

telenet 

First **2009**
half year report

A word from the Chief Executive Officer

Dear Shareholder,

We are pleased to see that our business strategy built on the cornerstones of a customer-centric approach, business growth and free cash flow generation continued to demonstrate its resilience in the current economic downturn. Our first half of 2009 has been characterized by strong operational and financial momentum, robust subscriber additions and a growing operating profitability, building a solid foundation for the second half of the year and beyond.

Our current customer proposition, based on product leadership and attractive bundled offerings, resulted in a third consecutive quarter of elevated quarterly subscriber growth. On an aggregate basis, we added in total 319,000 net subscribers to our three core residential products during the first half of 2009, including 135,000 in the typically slower second quarter alone. Our digital TV product contributed approximately half of these new subscribers. In addition, our well established broadband internet and fixed telephony services continued to deliver a strong set of additions in increasingly challenging competitive and economic conditions. These results were not attributable to a single element, but rather to the effective combination of multiple factors including strong products and bundles, high network reliability, strong brand presence and, last but not least, to our sustained focus on customer service. As a result, we attained annualized churn rates of approximately 6% for our broadband and fixed telephony products, among the lowest levels ever achieved.

The ongoing up-tiering of our customer base to multiple play has translated into solid financial results. Our revenue for the first half year increased by 17% and our EBITDA by 26%, partly driven by the Interkabel Acquisition which was closed last October 2008. In the second half of the year, this effect will be less pronounced as we already consolidated Interkabel as of the fourth quarter of 2008. Our first half year EBITDA margin improved to 52.8% as a result of our continued efficiency improvements and operational gains from having an increasing proportion of our customers migrating to triple play bundles. The continued uptake in digital TV resulted in increased rental set-top boxes in our capital expenditures, yet we were able to generate a Free Cash Flow of €93 million, thanks to a solid improvement in our EBITDA. Our underlying net profit, excluding gains and losses on our derivatives, significantly increased to €62 million for the first half of 2009 from €8 million in the prior year.

During the first half of the year, we did not yet experience any material adverse impacts from the economic downturn. However, the torrid pace of our subscriber growth cannot be extrapolated to the full year as we factor in some seasonality shifts as well as a potential impact from the economic downturn. Therefore, we will remain prudent and will continue to keep a close eye on both the economic and competitive environment. However, we remain confident in our ability to maintain solid profitability levels, which is reflected in an upgrade of our full year EBITDA growth outlook to “in excess of 15%” from “in excess of 12%”. In parallel, our upgraded revenue growth outlook to “in excess of 14%” from “in excess of 12%” primarily results from the acquisition of the BelCompany retail stores, which we acquired on June 30, 2009. Considering our improved EBITDA outlook, we are confident that our free cash flow for 2009 will improve from last year, while we continue to invest in profitable future growth.

Yours sincerely,

Duco Sickinghe
Chief Executive Officer

telenet 

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Introduction

Introduction

Telenet Group Holding NV (the "Company") is a company organized under the laws of Belgium. Other notations and definitions herein apply as presented in our 2008 annual report which was published on April 30, 2009 (the "Annual Report"), a copy of which is available on our website at <http://investors.telenet.be>.

Presentation of financial and other information

The condensed consolidated Interim Financial Statements of Telenet Group Holding NV as of and for the period ended June 30, 2009 and 2008 and the audited annual financial statements as of and for the year ended December 31, 2008 have in each case been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU GAAP"). The financial information included in this report is not intended to comply with SEC reporting requirements.

Forward-looking statements

Various statements contained in this document constitute "forward-looking statements". Words like "believe," "anticipate," "should," "intend," "plan," "will," "expects," "estimates," "projects," "positioned," "strategy," and similar expressions identify these forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted whether expressed or implied, by these forward-looking statements. These factors include: potential adverse developments with respect to our liquidity or results of operations; potential adverse competitive, economic or regulatory developments; our ability to successfully finalize the integration of the recently closed Interkabel Acquisition; our significant debt payments and other contractual commitments; our ability to fund and execute our business plan; our ability to generate cash sufficient to service our debt; interest rate and currency exchange rate fluctuations; the impact of new business opportunities requiring significant up-front investments; our ability to attract and retain customers and increase our overall market penetration; our ability to compete against other communications and content distribution businesses; our ability to maintain contracts that are critical to our operations; our ability to respond adequately to technological developments; our ability to develop and maintain back-up for our critical systems; our ability to continue to design networks, install facilities, obtain and maintain any required governmental licenses or approvals and finance construction and development, in a timely manner at reasonable costs and on satisfactory terms and conditions; our ability to have an impact upon, or to respond effectively to, new or modified laws or regulations and our ability to complete our proposed shareholder distribution in 2009 and to sustain or increase such distributions in future periods. We assume no obligation to update these forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

About Telenet

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

Highlights for the six months ended June 30, 2009

- Continued success of bundled offerings resulted in solid Q2 net additions for broadband (+30,000), fixed telephony (+29,000) and digital TV (+76,000);
- Revenue of €577.4 million, up 17% versus prior year;
- EBITDA⁽²⁾ of €304.7 million, up 26% versus prior year, yielding an EBITDA margin of 52.8%;
- Operating profit of €155.9 million, up 35% compared to the prior year period;
- Capital expenditures⁽³⁾ of €151.8 million, including €61.1 million related to set-top box rental;
- Free Cash Flow⁽⁴⁾ of €92.6 million, equivalent to 16% of revenue;
- Net profit of €47.7 million, compared to €49.0 million for the prior year period;
- Net profit, excluding gains and losses on derivatives⁽¹⁾, of €61.8 million, compared to €7.9 million for the prior year period;
- Full year EBITDA growth outlook upgraded to >15% and revenue growth to >14%;
- Net Senior Debt to EBITDA leverage down to 3.0x as of June 30, 2009 vs. 3.7x at December 31, 2008.

As of and for the six months ended	June 2009	June 2008	Change %
FINANCIAL HIGHLIGHTS (€ in millions, except per share amounts)			
Revenue	577.4	492.5	17%
Operating Profit	155.9	115.7	35%
Net Profit, Excluding Gains and Losses on Derivatives ⁽¹⁾	61.8	7.9	680%
Net Profit	47.7	49.0	-3%
Basic Earnings Per Share	0.43	0.45	-4%
Diluted Earnings Per Share	0.43	0.44	-3%
EBITDA ⁽²⁾	304.7	242.4	26%
EBITDA margin %	52.8%	49.2%	
Accrued Capital Expenditures ⁽³⁾	151.8	98.3	54%
Accrued Capital Expenditures as % of revenue	26%	20%	
Free Cash Flow ⁽⁴⁾	92.6	87.6	6%
OPERATIONAL HIGHLIGHTS (in 000 serviced premises)			
Total Cable TV	2,374	1,688	41%
Analog Cable TV	1,520	1,210	26%
Digital Cable TV (iDTV + INDI)	854	479	78%
Broadband internet	1,055	935	13%
Fixed telephony	694	589	18%
Mobile telephony	101	73	38%
Triple play customers	606	359	69%
Services per customer relationship ⁽⁵⁾	1.74	1.65	5%
ARPU per customer relationship (€ / month) ^{(5) (6)}	34.1	32.4	5%

Definitions

- (1) Net profit, excluding net gains/losses on changes in fair values of derivative financial instruments.
- (2) EBITDA is defined as operating profit + depreciation and impairment + amortization + amortization of broadcasting rights + costs related to stock purchase and option plans.
- (3) Accrued capital expenditures are defined as additions to property, equipment and intangible assets, including capital lease additions, as reported in our consolidated balance sheet on an accrued basis.
- (4) Free Cash Flow is defined as net cash provided by operating activities, excluding cash related to the purchase and sale of derivatives and excluding accelerated interest payments under discounted debt instruments; less cash used in investing activities, excluding acquisitions.
- (5) Customer relationships are equal to the analog and digital basic cable TV subscribers. Subscribers and/or customer relationships on the Telenet PICs Network are included for H1 2009 but excluded for H1 2008.
- (6) Average monthly revenue (ARPU) per revenue generating unit (RGU) and ARPU per customer relationship are calculated as follows: average total monthly recurring revenue (including revenue earned from carriage fees and set-top box rentals and excluding interconnection revenue, installation fees, mobile telephony revenue and set-top box sales) for the indicated period, divided by the average of the opening and closing RGU base or customer relationships, as applicable, for the period.

Management's Discussion & Analysis of the six months ended June 30, 2009

The following discussion and analysis is based on the condensed consolidated Interim Financial Statements of Telenet Group Holding NV as of and for the six months ended June 30, 2009 and 2008 and the audited consolidated financial statements of Telenet Group Holding NV as of and for the year ended December 31, 2008, prepared in accordance with EU GAAP. We have included selected financial information on Telenet Group Holding NV as of and for the relevant periods. You should read the condensed consolidated interim financial statements attached hereto, including the notes thereto, together with the following discussion and analysis.

1 Review of operations

Telenet is a leading provider of media and communication services in Belgium. Through our broadband network in Flanders and parts of Brussels, we offer our primary products which comprise basic and premium cable television in analog and digital formats, broadband internet and telephony services, primarily to residential subscribers.

Against the backdrop of a challenging economic and intensely competitive environment, we achieved strong net additions in both the first and second quarter of this year for each of our three core residential product groups: digital TV, broadband internet and fixed telephony. Year-to-date, we added an aggregate of 319,000 subscribers to these core product groups compared to 181,000 in the first half of last year. Although the second quarter is typically a softer quarter in terms of customer intake relative to the first and the fourth quarters because of seasonal patterns in our business, we attained a higher growth rate in net additions relative to the second quarter of last year. In Q2 2009 we welcomed an aggregate of 135,000 new subscribers to the three aforementioned product groups compared to 78,000 in Q2 2008.

Our segmented bundles – marketed under our “Shakes” brand –gained traction both in our legacy footprint as well as in the Interkabel area where we started to offer our bundles (including digital TV) in October 2008. Whereas Q4 2008 and Q1 2009 were characterized by noticeable pent-up demand for our Telenet digital TV product within the Interkabel area from customers who previously lacked access to our interactive digital TV product, we believe this effect was largely fulfilled during Q2 2009. Beyond this level of demand, we attributed our buoyant run-rate in Q2 2009 to not only our larger footprint but also to the success of our bundling strategy. In today's economic environment, consumers are increasingly focusing on value, and our Shakes bundles address their budgetary concerns by offering multiple play packages at attractive prices. At the same time, since a higher portion of our newly acquired customers immediately opt for a triple play bundle; we are enjoying increased revenue per customer relationship together with the operational benefits of installing and servicing customers at higher levels of efficiency.

