Financial Half Year Report 2016

Table of contents

Introduction

Introduction

Telenet Group Holding NV (hereafter collectively referred to as the "Company" or "Telenet") is a company organized under the laws of Belgium. Other notations and definitions herein apply as presented in the Company's 2015 Annual Report, which was published on March 25, 2016 (the "Annual Report"), a copy of which is available on the Company's website at http://investors.telenet.be.

Presentation of financial and other information

The condensed consolidated Interim Financial Statements of Telenet Group Holding NV as of and for the period ended June 30, 2016 and 2015 and the audited consolidated annual financial statements as of and for the year ended December 31, 2015 have in each case been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"). The financial information included in this report is not intended to comply with SEC reporting requirements.

Forward-looking statements

Various statements contained in this document constitute "forward-looking statements" as that term is defined under the U.S. Private Securities Litigation Reform Act of 1995. Words like "believe," "anticipate," "should," "intend," "plan," "will," "expects," "estimates," "projects," "positioned," "strategy," and similar expressions identify these forward-looking statements related to our financial and operational outlook; future growth prospects;, strategies; product, network and technology launches and expansion and the anticipated impact of the acquisition of BASE[1] on our combined operations and financial performance, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted whether expressed or implied, by these forward-looking statements. These factors include: potential adverse developments with respect to our liquidity or results of operations; potential adverse competitive, economic or regulatory developments; our significant debt payments and other contractual commitments; our ability to fund and execute our business plan; our ability to generate cash sufficient to service our debt; interest rate and currency exchange rate fluctuations; the impact of new business opportunities requiring significant up-front investments; our ability to attract and retain customers and increase our overall market penetration; our ability to compete against other communications and content distribution businesses; our ability to maintain contracts that are critical to our operations; our ability to respond adequately to technological developments; our ability to develop and maintain back-up for our critical systems; our ability to continue to design networks, install facilities, obtain and maintain any required governmental licenses or approvals and finance construction and development, in a timely manner at reasonable costs and on satisfactory terms and conditions; our ability to have an impact upon, or to respond effectively to, new or modified laws or regulations; our ability to make value-accretive investments; and our ability to sustain or increase shareholder distributions in future periods. We assume no obligation to update these forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

About Telenet

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 Business. Telenet is listed on the Euronext Brussels Stock Exchange under the ticker symbol TNET and is part of the BEL20 stock market index. Additional information on Telenet and its products can be obtained from the Company's website http://www.telenet.be. Further information regarding the operating and financial data presented herein can be downloaded from the investor relations pages of this website (http://investors.telenet.be).

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

Definitions

For purposes of calculating **rebased growth** rates on a comparable basis for the six months ended June 30, 2016, Telenet has adjusted its historical revenue and Adjusted EBITDA for the six months ended June 30, 2015 to include the pre-acquisition revenue and Adjusted EBITDA of BASE in its rebased amounts for the six months ended June 30, 2015 to the same extent that the revenue and Adjusted EBITDA are included in its results for the six months ended June 30, 2016 (BASE being fully consolidated since February 11, 2016). Telenet does not adjust pre-acquisition periods to eliminate non-recurring items or to give retroactive effect to any changes in estimates that might be implemented during post-acquisition periods. As Telenet did not own or operate the acquired businesses during the pre-acquisition periods, no assurance can be given that Telenet has identified all adjustments necessary to present the revenue and Adjusted EBITDA of these entities on a basis that is comparable to the corresponding post-acquisition amounts that are included in its historical results or that the pre-acquisition financial statements Telenet has relied upon does not contain undetected errors. In addition, the rebased growth percentages are not necessarily indicative of the revenue and Adjusted EBITDA that would have occurred if these transactions had occurred on the dates assumed for purposes of calculating the rebased amounts or the revenue and Adjusted EBITDA that will occur in the future. The rebased growth percentages have been presented as a basis for assessing growth rates on a comparable basis, and are not presented as a measure of our pro forma financial performance.

Under **"Choose Your Device" contractual arrangements**, which include separate contracts for the mobile handset and airtime, Telenet generally recognizes the full sales price for the mobile handset upon delivery as a component of other revenue, regardless of whether the sales price is received upfront or in installments. Revenue associated with the airtime services is recognized as mobile subscription revenue over the contractual term of the airtime services contract. Prior to the launch of "Choose Your Device" in July 2015, handsets were generally provided to customers on a subsidized basis. As a result, revenue associated with the handset was only recognized upfront to the extent of cash collected at the time of sale, and the monthly amounts collected for both the handset and airtime were included in mobile subscription revenue over the term of the contract. Handset costs associated with "Choose Your Device" handset revenue are expensed at the point of sale.

