



Condensed Consolidated Interim Financial Report
For the six months period ended June 30, 2008



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 2007 annual report which was published on April 30, 2008 (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, 2008 and 2007 and the audited annual financial statements as of the year ended December 31, 2007 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.

We acquired Hostbasket NV ("Hostbasket") on January 7, 2008 (the "Hostbasket Acquisition"). Our financial results for the six months ended June 30, 2008 include balance sheet, profit and loss and cash flows of Hostbasket. The balance sheet data as of December 31, 2007, nor our financial results for the six months ended June 30, 2007 include any contributions from Hostbasket.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "aims," "expects," "intends," "may," "will," "would" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this report. In addition, even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in future periods.

We do not undertake any obligation, and do not intend, to review or confirm expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this document.

We urge you to read the sections of our 2007 Annual Report for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this document may not occur.

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For more information, please contact:

Analysts and
Investors:

Vincent Bruyneel
Director Investor Relations
vincent.bruyneel@staff.telenet.be
Phone: + 32 15 335 696

Christiaan Sluijs
Analyst Investor Relations
christiaan.sluijs@staff.telenet.be
Phone: +32 15 335 703

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.

1 Management's Discussion & Analysis

1.1 INTRODUCTION

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, 2008 and 2007 and the audited consolidated financial statements of Telenet Group Holding NV as of the period ended December 31, 2007, 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.

1.2 RESULTS OF OPERATIONS – INCOME STATEMENT

(€ in millions, except percentages and per share amounts)	For the three months ended June 30,			For the six months ended June 30,		
	2008	2007	% Change	2008	2007	% Change
Revenue						
Basic cable television	54.5	55.4	-2%	109.4	110.3	-1%
Premium cable television	19.4	15.6	24%	37.1	29.6	25%
Distributors / other	6.7	7.3	-9%	16.1	17.0	-5%
Residential broadband internet	87.7	80.3	9%	175.2	158.8	10%
Residential telephony	51.9	49.9	4%	104.0	98.3	6%
Business services	25.3	21.3	19%	50.5	42.7	18%
Total Revenue	245.4	229.8	7%	492.5	456.7	8%
Expenses						
Costs of services provided	(141.2)	(135.8)	4%	(285.0)	(270.2)	5%
Gross Profit	104.2	94.1	11%	207.5	186.5	11%
Selling, general and administrative costs	(45.8)	(40.7)	13%	(91.9)	(82.9)	11%
Operating profit	58.4	53.4	9%	115.7	103.5	12%
Finance income (costs), net	15.3	(24.2)	n/a	(35.8)	(48.2)	-26%
Share of the loss of associates accounted for using the equity method	(0.1)	(0.0)	269%	(0.2)	(0.1)	103%
Net profit before income taxes	73.6	29.2	152%	79.7	55.2	44%
Income tax benefit (expense)	(17.9)	77.8	n/a	(30.8)	62.5	n/a
Net profit	55.8	106.9	-48%	49.0	117.7	-58%
EBITDA(*)	123.7	111.8	11%	242.4	218.2	11%
margin %	50.4%	48.6%		49.2%	47.8%	
Weighted average shares outstanding				109,662,325	101,528,841	
Basic net earnings per share				0.45	1.16	
Diluted net earnings per share				0.44	1.10	

(*) EBITDA is a non-GAAP measure as contemplated by the U.S. Securities and Exchange Commission's Regulation G. For related definitions and reconciliations, see the Investor Relations section of Liberty Global, Inc. website (www.lgi.com).

1.3 RESULTS OF OPERATIONS – KEY PERFORMANCE INDICATORS

As of and for the periods ended	June 2008	June 2007	Change %
Premises serviced (in thousands)			
Homes passed - Telenet Network	1,929	1,910	1%
Homes passed - Partner Network	828	820	1%
Television			
<i>Telenet Network</i>			
Analog Cable TV	1,188	1,414	-16%
Digital Cable TV (iDTV)	479	309	55%
Total Cable TV	1,667	1,723	-3%
<i>Partner Network</i>			
Analog Cable TV (*)	22	26	-15%
<i>Combined Network</i>			
Analog Cable TV	1,210	1,440	-16%
Digital Cable TV (iDTV)	479	309	55%
Total Cable TV	1,688	1,750	-4%
Internet			
Residential Broadband Internet	903	804	12%
Business Broadband Internet	32	29	10%
Total Broadband Internet	935	834	12%
Telephony			
Residential Telephony	580	492	18%
Business Telephony	9	8	13%
Total Telephony	589	500	18%
Mobile telephony (active customers)	73	37	97%
Total Premises Serviced (excl. Mobile telephony)	3,212	3,083	4%
Churn for the three months ended			
Basic cable television	7.1%	7.4%	
Broadband internet	7.8%	7.5%	
Telephony	7.8%	7.1%	
Customer relationship information on Telenet Network			
Services per customer relationship	1.65	1.53	8%
Total customer relationships (in thousands)	1,667	1,723	-3%
ARPU per customer relationship (for the three months ended, in € / month)	32.6	29.2	12%

(*) includes PayTV subscribers on the Partner Network

Definitions used in above statements:

- EBITDA is defined as operating profit + depreciation and impairment + amortization + amortization of broadcasting rights, excluding costs related to stock purchase and option plans.
- Customer relationships are equal to the analog and digital basic cable TV subscribers on our owned network (Telenet Network).
- Average monthly revenue (ARPU) per customer relationship is calculated as follows: average total monthly recurring revenue (including revenue earned from carriage fees 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 customer relationships for the period.

1.4. ANALYSIS OF THE RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2008

1.4.1 RESULTS OF OPERATIONS

Multiple play

In the first half of 2008, the Company added a net aggregate 181,000 subscribers to its three core product groups – broadband internet, fixed telephony and digital television, indicating good continuation of subscriber growth. Compared to June 2007, we succeeded in adding almost 360,000 net subscribers to these three core growth engines, which are the foundations of Telenet's successful growth. These results yielded a total subscriber base of 3,212,000 at the end of June 2008, compared to 3,083,000 subscribers at the end of June 2007, excluding mobile telephony. Triple play customers on the Telenet Network reached 359,000, up 32% year-on-year. 22% of our customer relationships on the Telenet Network subscribe to at least three products, compared to 16% a year ago. The share of single play customers has further decreased to 56%, which indicates good progress in our cross- and upsell strategy as well as the opportunity to further increase multi-play service uptake. We achieved a ratio of 1.65 services per customer relationship as of June 30, 2008, up from 1.53 as of June 30, 2007. These numbers further underline the ongoing reality of the triple play convergence, in which more and more customers opt for a single provider for their media and communication services while yielding operational efficiencies for installation, invoicing and customer care.

ARPU per customer relationship

Alongside our improving triple play statistics, ARPU per customer relationship on the Telenet Network increased by 12% to €32.6 for the second quarter of 2008, up from €29.2 for the corresponding prior year period. This growth is a clear reflection of a continuation in the uptake of adding more services per unique customer relationship and subscribers migrating from analog to digital television, generating an average ARPU of more than double the analog base fee.

Broadband internet

Subscriber base

As of June 30, 2008, our total broadband internet subscribers reached 935,000, an increase of 101,000 or 12% compared to a year earlier, which represents a penetration ratio of homes passed in the Combined Network of 34%. We added 52,000 net subscribers during the first half of 2008, during which the second quarter seasonally faced fewer net additions. Out of our 935,000 total broadband internet subscribers, 32,000 were attributable to non-residential customers. Our residential broadband internet subscriber base grew to 903,000 by the end of June 2008, up from 804,000 at the end of June 2007. Churn in this service, including the former UPC Belgium area, was at 7.8% for the second quarter of 2008, compared to 7.5% for the corresponding prior year period and 8.4% in previous quarter. These favorable results underline the attractive product positioning we have achieved in a highly competitive market by offering customers a reliable, safe and fast broadband connection. We remain committed to continuously improving our product specifications while keeping prices stable. On July 14, 2008, we upgraded the downstream speeds for our low-tier ComfortNet product from 4 MBps to 6 MBps, and our mid-tier ExpressNet product from 10 MBps to 15 MBps, thereby reinforcing our broadband speed leadership and implying lower retail pricings on a per megabit basis. These enhancements will enable our customers to fully exploit rapid proliferation of "web 2.0"-applications via our advanced cable network.