The Telenet logo consists of the word "telenet" in a lowercase, sans-serif font, followed by a square icon containing a stylized smiley face.

Through a combination of robust organic customer growth – i.e. 539,000 net additions for our three core product groups over the past twelve months - and the acquisition of 763,000 television subscribers from Interkabel in October last year (of whom 20,000 already subscribed to our analog PayTV service) our total subscriber base increased 28% to 4,123,000 at the end of June 2009 compared to 3,212,000 twelve months earlier (excluding mobile telephony in both cases). The portion of triple play customers on our Combined Network was slightly diluted in the final quarter of last year by the inclusion of the Interkabel Acquisition, where we had not previously offered bundles, but within two quarters we have fully overcome this effect. At the end of June 2009, we recorded 606,000 triple play customers up 69% year-on-year and equivalent to 25% of our customer base (26% on the Telenet Network alone). Our ratio of services per customer relationship has continued to improve, reaching 1.75 on the Telenet Network (up from 1.65 at the end of June 2008) and 1.74 on the Combined Network.

In the first half of 2009, the ARPU per customer relationship across the Combined Network hit €34.1, an increase of 5% compared to the prior year period. On a sequential quarter basis, ARPU per customer relationship grew 3% in Q2 2009 to €34.5 and by 6% compared to Q2 2008. In Q2 2009, we successfully narrowed the ARPU gap between the legacy Telenet Network and the Partner Network through the commercial success of our bundles and the strong growth seen in customer additions over the period. In addition to organic customer growth, ARPU trends are supported by subscribers migrating from analog to digital television thereby generating an average ARPU of approximately double the analog base fee.

As of and for the three months ended	June 2009	June 2008	Change %
Premises serviced (in thousands)			
Homes passed - Telenet Network	2,781	1,929	44%
Homes passed - Partner Network	-	828	n/a
Television			
<i>Analog Cable TV</i>			
Analog Cable TV	1,509	1,188	27%
PayTV on Partner Network	11	22	-50%
Total Analog Cable TV	1,520	1,210	26%
<i>Digital Cable TV</i>			
Digital Cable TV (Telenet Digital TV)	792	479	65%
Digital Cable TV (INDI)	62	-	n/a
Total Digital Cable TV	854	479	78%
Total Cable TV	2,374	1,688	41%
Internet			
Residential Broadband Internet	1,023	903	13%
Business Broadband Internet	32	32	0%
Total Broadband Internet	1,055	935	13%
Telephony			
Residential Telephony	683	580	18%
Business Telephony	11	9	22%
Total Telephony	694	589	18%
Mobile telephony (active customers)	101	73	38%
Total Premises Serviced (excl. Mobile)	4,123	3,212	28%
Churn			
Basic cable television	7.7%	7.1%	
Broadband internet	6.4%	7.8%	
Telephony	5.8%	7.8%	
Customer relationship information on Combined Network (*)			
Triple play customers	606	359	69%
Total customer relationships (in thousands)	2,374	1,688	41%
Services per customer relationship	1.74	1.65	5%
ARPU per customer relationship (in € / month)	34.5	32.6	6%

(*) Subscribers and/or customer relationships on the Telenet PICs Network are included for 2009, but excluded for 2008.

1.1 ANALOG TELEVISION

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

Subscribers to both basic analog and digital television services reached 2,374,000 at the end of June 2009 compared to 1,688,000 at the end of June 2008. This growth is principally attributable to the acquisition of Interkabel in October 2008, which allowed us to begin offering TV services (analog or digital) and bundles across the entire Flemish region. In the first half of 2009,

we recorded a net organic loss of 28,000 basic cable TV subscribers within our Combined Network. This net organic loss is net of migrations to our digital TV platform and represents customers churning to competitor's platforms, such as other digital television providers and satellite operators. The rate of organic attrition has moderated during the year, with a loss of 16,000 in Q1 2009 to a loss of 12,000 in Q2 2009, essentially reflecting the improved churn within our legacy Telenet footprint. Our basic cable TV penetration of homes passed was 85.4% in the Combined Network at the end of the first half of 2009. Going forward, we continue to foresee competition from alternative television platforms.

Revenue

Our basic cable television revenue comprises the basic subscription fee for both analog and digital TV customers (both Telenet Digital TV and INDI). For the first six months of the year we recorded a 46% increase in basic cable television revenue to €159.5 million (Q2 2009: €80.0 million, up 47% year-on-year). The substantial year-on-year increase is primarily a consequence of the acquisition of Interkabel and to a lesser extent due to the increase of the basic TV subscription fee, implemented as of February 2009, of approximately 6%. Whilst our digital cable TV customers are billed on a monthly basis and therefore already reflect the tariff increase, we will apply the higher subscription fee to our analog cable TV customers once they have received their new annual invoice. Hence, we anticipate that this price increase will contribute to increased basic cable ARPU throughout February 2010.

1.2 DIGITAL & PREMIUM TELEVISION

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

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

At the end of June 2009, we reported 854,000 digital cable TV customers of which 792,000 subscribed to our Telenet Digital TV product and the remaining 62,000 were on the INDI Digital TV platform which we acquired as part of the Interkabel Acquisition. Our interactive Telenet Digital TV product enjoyed solid net additions of 184,000 in the first six months of 2009. In Q2 2009 alone, 76,000 new customers joined our digital TV service, thereby continuing the accelerated growth of the previous two quarters. In line with the previous two quarters the vast majority of new subscribers opted to rent the high-end High Definition (HD) set-top box with Personal Video Recording (PVR) capability. The strong progress in our subscriber additions was primarily driven by the combination of the successful launch of our Telenet Digital TV platform in the Telenet PICs Network in mid-October 2008 and by sustained demand within the Telenet Network.

At the end of the first half of 2009, 36% of our total cable TV subscriber base within our Combined Network watched digital TV either through a Telenet Digital TV or INDI set-top box. In Q4 2008, the consolidation of the Interkabel TV subscriber base had a dilutive impact on our digitalization rate as most of the base was still on analog. However, strong organic customer growth in the Interkabel area over the past three quarters has helped to narrow the gap. For reference purposes, already 40% of our total cable TV subscriber base on our legacy Telenet footprint subscribed to digital TV at the end of June 2009 compared to 29% at the end of June 2008.

In addition to the digital TV platforms described above, we also have 11,000 subscribers to the premium analog PayTV service delivered through an alternative platform (former Canal+) which is only available on the Telenet PICs Network. Over time, we expect the majority of these subscribers to migrate to the Telenet Digital TV platform.

Services

Total video-on-demand transactions grew by 55% in the first half of 2009 to 14.4 million compared to 9.3 million in the first half of 2008. In Q2 2009, we recorded 7.6 million transactions (+52% year-on-year). Average monthly transactions per user reduced slightly from 3.6 in H1 2008 to 3.5 in H1 2009, mainly because of a relatively strong Q2 2008 driven by the availability of more appealing and popular content whereas this year the strength of appeal of the TV series broadcast has not yet matched last year's. In addition to video-on-demand revenue, our premium cable TV revenue is driven by the strong uptake in rentals of the high-end HD and PVR-enabled set-top boxes which provide a positive boost to our recurring monthly set-top box rental fees. The other contributors to our digital TV revenue include subscription fees to our thematic and premium channel packages, the latter marketed under the brand name PRIME, and interactive services.

Revenue

Our premium cable television revenue reflects the robust growth of our digital TV base. These customers typically generate an ARPU which is approximately twice as high as the normal basic cable TV ARPU, induced by on-demand content, the uptake of our thematic and premium channel packages, as well as recurring rental fees. Total premium television revenue generated by our Telenet Digital TV, INDI and PayTV customers reached €53.1 million for the first half of 2009, up from €37.1 million for the prior year period, an increase of 43%. A similar growth rate was achieved in Q2 2009 leading to revenue of €27.6 million. This revenue is in addition to basic TV subscription revenue as described above.

1.3 BROADBAND INTERNET

We are the leading provider of residential broadband internet services in Flanders with an estimated market share of 34% in Belgium. Through our hybrid fiber coaxial upgraded network, we offer our residential subscribers a broadband internet service at a downstream data transfer speed of up to 25 MBps. We believe that our combination of service quality, tiered products offering a range of speeds and brand recognition of our internet offering has enabled us to achieve rapid growth. We also offer narrowband and wireless internet services. Using internet-only cable modems and dual purpose internet and telephony modems to connect subscribers to the Combined Network, our current residential offerings include multiple tiers, which range from Telenet "BasicNet", which allows end users to receive data from the internet at a "downstream" data transfer speed of up to 1 MBps, to "TurboNet XL", which offers end users a downstream speed of up to 25 MBps. Our ability to continue to grow this market, however, will depend in part on increases in the number of households with a personal computer in Flanders. Moreover, we believe that the uptake of notebooks, smartphones, gaming consoles and other IP-enabled equipment will further drive broadband growth in Flanders.

During the first six months of the year, we added a net 70,000 broadband subscribers reaching a total base of 1,055,000 at the end of June 2009. After a record intake of 40,000 in Q1 2009 we achieved a further 30,000 net additions in Q2 2009. This compares to a net 52,000 broadband subscribers added in the first half of 2008, of which 21,000 were added in Q2 2008. The penetration of our broadband internet service within the Combined Network (as a percentage of homes passed) continued to expand from 33.9% at the end of June 2008 to 37.9% only one year later. Although Q2 and Q3 are typically softer quarters in terms of customer intake because of seasonality, we nevertheless observed an acceleration in net additions compared to the prior year period which cannot be directly linked to the expansion of our footprint, as we were already offering broadband internet across the Partner Network prior to the Interkabel Acquisition. We specifically attribute these strong results to our attractive pricing schemes and bundles, with the latter providing upgraded internet specifications compared to our stand-alone products, as well as the leading speed of our broadband products over competing technologies. Simultaneously, annualized broadband churn dipped to a historically low 6.4% in Q2 2009 despite the continued competitive climate, as compared to 7.6% in the previous quarter and 7.8% in the prior year quarter.