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

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

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

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

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

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

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

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

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

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

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

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

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

Net leverage ratio is calculated as per the 2015 Amended Senior Credit Facility definition, using net total debt, excluding (i) subordinated shareholder loans, (ii) capitalized elements of indebtedness under the Clientele and Annuity Fees, (iii) any finance leases entered into on or prior to August 1, 2007, and (iv) any indebtedness incurred under the network lease entered into with the pure intermunicipalities up to a maximum aggregate amount of €195.0 million, divided by last two quarters' Consolidated Annualized EBITDA.

Important reporting changes

Free Cash Flow: From July 1, 2015, Telenet changed its Free Cash Flow definition to further align with its controlling shareholder. From July 1, 2015, Free Cash Flow is defined as net cash provided by the Company's continuing operations, plus (i) cash payments for third-party costs directly associated with successful and unsuccessful acquisitions and divestitures and (ii) expenses financed by an intermediary, less (i) purchases of property and equipment and purchases of intangibles of its continuing operations, (ii) principal payments on capital-related vendor financing obligations, (iii) principal payments on capital leases (exclusive of network-related leases that were assumed in acquisitions), and (iv) principal payments on post acquisition additions to network leases, each as reported in the Company's consolidated statement of cash flows. This adjustment had no impact on the Company's Free Cash Flow for the prior year quarters.

ARPU per customer relationship: From October 1, 2015, Telenet changed the way it calculates the ARPU per customer relationship to further align with its controlling shareholder by excluding channel carriage revenue and including revenue from small or home office ("SoHo") customers. From October 1, 2015, the ARPU per customer relationship is calculated by dividing the average monthly subscription revenue (excluding mobile services, B2B services, interconnect, channel carriage fees, mobile handset sales and installation fees) for the indicated period, by the average of the opening and closing balances for customer relationships for the period. We have also applied these changes retroactively to the prior year quarters.

Reminder fees and carriage fees: From January 1, 2016, Telenet changed the way it presents the billed reminder fees and carriage fees in order to further align with its controlling shareholder. As from January 1, 2016, carriage fees will no longer be recognized as revenue, but will be netted off against direct expenses as Telenet considers charged carriage fees and the purchase of distributable content as a single transaction going forward. In addition, reminder fees will be recognized as revenue from January 1, 2016 as these fees are considered to represent a separately identifiable revenue stream, whereas previously reminder fees were recognized net of the related costs in the indirect expense line. The two aforementioned changes in presentation favorably impacted Telenet's revenue for the six months ended June 30, 2016 by €7.3 million (for the three months ended March 31, 2016 and June 30, 2016: €3.6 million and €3.7 million, respectively) and for the year ended December 31, 2015 by €13.4 million (for the three months ended March 31, 2015 and June 30, 2015: €3.1 million and €3.5 million, respectively), but did not impact the Company's Adjusted EBITDA and cash flows. Telenet has also applied these changes retroactively to the prior year quarters.

Expenses by nature: From January 1, 2016, Telenet changed the way it presents total expenses to align with its internal reporting framework. As a consequence, Telenet now provides more detailed disclosure of its operating expenditure, whereas the vast majority of operating expenses were previously predominantly captured under "network operating and service costs". The representation of the Company's expenses did not impact the Company's Adjusted EBITDA and operating profit. Telenet has also applied these changes retroactively to the prior year quarters.

1. Information on the Company

The following Management 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, 2016 and 2015 and the audited consolidated financial statements of Telenet Group Holding NV as of and for the year ended December 31, 2015, prepared in accordance with EU IFRS. We have included selected financial information on Telenet Group Holding NV as of and for the relevant periods. You should read the condensed consolidated interim financial statements attached hereto, including the notes thereto, together with the following discussion and analysis.

1.1 Overview

At June 30, 2016, Telenet provided its 2,161,300 unique customers with 4,870,200 subscription services ("RGUs") across its footprint of 2,963,500 homes passed in Flanders and parts of Brussels. On a product level, Telenet's RGU base consisted of 2,037,000 video, 1,586,700 broadband internet and 1,246,500 fixed-line telephony subscriptions. In addition, approximately 85% of its video subscribers had upgraded to Telenet's enhanced video platform at June 30, 2016 so they can enjoy a much richer TV experience, including access to a wider range of digital, HD and pay television sports channels, a vast library of domestic and international video-on-demand ("VOD") content both on a transactional and subscription basis and access to Telenet's over-the-top ("OTT") platform "Yelo Play". As compared to June 30, 2015, Telenet increased its total RGU base by 2%, or 75,500 RGUs, to a total of 4,870,200 (excluding mobile telephony). Telenet ended the three months ended June 30, 2016 with a bundling ratio of 2.25 RGUs per customer (for the three months ended June 30, 2015: 2.20), as 52% of its customers subscribed to a triple-play product, 21% subscribed to a double-play product and 27% subscribed to a single-play product, offering continued up-sell opportunity within the existing customer base.

