.1	—	19.1	(24.9)	(5.8)
Total contribution by and distributions to owners of the Company		—	—	6.9	—	5.8	—	(136.9)	—	(124.2)	(24.9)	(149.1)
Changes in ownership interests in subsidiaries												
Capital contributions by NCI		—	—	—	—	—	—	—	—	—	0.2	0.2
Total transactions with owners of the Company		—	—	6.9	—	5.8	—	(136.9)	—	(124.2)	(24.7)	(148.9)
June 30, 2021		12.8	80.7	142.5	64.8	(193.6)	685.3	(2,174.8)	(9.6)	(1,391.9)	3.4	(1,388.5)

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

Attributable to equity holders of the Company	Note	Share capital	Share premium	Share-based payment reserve	Legal reserve	Reserve for own shares	Other reserves	Retained losses	Remeasurements	Total	Non-controlling interest	Total equity
(€ in millions)												
January 1, 2020		12.8	80.7	118.9	64.8	(209.2)	721.2	(2,287.8)	(13.5)	(1,512.1)	25.1	(1,487.0)
Total comprehensive income for the period												
Profit for the period		—	—	—	—	—	—	185.2	—	185.2	(0.3)	184.9
Other comprehensive loss		—	—	—	—	—	—	—	(12.5)	(12.5)	—	(12.5)
Total comprehensive income for the period		—	—	—	—	—	—	185.2	(12.5)	172.7	(0.3)	172.4
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners of the Company												
Recognition of share-based compensation	5.8	—	—	5.2	—	—	—	—	—	5.2	—	5.2
Own shares acquired	5.8	—	—	—	—	(34.4)	—	—	—	(34.4)	—	(34.4)
Liquidation own shares	5.8	—	—	—	—	35.5	(35.5)	—	—	—	—	—
Dividend declared	5.8	—	—	—	—	—	—	(142.3)	—	(142.3)	—	(142.3)
Other		—	—	—	—	—	(0.4)	—	—	(0.4)	—	(0.4)
Total contribution by and distributions to owners of the Company		—	—	5.2	—	1.1	(35.9)	(142.3)	—	(171.9)	—	(171.9)
Changes in ownership interests in subsidiaries												
Capital contributions by NCI		—	—	—	—	—	—	—	—	—	0.4	0.4
Total transactions with owners of the Company		—	—	5.2	—	1.1	(35.9)	(142.3)	—	(171.9)	0.4	(171.5)
June 30, 2020		12.8	80.7	124.1	64.8	(208.1)	685.3	(2,244.9)	(26.0)	(1,511.3)	25.2	(1,486.1)

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

4. Condensed consolidated interim statement of cash flows

(€ in millions)		For the six months ended June 30,	
	Note	2021	2020
Cash flows provided by operating activities:			
Profit for the period		211.7	184.9
Adjustments for:			
Depreciation, amortization, impairment and restructuring	5.13	360.7	389.8
Gain on disposal of property and equipment and other intangible assets	5.13	(2.2)	(3.0)
Income tax expense	5.11	69.7	16.4
Increase in allowance for bad debt		2.4	0.3
Loss on disposal of assets/liabilities to a subsidiary or a joint venture		—	4.3
Net interest income and foreign exchange gain		(0.5)	(5.0)
Net interest expense, foreign exchange loss and other finance expense		179.8	108.4
Accretion expense IFRS 16		1.9	2.0
Net gain on derivative financial instruments	5.10	(152.3)	(22.7)
Loss (gain) on extinguishment of debt		(0.1)	15.1
Share in the result of equity accounted investees	5.7	2.3	(1.3)
Share based payments	5.8	12.8	8.0
Change in:			
Trade receivables		7.3	7.0
Other assets		(16.7)	2.9
Deferred revenue		(4.4)	15.5
Trade payables		31.0	(52.0)
Derivatives paid (received)		(8.6)	5.6
Accrued expenses and other current liabilities		(3.6)	3.2
Interest paid		(84.3)	(107.2)
Income taxes paid	5.11	(95.6)	(0.5)
Net cash provided by operating activities		**511.3**	**571.7**

(in millions of euro)		For the six months ended June 30,	
	Note	2021	2020

Cash flows used in investing activities:

Acquisition of property and equipment	5.4	(143.8)	(144.1)
Acquisition of intangibles	5.6	(95.7)	(88.1)
Acquisitions of and loans to equity accounted investees	5.7	(16.2)	(20.5)
Acquisitions of subsidiaries and affiliates, net of cash acquired		—	(3.5)
Proceeds from sale of property and equipment and other intangibles		0.7	0.8
Net cash used in investing activities		**(255.0)**	**(255.4)**

Cash flows used in financing activities:

Repayments of loans and borrowings	5.9	(232.5)	(329.5)
Proceeds from loans and borrowings	5.9	189.9	225.4
Repayments of loans to related parties		—	(3.3)
Payments of lease liabilities	5.9	(45.0)	(51.0)
Payments for debt issuance costs		—	(13.4)
Repurchase of own shares		—	(34.4)
Proceeds from capital transactions with equity participants		0.2	2.2
Payments related to capital reductions and dividends	5.8	(156.0)	(142.3)
Net cash used in financing activities		**(243.4)**	**(346.3)**
Net increase (decrease) in cash and cash equivalents		**12.9**	**(30.0)**
Cash and cash equivalents:			
At January 1		82.0	101.4
At June 30		94.9	71.4

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, 2021

5.1 Reporting entity and basis of preparation

5.1.1 Reporting entity

The accompanying condensed consolidated interim financial statements (the "Interim Financial Statements") present the operations of Telenet Group Holding NV, its subsidiaries and other consolidated companies (hereafter collectively referred to as the “Company” or “Telenet”). Through its broadband network, the Company offers basic and enhanced video services, including pay television services, broadband internet and fixed-line telephony services to residential subscribers in Flanders and certain communes in Brussels as well as broadband internet, data and voice services in the business market throughout Belgium and parts of Luxembourg. The Company also offers mobile telephony services through its own mobile network.

Telenet Group Holding NV and its principal operating subsidiaries are limited liability companies organized under Belgian law. Subsidiaries and structured financing entities ("SEs") have been incorporated in Luxembourg 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, 2020. Results for the six months ended June 30, 2021 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 September 24, 2021.

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 hundred thousand (€0.1 million) except when indicated otherwise.

5.1.4 Use of estimates and judgments

The preparation of financial statements in accordance with EU IFRS requires the use of certain critical accounting estimates and management judgment in the process of applying the Company’s accounting policies that affects the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Interim Financial Statements are the same as those discussed in Note 5.1.4 of the Company's consolidated financial statements as of and for the year ended December 31, 2020.

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. Measuring the fair value of an asset or liability is performed, in the same manner as discussed in Note 5.1.4 of the Company's consolidated financial statements as of and for the year ended December 31, 2020.

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 operating segments identified for the six months ended June 30, 2021 were the same as those described in the last annual financial statements.

For an overview of the Company's revenue by major category, we refer to note 5.12. The table below summarizes the Company's:

- revenue for the six months ended June 30, 2021 and 2020 from external customers earned in the Company's country of domicile and in foreign countries; and
- non-current assets, other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts, located in the Company's country of domicile and in foreign countries, as of June 30, 2021 and December 31, 2020.

For the six months ended June 30, 2021 and June 30, 2020, no single third party customer accounted for 10 percent or more of the Company's total revenues.