Revenue

Over the first six months of the year, our residential broadband internet revenue increased by 6% to €197.5 million. Top-line growth increased from 6% in Q1 2009 to 7% in Q2 2009 (€99.4 million) mainly as a result of the growing customer base. At the end of June 2009, 78% of our subscriber base opted for a broadband product with a download speed between 12 MBps and 25

MBps. In line with our expectations and consistent with the trend of the previous quarters, a higher proportion of our newly acquired customers are subscribing to a lower-tier broadband product as a result of the upgraded broadband specifications in our Shakes bundles. Although the combination of a higher proportion of lower-tier broadband customers and the rapid takeup of bundle discounts is reducing our broadband ARPU, we are benefiting from a higher ARPU per customer relationship for those customers who subscribe to a triple play bundle. In line with our expectations therefore, these trends had a moderate impact on the composition of our broadband internet revenue.

1.4 TELEPHONY

We offer our residential subscribers local, national and international long distance fixed line telephony services, mobile telephony services and a variety of value added features. In Flanders, we believe that we are currently the largest competitor to Belgacom, the Belgian incumbent, due in part to our emphasis on customer service and innovative tariff plans. The majority of our telephony subscribers use VoIP technology which utilizes the open standards EuroDOCSIS protocol, and through which we are able to provide both internet and telephony services.

Fixed telephony

At the end of June 2009, we served 694,000 fixed telephony subscribers. In the first half of 2009, we added 65,000 new customers to our fixed telephony base, including 29,000 in Q2 2009. Our fixed telephony penetration rate as a percentage of homes passed in the Combined Network grew from 21.4% at the end of June 2008 to 25.0% a year later. We attribute this solid performance to the broad appeal of our Shakes bundles, together with the recently introduced FreePhone Europe flat fee rate plan. With consumers increasingly focusing on value today, the fixed-line is widely considered as an inexpensive means of communication thanks to the availability of flat fee rate plans such as Telenet's FreePhone offerings. Annualized churn for our fixed telephony product strongly improved from 7.8% in Q2 2008 to 5.8% in Q2 2009.

Mobile telephony

We passed the 100,000 active mobile customers milestone in Q2 2009, reaching a total active base of 101,000 at the end of June 2009. The quarterly run-rate of roughly 7,000 net additions is consistent with the trend observed in recent quarters. We should reiterate that our mobile offering is primarily geared towards existing customers as part of a bundle and hence the customer growth continues to be achieved without incurring any incremental marketing costs. Once our Full-MVNO agreement with Mobistar is fully implemented we aim to see a more rapid pace in net additions. The acquisition of BelCompany Belgium's retail operations, effective as of June 30, 2009, represented an important step in both our mobile and service strategy. We believe this acquisition enables us to make our mobile products more widely available in the future and to develop an improved service offering for our existing products.

Revenue

In recent quarters we faced downward pressure on our fixed telephony revenue due to two recurring factors: firstly, the addition of new subscribers on competitively priced bundled and flat-rate tariffs and secondly the negative impact of our required adoption of the new regulatory framework, through which we incur reduced fixed line termination rates to our network. This framework towards near reciprocity in interconnect charges with the incumbent's reference rate was implemented in 2007 and ends in 2009. Consequently, in the first half of 2009, we incurred a termination rate decrease of 55% versus the prior year, with a negative impact on our revenue of approximately €4.5 million (Q2 2009: €2.2 million). The two adverse recurring factors mentioned above were however offset by solid growth in our fixed telephony subscriber base and the increase in mobile telephony revenue, resulting in residential telephony revenue of €109.1 million for the first six months of the year (+3% year-on-year). While revenue growth was flat in Q1 2009 compared to the prior year period, revenue growth in Q2 2009 accelerated to 5% (€55.8 million) mainly driven by a higher subscriber base and a marked slowdown in the erosion of our fixed telephony ARPU.

1.5 BUSINESS SERVICES

Telenet Solutions offers a range of voice, data and internet products and services that are tailored to the size and needs of each customer. We provide services to business customers throughout Belgium and parts of Luxembourg. Our business customers

include small and medium size enterprises with between five and 100 employees; larger corporations; public, healthcare and educational institutions; and carrier customers that include international voice, data and internet service providers.

First-half revenue for our business services division came in at €38.3 million, broadly unchanged compared to the prior year period. In Q2 2009, our top-line was impacted by one time factors which masked the more stable underlying growth of our business-to-business division. In particular, our growth rate was impacted by the migration of a large fiber access wholesale contract in the southern part of Belgium to the Walloon cable companies. Furthermore, during the second quarter of 2009, we chose to exit certain lower-margin wholesale voice businesses in order to further focus on our core data and internet products.

Given these developments, we believe that our ability to maintain our 2009 Telenet Solutions revenue at 2008 levels is a good performance, especially in a tough economic environment and an intensely competitive market. To date, we have only seen a minor impact from the economic downturn on our business services division, whilst we also enjoy a healthy customer mix, both in terms of size and in terms of industries. Nevertheless, we remain prudent and do not underestimate the potential future impact from the economic crisis and the highly competitive and price sensitive environment in which our business-to-business division is operating.

1.6 NETWORK

The Combined Network passes approximately 2.8 million homes and businesses in Flanders, to which we are able to offer analog and digital cable television, broadband and narrowband internet and telephony services.

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

The Combined Network includes our high performance optical fiber backbone network which we constructed and which extends over 12,700 kilometers across Flanders and parts of Brussels. Through the Coditel acquisition, we acquired additional network assets that provide high capacity data transport across Belgium and parts of Luxembourg, where we own the electronic components and currently lease the fiber, the assets of which are also part of the Telenet Network. Through the acquisition of UPC Belgium, we acquired additional network assets that provide access to approximately 187,000 homes in the Brussels and Leuven areas.

Our fiber backbone currently runs several protocols. However, we expect over time that Internet Protocol ("IP") will carry an increasing proportion of our communications traffic. Additional IP-based services may also be supported by our systems in the future. We are able to use multi protocol label switching ("MPLS") to route our IP traffic, which enables us to more efficiently tag data to better manage traffic on the Combined Network. This means, for example, that voice packets can be given priority over data packets to avoid interruption to voice communications. The fiber backbone of the Combined Network connects to the coaxial local loops of the Combined Network, which extend over 67,000 kilometers throughout Flanders and parts of Brussels. The portion of the network starting at the head end and terminating at the end user is referred to as the HFC access network or the "local loop." Residential customers connect to the Combined Network through a coaxial connection from one of our nodes. Our coaxial network operates at a minimum capacity of 450 MHz. We are in the process of gradually upgrading our network to a minimum capacity of 600 MHz.

Amplifiers are used in the coaxial network to amplify both downstream and return path signals on the local loop. On average, approximately 1,400 homes are served by each of the approximately 2,399 nodes in the Combined Network. These nodes generally offer the homes they serve a total capacity of 2 GBps. Network quality usually deteriorates as customer penetration rates on any particular node increase. When required, the scalability of our network enables us to address this problem, within limits, through node "splits" in which we install additional equipment at the node so that the same 2 GBps capacity serves approximately 550 homes per node or less.

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

2 Discussion of the condensed consolidated interim financial statements

2.1 REVENUE

For the six months ended June 30,		
	2009	2008
	(in thousands of euro)	
Cable television:		
Basic Subscribers	159,535	109,419
Premium Subscribers	53,128	37,146
Distributors/Other	19,882	16,132
Residential:		
Internet	197,459	185,609
Telephony	109,067	106,061
Business	38,303	38,123
Total Revenue	577,374	492,490

For the first six months of 2009, we generated total revenue of €577.4 million up 17% compared to the €492.5 million for the prior year period. This progress was primarily attributable to the strong underlying customer growth for our three core residential products – notably digital TV, broadband internet and fixed telephony. In addition, we consolidated the acquired Interkabel cable television activities as of October 1, 2008. Excluding the effect of the Interkabel Acquisition, we reported an organic revenue increase of 7.4%. On a sequential basis, our top-line growth slightly accelerated from 16% in Q1 2009 to 19% in Q2 2009 despite a lower contribution from our business services division. For the three months ended June 30, 2009, revenue was €291.1 million versus €245.4 million in the prior year quarter. Excluding the effect of the Interkabel Acquisition, we achieved an organic growth rate of 8.7% in Q2 2009.

We enjoyed a well-balanced revenue mix with a large share of recurring subscription-based revenue and attention on multiple play bundles, which matches with consumers' increased focus on value in the current economic climate. Although the commercial traction of our Shakes bundles slightly reduces the individual product ARPUs, we achieve a higher ARPU per customer relationship as our customers subscribe to two or more products. Through a combination of the deferred benefit of an approximate 6% increase in the basic cable TV fee as well as the Interkabel Acquisition, our basic cable television revenue recorded a growth of 46% year-on-year to €159.5 million for the first six months of 2009 (Q2: €80.0m, up 47% year-on-year). Premium cable revenue, which includes PayTV and video-on-demand revenue as well as rental fees and interactive services on the platform, rose 43% year-on-year in the first half of 2009 to €53.1 million (Q2 2009: €27.6 million) driven by strong net additions for our Telenet Digital TV product and more set-top box rental fees, as well as a growing number of video-on-demand transactions.

Our reported premium cable television revenue excludes sales of digital TV set-top boxes, which are classified under "Distributors/Other", while set-top box rentals are included within the recurring premium cable television revenue. In the first half of 2009 the revenue generated by set-top box sales was limited to €3.4 million compared to €5.5 million for the prior year period. This decrease is predominantly attributable to the shift to set-top box rentals, which generate recurring revenue under the form of a monthly rental fee, as opposed to the one-time revenue from set-top boxes sales. The remaining €16.5 million of the total €19.9 million of "Distributors/Other" revenue represents revenue from cable television activation and installation fees and an increasing share of other services such as online advertising on our portal and community websites.

In H1 2009, residential broadband revenue grew 6% to €197.5 million as strong subscriber growth was partly mitigated by the uptake being more concentrated in bundles. Telephony revenue increased 3% in H1 2009 to €109.1 million compared to €106.1 million in H1 2008. The strong growth in net additions is partly offset by a combination of continued downwards price trends resulting from an increasing share of free outbound fixed calls, bundle discounts and the regulatory-driven reduction of our fixed termination rates by approximately 55%. The latter negatively impacted our fixed telephony revenue by €4.5 million in H1 2009.