Despite the three months ended June 30 generally being a weaker sales quarter due to seasonal patterns in Telenet's business, Telenet added 31,000 net subscribers to its advanced fixed services of enhanced video, broadband internet and fixed-line telephony for the three months ended June 30, 2016 (for the six months ended June 30, 2016: 55,600), representing a pick-up of 26% compared to the three months ended March 31, 2016. Also, compared to the three months ended June 30, 2015, net new subscriber growth improved and was up 12% year-on-year despite the intensely competitive environment. Telenet's leading triple-play bundles “Whop” and “Whoppa” continued to do particularly well, driven by successful marketing campaigns and targeted promotions, reaching a total of 1,122,400 triple-play subscribers (+6% year-on-year) at June 30, 2016. At June 30, 2016, Telenet also served 3,007,900 active mobile customers as compared to 953,700 a year earlier, including just over 2 million postpaid subscribers. This large increase reflected the acquisition of BASE on February 11, 2016.

For the six months ended June 30, 2016, Telenet generated revenue of €1,178.6 million, representing a 31% increase compared to the six months ended June 30, 2015 when Telenet produced revenue of €898.7 million. The reported revenue increase was primarily driven by the contribution from BASE, which Telenet acquired on February 11, 2016. When adjusting to neutralize the impact of this acquisition, Telenet achieved rebased revenue growth of 4% for the six months ended June 30, 2016. For the six months ended June 30, 2016, Telenet realized Adjusted EBITDA of €552.5 million, up 15% compared to the six months ended June 30, 2015 when Telenet produced Adjusted EBITDA of €481.4 million. Telenet's Adjusted EBITDA for the six months ended June 30 2016 included the effects of BASE from February 11, 2016, as mentioned above. Excluding this impact, Telenet achieved rebased Adjusted EBITDA growth of 2% for the six months ended June 30, 2016.

The Combined Network is fully bi-directional and EuroDocsis 3.0 enabled, and provides a spectrum bandwidth capacity of 600 MHz. In August 2014, Telenet announced a €500.0 million network investment program as it plans to increase the capacity of its HFC network to 1 GHz within the next five years, enabling download speeds of at least 1 Gbps in the future. At June 30, 2016, an average of 480 homes was connected to each optical node, down from approximately 1,400 homes at the start of the node splitting project in 2010. As a result, Telenet has been able to increase both download and upload speeds, while supporting new internet applications and enhanced services. As not all homes connected subscribe to Telenet's broadband internet services, the number of active broadband households per optical node approximated 260 at June 30, 2016.

Telenet is increasingly focused on offering its subscribers advanced fixed services - broadband internet, enhanced video and fixed-line telephony - together with its mobile telephony services in the form of attractively priced multiple-play bundles. With the launch of Telenet's first all-in-one converged package for families and businesses, "WIGO", Telenet achieved an important milestone in the commercial integration of Telenet and BASE , combining both fixed and mobile into a single subscription. Priced between €100.0 and €140.0 per month (including 21% VAT), all three "WIGO" bundles include a superfast broadband connection, WiFi access, unlimited fixed and mobile calls in Belgium and a mobile data allowance to be shared among individual family members. Telenet has derived, and believes it can continue to derive, substantial benefits from the trend towards bundled subscriptions, through which it is able to sell more products to individual subscribers, resulting in significantly higher ARPU per customer relationship and, in its experience, the reduction of customer churn. For the six months ended June 30, 2016, Telenet's ARPU per customer relationship was €53.0, an increase of €2.8, or +6%, compared to the six months ended June 30, 2015 when the ARPU per customer relationship was €50.2. Growth in the ARPU per customer relationship was underpinned by (i) a higher proportion of multiple-play subscribers in Telenet's overall customer mix, (ii) a larger share of enhanced video customers subscribing to Telenet's “Play”, “Play More” and “Play Sports” premium entertainment services and (iii) the benefit from the selective price increase on certain fixed services as of mid-February 2016. These favorable impacts were offset to some extent by a growing proportion of bundle discounts and other discounts.

1.2 Video

Cable television is the principal medium for the provision of television services in Flanders, and Telenet is the largest provider of video services in Belgium. Almost all Flemish television households are passed by the Combined Network. The high penetration of Telenet's video business has resulted in a steady source of revenue and cash flow. As of June 30, 2016, Telenet provided video services to 2,037,000 unique residential subscribers, or 69% of homes passed by the Combined Network. All of Telenet's basic video subscribers have access to at least 21 basic analog television channels and an average of 26 analog radio channels. Telenet generally provides its basic cable television services under individual contracts with its subscribers, the majority of whom pay monthly.

Telenet's basic video subscribers who have installed a set-top box or CI + module, and activated a smart card, have access to more than 70 digital channels, including 15 High Definition ("HD") channels, and approximately 36 digital radio channels, for no additional fee. Telenet offers its basic video services in digital for no additional fee in order to encourage its subscribers to migrate to its enhanced video services giving them access to a more enriched TV experience, including access to electronic program guides ("EPGs"), additional thematic content packs, exclusive movies and sports channels and a large video-on-demand ("VOD") library of both local and international programs.