(€ in millions)	June 30, 2021			December 31, 2020		
	Belgium	Foreign countries	TOTAL	Belgium	Foreign countries	TOTAL
Property & equipment	2,213.4	—	2,213.4	2,288.0	—	2,288.0
Intangible assets	694.1	—	694.1	693.6	—	693.6
Total fixed assets	**2,907.5**	**—**	**2,907.5**	**2,981.6**	**—**	**2,981.6**

(€ in millions)	For the six months ended June 30, 2021			For the six months ended June 30, 2020		
	Belgium	Foreign countries	TOTAL	Belgium	Foreign countries	TOTAL
Total Revenue	**1,288.3**	**—**	**1,288.3**	**1,270.2**	**2.0**	**1,272.2**

5.1.6 Reporting changes

Revenue allocation from Telenet's Small and Medium Sized ("SME") and Large Enterprise ("LE") business customers: As of the second quarter of 2021, the Company's postpaid and total mobile subscriber count includes its SME and LE business customers, which were previously not recorded in the Company's SIM count. As a result of the aforementioned change, the subscription and usage-related revenue generated by Telenet's SME and LE business customers will be reported under mobile telephony revenue as of the second quarter of 2021 (as opposed to business services revenue previously), while the interconnect revenue will now be recognized under other revenue (as opposed to business services revenue previously).

5.2 Significant accounting policies

The accounting policies applied by the Company in these Interim Financial Statements are the same as those applied in the Company’s consolidated financial statements as of and for the year ended December 31, 2020. A number of new standards and amendments to standards are effective from January 1, 2021 but they do not have a material effect on the Company’s condensed consolidated interim financial statements for the six months ended June 30, 2021 (Note 5.2.20 of the Company's consolidated financial statements as of and for the year ended December 31, 2020).

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021 and earlier application is permitted, however, the Company has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

Configuration or Customization Costs in a Cloud Computing Arrangement ("CCA"): Following IFRS Interpretations Committee's ("IFRIC") agenda decision of April 2021 new guidance was made available concerning implementation costs in a CCA. If a CCA qualifies as a service contract, the configuration or customization costs should be expensed when the service is received, unless

- the underlying asset would give rise to an intangible asset in which case IAS 38 (accounting for intangible assets) should still apply, or

- the nature of the services rendered is 'not distinct', therefore indistinguishable from the service of receiving access to the software and consequently the implementation costs can be deferred over the contract term.

This agenda decision did not have a material impact on the Interim Financial Statements.

5.3 Financial instruments

5.3.1 Financial risk management

During the six months ended June 30, 2021, 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, 2020.

5.3.2 Financial instruments: fair values

Carrying amount versus fair value

The fair values of financial assets and financial liabilities, together with the carrying amounts on 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. Further, the fair value disclosures of lease liabilities are not required.

June 30, 2021	Note	Carrying amount	Fair value			
(€ in millions)				Level 1	Level 2	Level 3
Financial assets						
Financial assets carried at fair value						
Money market funds		60.0	60.0	60.0	—	—
Derivative financial assets	5.10	49.8	49.8	—	49.8	—
Total financial assets carried at fair value		**109.8**	**109.8**	**60.0**	**49.8**	**—**
Financial liabilities						
Financial liabilities carried at fair value						
Derivative financial liabilities	5.10	(355.7)	(355.7)	—	(355.7)	—
Total financial liabilities carried at fair value		**(355.7)**	**(355.7)**	**—**	**(355.7)**	**—**
Financial liabilities carried at amortized cost						
Loans and borrowings (including accrued interests and excluding deferred financing fees and lease obligations)	5.9					
- 2020 Amended Senior Credit Facility		3,056.3	3,013.5	—	3,013.5	—
- Senior Secured Fixed Rate Notes		1,414.5	1,451.1	1,451.1	—	—
- Revolving Facility I		1.1	1.1	—	1.1	—
- Nextel Credit Facility		0.7	0.5	—	0.5	—
- SFR network right of use		3.8	2.0	—	2.0	—
- Vendor financing		350.5	350.5	—	350.5	—
- Clientele fee > 20 years		121.2	147.1	—	147.1	—
- Renting debt		1.3	1.7	—	1.7	—
- Other debts		0.6	0.5	—	0.5	—
Total financial liabilities carried at amortized cost		**4,950.0**	**4,968.0**	**1,451.1**	**3,516.9**	**—**

December 31, 2020	Note	Carrying amount	Fair value			
(€ in millions)				Level 1	Level 2	Level 3
Financial assets						
Financial assets carried at fair value						
Money market funds		45.0	45.0	45.0	—	—
Derivative financial assets	5.10	106.7	106.7	—	106.7	—
Total financial assets carried at fair value		**151.7**	**151.7**	**45.0**	**106.7**	**—**
Financial liabilities						
Financial liabilities carried at fair value						
Derivative financial liabilities	5.10	(573.6)	(573.6)	—	(573.6)	—
Total financial liabilities carried at fair value		**(573.6)**	**(573.6)**	**—**	**(573.6)**	**—**
Financial liabilities carried at amortized cost						
Loans and borrowings (including accrued interests and excluding deferred financing fees and lease obligations)	5.9					
- 2020 Amended Senior Credit Facility		2,996.7	2,966.4	—	2,966.4	—
- Senior Secured Fixed Rate Notes		1,388.1	1,434.3	1,434.3	—	—
- Revolving Facility I		1.1	1.1	—	1.1	—
- Nextel Credit Facility		0.8	0.6	—	0.6	—
- SFR network right of use		3.8	1.8	—	1.8	—
- Vendor financing		353.9	353.9	—	353.9	—
- Clientele fee > 20 years		125.5	131.1	—	131.1	—
- Renting debt		1.8	1.7	—	1.7	—
- Other debts		0.6	0.5	—	0.5	—
Total financial liabilities carried at amortized cost		**4,872.3**	**4,891.4**	**1,434.3**	**3,457.1**	**—**

Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

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

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Loans and borrowings : - 2020 Amended Senior Credit Facility - Senior Secured Notes	Market comparison technique : The fair values are based on broker quotes. The brokers providing the quotes are among the most active in the trading of the Senior Credit Facility, and regularly provide quotes to the market. No adjustments to this pricing are needed.	Not applicable.	Not applicable.
Loans and borrowings: - Renting debt - SFR network right of use - Vendor financing - Nextel credit facility - Clientele fee > 20 years - Other debts - Revolving Facility I	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, 2021, no financial assets or liabilities measured at fair value have been transferred between the levels of the fair value hierarchy.

5.4 Property and equipment

(€ in millions)	Land, buildings, and leasehold improvements	Network	Construction in progress	Furniture, equipment, and vehicles	Total
Cost					
At January 1, 2021	**234.0**	**3,972.3**	**98.6**	**115.0**	**4,419.9**
Additions	1.9	140.7	3.5	9.0	155.1
Transfers	(0.3)	13.1	(22.5)	(0.5)	(10.2)
Other	(11.6)	—	—	0.5	(11.1)
Impairment	—	—	(0.3)	—	(0.3)
Write off of fully depreciated assets	(4.4)	(7.6)	—	(0.2)	(12.2)
At June 30, 2021	**219.6**	**4,118.5**	**79.3**	**123.8**	**4,541.2**
Accumulated Depreciation					
At January 1, 2021	**119.9**	**1,958.9**	**—**	**53.1**	**2,131.9**
Depreciation charge for the year	14.0	199.2	—	4.9	218.1
Transfers	(0.3)	(9.6)	—	(0.3)	(10.2)
Write off of fully depreciated assets	(4.4)	(7.6)	—	(0.2)	(12.2)
Other	—	—	—	0.2	0.2
At June 30, 2021	**129.2**	**2,140.9**	**—**	**57.7**	**2,327.8**
Carrying Amount					
At June 30, 2021	90.4	1,977.6	79.3	66.1	2,213.4
At January 1, 2021	114.1	2,013.4	98.6	61.9	2,288.0

Accrued capital expenditures for property and equipment reached €155.1 million for the six months ended June 30, 2021 and related mainly to investments in the Company's network.