ARPU and revenue trend

In line with prior periods, our broadband internet tier mix remained fairly stable. At the end of June 2008, 79% of our subscriber base was serviced by a mid- or high-tier product offering download speeds of 10 MBps or higher, compared to 83% a year earlier. Our increasing broadband penetration implied a slowly increasing proportion of lower-tier segment take up from new customers, but at a slower pace than initially anticipated. Our broadband ARPU for both the first half and the second quarter of 2008 demonstrated a low single-digit percentage rate of decline compared to the respective period a year ago, primarily as a consequence of the discount in our bundled offerings. For the first half of 2008, broadband internet revenue increased by 10% to €175.2 million from €158.8 million for the corresponding prior year period.

Telephony

Fixed telephony

We ended the first half of 2008 with 589,000 fixed telephony subscribers, an increase by 41,000 during the first six months in which the second quarter seasonally faced lower net additions. Compared to the prior year's corresponding period, our fixed telephony subscriber base grew by 89,000 or 18%, reaching a penetration rate of homes passed of over 21% in the Combined Network. Our residential fixed telephony base reached 580,000 subscribers as of the end of June 2008; the remaining 9,000 were non-residential customers. Churn for the second quarter of 2008 reported 7.8%, including the former UPC Belgium area, compared to 7.1% last year and 8.6% previous quarter. The key drivers of our telephony subscriber growth continue to be our competitively priced fixed telephony offerings including the "FreePhone" and "FreePhone 24" rate plans, which offer even better value when taken in one of our bundles. Fixed telephony remains a highly competitive market in which we anticipate continued innovation in the packaging and pricing of telephony services.

Mobile telephony

Our mobile telephony service added a net 17,000 subscribers during the first half of 2008 and we doubled prior year's subscriber base to reach a total of 73,000 mobile subscribers as of June 30, 2008. These mobile services were primarily sold to existing customers as part of a bundle and hence, were achieved without incurring any incremental marketing cost. Our second quarter additions were somewhat lower compared to the prior year second quarter as a result of the insourcing project of our mobile back office operations as announced in our first quarter earnings release, which resulted in temporary delays. Our insourced operation reinforces our end-to-end customer process cycle for our mobile product line and will enable an increased efficiency in the activation ratio of sold SIM-cards.

ARPU and revenue trend

In line with our anticipations, we experienced sequential downward pressure on our fixed telephony ARPU, primarily due to (i) the addition of new subscribers on bundled and flat-rate tariffs and (ii) lower retail rates for fixed-to-mobile voice traffic as a result of a decrease in mobile termination rates as of October last year, the benefits of which we passed on to our customers. In addition, following the new regulatory framework, we incurred a significant negative impact of reduced fixed line termination rates as of January 2008, which decreased on average by 40% versus the prior year. Despite these elements, the solid growth in our fixed telephony subscriber base and the increase in mobile telephony revenue resulted in overall telephony revenue of €104.0 million for the first half of 2008, up by 6% from €98.3 million for the corresponding prior year period.

Television

Digital television

Subscriber base

As of June 30, 2008, we reported a total of 479,000 subscribers to our digital television service (iDTV), representing a net increase of 88,000 subscribers for the first half of 2008. Compared to June 30, 2007, our iDTV base grew by 169,000 or 55%. These strong subscriber additions were in particular driven by attractive set top box rental schemes introduced in March 2008. Our second quarter subscriber additions were primarily generated through rented set top boxes, while in the first quarter the majority were sold. In addition to iDTV, we have 22,000 subscribers to premium PayTV content received through an alternative platform on the Partner Network.

ARPU and revenue trend

During the second quarter of 2008, we continued to see strong progress in total video-on-demand transactions, up by 78% compared to the corresponding prior year period. During the same period the number of paying transactions increased by 92%. Each of our digital television subscribers registered an average of close to 1.6 transactions per month in the second quarter of 2008, compared to 1.3 for the prior year period. Having seen this ratio increase solidly for three consecutive quarters indicates that new customers are increasingly enjoying the benefits of video-on-demand. Our digital TV ARPU for the second quarter remained fairly flat, on top of the basic

cable television ARPU. Total premium television revenue generated by both our digital TV and PayTV customers reached €37.1 million for the first half of 2008, up from €29.6 million for the same period in 2007, an increase of 25% year-on-year. This revenue comprises additional services such as on-demand and premium and thematic channel pack subscriptions, and comes on top of the basic TV subscription revenue as described below.

Basic cable TV

Subscriber base

Subscribers to both basic analog and digital television services reached a total of 1,667,000 at the end of June 2008, compared to 1,723,000 at the end of June 2007. Our basic cable television subscribers comprise 1,188,000 subscribers receiving an analog television service and 479,000 iDTV subscribers. Therefore, as of June 30, 2008, almost 30% of our basic cable TV subscribers were digital. We experienced a net organic decrease in our basic cable TV subscriber base of 18,000 subscribers during the first half of 2008 which is in line with our expectations, and comes amid competition from other digital television and satellite providers. For the second quarter of 2008, we observed a lower rate of net loss compared to previous quarters, reporting a net loss of 6,000.

ARPU and revenue trend

The impact of this loss in subscribers was partially offset by the increase of the basic TV subscription fee effective as of August 2007, and implemented as subscribers renewed on an annual basis. Total basic TV revenue reported for the first half of 2008 was €109.4 million compared to €110.3 for the same period last year.

Telenet Solutions

Our business service division continued to deliver good top line growth through its segmented approach in offering coaxial and fiber based products for voice, data and internet services. Revenue for the first half of 2008 reached €50.5 million, up 18% on the prior year. Approximately two thirds of this increase was attributable to strong sales momentum in the carrier and data segment, in which our scalable and flexible IP-VPN solutions continue to win customers. A little over one third of this increase was attributable to the acquisition of Hostbasket in the beginning of 2008 through which we provide complementary hosting services in the business market. However, we do not underestimate the highly competitive and price sensitive environment in which our business-to-business division is operating and hence we will continue to focus on the appropriate product offerings for each of our core segments, with a particular focus on small and medium-sized enterprises.

1.4.2 FINANCIAL RESULTS

Revenue

We delivered further good operating performance with revenue growth for the first half of 2008 of 8% to reach €492.5 million from €456.7 million in the first half of 2007. This progress was attributable to the growth in residential broadband internet, fixed telephony and digital TV subscribers, as well as continued momentum in our business services, offset by a moderate price pressure for broadband internet and a stronger price pressure for fixed telephony. Growth in broadband internet revenue, by €16.5 million or 10% year-on-year was the most significant contributor, delivering almost 50% of the total increase in the first half of 2008 revenue compared to the corresponding prior year period. Premium cable television revenue was €37.1 million for the first half of 2008, an improvement of 25%, which reflects the continued strong uptake of our digital TV product combined with good progress in on-demand services. Growth in our telephony revenue, by €5.8 million or 6% year-on-year, embeds a continued pressure on price as the share of free outgoing voice traffic increased. In addition, we faced a decrease in interconnection revenue following the regulatory-driven reduction of our fixed termination rates by approximately 40%. Strong growth in fixed telephony subscribers and good progress in mobile telephony more than offset these reductions. Our business services division delivered €7.8 million or 18% revenue growth, of which a little over one third was attributable to the acquisition of Hostbasket. Our reported premium cable television revenue excludes sales of iDTV 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 2008, sales of iDTV set top boxes generated €5.1 million of revenue, compared to €7.1 million for the same period last year. This decrease is predominantly attributable to the introduction of set top box

rental offerings as of March 2008, which generate recurring revenue as opposed to upfront revenue from set top boxes sales. The remaining €11.0 million of the total €16.1 million of “Distributors/Other” revenue represents revenue from cable television activation and installation fees and other services such as online advertising on our portal and community websites.