Finally, first-half revenue for our business services division was €38.3 million, broadly unchanged compared to the prior year period. In Q2 2009, our top-line was impacted by one time factors that offset the underlying growth of our business-to-business division.

2.2 EXPENSES

	For the six months ended June 30,	
	2009	2008
	(in thousands of euro)	
Employee benefits:		
Wages, salaries, commissions and social security costs	48,558	51,802
Other employee benefit costs	8,260	8,435
	56,818	60,237
Depreciation and impairment	117,567	93,381
Amortisation	25,580	25,650
Amortisation of broadcasting rights	4,531	4,189
Network operating and service costs	162,667	139,122
Advertising, sales and marketing	29,564	28,213
Share-based payments granted to directors and employees	1,155	3,516
Other costs	23,596	22,501
Total costs and expenses	421,478	376,809

Total operating expenses for the first half of 2009 rose 12% to €421.5 million from €376.8 million a year ago. For the second quarter of 2009, our operating expenses reported a similar growth rate of 11%. The large majority of this increase in both periods was non-organic and attributable to the Interkabel Acquisition. Excluding the impact from this acquisition, we reported an organic increase in our operating expenses of 0.7% for the first half of 2009 and 0.2% for Q2 2009 alone. Compared to our revenue growth rate, expenses increased at a much lower pace thanks to the operational efficiency improvements achieved in our sales, customer care and repair divisions and strict control of our overhead expenses.

- Employee benefits amounted to €56.8 million for the first half of 2009, a decline of 6% due to a shift to outsourced labor activities, which appears under “Network operating and service costs”, and a one-off positive impact for compensation benefits resulting from a reduction of certain accruals during the first half of 2009, partially offset by a general wage adjustment by the consumer price index of 4.5%.
- Depreciation and amortization reached €147.7 million for the first six months of 2009, which represents an increase of 20% compared to the prior year period. This increase can be attributed to the depreciation of the capital lease and amortization of the intangible assets acquired in the Interkabel Acquisition, and a larger share of capital expenditures being represented by rental set-top boxes, which are depreciated in a shorter timeframe than our network assets.
- Network operating and service costs totaled €162.7 million, an increase of 17% year-on-year, which is primarily attributable to the Interkabel Acquisition and the outsourcing of our video editing services, offset through lower employee benefits. On an organic basis, we saw an increase in direct expenses such as external call center capacity, copyright and content costs, interconnect termination fees and other network operating costs, reflecting the

continued strong growth of our subscriber base. On the other hand, the increased reliability of our network and further platform upgrades of our digital TV product generated a favorable impact on our service costs on a per RGU basis.

- Advertising, sales and marketing rose by 5% to €29.6 million for the first half of 2009. While advertising, sales and marketing costs were up 14% in Q1 2009 compared to the prior year quarter as a result of higher sales commissions, these costs decreased 3% year-on-year in Q2 2009. Despite the year-on-year reduction in marketing spend in Q2 2009, we achieved higher net additions.
- Other costs reached €23.6 million, up by 5% year-on-year, reflecting an increase in business-supporting corporate advisory and legal fees.

As a percentage of total revenue, our total operating expenses (including depreciation and amortization) declined by 3.5 percentage points year-on-year in H1 2009, to 73%. As for Q2 2009, total operating expenses as a percentage of total revenue improved from 76% in Q2 2008 to 72% in Q2 2009.

2.3 EARNINGS BEFORE TAX, DEPRECIATION AND AMORTIZATION (EBITDA)

EBITDA increased by 26% on a year-on-year basis to €304.7 million for the first half of 2009, from €242.4 million in the prior year period. This represents an EBITDA margin of 52.8% compared to 49.2% the prior year, an improvement of 3.6 percentage points. This is primarily the result of our continued focus on process and product platform improvements, an accelerated uptake of multiple play and overall disciplined cost control. Excluding the impact of the Interkabel Acquisition, our EBITDA for the first half of 2009 increased organically by 17% year-on-year. For Q2 2009, we achieved an EBITDA of €155.6 million and a margin of 53.4%, up by 26% from last year, or by 17% when excluding the impact of the Interkabel Acquisition.

2.4 OPERATING PROFIT (EBIT)

The combination of strong EBITDA growth, the Interkabel Acquisition and an increase in depreciation and amortization, led to an operating profit of €155.9 million for the first half of 2009 as compared to €115.7 million for the first half of 2008, an increase of 35%. For the second quarter of 2009, we generated an operating profit of €82.7 million, up by 41% from the prior year period.

2.5 NET FINANCE COSTS

Net finance costs were €80.6 million for the first half of 2009 compared to €35.8 million for the prior year period, representing the combined effect of lower interest expenses and a negative impact from changes in the fair value of our interest rate hedges, which had a significant positive impact on prior year's results. For the second quarter of 2009, we reported net finance costs of €32.9 million versus net finance income of €15.3 million for the prior year period, primarily driven by changes in the fair value of our derivatives.

2.5.1 Net interest income and foreign exchange gain

Net interest income and foreign exchange gain for the first half of 2009 was €0.6 million, compared to €2.5 million in the prior year period. This decrease is primarily attributable to lower interest rates and a lower average cash balance as excess cash was used to entirely repay the outstanding amount of €85.0 million on the Revolving Facility. For the second quarter, we reported interest income of €0.3 million, versus €1.5 million we reported last year.

2.5.2 Net interest expense and foreign exchange loss

Our net interest expenses and foreign exchange loss for the first half of 2009 totaled €67.1 million, down from the €79.3 million for the prior year period. This decrease is primarily attributable to the lower EURIBOR interest rate, which sets the base for our total interest expenses on our Senior Credit Facility, and a decrease in our weighted average borrowings. This decrease was partially offset by additional interest expenses of €8.9 million on the capital lease implemented for the Interkabel Acquisition. Within these first half results, our second quarter recorded net interest expense of €33.3 million which were lower compared to the €41.3 million for the prior year period, despite additional interest expenses due on the Interkabel capital lease.

2.5.3 Gains and losses on derivative financial instruments

We have entered into various derivative instruments to significantly reduce our exposure to interest rate increases through the maturity date of our Senior Credit Facility. In line with IFRS accounting standards, our interest rate derivatives are valued on a mark-to-market basis, i.e. at fair value, and differences in fair value are reflected in our income statement. These changes in fair value do not have any direct impact on our cash flows until such time as the derivatives are fully or partially settled. For the first half of 2009, the change in fair value of our interest rate derivatives yielded a loss of €14.1 million, versus a gain of €41.0 million in the prior year period, within which our second quarter represented profits of €0.1 million and €55.1 million for 2009 and 2008, respectively. These changes in fair value are largely the consequence of changes in the 3 month-EURIBOR interest rate curve through the maturity dates of these instruments.

2.6 INCOME TAX EXPENSES

For the first half of 2009, we recorded income tax expenses of €27.3 million, compared to €30.8 million for the first half of 2008, reflecting on the one hand the increasing profitability of our legal entity Telenet NV and on the other hand a nonrecurring tax credit of €12.5 million related to the recognition of current and future investment deductions applicable under Belgian tax law, which we recorded in the second quarter. This resulted in second quarter income tax expenses of only €10.5 million in 2009 versus €17.9 million for Q2 2008. Since Belgium does not apply tax consolidation rules, tax expenses within individual group entities cannot be correlated to the consolidated net income of Telenet Group Holding NV. All of our income tax expenses are deferred tax expenses, which do not have any current cash consequences.

2.7 PROFIT FOR THE PERIOD

We recorded a net profit of €47.7 million for the first half of 2009, including a loss on our interest rate derivatives of €14.1 million, without which we would have recorded a net profit of €61.8 million. In the prior year, we reported net profit of €49.0 million, including a €41.0 million gain on our interest rate derivatives, without which we would have recorded a net profit of €7.9 million. Excluding these gains and losses on our interest rate hedges in both years, we experienced a strong increase in net income, due primarily to our underlying operating improvements and lower interest expenses. For the second quarter of 2009 alone, our net profit was €39.1 million, compared to €55.8 million in 2008, or €39.0 million and €0.7 million, respectively when excluding the impact from gains and losses on our interest derivatives.

2.8 CASH FLOW

2.8.1 Net cash provided by operating activities

Net cash provided by operating activities grew by 16% to €240.9 million for the first half of 2009 from €207.2 million in the prior year period. This increase reflects the combination of growth in our EBITDA and lower cash interest expenses, partially offset by a steadily declining working capital benefit arising from the migration from annual prepaid billing to monthly billing,

which is correlated to the evolution of analog subscribers to digital and timing differences in our billing cycles, primarily in the second quarter. This resulted in a stable year-on-year evolution of our net cash provided by operating activities for the second quarter of €105.5 million in 2009 versus €105.8 million in 2008.

2.8.2 Net cash used in investing activities

Net cash used in investing activities was €148.8 million for the first half of 2009, compared to €124.1 million in the prior year period. This increase primarily reflects higher cash capital expenditures resulting from the strong success of our digital TV rental boxes offering. Our second quarter 2009 net cash used in investing activities amounted to €72.4 million, compared to €52.7 million for the second quarter of 2008.

2.8.3 Free cash flow

We generated Free Cash Flow of €92.6 million for the first half of 2009, compared to €87.6 million for prior year's first half. In the second quarter of 2009, free cash flow contribution was lower compared to 2008, which was primarily the combined effect of higher cash capital expenditures, lower working capital movements, partially offset by a strong improvement in our EBITDA and lower cash interest expenses on our Senior Credit Facility.

2.8.4 Net cash used in financing activities

Net cash used in financing activities amounted to €3.5 million for the first half of 2009, compared to €12.4 million for the prior year. During the first half of 2009 we used excess cash to repay the entire outstanding balance of our Revolving Facility, on which we had drawn €85.0 million in 2008 to fund a portion of the Interkabel Acquisition. On June 29, 2009, we drew €90.0 million under the Term Loan B2B, the availability of which would have otherwise expired on June 30, 2009. The remainder of the cash used in financing activities included various lease repayments and the €13.0 million scheduled repayment of the new Telenet PICs Network capital lease following the Interkabel Acquisition. For the second quarter of 2009, net cash provided by financing activities was €71.1 million, primarily reflecting the €90.0 million drawdown, offset by the remaining €20.0 million repayment of the Revolving Facility, which compares to a net cash used in financing activities of €5.0 million for the prior year period.