For the six months ended June 30, 2021, the Company removed €12.2 million of gross cost and accumulated depreciation related to fully depreciated assets which are no longer used by the Company.

5.5 Goodwill

The total amount of goodwill as of June 30, 2021 amounted to €1,824.5 million and remained unchanged compared to December 31, 2020. The Company identified two cash generating units, being:

- Telenet, and
- De Vijver Media.

5.6 Other intangible assets

(€ in millions)	Network user rights	Trade name	Software	Customer relationships	Broadcasting rights	Other	Total
Cost							
At January 1, 2021	**294.6**	**191.7**	**946.7**	**179.3**	**178.5**	**33.9**	**1,824.7**
Additions	8.4	—	101.9	—	31.6	—	141.9
Write-off of fully amortized assets	—	(0.5)	(1.7)	—	(1.7)	—	(3.9)
Transfers	—	—	(0.8)	—	—	—	(0.8)
At June 30, 2021	**303.0**	**191.2**	**1,046.1**	**179.3**	**208.4**	**33.9**	**1,961.9**
Accumulated amortization							
At January 1, 2021	**200.4**	**138.4**	**565.9**	**114.5**	**106.6**	**5.3**	**1,131.1**
Amortization charge of the year	12.4	2.9	76.5	10.2	38.3	1.1	141.4
Write-off of fully amortized assets	—	(0.5)	(1.7)	—	(1.7)	—	(3.9)
Transfers	—	—	(0.8)	—	—	—	(0.8)
At June 30, 2021	**212.8**	**140.8**	**639.9**	**124.7**	**143.2**	**6.4**	**1,267.8**
Carrying amount							
At June 30, 2021	90.2	50.4	406.2	54.6	65.2	27.5	694.1
At January 1, 2021	94.2	53.3	380.8	64.8	71.9	28.6	693.6

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

Software additions for the six months ended June 30, 2021 were €101.9 million. The high software-related investments represent increased investments in our customer-facing platform as well as investments in driving the customer experience and investments in a new ERP software program.

Acquisitions of broadcasting rights were €31.6 million, primarily linked to the acquisition of movie rights (€25.8 million) and sport rights (€5.8 million). Write off of fully amortized broadcasting rights were €1.7 million, and mostly related to the Belgian Hockey League seasons 2018-2021 (€0.9 million) and UEFA Europe League seasons 2018-2021 (€0.8 million).

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

5.7.1 Investments in and loans to equity accounted investees

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

(€ in millions)	Joint Ventures	Associates	Total
Investments			
At January 1, 2021	**87.9**	**13.9**	**101.8**
Additional investment Ads & Data	0.1	—	0.1
Impairment Ads & Data	(0.9)	—	(0.9)
Transfer Ads & Data	1.1	(1.1)	—
Investment Caviar	13.5	—	13.5
Reclassification from loans	1.0	—	1.0
At June 30, 2021	**102.7**	**12.8**	**115.5**
Share in the result			
At January 1, 2021	**(0.8)**	**1.2**	**0.4**
Share in the result	(1.7)	0.3	(1.4)
Dividend	(0.3)	—	(0.3)
Transfer Ads & Data	(1.1)	1.1	—
At June 30, 2021	**(3.9)**	**2.6**	**(1.3)**
Loans granted			
At January 1, 2021	**4.0**	**5.5**	**9.5**
New loans granted	—	1.4	1.4
Reclassification to investments	—	(1.0)	(1.0)
Accrued interest	—	0.1	0.1
At June 30, 2021	**4.0**	**6.0**	**10.0**
Carrying Amount			
At June 30, 2021	102.8	21.4	**124.2**
At January 1, 2021	91.1	20.6	**111.7**

Eltrona Interdiffusion S.A.

On April 1, 2020, Eltrona, the Luxembourg cable operator, took over, through a merger, the business of Coditel S.à.r.l. ("SFR-Lux"), a former Telenet subsidiary in Luxembourg. Telenet's ownership in Eltrona is 50%-1 share, and the investment held qualifies as a joint venture, accounted for using the equity method. The (gross) initial investment value at acquisition date amounted to €59.5 million. As of March 31, 2021, the allocation of the purchase price to the acquired identified net assets was finalized. The fair value adjustment mainly related to property and equipment (€19.2 million), historical goodwill (-€27.8 million), other intangible assets (a.o customer relationships (€15.7 million) and trade name (€1.6 million)) and the deferred tax related to the aforementioned adjustments (€7.7 million).

The result of the fair value adjustments at acquisition can be summarized as follows:

(€ in millions)	Initial IFRS opening balance sheet	Fair value adjustments	Fair value of identifiable net assets
Net assets (01/04/2020)			
Non-current assets	54.1	8.7	62.8
Current assets	23.4	—	23.4
Non-current liabilities	(4.0)	(7.7)	(11.7)
Current liabilities	(20.8)	—	(20.8)
Net assets (100%)	**52.7**	**1.0**	**53.7**
Group's share of the net assets (50%-1)			
Group's share of the net assets (50%-1)	26.4		26.9
Goodwill	33.1		32.6
Amount recognized as equity investment	**59.5**		**59.5**

At June 30, 2021, the carrying amount of the investment was €58.7 million. Telenet's share in the result for the six months ended June 30, 2021 amounted to -€1.8 million.

Streamz BV

Streamz BV ("Streamz") is a joint venture between DPG Media and Telenet which launched a fully-fledged streaming service with local and international content. In first instance, in the course of 2020, Telenet contributed certain content-related assets and liabilities to its then wholly-owned subsidiary Streamz. Subsequently, on September 1, 2020, DPG Media entered into the JV by buying 50% of the shares in the JV from Telenet. The (gross) initial investment value in the JV amounted to €28.4 million. As of June 30, 2021, the Company had not yet finalized the allocation of the cost of the investment to the Company's share of the net fair value of Streamz's identifiable assets. The Company does not expect elements of Streamz' assets and liabilities to be subject to a fair value adjustment.

The preliminary goodwill included in the carrying value of the investment can be summarized as follows:

(€ in millions)	
Consideration transferred (incl. acquisition related costs)	28.4
Net assets of Streamz BV as per September 1, 2020 (50%)	11.9
Goodwill	16.5
Amount recognized as equity investment	**28.4**

On September 1, 2020, both Telenet and DPG Media granted each a loan to Streamz BV of €4.0 million with a duration of two years.

At June 30, 2021, the carrying amount of the investment was €25.9 million. Telenet's share in the result for the six months ended June 30, 2021 amounted to -€0.6 million.

Ads & Data NV (formerly known as Pebble Media NV)

On April 1, 2021, (i) Telenet/SBS, (ii) Mediahuis, (iii) Proximus/ Skynet, and (iv) Pebble Media NV ("Pebble Media") jointly created a joint venture in order to provide advertisers with the best possible and most efficient solutions for communicating with their target groups across media types and platforms. This JV operates as a national advertising sales agency.

Pebble Media, a 50%-50% joint venture of Telenet and the VAR (Vlaamse Audiovisuele Regie), formed the basis for the new JV. Pebble Media was incorporated to jointly organize the online advertising of the investors. At the closing date of the transaction, being April 1, 2021, the VAR stepped out of Pebble Media by selling its 50% stake in Pebble Media to Telenet, immediately followed by a sale of respectively 44.4% and 11.2% of the Pebble Media shares by Telenet to Mediahuis and Proximus, upon which Pebble Media was renamed Ads & Data. At June 30, 2021, Telenet held a 44.4% stake in Ads & Data.