Expenses

Total operating expenses for the first half of 2008 rose 7% to €376.8 million from €353.1 million a year ago, a moderate increase thanks to various efficiency and process improvement projects that we continue to implement. Operating expenses for the first half of 2008 included expenses of €3.5 million related to the 2008 Employee Stock Purchase Plan and the 2007 Employee Stock Option Plan. Excluding these items, our operating expenses increased by 6%.

Costs of services¹ represented €283.6 million of total operating expenses during the first half of 2008, a year-on-year increase of 5%, which was a smaller increase than our revenue growth rate of 8%. This increase was primarily attributable to higher call center capacity requirements, rising copyright and content costs and other network operating costs, reflecting the continued rapid growth of our subscriber base – predominantly in digital television, slightly offset by lower set top box purchase expenses as a result of the shift from sales to rental.

Selling, general and administrative¹ (SG&A) expenses represented €89.7 million of total operating expenses during the first half of 2008, a year-on-year increase of 8%. During the first half of 2008, we incurred professional fees related to the Interkabel legal proceedings which were not applicable during the prior year period. This increase in SG&A expenses included moderate increases in personnel and sales and marketing expenses.

Costs of services provided as a percentage of total revenue decreased to 58% of revenue for the first half of 2008, compared to 59% of revenue for the same period prior year, and we reported flat SG&A expenses as a percentage of total revenue of 18% for the respective 2008 and 2007 periods.

EBITDA and operating profit

EBITDA increased by 11% on a year-on-year basis to €242.4 million for the first half of 2008, from €218.2 million for the first half of 2007. This represents an EBITDA margin of 49.2% compared to 47.8% the prior year, an improvement of 1.4 percentage points. Depreciation and amortization totaled €123.2 million for the first half of 2008 versus €114.3 million in 2007, an increase of 8%, which can partly be attributed to a larger share of capital expenditures being depreciated in a shorter timeframe. The combination of a strong growth in EBITDA and a moderate increase in depreciation and amortization, led to an operating profit of €115.7 million for the first half of 2008 as compared to €103.5 million for the first half of 2007, an increase of 12%.

Net result

On top of the operating result, our net result for the first half of 2008 further included interest expenses, a significant favorable impact of changes in the fair value of our interest hedging instruments, and regular deferred taxes.

Finance costs

Net finance costs decreased to €35.8 million for the first half of 2008 from €48.2 million for the first half of 2007. The decrease was predominantly influenced by significant net changes in the fair values of our foreign exchange and derivative financial instruments, generating a €41.0 million gain compared to a loss of €0.3 million in the prior year period. This effect is primarily a result of the favorable change in the fair value of our interest rate derivatives following an increase of the EURIBOR rate. Changes in the fair values of our derivative instruments have no impact on our cash flows. Excluding this effect, net finance costs were €76.8 million for the first half of 2008, compared to €47.9 million for the corresponding prior year period. This increase is mainly a result of our 2007 refinancing activities in which we increased our debt to €1.9 billion as of October 2007 from €1.2 billion before, partially offset

¹ Excluding stock based compensation

by a lower average interest rate on the new Senior Credit Facility. In addition, during the first half of 2008 we realized a foreign exchange loss of €0.2 million, compared to a gain of €5.6 million during the first half of 2007.

Income tax expenses

In the first half of 2008, we recorded income tax expenses of €30.8 million, compared to an income tax benefit of €62.5 million in the first half of 2007. The income tax benefit in 2007 was a result of the recognition of a non current deferred tax asset related to the net operating losses of Telenet NV, which resulted in a one-off favorable impact of €94.3 million in our net result for the first half of 2007. The income tax expenses of 2008 all relate to deferred tax expenses of which the majority did not have any cash consequences.

Net income

We recorded a net profit of €49.0 million for the first half of 2008, compared to €117.7 million for the same period in the prior year, including the favorable change in the fair value of our derivatives and the one-off deferred tax benefit, respectively. Excluding these effects, the decrease in net profit is primarily a result of higher recurring interest charges, partially offset by an improved operating result.

Cash flow and liquidity

Net cash from operating activities

Net cash provided by operating activities increased to €207.2 million in the first half of 2008, from €196.4 million in the first half of 2007. We generated cash from operations of €278.7 million, a 19% increase compared to the prior year despite the fact that the net cash paid for interest increased to €71.5 million from €37.5 million for the respective prior year period, as a result of the refinancing of the non-cash interest Senior Discount Notes in October 2007 and the above mentioned higher debt levels since October 2007.

Free cash flow

The Company generated free cash flow² of €87.6 million for the first half of 2008, compared to €88.8 million generated during the first half of 2007 and is primarily the combined result of the higher cash interest expenses and strong improvement of EBITDA and working capital.

Net cash from financing activities

Net cash used in financing activities decreased to €12.4 million for the first half of 2008, down from €121.9 million for the first half of 2007. The cash used in financing activities during the first half of 2007 reflects several debt prepayments under the old Senior Credit Facility, for a total of €122.0 million. Since no debt repayments are due before 2012 under the new Senior Credit Facility, the cash used in financing activities for the first half of 2008 is limited to the annuity fee paid in connection with the current usage rights on the Partner Network as well as the €12.0 million payment of debt issuance costs in connection with our Senior Credit Facility.

Leverage ratio and availability of funds

As of June 30, 2008, the drawn amount of our new Senior Credit Facility and outstanding cash balance represents a net leverage ratio of 3.7x EBITDA. Under the new Senior Credit Facility, the Company has access to an additional committed loan capacity of €400.0 million, subject to compliance with applicable covenants, pursuant to the Term Loan B2 and Revolving facility which are available to be drawn up to and including June 30, 2009 and June 30, 2014, respectively, pursuant an amendment to the Senior Credit Facility as announced on May 23, 2008. On May 16, 2008, Moody's Investor Services upgraded our Corporate Family Rating and the rating of our Senior Secured Credit Facility from B1 to Ba3.

² 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. Free cash flow is a non-GAAP measure as contemplated by the U.S. Securities and Exchange Commission's Regulation G. For related definitions and reconciliations, see the Investor Relations section of Liberty Global, Inc. website (www.lgi.com).

Capital expenditures

Capital expenditures³ were €98.3 million in the first half of 2008, compared to €112.6 million in the same period last year. The first half of 2007 included €12.0 million of expenditures related to the construction of our office extensions, implying rebased capital expenditures of €100.6 million. Rental boxes accounted for €9.8 million in the first half of 2008 and €5.5 million in the first half of 2007, or 10% and 5% of total rebased capital expenditures, respectively. Approximately 58% of our capital expenditures during the first half of 2008 were related to other subscriber growth, on top of set top boxes, or were network growth related, such as the network bandwidth upgrade project and various investments to accommodate our increased subscriber base. We also benefited from further contract renegotiations yielding reduced unit prices and customer installation costs. The balance represented fixed asset network investments, repairs and replacements. As a percentage of revenue, total capital expenditures decreased to 20% of revenue in the first half of 2008 from 22% of revenue in the prior year period, primarily as a result of timing differences in the network upgrade projects and lower customer installation costs. Excluding the set top box rentals, capital expenditures were 18% of revenue in the first half of 2008 and 21% for the prior year period.

Balance sheet

Most significant changes of balance sheet items are explained below.

Deferred tax assets

Subsidiaries made taxable profits of €101.1 million during the six months ended June 30, 2008 which, in combination with changes in temporary differences, resulted in the utilization of tax losses and a deferred tax expense of €30.8 million.