As of June 30, 2009, we held €154.2 million of cash and cash equivalents, compared to €65.6 million as of December 31, 2008, reflecting the repayment of the Revolving Facility of €85.0 million, offset by the drawdown of the Term Loan B2B of €90.0 million and strong Free Cash Flow of €92.6 million for the first half of the year.

2.8.5 Leverage ratio and availability of funds

As of June 30, 2009, the outstanding balance of our Senior Credit Facility and outstanding cash balance generated a net senior debt leverage ratio of 3.0x EBITDA, down from 3.7x EBITDA at December 31, 2008, and significantly below the covenant of 6.25x and the availability test of 5.0x. Under the Senior Credit Facility, we have access to the additional committed Term Loan B2A and Revolving Facility loan facilities of €310.0 million in aggregate, subject to compliance with the above covenants, with availability up to and including June 30, 2010 and June 30, 2014, respectively, pursuant to the June 29, 2009 amendment to the Senior Credit Facility.

2.9 CAPITAL EXPENDITURES

Accrued capital expenditures were €151.8 million for the first half of 2009, representing 26% of revenue, and including €61.1 million of set-top box expenditures, which accounted for 40% of total capital expenditures. The high proportion of rental set-top boxes in our accrued capital expenditures was due to the continued strong success of Telenet Digital TV in both our first

and second quarter and a strong customer preference for the more expensive HD PVR-enabled set-top box. Our set-top box capital expenditures represent an upfront investment and generate a return in the form of monthly recurring rental fees.

In addition to the rental set-top boxes, 18% of our total accrued capital expenditures during the first half of 2009 were related to installations and customer equipment and 22% to network growth and expansions, such as the 600 MHz network bandwidth upgrade project and various investments to accommodate our increased subscriber base and broadband speed requirements. This implies that approximately 80% of our accrued capital expenditures during the first half of 2009 are scalable or subscriber related. The remainder represents refurbishments and replacements of network equipment, television content acquisition costs and investments in our IT-platform and systems. By comparison, for the first half of 2008, accrued capital expenditures were €98.3 million, representing 20% of revenue, including €17.8 million of set-top box expenditures.

For the second quarter of 2009, our accrued capital expenditures amounted to €77.6 million, including €27.6 million of set-top box expenditures. Capital expenditures excluding rental set-top boxes slightly increased year-on-year as a result of the start of our “Pulsar” project, thereby expanding our digital and interactive network bandwidth by gradually splitting the optical nodes which bridge our fiber optic and coax networks. As of the third quarter of 2009, we plan to start the implementation of our mobile switch center following the Full-MVNO agreement with Mobistar as included in our full year capex guidance.

3 Risk factors

3.1 GENERAL INFORMATION

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

- the competition that we face in the internet, telephony and television markets in which we provide services; -including new sources of competition from providers of television services in what had principally been an analog cable television market;
- our high leverage and significant debt service obligations, including the restrictive covenants included in our New Senior Credit Facility. As of June 30, 2009, we had total debt of €2,368.1 million on a consolidated basis;
- the control over our operations that our principal shareholders retain pursuant to the Syndicate Agreement and possible conflicts of interest that we may have with our principal shareholders;

Other risks that we face include, but are not limited to, increasing subscriber acquisition costs; any negative impact on the reputation of and value associated with our brand name; our ability to successfully introduce new technologies or services and our ability to obtain necessary network and other equipment; failure to maintain and upgrade the networks that we own or use or the occurrence of events that damage those networks; the failure to ensure sufficient access to premium content; foreign exchange rate exposure; adverse regulatory, legislative, tax or other judicial developments, an adverse evolution of the social economic climate, our ability to execute our full MVNO agreement and our ability to successfully finalise the integration of the closed Interkabel Acquisition (as defined in Note 5.20.1 to the condensed consolidated interim financial statements of the Company).

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

3.2 LEGAL PROCEEDINGS


We are involved in a number of legal proceedings that have arisen in the ordinary course of our business. We discuss in our 2008 Annual Report certain pending lawsuits in which we are involved, which may or have had in the recent past significant effects on our financial position or profitability. We have no new or amended lawsuits other than those reported in our 2008 Annual Report that are expected to have a material adverse impact on our business or consolidated financial position.

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

4 Fair view statement by the management of the Company

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

- The set of condensed consolidated interim financial statements drawn up in accordance with the prevailing accounting standards on Interim Financial Statements (IAS 34), gives a true and fair view of the assets, financial position and profit and loss of the issuer and the companies included within its consolidation;
- The interim management's discussion and analysis provides a fair overview of the important events and major transactions between contracting parties which occurred during the first six months of the financial year, and their impact on the set of condensed financial statements, and a description of the main risks and uncertainties for the remaining months of the financial year.



Duco Sickinghe
CEO



Renaat Berckmoes
CFO

Condensed consolidated interim financial statements

1 Condensed consolidated interim statement of financial position

	Note	June 30, 2009	December 31, 2008	December 31, 2008
			re-presented	as reported
Assets				
(in thousands of euro)				
Non-current assets:				
Property and equipment	5.4	1,302,767	1,286,128	1,286,128
Goodwill	5.5	1,239,861	1,234,620	1,186,277
Other intangible assets	5.6	311,597	322,538	357,780
Deferred tax assets	5.13	-	-	-
Derivative financial instruments	5.12	11,854	14,889	14,889
Other assets		3,601	1,508	1,508
Total non-current assets		2,869,680	2,859,683	2,846,582
Current assets:				
Inventories		6,191	4,106	4,106
Trade receivables	5.7	72,065	67,767	67,767
Derivative financial instruments	5.12	46	230	230
Other current assets	5.8	47,215	38,403	38,403
Cash and cash equivalents		154,167	65,641	65,641
Total current assets		279,684	176,147	176,147
Total assets		3,149,364	3,035,830	3,022,729
Equity and Liabilities				
Equity:				
Share capital	5.9	1,041,352	1,089,599	1,089,599
Share premium and other reserves	5.9	898,095	898,005	898,005
Retained loss		(1,769,746)	(1,817,442)	(1,817,442)
Total equity		169,701	170,162	170,162
Non-current liabilities:				
Loans and borrowings	5.11	2,299,387	2,294,600	2,282,127
Derivative financial instruments	5.12	16,714	14,934	14,934
Deferred revenue	5.16	9,634	10,704	10,704
Deferred tax liabilities	5.13	44,460	17,221	16,838
Other liabilities	5.14	48,686	49,597	47,297
Total non-current liabilities		2,418,881	2,387,056	2,371,900
Current liabilities:				
Loans and borrowings	5.11	35,873	34,530	34,530
Trade payables		68,291	45,401	45,401
Accrued expenses and other current liabilities	5.15	324,966	265,970	265,970
Deferred revenue	5.16	117,081	127,363	129,418
Derivative financial instruments	5.12	14,571	5,348	5,348
Total current liabilities		560,782	478,612	480,667
Total liabilities		2,979,663	2,865,668	2,852,567
Total Equity and liabilities		3,149,364	3,035,830	3,022,729

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

2 Condensed consolidated interim statement of comprehensive income

For the six months ended June 30,			
	Note	2009	2008
(in thousands of euro, except per share data)			
Revenue	5.16	577,374	492,490
Cost of services provided	5.17	(326,180)	(284,955)
Gross profit		251,194	207,535
Selling, general and administrative expenses	5.17	(95,298)	(91,854)
Operating profit		155,896	115,681
Finance income		635	43,573
Net interest income and foreign exchange gain		635	2,546
Net gain on derivative financial instruments		-	41,027
Finance expense		(81,270)	(79,323)
Net interest expense and foreign exchange loss		(67,123)	(79,323)
Net loss on derivative financial instruments		(14,147)	-
Net finance expenses	5.18	(80,635)	(35,750)
Share of the loss of equity accounted investees		(266)	(197)
Profit before income tax		74,995	79,734
Income tax expense		(27,299)	(30,780)
Profit for the period		47,696	48,954
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period, attributable to Owners of the Company		47,696	48,954
Earnings per share			
Basic earnings per share in €	5.19	0.43	0.45
Diluted earnings per share in €	5.19	0.43	0.44

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

3 Condensed consolidated interim statement of changes in equity

Attributable to equity holders of the Company								
(in thousands of euro, except share data)	Note	Number of shares	Share capital	Share premium and other reserves	Retained loss	Total	Non-controlling interest	Total equity
January 1, 2008		109,313,539	1,081,098	891,187	(1,802,222)	170,063		170,063
Total comprehensive income for the period					48,954	48,954		48,954
Profit for the period					48,954	48,954		48,954
Other comprehensive income					-	-		-
Transactions with owners, recorded directly in equity		755,953	7,254	4,758		12,012		12,012
Contributions by and distributions to owners								
Recognition of share-based compensation								
5.10				1,838		1,838		1,838
Proceeds received upon exercise of Class A and Class B Options	5.9			101		101		101
Issuance of share capital via exchange of Class A and Class B Profit Certificates	5.9	62,736	398	(398)				
Compensation cost related to the Employee Stock Purchase Plan				1,678		1,678		1,678
Issuance of share capital through Employee Stock Purchase Plan		693,217	6,856	1,539		8,395		8,395
Total contributions by and distributions to owners		755,953	7,254	4,758		12,012		12,012
June 30, 2008		110,069,492	1,088,352	895,945	(1,753,268)	231,029		231,029

Attributable to equity holders of the Company								
(in thousands of euro, except share data)	Note	Number of shares	Share capital	Share premium and other reserves	Retained loss	Total	Non-controlling interest	Total equity
January 1, 2009 as reported		110,299,104	1,089,599	898,005	(1,817,442)	170,162		170,162
Total comprehensive income for the period					47,696	47,696		47,696
Profit for the period					47,696	47,696		47,696
Other comprehensive income					-	-		-
Transactions with owners, recorded directly in equity		1,413,251	(48,247)	90		(48,157)		(48,157)
Contributions by and distributions to owners								
Recognition of share-based compensation	5.10			1,155		1,155		1,155
Proceeds received upon exercise of Class A and Class B Options	5.9			6,545		6,545		6,545
Issuance of share capital via exchange of Class A and Class B Profit Certificates	5.9	1,413,251	7,610	(7,610)				
Repayment of capital	5.9		(55,857)			(55,857)		(55,857)
Total contributions by and distributions to owners		1,413,251	(48,247)	90		(48,157)		(48,157)
June 30, 2009		111,712,355	1,041,352	898,095	(1,769,746)	169,701		169,701