The (gross) initial investment value amounted to €0.2 million. The Company does not expect elements of Ads & Data's' assets and liabilities to be subject to a fair value adjustment. At June 30, 2021, the carrying amount of the investment was €0.3 million. Telenet's share in the result for the six months ended June 30, 2021 amounted to €0.1 million.

Caviar Group

On May 3, 2021, Telenet Group NV completed the acquisition of a 49% stake in Caviar Group NV and 6320 Canal SA (jointly referred to as "Caviar" or the "Caviar Group") for a purchase price of €13.5 million. The Caviar Group is a worldwide entertainment and audio-visual content production group active in Europe and the United States.

The 49% investment in Caviar Group qualifies as a joint venture and is accounted for using the equity method. Telenet recognized its €0.5 million share in the net result of Caviar Group for the period beginning on the transaction closing date, resulting in a carrying value of the investment of €14.0 million on June 30, 2021. The allocation of the consideration transferred is currently ongoing.

Doccle CVBA / Doccle.Up NV

Doccle is a digital platform enabling producers and consumers to securely store documents and perform administrative tasks. In the current setup, (i) CM (a health insurance fund), (ii) Acerta (a payroll office), and (iii) Telenet each hold a stake of 33% in the JV.

Each of the venturers are also customers of Doccle as they use the platform to organize the communication with and store documents for their customers.

Both other venturers (CM and Acerta) indicated their intention to step out of the JV, upon which all parties entered into a share purchase agreement on February 26, 2021. Following this agreement, CM and Acerta will both sell their shares to Telenet at closing date, being July 1, 2021, upon which Telenet will become 100% shareholder. The Company intends to restructure the existing 33%-33%-33% JV into a 50%-50% joint venture with Isabel Group. On June 10, 2021, Telenet and Isabel Group entered into an SPA whereby Isabel Group will purchase 50% of the shares in the JV. This latter transaction is subject to regulatory approval. Currently, the Company estimates to obtain regulatory approval by end of 2021.

At June 30, 2021, the Company's investment in and loans granted to, as well as Telenet's share in the result of the JV can be summarized as follows:

(€ in millions)	Doccle CVBA	Doccle.Up NV	TOTAL
Equity investment (book value)	0.3	0.6	0.9
Loans receivable	1.6	1.0	2.6
Share in the result for the six months ended June 30, 2021	(0.2)	—	(0.2)

5.8 Shareholders' equity

5.8.1 Shareholders' equity

As of June 30, 2021, share capital amounted to €12.8 million (December 31, 2020: €12.8 million).

The condensed consolidated interim financial statements as of June 30, 2021 showed a negative consolidated equity amounting to €1,388.5 million, mainly as a result of the Company's historical shareholder disbursements policy, including various capital reductions.

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

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

- the forecasted earnings for the next year;

- a projected strong and steady positive cash flow for the next year;
- maturities of financial obligations as disclosed in note 5.9.

Own shares

As of June 30, 2021, the Company held 4,464,799 own shares. No stock options were exercised during the six months ended June 30, 2021. As a consequence of the (partial) vesting during the six months ended June 30, 2021 of (i) the RSU 2019, (ii) the RSU 2020 and (iii) the Compensation RSU May 2021 plans, the Company transferred in total 133,759 own shares to the beneficiaries.

Dividends

On April 28, 2021, the Annual Shareholders' Meeting approved a gross final dividend over 2020 of €1.375 per share, amounting in total to €150.2 million for 109,243,261 dividend-entitled shares. The effective cash payment of the dividend occurred on May 5, 2021.

Non-controlling interests

On April 23, 2021 the dissolution and liquidation of Telenet Finance BV took place which resulted in a decrease in non-controlling interest of €3.1 million. On June 30, 2021 the dissolution and liquidation of Telenet Tecteo Bidco NV took place, which resulted in a decrease in non-controlling interest of €21.8 million.

5.8.2 Employee share based compensation

Stock Option Plan 2016

The contractual term to exercise the ESOP 2016 stock options expired on April 15, 2021. As a result, all the outstanding and unexercised 243,316 stock options expired and consequently there are no longer outstanding stock options under this plan.

Restricted shares

The Company has an established practice of compensating beneficiaries under share based long term incentive plans for the effect of dividend pay-outs on the Company's share price. On May 10, 2021, the Company granted Compensation Restricted Shares (the "Compensation Restricted Shares May 2021") to holders of vested and unvested stock options, unvested performance shares and unvested restricted shares. These Compensation Restricted Shares immediately vested upon grant and were settled in 82,643 shares by the Company upon issuance. The Compensation Restricted Share Plans do not contain any service requirement and as a consequence, the compensation expense related to these plans was integrally recognized on the grant date being May 10, 2021.

In the six months ended June 30, 2021, Telenet recognized €12.8 million of compensation expense for the Telenet share based compensation plans, including €2.5 million related to the equity settled stock option awards, €2.6 million related to the performance share awards and €7.7 million related to the restricted share awards. Total compensation expense for the six months ended June 30, 2020 amounted to €8.0 million.

5.9 Loans and borrowings

The balances of loans and borrowings specified below include accrued interest and debt premiums as of June 30, 2021 and December 31, 2020.

(€ in millions)	June 30, 2021	December 31, 2020
2020 Amended Senior Credit Facility:		
Term Loan AR	1,934.7	1,874.9
Term Loan AQ	1,121.6	1,121.8
Senior Secured Fixed Rate Notes:		
USD1.0 billion Senior Secured Notes due 2028	865.8	839.4
€600 million Senior Secured Notes due 2028	548.7	548.7
Revolving Credit Facility	1.1	1.1
Nextel Credit Facility	0.7	0.8
SFR network right of use	3.8	3.8
Vendor financing	350.5	353.9
Lease obligations	530.1	555.5
Clientele fee > 20 years	121.2	125.5
Renting debt	1.3	1.8
Other debt	0.6	0.6
	5,480.1	5,427.8
Less: deferred financing fees	(9.4)	(10.0)
Total non-current and current loans and borrowings	**5,470.7**	**5,417.9**
Less: current portion	(497.8)	(499.6)
Total non-current loans and borrowings	**4,972.9**	**4,918.3**

At June 30, 2021, Telenet carried a total debt balance (including accrued interest and debt premium) of €5,470.7 million, of which €1,414.5 million is related to the Senior Secured Fixed Rate Notes with a maturity of March 2028 and €3,056.3 million is owed under its 2020 Amended Senior Credit Facility with maturities ranging from April 2028 through April 2029.

The Company's total debt balance at June 30, 2021 also included a principal amount of €350.5 million related to Telenet's vendor financing program, substantially all of which is maturing within less than twelve months. The remainder primarily represents lease obligations associated with the Interkabel Acquisition and other lease liabilities.

Excluding (i) accrued interests, (ii) lease obligations and (iii) short-term liabilities related to Telenet's vendor financing program, the Company faces no debt maturities prior to March 2028 with a weighted average maturity of 7.0 years at June 30, 2021. In addition, Telenet also had full access to €555.0 million of undrawn commitments under the revolving credit facilities at June 30, 2021 with certain availabilities up to September 2026.

The table below provides an overview of the aggregate future principal payments of the total borrowings under all of the Company's loans and borrowings other than the leases and other types of financing as of June 30, 2021.