Inventories

The decrease in inventory is due to the change in the Company's sales model. Whereas in the past, revenue of set top boxes was generated through a sales model, the Company now offers nowadays the boxes mainly under a rental model. As a result, the inventory for sale decreased accordingly.

Cash and cash equivalents

The excess on cash has been invested in commercial papers and certificates of deposits. The increase in cash is the result of increasing income from operations in the first six months 2008 generating a higher cash inflow and on the other hand the capital increase executed in the second quarter of 2008.

Debt and other financing

Effective May 23, 2008 the new senior credit facility agreement was amended to:

- (i) include an increased basket under permitted financial indebtedness incurred, pursuant to finance leases for the financing of certain capital expenditures as part of the Interkabel transaction and the financing of set top boxes;
- (ii) carve-out indebtedness incurred under the network lease entered into in connection with the Interkabel transaction up to a maximum aggregate amount of € 195 million from the definition of Total Debt (as defined in the agreement); and
- (iii) extend the availability period for the Term Loan B2 Facility from July 31, 2008 to June 30, 2009.

Accrued expenses and other current liabilities

The increase regarding the VAT payable is the result of the following two major components:

Change in payments to the VAT-administration

Whereas in the past, VAT was paid based on the invoices sent (regardless whether they have been paid or not),

³ Capital expenditures are defined as additions to property, equipment and intangible assets as reported in our consolidated balance sheet on an accrued basis.

Telenet has revised this approach in conformity with Belgian VAT legislation and pays as from January 2008 onwards the VAT due based on the amounts of the invoices actually paid. As a result this leads to an increase of VAT payable outstanding compared with the situation as per year end 2007.

Seasonality effects

- The VAT payables amount resulting from revenue of analogue cable TV is strongly influenced by the seasonality of invoicing. Throughout the year, a subscriber is invoiced for a twelve months period. The timing during the year in which such invoicing is performed strongly fluctuates.
- The balance at year end 2007 resulted in a VAT receivable of €2.1 million as a result of the fact that in November of the year, an advance payment needs to be paid for the VAT of December. This was the case in Telenet NV. As the advance exceeded the final amount due, this resulted in a VAT receivable at year end.

1.4.3 FORWARD LOOKING STATEMENTS

> Please refer to the section "Information regarding forward-looking statements" at the beginning of this document.

Having reported 8% growth in revenue for the first half of 2008 and considering our continued success in growing our subscriber base across all our three core product lines, we are well on track to reach our full year outlook. During the second half of 2008, we will continue to seek to offer our customers an attractive combination of individual quality products, attractive bundled offerings and high service levels, which will further fuel our potential to grow subscribers and revenue during the second half of the year and beyond. We have to note that the revenue growth rate of the first half of 2008 was to some extent positively impacted by set top box sales since the new rental propositions, which generate lower but recurring revenue, were only introduced as of March 2008. We have not yet observed the same level of change in the broadband tier product mix as expected, nor have we seen any impact from weakened economic conditions yet. Nevertheless, we remain prudent about the competitive environment and potential trends from an imminent economic slowdown.

Our improved operational performance and efficiency gains resulted in EBITDA growth of 11% for the first half of 2008, which is well ahead of our full year outlook. Taking into account our assessment of the second half year operations and our continued commitment to methodically focus on our expense levels and process excellence, we are raising our EBITDA growth outlook for the full year 2008 to 8%-10% from 6%-8%. Our capital expenditures are expected to remain within the range of €180-€190 million, excluding set top box rentals.

1.4.4 SUBSEQUENT EVENTS

■ Final agreement with Partner Network (Pure Intercommunales or "PICs")

On June 28, 2008, Telenet executed an agreement with the PICs (the 2008 PICs Agreement), which provides for the acquisition of the PICs' analog and digital television activities, including the entire subscriber base and the purchase and the long-term lease of the network assets comprising the Telenet Partner Network. Among other matters, the 2008 PICs Agreement, which supersedes the agreement-in-principle that the parties signed on November 26, 2007, provides that the PICs would remain the legal owners of the Telenet Partner Network, and that Telenet would receive full rights to use the Telenet Partner Network under a long-term lease for a period of 38 years via a user right in rem, for which it will pay annual fees in addition to the fees payable under the existing structure. It is also provided that the PICs will subsequently be able to use limited bandwidth for certain public interest services. The closing of this transaction is subject to the approval of the general assemblies of the PICs and closing can therefore only occur after such approval has been obtained. The approval process is expected to be completed by October 2008. The closing of this transaction will enable Telenet to extend its interactive digital television services and triple play offerings to consumers served by the Telenet Partner Network.

■ **Telenet Media, Concentra and VAR intend to create new media joint-venture**

On July 2, 2008, Telenet Media, Concentra Media and VAR announced their intentions to consolidate their digital assets into a new media sales house. This strategic alliance will drive various economies of scale in a fragmented advertising market. The formal execution of this agreement is expected within a few weeks and a commercial launch by September 2008. The Concentra Group publishes various national, regional and specialized newspapers and magazines and owns three regional television stations. The VAR is a subsidiary of the Flemish public broadcaster VRT and manages the advertising strategy of the various public radio and television brands.

■ **Telenet and Videohouse engage in operational partnership**

On July 3, 2008, Telenet reached a final agreement with Videohouse on the outsourcing of all operations and services regarding the technical production of Prime and video-on-demand. Videohouse is the Belgian market leader of broadcast facilities to audio-visual media. This final agreement represents a further elaboration of the agreement-in-principle that the parties signed on May 28, 2008.

■ **Telenet and VGAS create new media gaming joint-venture**

On July 10, 2008, Telenet and Vgas have signed a letter of intent to consolidate their media and gaming activities into a new joint-venture T-Vgas. Vgas publishes the leading gaming magazine in Flanders and is already active on the Flemish television. The consolidation will allow a stronger positioning towards a unique advertising target group.

2 Condensed Consolidated Interim Financial Statements of Telenet Group Holding NV

2.1 CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS, TELENET GROUP HOLDING NV

(in thousands of Euro)	Notes	June 30, 2008	December 31, 2007
ASSETS			
NON-CURRENT ASSETS:			
Property and equipment	3	994,902	1,008,556
Goodwill	4	1,101,669	1,096,033
Other intangible assets	5	249,861	259,116
Deferred tax assets	10	14,556	60,647
Derivative financial instruments.....	9	55,631	31,320
Other assets		1,150	1,868
Total non-current assets		2,417,769	2,457,540
CURRENT ASSETS:			
Inventories		2,248	5,466
Trade receivables	6	91,049	110,771
Derivative financial instruments.....	9	13,916	2,499
Other current assets	7	13,232	14,382
Cash and cash equivalents.....		147,318	76,611
Total current assets.....		267,763	209,729
TOTAL ASSETS		2,685,532	2,667,269
EQUITY AND LIABILITIES			
EQUITY:			
Contributed Capital.....		1,088,352	1,081,098
Other reserves.....		895,945	891,187
Retained loss		(1,753,268)	(1,802,222)
Total equity		231,029	170,063
NON-CURRENT LIABILITIES:			
Long-term debt, less current portion	8	1,984,744	1,999,901
Derivative financial instruments.....	9	423	5,307
Unearned revenue	12	11,706	12,745
Deferred tax liabilities	10	-	15,034
Other liabilities.....		26,230	28,746
Total non-current liabilities.....		2,023,103	2,061,733
CURRENT LIABILITIES:			
Current portion of long-term debt	8	20,569	18,529
Accounts payable		200,557	230,369
Accrued expenses and other current liabilities.....	11	76,764	62,391
Unearned revenue and subscriber advanced payments.....	12	133,236	123,495
Derivative financial instruments.....	9	274	689
Total current liabilities		431,400	435,473
Total liabilities		2,454,503	2,497,206
TOTAL EQUITY AND LIABILITIES.....		2,685,532	2,667,269

See notes to the condensed consolidated Interim Financial Statements.