Relative to December 31, 2015, subscribers to Telenet's total basic and enhanced video services decreased by 17,800 to 2,037,000 at June 30, 2016. Telenet's net organic loss rate was affected by the February 2016 price adjustments and the intensely competitive environment. The aforementioned organic loss rate excludes migrations to Telenet's enhanced video service and represents customers churning to competitors' platforms, such as other digital television, OTT and satellite providers, or customers terminating their television service or having moved out of Telenet's service footprint. Given the historical video penetration in Telenet's footprint, the limited expansion of the number of homes passed and strong competition in the domestic TV market, Telenet anticipates further churn of total video subscribers, offset by further growth in multiple-play subscribers, generating a higher ARPU relative to the basic video ARPU.

1.3 Enhanced video

Telenet's interactive enhanced video service includes a combination of premium sports and film channels, a range of extended thematic channels, a selection of films and broadcast content available on an on-demand basis and a variety of interactive features. Telenet's enhanced video offering is available to all subscribers passed by the Combined Network. As of June 30, 2016, Telenet served 1,728,100 enhanced video customers, an increase of 2% compared to June 30, 2015. Telenet's digitalization ratio, which measures the total base of enhanced video customers relative to Telenet's total video subscriber base, continued to grow, and reached approximately 85% at June 30, 2016 compared to approximately 82% at June 30, 2015.

Enhanced video subscribers can extend their TV experience beyond the traditional TV screen, to their smartphones, tablets, laptops or desktops through "Yelo Play", Telenet's OTT digital platform. In early December 2014, Telenet revamped its OTT application by introducing a new user interface ("UI") and adding functionality such as improved smart search, swipe TV and a recommendation engine. At June 30, 2016, around 26% of Telenet's enhanced video subscribers were actively using this application.

In December 2014, Telenet introduced its revamped subscription VOD packages "Play" and "Play More", replacing the former "Rex" and "Rio" packages. Priced at €10.0 per month (including VAT), "Play" represents an attractive entry point for enhanced video television customers who want to take full control of when, where and how they watch TV. Currently, Telenet is the only operator in Belgium to bundle the content of local broadcasters, an extensive collection of international movies and series, and TV functionalities such as 7-day catch-up TV, in one single add-on product. At June 30, 2016, "Play" and "Play More" had 331,500 customers, up 50% compared to June 30, 2015 driven in part by temporary promotions and the launch of Telenet's own proprietary local television series Chaussée d'Amour mid-May 2016. Within two weeks of the first broadcast on "Play" and "Play More", Chausseé d'Amour was downloaded over half a million times, making it the most frequently downloaded program since the launch of VOD at Telenet.

In June 2011, Telenet acquired certain exclusive broadcasting rights for the Belgian football championship (the "Jupiler Pro League") for the three seasons starting July 2011. From the 2012-2013 season onwards, Telenet has broadcast all league matches of the Jupiler Pro League, which has resulted in incremental subscriber growth. In June 2014, the Jupiler Pro League awarded Telenet broadcasting rights for a further three years on a non-exclusive basis. As a result, Telenet will be able to broadcast all league matches through the 2016-2017 season. In July 2015, Telenet launched "Play Sports", replacing its former "Sporting Telenet" sports pay television channels. "Play Sports" combines domestic and foreign football with other major sport events including golf, Formula One racing, volleyball, basketball and hockey. In addition, "Play Sports" features unrestricted 7-day catch-up TV, while the accompanying "Play Sports" app enables a TV anywhere/anytime experience across a myriad of devices and ecosystems, enriched with live updated statistics and match summaries. At June 30, 2016, 224,300 customers subscribed to Telenet's sports pay television channels, an increase of 10% compared to June 30, 2015. Compared to March 31, 2016, Telenet's "Play Sports" customer base decreased slightly as the regular football season ended for several major football championships. In Belgium, the new football season kicks off on July 29, 2016 and Telenet just introduced certain new features of its offering - including two new anchors, exclusive sports documentaries and the fact that its "Play Sports" app is now available on all networks (both cellular and WiFi). Driven by the inclusion of more content and content cost inflation, Telenet has announced that as of July 24, 2016, its "Play Sports" prices will increase by €1.95 per month (including 21% VAT) for all subscribers.