(€ in millions)	Total Facility as per	Drawn amount	Undrawn amount	Maturity Date	Interest rate	Interest payments due
June 30, 2021						
2020 Amended Senior Credit Facility:						
Term Loan AQ	1,110.0	1,110.0	—	April 30, 2029	Floating | 6-month Euribor (0% floor) + 2.25%	Semi-annually (Jan. and Jul.)
Term Loan AR (USD 2,295 million)	1,937.0	1,937.0	—	April 30, 2028	Floating | USD Libor 6-month (0% floor)+ 2.00%	Monthly
Revolving Credit Facility I	510.0	—	510.0	May 31, 2026	Floating | 6-month Euribor (0% floor)+ 2.25%	Quarterly (commitment fees only)
Other						
Revolving Credit Facility	20.0	—	20.0	September 30, 2026	Floating | 1-month EURIBOR (0% floor) + 2.25%	Quarterly (commitment fees only)
Overdraft Facility	25.0	—	25.0	June 30, 2022	Floating | 1-month EURIBOR (0% floor) + 1.60%	Quarterly (commitment fees only)
Senior Secured Fixed Rate Notes						
USD 1.0 billion Senior Secured Notes due 2028 (Term Loan AJ)	844.0	844.0	—	March 1, 2028	Fixed | 5.50%	Semi-annually (Jan. and Jul.)
€600 million Senior Secured Notes due 2028 (Term Loan AK)	540.0	540.0	—	March 1, 2028	Fixed | 3.50%	Semi-annually (Jan. and Jul.)
Total notional amount	**4,986.0**	**4,431.0**	**555.0**			

5.10 Derivative financial instruments

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

(€ in millions)	June 30, 2021	December 31, 2020
Current assets	32.5	48.1
Non-current assets	17.3	58.6
Current liabilities	(61.9)	(65.5)
Non-current liabilities	(293.8)	(508.0)
	(305.9)	**(466.8)**
Interest rate derivatives	(113.3)	(131.9)
Cross currency interest rate swaps	(194.9)	(332.1)
Foreign exchange forwards	0.5	(2.8)
Embedded derivatives	1.8	—
	(305.9)	**(466.8)**

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

	For the six months ended June 30,	
(€ in millions)	2021	2020
Change in fair value		
Cross currency interest rate swaps	137.2	15.3
Interest rate derivatives	18.5	(13.7)
Foreign exchange forwards	3.4	(1.5)
Embedded derivatives	1.8	—
Interest rate caps	—	16.9
Total change in fair value	**160.9**	**17.0**
Realized result on derivatives		
Cross currency interest rate swaps	14.0	26.9
Interest rate derivatives	(24.4)	(21.2)
Interest rate caps	1.8	—
Total realized result on derivatives	**(8.6)**	**5.7**
Net gain on derivative financial instruments	**152.3**	**22.7**

The favorable change in fair value for the six months ended June 30, 2021 of €160.9 million is mainly the result of a downward shift in the euro swap curve, which had a positive impact on the mark-to-market valuation of the Company's cross currency interest rate swaps and interest rate derivatives, a lower EUR/USD rate positively impacting the cross currency interest rate swaps valuations and less negative EURIBOR rate which favorably impacts the interest rate options portfolio valuation.

For cross currency interest rate swaps and interest rate derivatives, the change in fair value does not include the change in interest accrual.

5.11 Income taxes

(€ in millions)	For the six months ended June 30,	
	2021	2020
Current tax expense	(44.6)	(5.6)
Deferred tax expense	(25.1)	(10.8)
Income tax expense	**(69.7)**	**(16.4)**

The Company recognized €44.6 million of current tax expense for the six months ended June 30, 2021, which combined with the payment of €95.6 million of income taxes for the six months ended June 30, 2021, brought the current tax liability to €133.9 million as of June 30, 2021 (December 31, 2020: €184.6 million).

Telenet recorded income tax expense of €69.7 million for the six months ended June 30, 2021 compared to €16.4 million for the six months ended June 30, 2020. The Company's income tax expense for the six months ended June 30, 2020 was favorably impacted by the recognition of the innovation income tax deduction, including a one-time effect of deductions related to prior periods.

Telenet Group Holding NV and its subsidiaries had available combined cumulative tax loss carry forwards of €1,177.1 million as of June 30, 2021 (December 31, 2020: €1,200.7 million). These tax losses may be historical (before acquisition by the Telenet group) or resulting from operational, financial or M&A activities. Under current Belgian and Luxembourg tax laws, these loss carry forwards have indefinite lives and may be used to offset future taxable income of Telenet Group Holding NV and its subsidiaries.

Deferred tax assets ("DTA") are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable, based on management's assessment taking into account business plans and projections of future expected results. The same assessment is applied for group companies that incurred losses during one of the last two years, but where management was able to determine with sufficient probability, based on the business plans and projections of their taxable results, that the losses carried forward will be utilized in the foreseeable future (Telenet International Finance Sarl was in this position and recorded a net DTA of €68.5 million on June 30, 2021).

The Company did not recognize deferred tax assets of €140.4 million as per June 30, 2021 (December 31, 2020: €139.3 million) in respect of tax losses carried forward amounting to €561.6 million (December 31, 2020: €557.0 million) because it is not considered more likely than not that these net deferred tax assets will be utilized in the foreseeable future.

5.12 Revenue

The Company's revenue is comprised of the following:

(€ in millions)	For the six months ended June 30,	
	2021	2020
Subscription revenue		
Video	278.8	284.0
Broadband internet	337.8	323.5
Fixed-line telephony	109.3	113.8
Cable Subscription revenue	**725.9**	**721.3**
Mobile telephony	238.0	223.0
Total Subscription revenue	**963.9**	**944.3**
Business services	90.3	98.3
Other	234.1	229.6
Total Revenue	**1,288.3**	**1,272.2**

For the six months ended June 30, 2021, the Company generated revenue of €1,288.3 million, which was an increase of over 1% (1.3%) versus €1,272.2 million in the prior year period.

The Company's total subscription revenue, including both cable and mobile subscription revenue, grew 1% year-on-year for the six months ended June 30, 2021 and continues to represent a solid source of cash flow for our business. This positive trend was driven by solid growth in the Company's cable subscription revenue driven by (i) continued momentum for the Company's FMC bundles in both the residential and the business segments, (ii) the uptiering of broadband customers to higher speed bundles and (iii) the benefit of the October 2020 rate adjustment. As a result of changes to the allocation of revenue from the Company's new "ONE FMC bundles compared to the former "WIGO" and "YUGO" FMC bundles, mobile telephony revenue increased by €0.9 million, during H1 2021, with a corresponding decrease in cable subscription revenue.

The Company's other revenue amounted to €234.1 million for the six months ended June 30, 2021, a 2% year-on-year increase, mainly because of an increase of the advertising and production revenue.