2.2 CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT, TELENET GROUP HOLDING NV

(in thousands of Euro, except share data)		For the six months ended	
		June 30,	
		2008	2007
Revenue	12	492,490	456,663
Costs of services provided	13	(284,955)	(270,178)
Gross profit		207,535	186,485
Selling, general and administrative	13	(91,854)	(82,941)
Operating profit		115,681	103,544
Finance income	14	46,112	13,623
Finance expense	14	(81,862)	(61,822)
Finance costs, net		(35,750)	(48,199)
Share of the loss of associates accounted for using the equity method		(197)	(97)
Profit before income tax		79,734	55,248
Income tax benefit / (expense)	10	(30,780)	62,453
Profit		48,954	117,701
Basic earnings per share	15	0.45	1.16
Diluted earnings per share	15	0.44	1.10

See notes to the condensed consolidated Interim Financial Statements.

2.3 CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, TELENET GROUP HOLDING NV

(in thousands of Euro, except share data)	Number of Shares	Share Capital	Share premium and Other Reserves	Hedging Reserves	Retained Loss	Total
January 1, 2007	101,085,455	1,656,645	891,502	(3,599)	(1,822,891)	721,657
Effective portion of cash flow						
hedges	-	-	-	(70)	-	(70)
Profit for the period	-	-	-	-	117,701	117,701
Recognition of share-based compensation	-	-	298	-	-	298
Proceeds received upon exercise of the Class A and Class B Options	-	-	1,112	-	-	1,112
Ordinary shares issued upon exercise of the Debt Warrants..	412,869	5,505	-	-	-	5,505
Issuance of share capital via exchange of Class A and Class B Profit Certificates	152,397	1,220	(1,220)	-	-	-
June 30, 2007	101,650,721	1,663,370	891,692	(3,669)	(1,705,190)	846,203
(in thousands of Euro, except share data)	Number of Shares	Share Capital	Share premium and Other Reserves	Hedging Reserves	Retained Loss	Total
January 1, 2008	109,313,539	1,081,098	891,187	-	(1,802,222)	170,063
Profit for the period	-	-	-	-	48,954	48,954
Recognition of share-based compensation	-	-	1,838	-	-	1,838
Proceeds received upon exercise of the Class A and Class B Options	-	-	101	-	-	101
Issuance of share capital through Employee Stock Purchase Plan	693,217	6,856	1,539	-	-	8,395
Compensation cost related to the Employee Stock Purchase Plan	-	-	1,678	-	-	1,678
Issuance of share capital via exchange of Class A and Class B Profit Certificates	62,736	398	(398)	-	-	-
June 30, 2008	110,069,492	1,088,352	895,945	-	(1,753,268)	231,029

See notes to the condensed consolidated Interim Financial Statements.

2.4 CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS, TELENET GROUP HOLDING NV

(in thousands of Euro)

	For the six months ended June,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit.....	48,954	117,701
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and impairment.....	123,220	114,350
Income tax expense (income).....	30,780	(62,453)
Provision for liabilities and charges.....	(157)	4,234
Increase / (decrease) in allowance for bad debt.....	(10,054)	3,768
Amortization of financing cost.....	4,429	2,862
Interest income.....	(3,801)	(1,453)
Interest expense.....	75,980	52,071
(Gain)/loss on derivative instruments, net.....	(41,027)	295
Unrealized foreign exchange (gain)/loss, net.....	169	(5,578)
Loss from unconsolidated company.....	197	97
Share based compensation.....	3,516	298
(Gain)/loss on disposal of fixed assets.....	-	100
Changes in operating assets and liabilities:		
Accounts receivable.....	30,484	(4,502)
Other assets.....	6,855	4,268
Unearned revenue.....	6,716	7,746
Accounts payable.....	(29,836)	3,438
Accrued expenses and other current liabilities.....	32,324	(3,341)
Cash provided by operations.....	<u>278,749</u>	<u>233,901</u>
Interest paid.....	(75,060)	(37,507)
Interest received.....	3,557	-
Net cash provided by operating activities.....	<u>207,246</u>	<u>196,394</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment.....	(107,398)	(97,711)
Purchases of intangibles.....	(12,214)	(9,846)
Cash paid in connection with acquisitions, net of cash acquired.....	(4,524)	(288)
Net cash used in investing activities.....	<u>(124,136)</u>	<u>(107,845)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term borrowings.....	(6,011)	(127,462)
Repayments of finance leases.....	(2,242)	(900)
Further payment of November 07 dividend.....	(647)	-
Payments for debt issuance costs.....	(12,000)	(125)
Proceeds received upon capital increase (issuance of debt warrants).....	-	5,505
Proceeds received upon exercise of Class A and Class B Options.....	102	1,112
Proceeds received Employee Share Purchase Plan.....	8,395	-
Net cash used in financing activities.....	<u>(12,403)</u>	<u>(121,870)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS.....	70,707	(33,321)
CASH AND CASH EQUIVALENTS:		
Beginning of period.....	76,611	58,844
End of period.....	<u>147,318</u>	<u>25,523</u>

See notes to the condensed consolidated Interim Financial Statements.

2.5 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.5.1 BASIS OF PRESENTATION

The accompanying condensed consolidated interim financial statements (the “Interim Financial Statements”) present the operations of Telenet Group Holding NV (“Telenet Group Holding”) and its subsidiaries (hereafter collectively referred to as the “Company”). 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 communities 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 organized under Belgian law. The Company is managed and operates in one operating segment, broadband communications.

The accompanying condensed consolidated Interim Financial Statements were subject to a review by the company’s statutory auditor. In the opinion of management, these Interim Financial Statements include all adjustments which are necessary to present fairly the financial position and the results of operations for the interim periods. The Interim Financial Statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements as of December 31, 2007. Results for the six months ended June 30, 2008 are not necessarily indicative of future results.

As a result of a reclassification in the presentation of non-current versus current derivatives on the balance sheet, we adjusted accordingly the corresponding figures of 2007 in note 2.5.9.

Whereas in 2007 finance income/(expense) was presented on a net basis, we have presented finance income and expenses for the six months ended June 30, 2008 on a gross basis. We have adjusted the 2007 figures accordingly for comparison purposes.

Certain comparative amounts in the cash flow statement have been reclassified for purposes of more appropriate comparison between the figures of the six months period ended June 30, 2008 and the same period of the previous year.

The accompanying condensed consolidated Interim Financial Statements were approved for issue by the Board of Directors on August 1, 2008.

2.5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies

The accounting policies adopted are consistent with those applied in the preparation of the Company’s annual financial statements for the year ended December 31, 2007.

Management's Use of Estimates

The preparation of (interim) financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates and management judgment in the process of applying the Company’s accounting policies that affects the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2007.

Financial Risk Management

During the six months ended June 30, 2008, 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, 2007.

2.5.3 PROPERTY AND EQUIPMENT

	Land, buildings and leasehold improvements	Network	Construction in progress	Furniture, equipment and vehicles	Total
Cost					
At December 31, 2007.....	89,790	1,782,104	49,872	42,099	1,963,865
Acquisition of subsidiary	-	125	-	1,219	1,344
Additions.....	124	15,414	62,685	160	78,383
Transfers	1,072	66,549	(72,353)	4,732	-
Disposals	-	(7)	-	-	(7)
At June 30, 2008	90,986	1,864,185	40,204	48,210	2,043,585
Accumulated Depreciation					
At December 31, 2007.....	10,557	915,364	-	29,388	955,309
Depreciation charge for the year	2,222	88,359	-	2,800	93,381
Eliminated on disposal	-	(7)	-	-	(7)
At June 30, 2008	12,779	1,003,716	-	32,188	1,048,683
Carrying Amount					
At June 30, 2008	78,207	860,469	40,204	16,022	994,902

2.5.4 GOODWILL

A reconciliation of the changes in goodwill is depicted below:

Balance at December 31, 2007.....	1,096,033
Acquisition of subsidiary	5,636
Balance at June, 2008	1,101,669

For detailed information regarding the acquisitions in the first six months of 2008, we refer to note 2.5.17.