1.4 Broadband internet

Telenet is the leading provider of residential broadband internet services in Flanders. Telenet's current residential offerings include multiple tiers, which range from "Basic Internet", which allows end users to receive data from the internet at a downstream data transfer speed of up to 30 Mbps, to "Internet Fiber 240 Plus", which offers end users a downstream speed of up to 240 Mbps. All new bundled broadband internet customers enjoy download speeds of at least 100 Mbps, which exceeds the base tier download speeds of Telenet's direct competitors. The average download speed per broadband internet subscriber reached approximately 115 Mbps as of June 30, 2016 compared to approximately 43 Mbps prior to the launch of the all-in-one bundles "Whop" and "Whoppa" three years ago. At June 30, 2016, Telenet served 1,586,700 broadband internet subscribers (+3% year-on-year), equivalent to 53.5% of the homes passed by its leading HFC network as compared to 52.7% at June 30, 2015. For the six months ended June 30, 2016, net subscriber additions for its broadband internet service reached 16,200. Annualized churn reached 7.6% for the six months ended June 30, 2016 compared to 7.0% for the six months ended June 30, 2015 and reflected both the intensely competitive environment and the impact of the February 2016 price adjustments. Compared to the three months ended March 31, 2016, annualized churn for the three months ended June 30, 2016 showed a strong 140 basis points improvement to 6.9%. This sequential improvement was driven by (i) the beneficial impact of Telenet's proactive customer visits, (ii) the fading impact of the February 2016 price adjustments, and (iii) successful targeted marketing campaigns.

As a result of ongoing investments in its leading HFC network, Telenet's customers can continue to enjoy a great broadband internet experience, both at home and on the move. To this end, Telenet has also made further progress with the deployment of WiFi Homespots across its footprint. At June 30, 2016, Telenet has deployed almost 1.3 million active WiFi Homespots and operated approximately 2,000 WiFi hotspots in public areas. Through its partnership with VOO in Wallonia, broadband internet customers from both cable companies can freely use the WiFi Homespots on either company's network. In June 2016, Telenet also entered into a strategic partnership with its majority shareholder Liberty Global. Going forward, Telenet customers can use WiFi hotspots in a certain number of European countries offered by other Liberty Global networks including amongst others Germany and the Netherlands.

1.5 Telephony

1.5.1 Fixed-line telephony

Telenet offers its residential subscribers local, national and international long distance fixed-line telephony services and a variety of value-added features. In Flanders, Telenet believes it is currently the largest competitor of Proximus NV/SA ("Proximus"), the Belgian incumbent (formerly known as Belgacom NV/SA), due in part to Telenet's emphasis on customer service and innovative flat-fee rate plans. Substantially all of Telenet's fixed-line telephony subscribers use voice-over-internet protocol ("VoIP") technology, which utilizes the open standards EuroDocsis protocol, and through which Telenet is able to provide both internet and fixed-line telephony services. Telenet served 1,246,500 fixed-line telephony subscribers at June 30, 2016 (+5% year-on-year), equivalent to 42.1% of the homes passed by its network compared to 40.6% at June 30, 2015. For the six months ended June 30, 2016, Telenet achieved a solid net inflow of 25,500 fixed-line telephony subscribers as Telenet continues to successfully sell its "Whop" and "Whoppa" triple-play bundles to both new and existing customers. The number of registered devices using Telenet's innovative VoIP app "Triiing" amounted to approximately 95,200 at June 30, 2016, temporary impacted by a complete revamp of the "Triiing" app with both new and existing users having to register when re-using the app. For the six months ended June 30, 2016, annualized churn for Telenet's fixed-line telephony service reached 8.5% compared to 8.0% for the six months ended June 30, 2015 attributable to the intensely competitive environment and the aforementioned impact from the February 2016 price adjustments. Compared to the three months ended March 31, 2016, the annualized churn rate improved 150 basis points sequentially to 7.7% for the three months ended June 30, 2016.

1.5.2 Mobile telephony

In February 2016, Telenet finalized the acquisition of Belgian mobile operator BASE. Telenet offers its mobile telephony services under both the "Telenet" and "BASE" brand names and has entered into several wholesale partnerships. In addition to BASE's mobile radio access network, Telenet has historically been operating through a mobile virtual network operator ("MVNO") partnership with Orange Belgium (previously named Mobistar NV), the second largest mobile operator in Belgium, (the "MVNO Arrangement"). Pursuant to the MVNO Arrangement, Telenet offers its cable customers mobile voice and data services, including 4G/LTE ("Long Term Evolution"), through Orange Belgium's mobile network. Through a partnership with Telenet, Nethys also uses the MVNO Arrangement to provide mobile services to its cable customers. At the end of May 2016, Orange Belgium and Telenet reached an agreement setting the terms and conditions for the future termination their MVNO Arrangement. The MVNO Arrangement will run until the end of the year 2018, implying Telenet's mobile customers can continue to use Orange Belgium's network until the end of 2018. Telenet committed to a minimum payment of €150.0 million (excluding VAT) over the 3-year period 2016-2018. The actual amount paid by Telenet could exceed this minimum amount in case of higher network usage. Beyond 2018, an optional 6-month extension period has been agreed upon with a minimum payment of €15.0 million (excluding VAT) if triggered. Through the termination Agreement, all outstanding legal disputes between both companies, including the judicial recovery of invoices under the MVNO Arrangement, have now been settled.