(€ in millions)	For the six months ended June 30,	
	2021	2020
Interconnect	65.0	79.2
Sale of handsets and customer premise equipment	45.9	44.4
Wholesale	50.9	47.1
Advertising and production	60.4	44.8
Other	11.9	14.1
Total other revenue	**234.1**	**229.6**

The Company also had deferred revenue as follows:

(€ in millions)	June 30, 2021	December 31, 2020
Subscription revenue		
Video	14.9	16.4
Broadband internet	25.6	25.7
Fixed-line telephony	17.8	17.1
Cable Subscription revenue	58.3	59.2
Mobile telephony	23.0	23.9
Total Subscription revenue	81.3	83.1
Business services	25.1	22.7
Other	8.7	13.1
Total Deferred Subscription Revenue	**115.1**	**118.9**
Other contract liabilities IFRS 15	6.8	7.5
Total Deferred Revenue	**121.9**	**126.4**
Current portion	3.2	3.6
Non-current portion	118.7	122.8

5.13 Expenses by nature

(€ in millions)		For the six months ended June 30,	
	Note	2021	2020
Network operating expenses		106.1	100.7
Direct costs (programming, copyrights, interconnect and other)		250.3	242.5
Staff-related expenses		138.1	133.2
Sales and marketing expenses		39.3	40.0
Outsourced labor and Professional services		15.2	14.3
Other indirect expenses		50.6	43.5
Operating expenses		**599.6**	**574.2**
Restructuring expenses		0.9	5.0
Operating charges related to acquisitions or divestitures		6.9	1.7
Post measurement period adjustments related to business acquisitions		(2.0)	(0.6)
Share-based payments granted to directors and employees	5.8.2	12.8	8.0
Depreciation	5.4	218.1	213.1
Amortization	5.6	103.1	92.3
Amortization of broadcasting rights	5.6	38.3	56.1
Impairment of property and equipment	5.4	0.3	2.0
Impairment of intangible assets and goodwill		—	21.3
Gain on disposal of property and equipment		(2.2)	(3.0)
Non-cash and other items		**376.2**	**395.9**
Total costs and expenses		**975.8**	**970.1**

For the six months ended June 30, 2021, the Company incurred total expenses of €975.8 million, representing a 1% increase compared to the prior year period. Total expenses for the first half of 2020 included (i) a full quarter contribution from the Company's Luxembourg cable business prior to the divestment to Eltrona as of April 1, 2020 as well as (ii) a €18.5 million goodwill impairment charge on De Vijver Media following the re-assessment of their strategic long-range plan in Q2 2020, reflecting the impact of the COVID-19 pandemic on its financial profile. Total expenses represented approximately 76% of revenue in H1 2021 (H1 2020: approximately 76%). Cost of services provided as a percentage of revenue represented approximately 49% for H1 2021 (H1 2020: approximately 55%), while selling, general and administrative expenses represented approximately 27% of our total revenue in H1 2021 (H1 2020: approximately 21%).

Operating expenses, which include (i) network operating expenses, (ii) direct costs, (iii) staff-related expenses, (iv) sales and marketing expenses, (v) outsourced labor and professional services and (vi) other indirect expenses, increased just over 4% on a reported basis for the six months ended June 30, 2021 and reflected changes to the IFRS accounting treatment of certain content-related costs for premium entertainment packages and the Belgian football broadcasting rights because of changes related to the underlying contracts.

5.14 Acquisition and disposal of subsidiaries

5.14.1 Connectify

On November 30, 2020, pursuant to a definitive agreement, the Company acquired a further 48.3% of the shares in Connectify NV ("Connectify"), an ICT business integrator, including its 100% subsidiary U-Cast. Telenet previously already held a 11.8% interest in Connectify. As a consequence, the November 30, 2020 transaction is considered to qualify as a business combination achieved in stages.

The Company had not yet completed the detailed allocation of the total purchase price as of June 30, 2021. The accounting for this business combination is therefore subject to adjustment based on Telenet's assessment of the fair values of the acquired identifiable assets and liabilities. The items with the highest likelihood of changing upon the valuation process include intangible assets associated with trade names, customer relationships, deferred taxes and goodwill.

5.15 Commitments and contingencies

5.15.1 Pending litigations

Interkabel Acquisition

On November 26, 2007, Telenet and the PICs announced a non-binding agreement-in-principle to transfer the analog and digital television activities of the PICs, including all existing subscribers to Telenet. Subsequently, Telenet and the PICs entered into a binding agreement (the "2008 PICs Agreement"), which closed effective October 1, 2008. Beginning in December 2007, Proximus NV/SA ("Proximus"), the incumbent telecommunications operator in Belgium, instituted several proceedings seeking to block implementation of these agreements. Proximus lodged summary proceedings with the President of the Court of First Instance of Antwerp to obtain a provisional injunction preventing the PICs from effecting the agreement-in-principle and initiated a civil procedure on the merits claiming the annulment of the agreement-in-principle. In March 2008, the President of the Court of First Instance of Antwerp ruled in favor of Proximus in the summary proceedings, which ruling was overturned by the Court of Appeal of Antwerp in June 2008. Proximus brought this appeal judgment before the Belgian Supreme Court (Hof van Cassatie / Cour de Cassation), which confirmed the appeal judgment in September 2010. On April 6, 2009, the Court of First Instance of Antwerp ruled in favor of the PICs and Telenet in the civil procedure on the merits, dismissing Proximus' request for the rescission of the agreement-in-principle and the 2008 PICs Agreement. On June 12, 2009, Proximus appealed this judgment with the Court of Appeal of Antwerp. In this appeal, Proximus also sought compensation for damages. While these proceedings were suspended indefinitely, other proceedings were initiated, which resulted in a ruling by the Belgian Council of State in May 2014 annulling (i) the decision of the PICs not to organize a public market consultation and (ii) the decision from the PICs' board of directors to approve the 2008 PICs Agreement. In December 2015, Proximus resumed the civil proceedings pending with the Court of Appeal of Antwerp seeking to have the 2008 PICs Agreement annulled and claiming damages of €1.4 billion. On December 18, 2017, the Court of Appeal of Antwerp rejected Proximus' claim in its entirety. On June 28, 2019,Proximus brought this appeal judgment before the Belgian Supreme Court (Hof van Cassatie / Cour de Cassation). On January 22, 2021, the Supreme Court partially annulled the judgment of the Court of Appeal of Antwerp. The case will be referred to the Court of Appeal of Brussels. This Court will need to make a new decision on the matter within the boundaries of the annulment by the Supreme Court. It is likely that it will take this other Court of Appeal several years to decide on the matter.

No assurance can be given as to the outcome of these or other proceedings. However, an unfavorable outcome of existing or future proceedings could potentially lead to the annulment of the 2008 PICs Agreement. There can be no assurances that the ultimate resolution of this matter will not have a material adverse impact on Telenet's results of operations, cash flows or financial position (although Telenet does not expect this to be the case). No amounts have been accrued by us with respect to this matter as the likelihood of loss is not considered to be probable.

Litigation regarding cable access

In June 2018, the Belgisch Instituut voor Post en Telecommunicatie and the regional regulators for the media sectors (together, the Belgium Regulatory Authorities) adopted a new decision finding that Telenet has significant market power in the wholesale broadband market (the 2018 Decision). The 2018 Decision imposes on Telenet the obligations to (i) provide third-party operators with access to the digital television platform (including basic digital video and analog video) and (ii) make available to third-party operators a bitstream offer of broadband internet access (including fixed-line telephony as an option). Unlike prior decisions, the 2018 Decision no longer applies "retail minus" pricing on Telenet; however, as of August 1, 2018, this decision imposes a 17% reduction in monthly wholesale cable resale access prices for an interim period. On July 5, 2019, the Belgium Regulatory Authorities have published for consultation a draft decision regarding "reasonable access tariffs" that will replace the interim prices. On May 26, 2020, the Belgian Regulatory Authorities adopted and published the decision regarding "reasonable access tariffs" (2020 Decision) that represents, for example, a decrease of 11.5% as compared to the interim rates for a 100Mbps offer combined with TV. The rates will evolve over time, amongst others due to broadband capacity usage. The 2020 Decision applies as of July 1, 2020.