2.5.5 OTHER INTANGIBLE ASSETS

	Network user rights	Trade name	Software	Customer lists	Other	Total
Cost						
At December 31, 2007	152,799	121,000	144,648	85,191	16,426	520,064
Acquisition of subsidiary	-	-	678	-	-	678
Additions.....	-	-	16,071	-	3,835	19,906
Disposals.....	-	-	-	-	(2,910)	(2,910)
At June 30, 2008.....	152,799	121,000	161,397	85,191	17,351	537,738
Accumulated Amortization						
At December 31, 2007	62,183	54,450	98,477	37,760	8,078	260,948
Charge for the year	6,041	4,033	11,249	4,118	4,398	29,839
Disposals.....	-	-	-	-	(2,910)	(2,910)
At June 30, 2008.....	68,224	58,483	109,726	41,878	9,566	287,877
Carrying Amount						
At June 30, 2008.....	84,575	62,517	51,671	43,313	7,785	249,861

2.5.6 TRADE RECEIVABLES

	June 30, 2008	December 31, 2007
Trade receivables.....	103,238	132,882
Less: provision for impairment of receivables	(12,189)	(22,111)
Trade receivables, net	91,049	110,771

2.5.7 OTHER CURRENT ASSETS

	June 30, 2008	December 31, 2007
Prepaid taxes and VAT	1,136	3,491
Miscellaneous receivable	2,136	2,213
Prepaid content	3,165	3,979
Prepayments	6,462	4,335
Other	333	364
	13,232	14,382

2.5.8 DEBT AND OTHER FINANCING

The debt balances specified below include accrued interest as of June 30, 2008 and December 31, 2007, respectively.

	June 30, 2008	December 31, 2007
Senior Credit Facility	1,900,604	1,902,053
Clientele Fee	46,786	43,968
Annuity Fee	42,392	47,942
Finance lease obligations.....	50,964	52,329
	<u>2,040,746</u>	<u>2,046,292</u>
Less: deferred financing fees.....	(35,433)	(27,862)
	<u>2,005,313</u>	<u>2,018,430</u>
Less: current portion.....	(20,569)	(18,529)
Total long-term debt.....	<u>1,984,744</u>	<u>1,999,901</u>

2.5.9 DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into various derivative instruments to manage interest rate and foreign currency exposure.

Cash flow hedge accounting on the Senior Discount Note was discontinued on June 30, 2007 because the hedged forecasted transaction of the USD repayment at maturity of the Senior Discount Note could no longer be considered as being “probable” since it was known that the debt/equity structure of the Company would be modified. On September 5, 2007 Telenet Group Holding notified the holders of the Senior Discount Notes of the redemption of all of the outstanding Notes, to be executed on October 10, 2007 (the redemption date). As a consequence, the cash flow hedge reserve amounting to €3,668 was released in September 2007. Since June 30, 2007, the Company does not apply hedge accounting to its derivative instruments. Accordingly, changes in the fair values of the derivative instruments are recorded in realized and unrealized gains (losses) on financial and derivative instruments in our condensed consolidated interim income statement.

Via the debt refinancing in 2007, the Company redeemed the Senior Notes and Senior Discount Notes which were carrying a fixed interest rate of 9% and 11.5% respectively and replaced them by floating rate debt (Euribor) under the New Senior Credit Facility. The debt refinancing also provided funding for a capital reduction to the shareholders of € 6.00 per share, executed on November 19, 2007.

In order to hedge its increased exposure to floating rate debt as a result of the debt refinancing in 2007, the Company concluded new interest rate cap contracts for a total nominal amount of € 1,500 million. Through the use of interest rate cap contracts the risk of increasing interest rates has been limited and the Company is still able to benefit from decreases in interest rates. As of June 30, 2008, the Company had entered into interest rate swaps, caps and collars for a notional principal amount of € 453.6 million, € 1,531.5 million and € 75 million respectively.

End of June 2008, the Company rolled over the Term Loan A Facility (€ 530 million) under its New Senior Credit Facility for a one month period and concluded Euro Basis Swaps (3 month Euribor versus 1 month Euribor) for a nominal value of € 530 million. In combination with the existing interest rate derivatives, this will result in a decrease of interest rate costs. The Euro Basis Swaps mature on December 31, 2008.

The following table provides details of the fair value of our financial and derivative instrument assets (liabilities), net:

	June 30, 2008	December 31, 2007
Current asset.....	13,916	2,499
Non-current asset.....	55,631	31,320
Current liability.....	(274)	(689)
Non-current liability.....	(423)	(5,307)
	<u>68,850</u>	<u>27,823</u>

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

	June 30, 2008	June 30, 2007
Interest rate exchange contracts.....	40,780	3,468
Foreign exchange contracts.....	29	166
Foreign exchange forwards.....	-	(3,929)
Embedded derivatives.....	218	-
Total gains/(losses) on derivative financial instruments.....	<u>41,027</u>	<u>(295)</u>

The result on derivative financial instruments for the six months ended June 30, 2008 is primarily the result of the favorable change in the fair value of the underlying interest rate derivatives given the increase in the EURIBOR 3-month rate.

2.5.10 DEFERRED TAXES

Given the fact that the subsidiaries acquired in a previous business combination made taxable profits during the six months ended June 30, 2007 and utilized tax loss carry forwards which had not been previously recognized as deferred tax assets, management decided based on the facts and circumstances at that time that it would continue to benefit from these previously unrecognized deferred tax assets. Therefore, the Company recognized a non current deferred tax asset as of June 30, 2007 of €94.3 million. The utilization of tax losses carried forward from previous business combinations is recorded as a reduction of goodwill using the historic tax rate of 40.17% applicable at the time of the acquisition while the deferred tax asset is established using the current tax rate of 33.99%. For the six months ended June 30, 2007, this resulted in a deferred tax benefit of €64.2 million and a reduction of goodwill of €30.9 million.

Subsidiaries made taxable profits of €101.1 million during the six months ended June 30, 2008 which, in combination with changes in temporary differences, resulted in the utilization of tax losses and a deferred tax expense of €30.8 million.

The Company continues to evaluate the unrecognized deferred tax assets to assess whether it is probable that future taxable profits will allow the deferred tax asset to be recovered.

2.5.11 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	June 30, 2008	December 31, 2007
Customer deposits.....	24,403	24,569
Compensation and employee benefits.....	31,187	29,950
VAT and withholding taxes.....	16,751	1,465
Copyright fees.....	2,842	3,942
Dividend payable to shareholders.....	336	983
Other current liabilities.....	1,245	1,482
	76,764	62,391

2.5.12 REVENUE

The Company's revenue comprises:

	For the six months ended June 30,	
	2008	2007
Cable television:		
- Basic Subscribers ⁽¹⁾	109,419	110,313
- Premium Subscribers ⁽¹⁾	37,146	29,644
- Distributors/Other.....	16,132	16,973
Residential:		
- Internet.....	175,218	158,751
- Telephony ⁽²⁾	104,040	98,277
Business.....	50,535	42,705
Total.....	492,490	456,663

The Company also has unearned revenue as follows:

	June 30, 2008	December 31, 2007
Cable television:		
- Basic Subscribers ⁽¹⁾	125,621	120,572
- Premium Subscribers ⁽¹⁾	1,155	998
- Distributors/Other.....	2,800	1,429
Residential:		
- Internet.....	9,334	9,841
- Telephony ⁽²⁾	2,818	2,745
Business.....	3,214	655
Total.....	144,942	136,240
Current portion.....	133,236	123,495
Long-term portion.....	11,706	12,745

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

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

Unearned revenue is generally fees prepaid by the customers and are recognized in the Income Statement on a straight-line basis over the related service period.