At June 30, 2016, Telenet served a total of 3,007,900 active mobile subscribers, including 2,025,800 postpaid subscribers. The remaining mobile subscribers receive prepaid mobile services under the BASE brand and various branded reseller contracts, including JIM Mobile amongst others. Telenet added a solid 49,300 net mobile postpaid subscribers over the six months ended June 30, 2016 despite the intensely competitive environment. This was achieved through (i) Telenet's attractive "Family Deal" offers, (ii) the first effects from the recent "WIGO" product launch, and (iii) gradual improvement in BASE's results driven by attractive handset offers and postpaid promotions.

1.5.3 Interconnection

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network. For a subscriber located on one telephony network to complete a telephone call to an end user served by another telephony network, the subscriber's network service provider must connect to the network serving the end user. Typically, the network serving the end user charges the subscriber's service provider a fee to terminate the communication on its network, which is based on a call set-up charge and on the length of the telephone call. Telenet's principal interconnection agreements are with Proximus and the main telecommunication operators in Belgium and Luxembourg. Proximus provided fixed-line telephony services to an estimated 53% of the residential and 77% of the business fixed-line market in Belgium at the end of 2015 according to the most recent Annual Report from the Belgian Institute for Postal and Telecommunication services ("BIPT"). The MVNO Arrangement with Orange Belgium necessitated a number of new interconnection agreements to allow other domestic operators to connect to Telenet's mobile core network. Interconnection agreements with the main network operators in Belgium are in service. In the context of Telenet's mobile interconnection discussions with Proximus, a definitive interconnection agreement was signed. A number of other fixed domestic operators have shown interest in setting up a direct interconnection agreement with Telenet. For the purpose of serving mobile telephony subscribers roaming abroad, Telenet has closed a roaming agreement with an international provider, acting as a roaming hub provider. In the premium service mobile business, Telenet connects to content aggregators, and as such provides mobile telephony subscribers access to value-added services.

Interconnection revenue and expenses have a significant impact on Telenet's financial results. As a result, Telenet is focused heavily on managing this cost. For the six months ended June 30, 2016, Telenet incurred interconnection expenses of €123.1 million (€138.7 million for the six months ended June 30, 2015 on a rebased basis). For the six months ended June 30, 2016, Telenet received interconnection revenue of €96.5 million (€98.7 million for the six months ended June 30, 2015 on a rebased basis). Telenet reports the interconnection revenue generated by its fixed-line and mobile telephony subscribers under 'Other' revenue, while the incurred interconnection fees are included in 'Direct costs'.

Telenet's interconnection practices are subject to comprehensive regulation by the BIPT. Mobile termination rates have been capped for each mobile network operator at €1.08 cents per minute starting January 2013 (while still taking into account inflation versus year of reference). This marks a 60% decline compared to the average mobile termination rate of €2.67 cents per minute, which was applicable as of January 1, 2012. On September 14, 2015, the BIPT published its draft decision on the relevant market for call termination on individual mobile networks. In the context of the implementation by Telenet of the MVNO Arrangement, and due to Telenet's ensuing increased control over the termination rates Telenet charges for call termination on its virtual network. Telenet has been designated in the draft decision as having significant market power ("SMP"). In the draft decision, the BIPT adopts a bottom-up long-run incremental cost model to calculate tariffs for call termination on individual mobile networks, resulting in an average of €0.74 cents per minute over the review period. The BIPT has organized a public consultation on this draft decision which was open until November 14, 2015. A final decision has not yet been published, but is expected later this year. On July 14, 2015, the BIPT published its draft decision on the relevant market for call termination on individual fixed networks. Following the adoption of a bottom-up long-run incremental cost model, this will result in one single tariff - thus abolishing the set-up and duration as well as the peak and off peak principle - of €0.079 cents per minute. The BIPT has organized a public consultation on this draft decision which was open until September 15, 2015. A final decision has not yet been published, but is still expected later this year.

1.6 Business services

Under the "Telenet Business" brand, Telenet offers a range of voice, data and internet products and services that are tailored to the size and needs of each customer. Telenet Business also offers its business customers an extensive range of reliable value-added services, including hosting, managed security and cloud services. Telenet provides services to business customers throughout Belgium and parts of Luxembourg. Telenet's business customers include small and medium-sized enterprises ("SMEs") with up to one hundred employees; larger corporations; public; healthcare and educational institutions; and carrier customers that include international voice, data and internet service providers. For the six months ended June 30, 2016, Telenet's business services operations generated €60.6 million of revenue.