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

4 Condensed consolidated interim statement of cash flows

For the six months ended June 30,			
	Note	2009	2008
Cash flows provided by operating activities:			
(in thousands of euro)			
Profit for the period		47,696	48,954
Adjustments for:			
Depreciation, amortisation and impairment	5.17	147,678	123,220
Income tax expense		27,299	30,780
Increase / (decrease) in allowance for bad debt	5.7	(1,590)	(10,054)
Net interest income and foreign exchange gain	5.18	(635)	(2,546)
Net interest expense and foreign exchange loss	5.18	67,123	79,323
Net loss/(gain) on derivative financial instruments	5.18	14,147	(41,027)
Other		1,422	3,713
Change in:			
Trade receivables	5.7	(2,002)	31,699
Other assets	5.8	(5,803)	5,640
Deferred revenue	5.16	(11,471)	6,716
Trade payables		18,463	(3,435)
Provision for liabilities and charges		(1,633)	(157)
Accrued expenses and other current liabilities	5.15	(6,915)	5,923
Cash provided by operations		293,779	278,749
Interest paid		(63,497)	(75,060)
Interest received		10,772	3,557
Income taxes paid		(259)	-
Cash paid for derivatives		(300)	-
Cash received for derivatives		375	-
Net cash provided by operating activities		240,870	207,246
Cash flows provided by investing activities:			
Purchases of property and equipment		(130,134)	(107,398)
Purchases of intangibles		(18,247)	(12,214)
Acquisitions of subsidiaries and affiliates, net of cash acquired	5.20	(521)	(4,524)
Proceeds from sale of property and equipment and other intangibles		82	-
Net cash used in investing activities		(148,820)	(124,136)
Cash flows provided by financing activities:			
Repayments of loans and borrowings	5.11	(85,000)	(6,011)
Proceeds from loans and borrowings	5.11	90,000	-
Payments of finance lease liabilities		(14,497)	(2,242)
Payments for debt issuance costs		(540)	(12,000)
Proceeds from Employee Share Purchase Plan			8,395
Proceeds from exercise of Class A and Class B options		6,545	102
Payments for November 2007 capital decrease paid as dividend		(32)	(647)
Net cash used in financing activities		(3,524)	(12,403)
Net increase in cash and cash equivalents		88,526	70,707
Cash and cash equivalents:			
at January 1		65,641	76,611
at June 30		154,167	147,318

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

5 Notes to the condensed consolidated interim financial statements for the six months ended June 30, 2009

5.1 REPORTING ENTITY AND BASIS OF PREPARATION

5.1.1 Reporting entity

The accompanying consolidated interim financial statements (the “Interim Financial Statements”) present the operations of Telenet Group Holding NV and its subsidiaries (hereafter collectively referred to as the “Company” or “Telenet”) as at and for the six months ended June 30, 2009. Through its broadband network the Company offers cable television, including premium television services, broadband internet and telephony services to residential subscribers in Flanders and certain communes in Brussels as well as broadband internet, data and voice services in the business market throughout Belgium. The Company also offers mobile telephony services as a mobile virtual network operator (MVNO) which acquires wholesale airtime capacity from the Belgian mobile telephone operator Mobistar. Telenet Group Holding NV and its principal subsidiaries are limited liability companies organised under Belgian law. The Company is managed and operates in one operating segment, broadband communications.

5.1.2 Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s consolidated financial statements as of and for the year ended December 31, 2008. Results for the six months ended June 30, 2009 are not necessarily indicative of future results

The Interim Financial Statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value. The methods used to measure fair values are discussed in the notes to the Company’s consolidated financial statements as of and for the year ended December 31, 2008. The condensed consolidated Interim Financial Statements were approved for issue by the Board of Directors on July 31, 2009.

5.1.3 Functional and presentation currency

The Interim Financial Statements are presented in euro, which is the Company’s functional currency.

5.1.4 Use of estimates and judgments

The preparation of financial statements in accordance with IFRSs as adopted by the EU requires the use of certain critical accounting estimates and management judgment in the process of applying the Company’s accounting policies that affects the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the Interim Financial Statements and the reported amounts of revenue and expenses during the reporting period. The areas involving a

higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Interim Financial Statements are disclosed in the following Notes:

- Note 5.5: Goodwill
- Note 5.12: Derivative financial instruments
- Note 5.13: Deferred taxes
- Note 5.20: Acquisitions of subsidiaries

5.2 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Company in these Interim Financial Statements are the same as those applied in the Company's Consolidated Financial Statements as at and for the year ended December 31, 2008. The following standards, amendments and interpretations are mandatory for the first time for the financial year beginning January 1, 2009:

- IAS 1 (Revised 2007) *Presentation of Financial Statements* (effective from January 1, 2009)
The Company applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of January 1, 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas any non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these Interim Financial Statements as of and for the six months period ended on June 30, 2009. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- IFRS 8, *Operating Segments* (effective from January 1, 2009) replaces IAS 14.
The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The application of IFRS as from January 1, 2009 has no impact on the manner in which the Company reports its results, as its operations are managed and operated as one segment.
- Amendments to IAS 32 and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation* (effective from January 1, 2009)
The Company adopted the amendments as of January 1, 2009 with no material effect on its financial result or financial position.
- Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* (effective from January 1, 2009)
The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company adopted the amendment as of January 1, 2009 with no material effect on its financial result or financial position.

Reclassifications for comparison purposes

In accordance with IFRS 3 *Business Combinations* adjustments to the initial purchase price allocation of Interkabel (see Note 5.20) have been made retrospectively as if those adjustments had been made at the acquisition date. Therefore, comparative information for the prior period presented in the Interim Financial Statements is re-presented as required.

Certain comparative amounts in the condensed consolidated interim statement of cash flows and within the revenue categories presented in footnote 5.16 have been reclassified for purposes of more appropriate comparison between the figures of the six month period ended June 30, 2009 and the same period of the previous year. As of January 1, 2009, all revenue from business subscribers to coaxial broadband internet and fixed telephony have been reallocated from Business services revenue to Residential broadband internet and Residential telephony revenue. The purpose of this reallocation is to match revenue with subscriber data since business subscribers to these coaxial products were already counted in the broadband internet and fixed telephony statistics.

5.3 RISK MANAGEMENT

During the six months ended June 30, 2009, the Company did not change its financial risk management objectives or policies and as a result they are still consistent with the disclosures in the consolidated financial statements as at and for the year ended December 31, 2008.

5.4 PROPERTY AND EQUIPMENT

(in thousands of euro)	Land, buildings, and leasehold improvements	Network	Construction in progress	Furniture, equipment, and vehicles	Total
Cost					
At January 1, 2009	93,223	2,324,156	33,992	47,985	2,499,356
Acquisition of subsidiaries	1,512	-	-	121	1,633
Additions	2,227	68,933	61,043	419	132,622
Transfers	3,163	66,337	(73,868)	4,368	-
Impairment	-	-	-	-	-
Disposals	-	(384)	-	(50)	(434)
At June 30, 2009	100,125	2,459,042	21,167	52,843	2,633,177
Accumulated Depreciation					
At January 1, 2009	14,845	1,162,996	-	35,387	1,213,228
Depreciation charge for the period	2,516	112,341	-	2,724	117,581
Transfer	-	-	-	-	-
Eliminated on disposal	-	(383)	-	(16)	(399)
At June 30, 2009	17,361	1,274,954	-	38,095	1,330,410
Carrying Amount					
At June 30, 2009	82,764	1,184,088	-	14,748	1,302,767
Carrying Amount of Finance Leases included in Property and Equipment					
At June 30, 2009	41,827	267,980	-	421	310,228

5.5 GOODWILL

A reconciliation of the changes in goodwill is depicted below:

June 30, 2009	
(in thousands of euro)	
Beginning balance as reported	1,186,277
Updated purchase price allocation Interkabel (Note 5.20)	48,343
Beginning balance as re-presented	1,234,620
Acquisition of subsidiaries and adjustments to allocation of purchase price (Note 5.20)	5,241
Goodwill	1,239,861

For detailed information regarding the acquisitions of subsidiaries in the first six months of 2009, we refer to Note 5.20.

5.6 OTHER INTANGIBLE ASSETS

(in thousands of euro)	Network user rights	Trade name	Software	Customer relationships	Other	Total
Cost						
At January 1, 2009 as reported	9,700	121,000	175,062	266,602	32,943	605,307
Updated purchase price allocation Interkabel (Note 5.20)	-	-	-	(38,639)	3,397	(35,242)
At January 1, 2009 as re-presented	9,700	121,000	175,062	227,963	36,340	570,065
Additions	255	-	16,904	65	1,979	19,203
Disposals	-	-	(40)	-	(7,681)	(7,721)
At June 30, 2009	9,955	121,000	191,926	228,028	30,638	581,547
Accumulated Amortisation						
At January 1, 2009	2,136	62,517	121,545	50,683	10,646	247,527
Charge of the period	662	4,033	11,417	9,093	4,906	30,111
Disposals	-	-	(7)	-	(7,681)	(7,688)
At June 30, 2009	2,798	66,550	132,955	59,776	7,871	269,950
Carrying Amount						
At June 30, 2009	7,157	54,450	58,971	168,252	22,767	311,597

5.7 TRADE RECEIVABLES

	June 30, 2009	December 31, 2008
(in thousands of euro)		
Trade receivables	83,981	81,274
Less: provision for impairment of trade receivables	(11,916)	(13,507)
Trade receivables, net	72,065	67,767

5.8 OTHER CURRENT ASSETS

	June 30, 2009	December 31, 2008
(in thousands of euro)		
Recoverable withholding taxes	565	1,194
Recoverable VAT	108	119
Prepaid content	3,845	4,433
Prepayments	7,719	4,415
Unbilled revenue	34,106	28,085
Other	872	157
Other current assets	47,215	38,403

5.9 SHAREHOLDERS' EQUITY

As of June 30, 2009, share capital amounted to €1,041 million (December 31, 2008: €1,090 million).