2.5.13 EXPENSES BY NATURE

	For the six months ended June 30,	
	2008	2007
Employee benefits:		
- Wages, salaries, commissions and social security costs	51,802	49,904
- Other employee benefit costs	8,435	12,205
	60,237	62,109
Depreciation	93,381	86,772
Amortization	25,650	24,018
Amortization of broadcasting rights	4,189	3,560
Network operating and service costs	139,122	129,925
Advertising, sales and marketing	28,213	27,642
Share based compensation	3,516	297
Other costs	22,501	18,796
Total costs and expenses	376,809	353,119

2.5.14 FINANCE INCOME / EXPENSE

Finance income consists of:

	For the six months ended June 30,	
	2008	2007
Interest income	2,546	1,453
Forex income	1,025	5,734
Interest received on derivatives	1,255	-
Change in fair value of derivatives	41,286	6,436
Financial income, total	46,112	13,623

Finance expense consists of:

	For the six months ended June 30,	
	2008	2007
Interest expense	75,938	51,288
Deferred financing cost	4,429	2,862
Forex expense	1,194	156
Foreign exchange forward losses reclassified into earnings	-	6,614
Interest paid on derivatives	42	785
Change in fair value of derivatives	259	117
Financial expense, total	81,862	61,822

2.5.15 EARNINGS PER SHARE

Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares and Class A and Class B Profit Certificates outstanding during the period.

	For the six months ended	
	June,	
	2008	2007
Net income attributable to the equity holders of the Company	48,954	117,701
Weighted average number of ordinary shares.....	109,604,215	101,373,193
Weighted average number of Class A Profit Certificates	-	55,900
Weighted average number of Class B Profit Certificates	58,110	99,748
Weighted average number of shares in issue	109,662,325	101,528,841
Basic earnings per share in €.....	0.45	1.16

Diluted

Diluted earnings per share are calculated by using the treasury stock method by adjusting the weighted average number of shares in issue 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:

- the Class A Options
- the Class B Options
- the Stock Option Plan 2007
- the Stock Option Plan 2007bis, and
- the Stock Option Plan 2008.

During the six months ended June 30, 2007, the Company had three categories of dilutive potential ordinary shares:

- the Class A Options
- the Class B Options, and
- the Subordinated Debt Warrants.

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,	
	2008	2007
Weighted average number of shares in issue	109,662,325	101,528,841
Adjustment for:		
- Class A Options	1,023,072	829,353
- Class B Options	350,917	359,273
- Subordinated Debt Warrants.....	-	4,408,179
Weighted average number of shares for diluted earnings per share	111,036,314	107,125,646
Diluted earnings per share in €.....	0.44	1.10

2.5.16 SHARE BASED COMPENSATION

Employee Stock Option Plan

The extraordinary shareholders' meeting of December 27, 2007 decided to issue 3,300,000 warrants ("Stock Option Plan 2007"). Each of these stock options gives the holder the right to subscribe to one new share of Telenet Group Holding NV ("Telenet"). The above mentioned stock options could be granted to personnel members of Telenet Group Holding NV as well as of its affiliates and to the Chief Executive Officer.

The terms and conditions of the grants made during the six months ended June 30, 2008 are as follows:

(i) On December 27, 2007 the Board of Directors organized a grant of options under the Stock option plan 2007 to key management personnel. The exercise price of these options was set at €19.40.

<u>Grant date</u>	<u>Number of instruments accepted</u>	<u>Vesting conditions</u>	<u>Contractual life of options</u>
January 27, 2008	27,500	Vesting over a service period of 16 quarters	5 years

Details of the fair value of the share options and the underlying assumptions can be detailed as follows:

- fair value at grant date€3.83
- share price.....€18.04
- exercise price€19.40
- expected volatility.....25.5%
- expected term of the option 3.61 years
- expected dividends n/a
- risk-free interest rate (based on government bonds)3.50%
- during the contractual life of the options, the vested option can be exercised within 4 defined timeframes each year

The compensation cost for the award of share-based employee compensation amounts to €105 and has been expensed immediately in the first quarter.

(ii) On March 5, 2008 the Board of Directors organized a second grant of options under the Stock option plan 2007 to key management personnel, excluding the CEO. The exercise price of these options is €14.50.

<u>Grant date</u>	<u>Number of Instruments accepted</u>	<u>Vesting conditions</u>	<u>Contractual life of options</u>
April 19, 2008	1,058,600	Vesting over a service period of 16 quarters	5 years

Details of the fair value of the share options and the underlying assumptions can be detailed as follows:

- fair value at grant date €2.79 - €4.34
- share price.....€14.41
- exercise price€14.50
- expected volatility.....24.2% - 27.7%
- expected term of the option 3.61 years
- expected dividends n/a
- risk-free interest rate (based on government bonds)4.07% - 4.20%
- during the contractual life of the options, the vested option can be exercised within 4 defined timeframes each year

The total compensation cost for the award of share-based employee compensation amounts to €3,617 of which €1,207 has been expensed in the six months period ended June 30, 2008.

The extraordinary shareholders' meeting of May 29, 2008 decided to issue 317,000 warrants ("Stock Option Plan 2008"). Each of these stock options gives the holder the right to subscribe to one new share of Telenet Group Holding

NV ("Telenet"). The above mentioned stock options could be granted to the Chief Executive Officer.

The terms and conditions of the grants made during the six months ended June 30, 2008 are as follows:

(iii) On May 29, 2008 the extraordinary shareholders' meeting organized an offer of options under the Stock option plan 2008 to the CEO. The exercise price of these options was set at €15.86.

<u>Grant date</u>	<u>Number of Instruments accepted</u>	<u>Vesting conditions</u>	<u>Contractual life of options</u>
May 29, 2008	317,000	Vesting over a service period of 16 quarters	5 years

Details of the fair value of the share options and the underlying assumptions can be detailed as follows:

- fair value at grant date €3.02 - €4.78
- share price.....€15.89
- exercise price€15.86
- expected volatility.....24.3% - 27.6%
- expected term of the option 3.61 years
- expected dividends n/a
- risk-free interest rate (based on government bonds)4.48% - 4.51%
- during the contractual life of the options, the vested option can be exercised within 4 defined timeframes each year

The total compensation cost for the award of share-based employee compensation amounts to €1,245 of which €406 has been expensed in the six months period ended June 30, 2008.

Employee Stock Purchase Plan 2008

The extraordinary shareholders' meeting of Telenet Group Holding NV of December 27, 2007 renewed the mandate to the Board of Directors to implement an employee stock purchase plan (ESPP) until April 30, 2008. In January 2008, the Board of Directors offered Telenet's employees the opportunity to subscribe to the ESPP 2008. On March 19, 2008, the Board determined the exercise price based upon the reference price equaling the average of the closing quotations of the Telenet share on Euronext Brussels of 30 days preceding March 20, 2008. On this reference price, a discount of 16.67% was granted to the personnel resulting in a subscription price of €12.11. The offer to and acceptance by the employees of the employee share purchase plan is not subject to any performance requirements, nor any requirements to remain employed. In all cases, the persons involved will be entitled to the underlying proceeds of the ESPP 2008.

On April 18, 2008, the capital increase resulting from the subscriptions in the ESPP 008 has been acted by notary deed, resulting in a capital increase of €6,856 and a share premium of €1,539. A compensation expense was recognized for an amount of €1,678 for the 16.67% discount.