1.7 Network

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

Telenet refers to the Combined Network when describing the combination of its own network and the Partner Network. Through the Combined Network, Telenet provides video in analog, digital and HD formats, broadband internet and fixed-line telephony services to both residential and business customers who reside in its service area. Telenet's Combined Network consists of a fiber backbone with local loop connections constructed of coaxial cable with a minimum capacity of 600 MHz. The Combined Network uses EuroDocsis 3.0 technology, which enables Telenet to currently offer downstream speeds of up to 240 Mbps for certain of its business customers. Telenet's Combined Network assets include approximately 12,000 kilometers of fiber backbone, of which Telenet owns 7,300 kilometers, utilizes approximately 2,600 kilometers pursuant to long-term leases and has access to 2,100 kilometers through its agreements with the PICs. The fiber backbone connects to approximately 68,000 kilometers of coaxial local loops, of which 50,000 kilometers is in the Telenet Network and the balance is in the Partner Network. Telenet owns the primary and secondary fiber backbone on the Combined Network and the fiber and coaxial cable on the Telenet Network. The PICs own the additional fiber and the coaxial cable included in the HFC access loops on the Partner Network.

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

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

Customers connect to the Combined Network through a coaxial connection from one of Telenet's nodes. Amplifiers are used on the coaxial lines to strengthen both downstream and return path signals on the local loop. Network quality usually deteriorates as customer penetration rates on any particular node increases. When required, the scalability of Telenet's network enables it to address this problem, within limits, through node splits. Telenet uses node splits, among other measures, to manage potential congestion in certain parts of the Combined Network. Telenet has reduced the number of homes connected to an optical node from an average 1,400 since the start of the node splitting project in 2010 to an average of 480 homes at June 30, 2016. As not all homes connected subscribe to Telenet's broadband internet services, the number of active broadband households per optical node approximated 260 at June 30, 2016.

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

In August 2014, Telenet announced that it is planning to invest €500.0 million over the next five years to upgrade the Combined Network's minimum spectrum bandwidth capacity from 600 MHz to 1 GHz, enabling download speeds of at least 1 Gbps, with the objective of allowing Flanders to offer some of the highest-capacity digital infrastructure in Europe.

1.8 Strategy

2016 will be a pivotal year in Telenet's history as the Company continues to drive further business growth, whilst ensuring a smooth BASE integration and laying the further foundations for healthy profitable growth in the future. As part of its 2020 Vision, Telenet aims to be the leading converged connected entertainment and business solutions provider in Belgium.

Its strategic plan focuses on four distinct pillars.

- First, Telenet aspires to offer seamless converged connected entertainment services to all its residential customers, both at home and on-the-go, through its fixed, WiFi and mobile networks, while aiming to provide a great customer experience.

- Second, Telenet targets to achieve a higher market share in the business market with a clear focus on all segments including small and medium-sized companies ("SME"), small offices and home offices ("SOHO") and large corporates. Through a combination of reliable superfast connectivity solutions, value-added services and a customer-centric approach, Telenet aims to reap the untapped potential of the B2B market.

- Third, Telenet will continue to invest in its leading HFC network increasing the spectrum bandwidth capacity to 1 GHz and therefore enabling data download speeds of at least 1 Gbps. At the same time, it will accelerate investments in BASE's mobile infrastructure, including site upgrades/extensions and increased fiber backhaul. Through its integrated network, the Company will be better positioned to capture the growth opportunities in a converging world.

- Fourth, Telenet will ensure a smooth integration of BASE and plans to increase investments in BASE's mobile network in order to secure profitable growth going forward. Hence, the Company sees total integration costs of €300.0 million (including €250.0 million of network-related investments) . In the Company's current planning, this will allow Telenet to generate €220.0 million of annual run-rate synergies by 2020, with around 70% driven by MVNO-related synergies.

The Company's strategic plan is expected to translate into healthy organic rebased Adjusted EBITDA growth over the next few years as Telenet targets 5-7% growth over the 2015-2018 period. Rebased Adjusted EBITDA growth will be driven by (i) profitable growth in its fixed and mobile connectivity businesses, (ii) its continued focus on cost excellence and operating leverage, and (iii) the aforementioned synergies from the BASE acquisition. As around 70% of the targeted synergies are MVNO-related, they will only really start to kick in once the Full MVNO Arrangement has ended and hence drive faster Adjusted EBITDA growth in the years thereafter.

2. Discussion of the consolidated financial statements

2.1 Revenue by service

For the six months ended June 30, 2016, Telenet generated revenue of €1,178.6 million, representing a 31% increase compared to the six months ended June 30, 2015 when Telenet produced revenue of €898.7 million. The reported revenue increase was primarily driven by the contribution from BASE, which Telenet acquired on February 11, 2016. When adjusting to neutralize the impact of this acquisition, Telenet achieved rebased revenue growth of 4% for the six months ended June 30, 2016. Telenet's cable business delivered solid mid-single-digit revenue growth for the six months ended June 30, 2016 driven by (i) 4% higher cable subscription revenue as a result of a 6% increase in triple-play subscribers, continued growth for Telenet's entertainment propositions and the favorable impact from the February 2016 price adjustments, partially offset by a growing proportion of bundle-related discounts, (ii) higher business services revenue and (iii) improved other revenue, primarily due to increased standalone handset sales as compared to the six months ended June 30, 2015 and the impact of Telenet's "Choose Your Device" programs launched mid-2015. The continued robust performance of Telenet's cable business was partly offset by continued pressure on its recently acquired mobile business, impacted by (i) lower usage-related revenue across our prepaid subscriber base, (ii) lower roaming revenue due to new EU regulation, and (iii) lower interconnection revenue.