On May 28, 2009, the extraordinary shareholders' meeting of Telenet Group Holding NV approved a capital reduction of €0.50 per share. This will be executed as a repayment of capital to all shareholders of Telenet Group Holding NV at the moment of the closing of trading on Euronext Brussels on September 1, 2009 with the payment of €55.9 million. No changes to the outstanding number of shares occurred or will occur as result of this transaction.

During the first six months of 2009, 1,074,222 Class A and 339,029 Class B profit certificates have been converted into shares for a total amount of €5.5 million and €2.1 million, respectively.

5.10 SHARE BASED COMPENSATION

Class A and class B options

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

In December 2004, the Company offered 1,251,000 of the 1,350,000 authorised Class B Options to certain members of management to subscribe to 1,251,000 Class B Profit Certificates (“Class B Options”). Of the 1,251,000 Class B Options offered by the Company, 1,083,000 were accepted in February 2005. The remaining 267,000 Class B Options were cancelled. Except for 105,375 Class B Options that vested immediately upon grant, the Class B Options vest over 4 years and could be exercised through December 2009, prior to the extension discussed below.

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

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

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

The extraordinary shareholders’ meeting of May 29, 2008 decided to issue 317,000 warrants (“Stock Option Plan 2008”). These stock options could be granted to the Chief Executive Officer. The extraordinary shareholders’ meeting of May 28, 2009 decided to issue 180,000 warrants (“Stock Option Plan 2009”) to the Chief Executive Officer of the Telenet Group.

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

	Stock Option Plan 2007	Stock Option Plan 2007bis	Stock Option Plan 2007ter	Stock Option Plan 2008	Stock Option Plan 2009
Fair value at grant date	3.83	2.79 - 4.34	3.15 - 4.62	3.02 - 4.78	2.86 - 3.97
Grant date	January 27, 2008	April 19, 2008	September 25, 2008	May 29, 2008	June 26, 2009
Number granted	55,000	1,294,000	63,000	317,000	180,000
Number accepted	27,500	1,058,600	43,000	317,000	180,000

Under Stock Option Plan 2007, Stock Option Plan 2008 and Stock Option Plan 2009, the options vest in equal parts per quarter over a period of four years and each option gives the holder the right to subscribe to one new share of Telenet Group Holding NV.

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

	Stock Option Plan 2007	Stock Option Plan 2007bis	Stock Option Plan 2007ter	Stock Option Plan 2008	Stock Option Plan 2009
Share price	18.04	14.41	14.78	15.89	14.60
Exercise price	19.40	14.50	14.69	15.86	14.22
Expected volatility	25.5%	24.2% - 27.7%	25.9% - 28.5%	24.3% - 27.6%	24.4% - 26.4%
Expected option life	3.61 years	3.61 years	3.61 years	3.61 years	3.61 years
Expected dividends	0.0%	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate	3.50%	4.07% - 4.20%	4.17% - 4.39%	4.48% - 4.51%	1.88% - 2.71%

On June 30, 2009, the Company offered options under the Stock Option Plan 2007 to certain beneficiaries. The acceptance period of this offer ends on July 31, 2009. Consequently, this offer will be accounted for in the third quarter of 2009.

Extension of the duration of outstanding options

The recent economic downturn has left a number of options out-of-the money (underwater). In order to address certain negative consequences resulting from the recent (financial and economic) crisis, the Belgian Parliament has enacted a new Program Law allowing companies to extend the duration of certain outstanding options for a maximum period of 5 years. The extraordinary shareholder's meeting of May 28, 2009 decided to offer an extension for the outstanding options held by current employees for a period of 3 years, taking into account the fiscally maximum number of options allowed. The beneficiaries were required to refuse or accept the offered extension by June 15, 2009 at the latest. The options subject to extension relate to Class A & B options, ESOP 2007bis and ESOP 2007ter. Above mentioned modification increases the fair value of the equity instruments granted. This incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification and is recognized over the remaining vesting period. The portion of the incremental value related to already vested options has been recognized immediately at the date of modification. Total incremental compensation cost was calculated at €0.7 million, of which €0.3 million was expensed immediately.

	Class A Stock Option Plan	Class B Stock Option Plan	Stock Option Plan 2007bis	Stock Option Plan 2007ter
Incremental fair value at grant date	0.34	0.74	0.60-0.85	0.60-1.00
Grant date	June 15, 2009	June 15, 2009	June 15, 2009	June 15, 2009
Number modified	262,052	60,740	754,984	43,000

The fair values of the modifications of the share options were determined using the Black-Scholes option pricing model with the following assumptions:

	Class A Stock Option Plan	Class B Stock Option Plan	Stock Option Plan 2007bis	Stock Option Plan 2007ter
Share price	14.32	14.32	14.32	14.32
Exercise price	5.08	6.35	14.50	14.69
Expected volatility	25.2%-46.4%	25.2%-43.7%	32.6% - 41.3%	32.6% - 39.5%
Expected option life	1.4 years	1.7 years	3.7 years	4,1 years
Expected dividends	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate	0.62%-1.63%	0.79%-1.8%	0.87% - 3.20%	2.26% - 3.37%

Total compensation expense associated with the Company's stock option plans amounted in the first six months of 2009 to €1.2 million. This amount includes the incremental compensation cost related to the extension of the outstanding options immediately expensed.

Effect of the capital reduction on the outstanding options

Upon the payment of the capital reduction on September 1, 2009, the Company will amend all options to ensure that benefits granted to the option holders will not reduce. The number of options will be increased and the exercise price will be decreased by a factor which is the ratio of the quoted market price of the Telenet Group Holding NV shares before the capital reduction less the capital reduction of €0.50 per share versus the quoted market price before the capital reduction. As a result of these

adjustments, fair values of the options before and after the transaction remain exactly the same for all option holders resulting in no additional compensation expense.

5.11 LOANS AND BORROWINGS

The debt balances specified below include accrued interest and commitment fee as of June 30, 2009 and December 31, 2008.

	June 30, 2009	December 31, 2008	December 31, 2008
		re-presented	as reported
	(in thousands of euro)		
New Senior Credit Facility:			
Term Loan A	530,000	530,000	530,000
Term Loan B1	309,524	307,500	307,500
Term Loan B2	375	115	115
Term Loan B2A	4	-	-
Term Loan B2B	90,006	-	-
Term Loan C	1,062,500	1,062,500	1,062,500
Revolving Credit Facility	197	85,381	85,381
Finance lease obligations	317,711	322,545	322,575
Clientele fee > 20 years (Note 5.20)	57,756	55,317	42,814
	2,368,073	2,363,358	2,350,885
Less: deferred financing fees	(32,813)	(34,228)	(34,228)
	2,335,260	2,329,130	2,316,657
Less: current portion	(35,873)	(34,530)	(34,530)
Total non-current loans and borrowings	2,299,387	2,294,600	2,282,127

With respect to the New Senior Credit Facility, the Company has refunded the Revolver Credit Facility in the first half year of 2009, with repayments in respectively January (€35.0 million), March (€30.0 million) and June (€20.0 million).

On the other hand, as the Company was not planning to fully utilize the Term Loan B2 by June 30, 2009, the facility was amended and split into a €135.0 million Term Loan B2A and a €90.0 million Term Loan B2B on June 24, 2009. The Company drew down the full Term Loan B2B on June 29, 2009. The Term Loan B2A was extended and is available to be drawn up to and including June 30, 2010.

5.12 DERIVATIVE FINANCIAL INSTRUMENTS

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

	June 30, 2009	December 31, 2008
(in thousands of euro)		
Current asset	46	230
Non-current asset	11,854	14,889
Current liability	(14,571)	(5,348)
Non-current liability	(16,714)	(14,934)
	(19,385)	(5,163)
Interest rate exchange contracts	(19,274)	(4,889)
Foreign exchange options and forwards	(150)	(233)
Embedded derivatives	39	(41)
	(19,385)	(5,163)

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

	June 30, 2009	June 30, 2008
(in thousands of euro)		
Interest rate exchange contracts	(13,983)	40,780
Foreign exchange options and forwards	(83)	29
Embedded derivatives	(81)	218
	(14,147)	41,027

5.13 DEFERRED TAXES

As of June 30, 2009, Telenet Group Holding NV and its subsidiaries had available combined cumulative tax loss carry forwards of €681.4 million (December 31, 2008: €728.0 million). Under current Belgian tax laws, these loss carry forwards have an indefinite life and may be used to offset the future taxable income of Telenet Group Holding NV and its subsidiaries. Taxable profit is reduced by a notional interest deduction which can be carried forward for 7 years, and by investment deductions.

Deferred tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. During 2007, the Company determined that it was probable that the tax loss carry forwards for one subsidiary would be utilized based on both the actual usage in the prior periods and the expected taxable profit for the future. As a result, a deferred tax asset was recognized in 2007 for the tax loss carry forwards and other temporary differences.

As Telenet Group Holding NV and virtually all of its subsidiaries with tax loss carry forwards have never realized any substantial taxable profits, no deferred tax assets have been recognized other than those discussed in the previous paragraph and one acquired in a business combination in 2008.