The 2020 Decision aims to, and in its application, may strengthen Telenet's competitors by granting them resale access to Telenet's network to offer competing products and services notwithstanding Telenet's substantial historical financial outlays in developing the infrastructure. In addition, any resale access granted to competitors could (i) limit the bandwidth available to Telenet to provide new or expanded products and services to the customers served by its network and (ii) adversely impact Telenet's ability to maintain or increase its revenue and cash flows. The extent of any such adverse impacts ultimately will be dependent on the extent that competitors take advantage of the resale access afforded to Telenet's network, the rates that Telenet receives for such access and other competitive factors or market developments. Telenet considers the 2018 Decision to be inconsistent with the principle of technology-neutral regulation and the European Single Market Strategy to stimulate further investments in broadband networks. Telenet has challenged the 2018 Decision in the Brussels Court of Appeal and has also initiated an action in the European Court of Justice against the European Commission's decision not to challenge the 2018 Decision. The proceedings before the European Court of Justice have been withdrawn by Telenet in order to avoid undue delays in the Court of Appeal case. In a decision of September 4, 2019, the Brussels Court of Appeal upheld the 2018 CRC Decision.

Orange request for access to Coditel's network

On February 11, 2016, Orange Belgium SA ("Orange") made an official request for access to the cable network of Coditel, which was acquired by Telenet Group on June 19, 2017. On February 19, 2016, Orange transferred a sum of €600,000 to Coditel as required to launch the six-month implementation period to put in place the necessary measures to give Orange access to the cable network pursuant to the July 2011 Decision. In principle, the implementation period ended on August 19, 2016. As Orange had not yet obtained effective access to Coditel's network in December 2016, Orange brought a claim for damages against Coditel on December 29, 2016 in front of the French-speaking Commercial Court of Brussels. Orange claimed to have suffered a loss of €8,973 per day of delay. On January 16, 2017, Orange also initiated interim proceedings, but these have in the meantime been withdrawn. On November 14, 2019, Orange revised its claim to a lump-sum amount of €10,021,040.

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

Copyright related legal proceedings

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

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

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

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

In the case of the appeal against the judgment of April 12, 2011 of the Court of First Instance of Mechelen, the Court of Appeal of Antwerp rendered an intermediate ruling on February 4, 2013. The Court of Appeal rejected the claims of the collecting societies with regard to simulcasting and confirmed that direct injection is a single copyright relevant operation (royalties should therefore be paid only once). The case was re-opened to allow the collecting societies to provide further proof of their actual claims. On January 20, 2014 and on May 5, 2014, respectively, Numéricable (previously Coditel) and Telenet appealed this intermediate ruling before the Supreme Court mainly because of the incorrect qualification of the fees to be paid for the communication to the public as if it would be "retransmission" rights.

The Supreme Court has issued its judgment in this matter on September 30, 2016. The Supreme Court accepted the argument of Telenet that direct injection only involves a single communication to the public and therefore cannot constitute "retransmission" as this requires two communications to the public. The Supreme Court has referred the case to the Court of Appeal of Brussels, where the case has been activated upon request of Sabam.

In the context of these proceedings Sabam has filed a counterclaim for copyrights due as from 2005 to 2016 (all claims combined), withdrawing its claims that were pending before the Antwerp Commercial Court. The trial date was scheduled on September 23, 24 and 30, 2019. At the hearing the parties agreed that the Court of Appeal of Brussels would only render a decision part of the claims covering the situation of exclusive direct injection prior to July 1, 2019. July 1, 2019 is the date on which the Belgian law of November 25, 2018 governing direct injection entered into force. This law confirms that, except in cases whereby the distributor is a mere technical provider of the broadcaster, direct injection constitutes one communication to the public, which is however performed by both the broadcaster and the distributor (which are both liable for their respective contributions to such communication). The new law furthermore imposes transparency in relation to copyright payments and levies. The preparatory work of the law provides that broadcasters and distributors can make contractual arrangements in relation to the clearance and payment of the right for direct injection, and confirms as well that double payments and 'anomalies' shall be avoided.

By judgment of March 10, 2020 the Court of Appeal of Brussels rendered an interlocutory decision only dealing with "direct injection". The Court decided that exclusive direct injection does not qualify as "cable transmission" (as always has been argued by Telenet) and is one single communication to the public. The Court, however, decided that this communication by the public is done by Telenet as its distribution service is not purely technical in nature. Hence, Telenet needs in principle the authorization from rightholders except if the broadcaster has already obtained copyright clearance for the communication to the public.

Furthermore, the Court of Appeal of Brussels decided that the mere existence of ARI-agreements with broadcasters ("all-rights-included" agreements) is not enough for Telenet to avoid copyright liability. Despite an ARI-agreement in place, the rightholder can always directly claim compensation from Telenet. Telenet, however, can reclaim payment from an ARI-broadcaster.

A new round of trial briefs and a new hearing will be organized to deal with the open questions: which broadcasters fall under the definition of exclusive direct injection, what is the copyright status of non-exclusive direct injection, what is the concrete scope and impact of the ARI-agreements, etc. Also the counterclaims of the collecting societies (including the claims on compensation) will still need to be dealt with. A final judgment on these issues is not to be expected before 2022.

The concrete financial impact of this matter will depend on the qualification of the broadcasting activity and the rights the broadcasters have cleared with the right holders.

Playright

Playright (formerly Uradex) is a Belgian collecting society and claims neighboring rights fees and damages from distributors such as Telenet for the cable transmission of performances of performers ('uitvoerende kunstenaars') in TV programs distributed between 1 January 2015 and 31 December 2015. A writ of summons from PlayRight has been notified to Telenet on 27 December 2019. Playright and the distributors are currently discussing the terms of a possible mediation. Meanwhile, separate proceedings have been initiated by Playright against other distributors. Attempts to organize a mediation with all concerned parties are still taking place. Without such mediation, the trial will continue but we don't have a trial schedule yet. It us unlikely that there will be a judgment in 2021. Playrights' claim can be opposed as there is no agreement whatsoever about the tariffs and Telenet has concluded an agreement with Agicoa covering Playright's claim for the period concerned.

Cyclocross

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

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

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

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

Pylon taxes

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

In particular, Telenet Group has argued that such tax regulations are discriminatory because they apply only to pylons, masts and antennas dedicated to mobile telecom services and not to comparable equipment used for other purposes (whether telecom-related or not). Telenet believes that there is no objective and reasonable justification for such differentiated tax treatment. Telenet is therefore of the view that the contested tax regulations violate the general non-discrimination principle. The Courts have in a number of instances accepted this argument (for example the positive judgments of the Supreme Court of September 25, 2015 and December 20, 2018)), although the Court of Appeal of Brussels has also rejected the discrimination argument in other cases (for example in procedures involving Proximus, Orange Belgium and the commune of Schaarbeek and a procedure involving Telenet Group and the province of Brabant Wallon). There are also several procedures pending before the Supreme Court to clarify the scope of the non-discrimination argument.

Telenet Group NV also takes the view that some of the contested tax regulations violate its property right. The Brussels Court of First Instance has accepted this argument on December 7, 2018 in a case involving Orange Belgium and the commune of Uccle. There was also a question as to whether article 98 §2 of the Belgian law of March 21, 1991 on the reform of certain public economic companies (the "1991 Law") prohibits municipalities from taxing the economic activity of telecom operators on their territories through the presence (whether on public or private domain) of mobile telephone pylons, masts or antennas dedicated to this activity. The Belgian Constitutional Court held on December 15, 2011 that this was not the case. That interpretation was confirmed by the Belgian Supreme Court in its judgments of March 30, 2012.