Details of the employee stock purchase plan 2008 can be detailed as follows:

- conditions: offered to all personnel members
- number of instruments accepted.....693,217
- share price.....€14.53
- subscription price.....€12.11
- amount of capital increase as a result of the ESPP 2008.....€6,856
- amount of share premium as a result of the ESPP 2008€1,539

2.5.17 ACQUISITIONS

Hostbasket NV

On January 7, 2008, Telenet acquired all of the shares in Hostbasket NV, a leading Belgian hosting provider in the SME market. The company was founded in 2000 and privately held. In 2005, Hostbasket NV was awarded "EMEA service

provider of the Year” by Microsoft. Hostbasket NV has built its market leader position through its comprehensive partner and reseller channel, its in-depth technological and market expertise, and a unique – internally developed – extremely scalable and flexible hosting platform. Its activities mainly consist of domain name registration, e-mail hosting and website hosting. The agreed purchase price consists of a fixed amount (€4,700 paid at closing) and an earn-out amount based on EBITDA and revenue targets for 2008 and 2009.

As at June 30, 2008 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:

	Pre acquisition Carrying amounts	Fair value adjustments	Recognized values on acquisition
Property and equipment	1,343		1,343
Intangible assets	678		678
Goodwill	11		11
Trade and other receivables	726		726
Cash and cash equivalents	376		376
Prepaid expenses	171		171
Loans and borrowings	(1,008)		(1,008)
Trade and other payables	(836)		(836)
Other current liabilities	(1,986)		(1,986)
Net identifiable assets and liabilities			(525)
Initial goodwill on acquisition			<u>5,225</u>
Consideration paid, satisfied in cash			4,700
Cash acquired			<u>(376)</u>
Net cash outflow			4,324

Based on the preliminary purchase price allocation, an amount of €5,636 has been accounted for as goodwill, which can be detailed as follows:

- Initial goodwill on acquisition	5,225
- Additional goodwill as a result of the 2008 earn out conditions	<u>400</u>
	5,625
- Goodwill acquired as part of Hostbasket assets	<u>11</u>
Total impact on the Company’s goodwill	5,636

City Live NV

At the occasion of a capital increase performed by City Live NV in January 2008, the Company participated in this capital increase for an amount of €200.

Net cash outflow200

2.5.18 RELATED PARTIES

The related parties of the Company mainly comprise its shareholders that have the ability to exercise significant influence or control. This consisted of the Liberty Global Consortium for both six month periods ended respectively June 30, 2008 and June 30, 2007.

Balance Sheet

	June 30, 2008	December 31, 2007
Accounts receivable	65	10
Accounts payable	226	260

Income Statement

	For the six months ended June 30,	
	2008	2007
Operating		
Leases and other operating expenses	(232)	(433)
Other operating income	130	71

Key Management Compensation

	For the six months ended June 30,	
	2008	2007
Salaries and other short-term employee benefits.....	2,603	1,936
Post-employment benefits	104	116
Share-based payments	1,718	81

2.5.19 SUBSIDIARIES

In order to simplify the internal corporate structure of the Company and to align the corporate structure with the operating functioning of the Company, the Company completed the merger of UPC Belgium NV with Telenet NV with effect from January 1, 2008.

2.5.20 CONTINGENT LIABILITIES AND COMMITMENTS

For a discussion of our contingent liabilities and commitments, some of which are significant, see section 4.2 and the Company's 2007 Annual Report.

2.5.21 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.


2.5.22 LACK OF TAX CONSOLIDATION

To the extent mismatches between taxable income and deductible expenses occur within the Telenet group, our ability to generate cash flow could be adversely affected (because Belgian tax law does not provide for group-wide consolidation).

3 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 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

4 Risk Factors

4.1 GENERAL RISK FACTORS

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 iDTV 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;
- 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 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; 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; and adverse regulatory, legislative, tax or other judicial developments. Additional risks and uncertainties not currently known to us or that we now deem immaterial may also harm us.

4.2 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 2007 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. The lawsuits discussed below are new or amendments to those reported in our 2007 Annual Report.

Other than as discussed below and in our 2007 Annual Report, 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.

Telenet Partner Network Negotiations

At June 30, 2008, Telenet provided services over broadband networks owned by Telenet and the Telenet Partner Network owned by the PICs, with the networks owned by Telenet accounting for approximately 70%, and the Telenet Partner Network accounting for approximately 30%, of the homes passed by the combined networks. Telenet had been negotiating with the PICs to increase the capacity available to Telenet on the Telenet Partner Network. Telenet was seeking the additional capacity in order to avoid a possible future degradation of service due to congestion that may arise in future years. As further described in section 1.4.4, Telenet executed the 2008 PICs Agreement on June 28, 2008. If consummated, the 2008 PICs Agreement will allow Telenet to, among other matters, address its capacity issues. To the extent that Telenet and the PICs are not able to consummate the 2008 PICs Agreement and Telenet has exhausted other means to resolve network congestion issues, it is possible that certain areas on the Telenet Partner Network would over time begin to experience congestion, resulting in a deterioration in the quality of service that Telenet would be able to provide to its subscribers and possible damage to Telenet's reputation and its ability to maintain or increase revenue and subscribers in the affected areas.

Telenet and the PICs had also been discussing the PICs' desire to provide video-on-demand and related digital interactive services over the Telenet Partner Network. These discussions had been complicated by differences in the parties' interpretation of the precise scope of the long-term exclusive right to provide point-to-point services over the Telenet Partner Network that the PICs contributed to Telenet in exchange for stock in 1996. Certain statements and market indications suggested that the PICs were considering the launch of certain digital

interactive services. Telenet believes that the provision of such services by the PICs would be in breach of its exclusive right to provide point-to-point services on the Telenet Partner Network and therefore has instituted legal action before the courts of Brussels to protect its rights. The court of Brussels has confirmed Telenet's reading of the scope of its exclusive rights in summary proceedings. The PICs have lodged an appeal against this judgment.

This litigation can be expected to come to an end following the consummation of the 2008 PICs Agreement. On November 26, 2007, Telenet and the PICs announced a non-binding agreement-in-principle to transfer the analog and digital television activities of the PICs, including all existing subscribers, to Telenet. On December 26, 2007, Belgacom NV/SA (Belgacom), the incumbent telecommunications operator in Belgium, lodged summary proceedings with the President of the Court of First Instance of Antwerp with a view to obtaining a provisional injunction preventing the PICs from effecting the agreement-in-principle. Belgacom's claim is based on the allegation that the PICs should have organized a market consultation prior to entering into the agreement-in-principle. The PICs are challenging this allegation, and Telenet intervened in this litigation in order to protect its interests. Belgacom also initiated a civil procedure on the merits claiming the annulment of the agreement-in-principle. On March 11, 2008, the President of the Court of First Instance of Antwerp ruled in favor of Belgacom and, accordingly, ordered the PICs to refrain from any act implementing the agreement-in-principle pending the procedure on the merits. The PICs and Telenet appealed the March 11, 2008 ruling and on June 4, 2008 the Court of Appeal of Antwerp ruled in their favor, reversing the decision in summary proceedings to suspend the agreement-in-principle. Belgacom is considering bringing this appeal judgment before the Cour de Cassation (Belgian Supreme Court), which could overrule the appeal judgment, but only on matters of law or procedure. The civil claim on the merits is still pending and the final judgment is expected to take at least one to two years. In parallel, Belgacom filed a complaint with the Government Commissioner who needs to make a decision whether the Board approvals of the PICs of the agreement-in-principle should be suspended. For now, the Government Commissioner and the Flemish Home Secretary Minister have not deemed it necessary to suspend the agreement-in-principle in light of the pending legal proceedings.

Furthermore, Belgacom also initiated a suspension and annulment procedure before the Council of State against these Board approvals. On June 2, 2008 the Council of State ruled in favor of the PICs and Telenet by declaring Belgacom's claim for suspension inadmissible because there is no risk for a "serious and irreparable harm." The final judgment in the annulment case is expected to take at least one to two years.

5 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, 2008

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Telenet Group Holding NV (“the Company”) as at June 30, 2008, and the related condensed consolidated interim statements of 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 are not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Brussels, 1 August 2008

KPMG Bedrijfsrevisoren – Réviseurs d’Entreprises
Statutory auditor
represented by

Jos Briers
Bedrijfsrevisor/Réviser d’Entreprises

telenet 