5.14 OTHER LIABILITIES

	June 30, 2009	December 31, 2008	December 31, 2008
		re-presented	as reported
	(in thousands of euro)		
Employee benefit obligations	8,330	7,436	7,436
Copyright fees	1,824	2,117	2,117
Other personnel related obligations	6,941	7,946	7,946
Long service awards	3,701	3,647	3,647
Claims	2,345	2,345	2,345
Interkabel out of market opex (Note 5.20)	21,148	19,300	17,000
Asset retirement obligation	2,313	2,313	2,313
Other	2,084	4,493	4,493
Total Other liabilities	48,686	49,597	47,297

5.15 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	June 30, 2009	December 31, 2008
	(in thousands of euro)	
Customer deposits	23,894	24,008
Compensation and employee benefits	31,230	39,693
VAT and withholding taxes	21,359	5,840
Copyright fees	769	767
Dividend payable to shareholders	56,058	239
Interkabel out of market component	4,697	9,170
Accrued programming fees	37,422	41,206
Accrued capital expenditure	13,400	16,052
Accrued other liabilities	124,952	127,827
Accrued interest on derivatives	4,749	
Other current liabilities	6,436	1,168
Total Accrued expenses and other current liabilities	324,966	265,970

5.16 REVENUE

The Company's revenue is comprised of the following:

For the six months ended June 30,		
	2009	2008
(in thousands of euro)		
Cable television:		
Basic Subscribers ⁽¹⁾	159,535	109,419
Premium Subscribers ⁽¹⁾	53,128	37,146
Distributors/Other	19,882	16,132
Residential:		
Internet	197,459	185,609
Telephony ⁽²⁾	109,067	106,061
Business	38,303	38,123
Total Revenue	577,374	492,490

The Company also has deferred revenue as follows:

	June 30, 2009	December 31, 2008
(in thousands of euro)		
Cable television:		
Basic Subscribers ⁽¹⁾	83,804	97,011
Premium Subscribers ⁽¹⁾	2,007	1,514
Distributors/Other	27,169	27,772
Residential:		
Internet	9,796	10,361
Telephony ⁽²⁾	2,974	2,871
Business	965	593
Total Revenue	126,715	140,122
Current portion	117,081	129,418
Long term portion	9,634	10,704

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

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

² Residential telephony revenue also includes interconnection fees generated by business customers.

5.17 EXPENSES BY NATURE

For the six months ended June 30,		
	2009	2008
(in thousands of euro)		
Employee benefits:		
Wages, salaries, commissions and social security costs	48,558	51,802
Other employee benefit costs	8,260	8,435
	56,818	60,237
Depreciation and impairment	117,567	93,381
Amortisation	25,580	25,650
Amortisation of broadcasting rights	4,531	4,189
Network operating and service costs	162,667	139,122
Advertising, sales and marketing	29,564	28,213
Share-based payments granted to directors and employees	1,155	3,516
Other costs	23,596	22,501
Total costs and expenses	421,478	376,809

5.18 FINANCE INCOME / EXPENSE

For the six months ended June 30,		
	2009	2008
(in thousands of euro)		
Recognised in profit or loss		
Finance income		
Interest income on bank deposits and commercial paper	401	2,546
Net gain on derivative financial instruments	-	41,027
Net foreign exchange gain	234	-
	635	43,573
Finance expense		
Interest expense, net		
Interest expense on financial liabilities measured at amortised cost	(59,263)	(75,938)
Interest expense on derivatives at fair value through profit or loss	(16,459)	(42)
Interest income on derivatives at fair value through profit or loss	10,554	1,255
Amortisation of financing cost	(1,955)	(4,429)
	(67,123)	(79,154)
Net loss on derivative financial instruments	(14,147)	-
Net foreign exchange loss	-	(169)
	(81,270)	(79,323)
Net finance expense recognised in profit or loss	(80,635)	(35,750)

5.19 EARNINGS PER SHARE

5.19.1 Basic

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

For the six months ended June 30,		
	2009	2008
(in thousands of euro, except share and per share data)		
Net profit attributable to the equity holders of the Company	47,696	48,954
Weighted average number of ordinary shares	110,575,311	109,604,215
Weighted average number of Class A Profit Certificates	255,756	-
Weighted average number of Class B Profit Certificates	110,858	58,110
Weighted average number of shares used in the calculation of basic earnings per share	110,941,925	109,662,325
Basic earnings per share in €	0.43	0.45

5.19.2 Diluted

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

During the six months ended June 30, 2008, the Company had five categories of dilutive potential ordinary shares:

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

During the six months ended June 30, 2009, the Company had seven categories of dilutive potential ordinary shares:

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

Only the Class A and B Options were included in the calculation of diluted earnings per share for the periods ended June 30, 2009 and 2008, as the effects of the other potential ordinary shares were anti-dilutive. The earnings used in the calculation of diluted earnings per share measures are the same as those for the basic earnings per share measures, as outlined above.

For the six months ended June 30,		
	2009	2008
	(in thousands of euro, except share and per share data)	
Weighted average number of shares used in the calculation of basic earnings per share	110,941,925	109,662,325
Adjustment for:		
Class A Options	541,216	1,023,072
Class B Options	186,058	350,917
Weighted average number of shares used in the calculation of diluted earnings per share	111,669,199	111,036,314
Diluted earnings per share in €	0.43	0.44

5.20 ACQUISITIONS OF SUBSIDIARIES

5.20.1 Acquisition of Interkabel

Telenet acquired from the PICs, effective October 1, 2008, certain cable television assets (Interkabel), including (i) substantially all of the rights that Telenet did not already hold to use the broadband communications network owned by the PICs (the Telenet PICs Network) and (ii) the analog and digital television activities of the PICs, including the entire subscriber base (together with the acquisition of the rights to use the Telenet PICs Network, the Interkabel Acquisition). Telenet had previously acquired in 1996 the exclusive right to provide point-to-point services, including broadband internet and telephony services, and the right to use a portion of the capacity of the Telenet PICs Network.

In connection with the Interkabel Acquisition, (i) Telenet paid net cash consideration of €224.9 million before working capital adjustments and direct acquisition costs and (ii) entered into a long-term lease of the Telenet PICs Network. The €224.9 million of cash consideration includes €10.5 million representing compensation to the PICs for the acquisition of certain equipment and other rights, net of compensation to Telenet for the transfer of certain liabilities to Telenet. In addition, the PICs paid Telenet cash of €27.0 million during the fourth quarter of 2008 in connection with certain working capital adjustments. Telenet incurred €2.7 million of direct acquisition costs associated with this transaction.

Telenet accounted for the Interkabel Acquisition using the purchase method of accounting, whereby the total purchase price has been allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. The purchase price allocation, as reflected in the consolidated financial statements as of and for the year ended December 31, 2008, was preliminary and subject to adjustment based on Telenet's final assessment of the fair values of the acquired identifiable assets and liabilities.

During the first half year of 2009, the Company updated its preliminary allocation of the consideration paid over the acquired identifiable net assets as follows:

	Updated purchase price allocation	Initial purchase price allocation
	(in thousands of euro)	
Current assets, net of cash acquired	500	500
Property and equipment	195,532	195,532
Intangible assets	160,958	196,200
Non current assets	10,402	9,620
Liabilities assumed	(300,354)	(286,471)
Goodwill	133,569	85,226
Total cash consideration paid	200,607	200,607

As a result of the update of the preliminary purchase price allocation in 2009, goodwill was adjusted with €48.3 million. The updated purchase price allocation, as reflected in these Interim Financial Statements remains preliminary and subject to Telenet's final assessment of the fair values of the acquired identifiable assets and liabilities.

5.20.2 Other acquisitions

Pebble Media NV

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

Acquisition of BelCompany Belgium NV

On June 30, 2009, Telenet acquired the BelCompany stores and points of sale in Belgium, the second largest independent supplier of mobile telecom and related products in Belgium. Its range comprises the latest products and the widest possible choice of mobile phones, subscriptions, accessories and pre-paid products of all brands, as well as internet products. BelCompany stores are situated at prime locations in all medium-sized and large cities, thus operating near the customer. The agreed purchase price amounts to €6.1 million of which €0.6 million is already effectively paid (€0.2 million net of cash acquired). Telenet capitalized €0.6 million of direct acquisition costs associated with the transaction.

As at June 30, 2009 the Company has not yet finalized its allocation of the consideration paid over the net assets. As a result, the consideration paid was allocated in first instance fully to goodwill on acquisition. The effect of the acquisition on the Company's assets and liabilities can thus be summarized as follows:

	(in thousands of euro)
Current assets, net of cash acquired	5,977
Property and equipment	1,633
Intangible assets	-
Non current assets	-
Liabilities assumed	(6,566)
Goodwill	5,242
Total purchase consideration	6,286

5.21 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 2009 and 2008. The June 2009 figures also include transactions with Pebble Media NV. (see Note 5.20.2)

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

5.21.1 Balance sheet

	June 30, 2009	December 31, 2008
	(in thousands of euro)	
Trade receivables	1,545	-
Trade payables and accrued liabilities	28,610	239

5.21.2 Income statement

	For the six months ended June 30,	
	2009	2008
	(in thousands of euro)	
Operating		
Revenue	766	-
Operating expenses	(506)	(232)
Other operating income	12	130

5.21.3 Key management compensation

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

	For the six months ended June 30,	
	2009	2008
	(in thousands of euro)	
Salaries and other short-term employee benefits	3,535	2,603
Post-employment benefits	87	104
Share-based payments	686	1,341
	4,308	4,048

5.22 CONTINGENT LIABILITIES AND COMMITMENTS

For a discussion of our contingent liabilities and commitments, some of which are significant, see Note 5.24 of the Company's consolidated financial statements as of and for the year ended December 31, 2008.

5.23 OFF-BALANCE SHEET ARRANGEMENTS

Historically, we have not used special purpose vehicles or similar financing arrangements. In addition, we do not have any off-balance sheet financing arrangements with any of our affiliates or with any unconsolidated entities.

5.24 SUBSEQUENT EVENTS

5.24.1 Telenet launched extension process of existing term loans

On July 13, 2009, Telenet BidCo NV launched a partial voluntary extension process of its existing term loans under its €2,300 million senior credit facility. Existing term lenders will have the opportunity to exchange their existing participations and commitments with participations and commitments in new tranches with extended maturities and improved economics. In aggregate, the Company seeks to extend the average maturity of its term debt by approximately 2.1 years. This leverage-neutral transaction will further improve stability of Telenet's debt capitalization by providing additional cash flow flexibility to the business with zero debt amortizations over the medium term. BNP Paribas and J.P. Morgan have been appointed joint bookrunners to manage this transaction.

REVIEW REPORT OF THE STATUTORY AUDITOR

Report of the statutory auditor to the shareholders of Telenet Group Holding NV on the review of the condensed consolidated interim financial statements as of and for the six month period ended June 30, 2009

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Telenet Group Holding NV ("the Company") as at June 30, 2009, and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and explanatory notes. The Company's Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting" ('IAS 34') as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at June 30, 2009 are not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Brussels, 31 July 2009

KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises
Statutory auditor

represented by

Jos Briers
Réviseur d'Entreprises/Bedrijfsrevisor

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