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

On February 15, 2019, the Flemish Government has adopted a circular letter which includes some recommendations towards the local authorities on how to tax the pylons of the mobile operators. Following the publication of this circular letter, Telenet observes a substantial increase in the number of Flemish communes that levy a tax on the pylons owned by Telenet. On January 25, 2021, Telenet and the other mobile operators concluded an agreement with the Walloon Region. This agreement includes an undertaking from the Walloon Region not to levy any taxes on telecom infrastructure and a commitment for Telenet to pay €1.4 million for 2021 and 2022 and to invest €3.6 million in telecom infrastructure until the end of 2021 in the Walloon Region.

Telenet intends to continue challenging any local tax regulations applicable to its mobile telecom equipment. As of June 30, 2021, Telenet has recognized a provision of €60.4 million in this respect. Telenet and the KPN Group have moreover agreed on certain recourse arrangements in respect of certain (pre-2015) pylon taxes in their sale and purchase agreement with respect to BASE Company NV. It can however not be excluded that other taxes on telecom equipment will in the future be imposed, which may have a significant negative financial impact on Telenet.

Lucerne

Beginning in May 2018, Lucerne Capital, a shareholder of Telenet Group Holding NV reporting a 3.06% shareholding, has expressed, through often public correspondence and messaging certain policy proposals towards Telenet Group Holding NV, as well as made certain allegations aimed at Telenet's directors, CEO and majority shareholder, Liberty Global plc. Such proposals and allegations have also been accompanied by the (attempted) exercise by Lucerne of certain shareholder rights in the context of Telenet Group Holding NV's shareholder meetings. On November 12, 2018, Lucerne Capital Management LP served a writ of summons on Telenet Group Holding NV, requesting the Commercial Court to appoint an expert to investigate certain matters in relation to governance, information exchange and related party transactions, in accordance with article 168 of the Belgian Companies Code. Article 168 of the Belgian Companies Code requires the claimant (Lucerne) to prove - among others- grave indications that the interest of the Company is prejudiced or may be prejudiced. On February 13, 2020, the Brussels Enterprise Court (Dutch speaking) ruled the claim by Lucerne Capital Management LP inadmissible for lack of capacity as it itself does not hold shares in Telenet Group Holding NV, while reopening the procedure to allow the parties in the litigation procedure to debate the admissibility of an intervention request made earlier by Lucerne Capital Master Fund LP, and in particular on whether or not such intervention request would qualify as the 'writ of summons' referred to in article 169 of the (old) Belgian Companies Code. This reopened procedure remains pending before the Brussels Enterprise Court. Telenet Group Holding NV's Board has consistently engaged with Lucerne Capital in a constructive manner and denies any allegations of wrongdoing, and maintains that the claim to appoint an expert as referred to above is not admissible and without merit in a case such as Telenet.

5.15.2 Other contingent liabilities

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

5.16 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 2021 and 2020. Related parties further include transactions with Ads & Data NV, Doccle CV and Doccle.Up NV, Idealabs Telenet Fund NV, Unit-T, Eltrona Interdiffusion S.A., Triangle Factory BV, Streamz BV and Caviar Group NV.

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

5.16.1 Statement of financial position

(€ in millions)	June 30, 2021	December 31, 2020
Trade receivables		
Liberty Global Consortium (parent)	0.7	0.6
Joint Ventures	0.1	0.4
Associates	—	0.1
Trade payables, accrued trade liabilities and other liabilities		
Liberty Global Consortium (parent)	7.2	14.6
Joint Ventures	9.9	1.4
Associates	3.9	0.7
Loans and borrowings receivable		
Joint Ventures	4.0	4.0
Associates	6.0	5.5
Property and equipment		
Liberty Global Consortium (parent)	5.6	11.5
Associates	16.1	34.1
Other intangible assets		
Liberty Global Consortium (parent)	2.2	4.4

The transactions with the entities of the Liberty Global Consortium mainly consisted of the purchase of certain property and equipment and other services within the normal course of business from Liberty Global Services B.V.

The Company has established a purchase policy including clear rules applicable for all transactions with related parties. The policy includes guidelines on proper review, documentation and approval of such transactions, to ensure that all transactions with Liberty Global Consortium (and other related parties) are in correspondence with corporate decision taking, in conformity with article 7:97 of the Belgian Code of Companies and Associations.

5.16.2 Statement of profit or loss and other comprehensive income

(€ in millions)	For the six months ended June 30,	
	2021	2020
Revenue		
Liberty Global Consortium (parent)	0.7	0.7
Joint Ventures	0.1	—
Share in result equity accounted investees		
Joint Ventures	(2.3)	0.8
Associates	0.9	0.5
Operating expenses		
Liberty Global Consortium (parent)	6.9	10.1
Joint Ventures	24.0	—
Associates	23.4	21.6

In general costs charged by Liberty Global Consortium include i) specific hardware (external modems and access points) via central purchase contracts, ii) maintenance contracts (third party software which is contracted centrally), iii) treasury services, and iv) marketing costs.

Costs recharged by Telenet to Liberty Global Consortium primarily relate to employee costs: local Telenet employees working on the design and development of a next-generation video platform and implementation of certain features.

The Company's purchase policy includes clear rules applicable for all transactions with related parties. The policy includes guidelines on proper review, documentation and approval of such transactions, to ensure that all transactions with Liberty Global Consortium (and other related parties) are in correspondence with corporate decision taking, in conformity with article 7:97 of the Belgian Code of Companies and Associations.

Operating expenses for the six months ended June 30, 2021 include €23.4 million for transactions with associates, which is a €1.8 million increase compared to the six month period ended June 30, 2020 and €24.0 million for transactions with joint ventures. The balance of €23.4 million for the six months ended June 30, 2021 mainly consists of transactions with Unit-T of €22.8 million. The balance for the six months ended June 30, 2020 included €21.1 million for transactions with Unit-T. The balance of €24.0 million for the six months ended June 30, 2021 mainly consists of transactions with Streamz BV of €23.9 million.

Operating expenses arising from transactions with Liberty Global Consortium mainly relate to the recharge of content costs and content contracts (€3,5 million), centrally purchased maintenance contracts (€2,2 million), technology related contracts (€0,2 million) next to various other recharge agreements related to treasury services, internal audit services, employee expenses and IT expenses (€1.0 million).

Revenue generated by transactions with Liberty Global Consortium were €0.7 million for the six months ended June 30, 2021, which is mainly linked to the charge-through of content costs (€0.5 million) and IP Peering (€0.2 million).

5.16.3 Key management compensation

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

(€ in millions)	For the six months ended June 30,	
	2021	2020
Salaries and other short-term employee benefits	3.2	3.3
Post-employment benefits	0.3	0.3
Share-based payments (compensation cost recognized)	6.0	3.3
	9.5	**6.9**

For the six months ended June 30, 2021, the Company recognized share-based compensation expense for its key management amounting to €6.0 million (€3.3 million for the six months ended June 30, 2020). The increase is related to the Compensation Restricted Shares 2021 plan for which the total expense was integrally expensed at grant date (note 5.8.2). In 2020, a similar Compensation Restricted Shares plan was only granted in the third quarter of 2020.

5.17 Subsequent events

There were no significant events subsequent to June 30, 2021 that would require adjustment to or disclosure in the financial information included in this report.

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 2021 and for the six-month period then ended

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Telenet Group Holding NV as at June 30, 2021, the condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-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 2021 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Zaventem, September 27, 2021

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren Statutory Auditor
Statutory Auditor
represented by

Götwin Jackers
Réviseur d'Entreprises / Bedrijfsrevisor

Notes

Corporate Communications

T: 015 33 30 00 - www.telenet.be

Responsible editor

Telenet, Rob Goyens, Liersesteenweg 4, 2800 Mechelen