For further information, we refer to note 5.18 to the Interim Financial Statements of the Company.

2.1.1 Video

Video revenue represents the monthly fee paid by Telenet's video subscribers for the channels they receive in the basic tier and the revenue generated by enhanced video subscribers which includes, amongst others, (i) recurring set-top box rental fees, (ii) fees for supplemental premium content offerings, including Telenet's subscription VOD packages "Play", "Play More" and "Play Sports", and (iii) transactional and broadcasting-on-demand services. For the six months ended June 30, 2016, video revenue amounted to €284.0 million compared to €274.9 million for the six months ended June 30, 2015. This 3% increase was driven by higher recurring set-top box rental fees and growth in premium subscription VOD business, partly offset by a gradual decline in the total video subscriber base and slightly lower revenue from transactional VOD services.

2.1.2 Broadband internet

The revenue generated by Telenet's residential and small business broadband internet RGUs totaled €282.2 million for the six months ended June 30, 2016 and was up 4% compared to the six months ended June 30, 2015 when Telenet recorded broadband internet revenue of €270.6 million. Revenue growth was driven by 3% growth in Telenet's subscriber base and the benefit from the aforementioned February 2016 price increase, which were partially offset by the increased proportion of bundle discounts.

2.1.3 Fixed-line telephony

Fixed-line telephony revenue includes recurring subscription-based revenue from Telenet's fixed-line telephony subscribers and variable usage-related revenue, but excludes the interconnection revenue generated by these customers which is reported under other revenue. For the six months ended June 30, 2016, fixed-line telephony revenue increased 8% to €121.3 million compared to €112.5 million for the six months ended June 30, 2015. Revenue growth was driven by a 5% increase in fixed-line telephony subscribers and the benefit from the aforementioned February 2016 price increase, partly offset by a growing proportion of bundle discounts and lower traffic.

2.1.4 Mobile telephony

Mobile telephony revenue represents the subscription-based revenue generated by Telenet's mobile telephony subscribers and out-of-bundle revenue, but excludes both the interconnection revenue generated by these customers and revenue earned from handset sales and revenue recognized under Telenet's "Choose Your Device" programs. For the six months ended June 30, 2016, we generated mobile telephony revenue of €257.4 million, up €158.5 million compared to the six months ended June 30, 2015. This robust 160% year-on-year revenue increase reflected the acquisition of BASE, which was effective February 11, 2016. Excluding this impact, rebased mobile telephony revenue growth was 1% with continued postpaid subscriber growth being partially offset by lower usage-related revenue per user and the impact of Telenet's "Choose Your Device" programs as this revenue is recognized under other revenue.

2.1.5 Business services

The revenue reported under business services relates to (i) the revenue generated on non-coax products, including fiber and leased DSL lines, (ii) Telenet's carrier business as well as (iii) value-added services such as hosting and managed security. Revenue generated by business customers on all coax-related products is allocated to one of the aforementioned revenue lines and is not captured within Telenet Business, Telenet's business services division. Telenet Business generated revenue of €60.6 million for the six months ended June 30, 2016, which was up 9% compared to the six months ended June 30, 2015 on a rebased basis. B2B revenue growth was primarily driven by (i) higher revenue from carrier services for mobile, (ii) higher security-related revenue and (iii) higher revenue from business connectivity solutions.

2.1.6 Other

Other revenue primarily includes, among other items, (i) interconnection revenue from both Telenet's fixed-line and mobile telephony customers, (ii) mobile handset sales, including the revenue earned under "Choose Your Device" programs, (iii) product activation and installation fees, and (iv) set-top box sales revenue. Other revenue reached €173.1 million for the six months ended June 30, 2016, up 7% on a rebased basis driven by higher revenue from the sale of standalone handsets versus the six months ended June 30, 2015 largely attributable to the impact of the "Choose Your Device" programs launched mid-2015.

2.2 Total expenses

For the six months ended June 30, 2016, Telenet incurred total expenses of €906.9 million, representing an increase of 46% compared to the six months ended June 30, 2015 when Telenet incurred total expenses of €620.6 million. Excluding the impact from the BASE acquisition, total expenses increased 7% on a rebased basis for the six months ended June 30, 2016. Total expenses for both the six months ended June 30, 2016 and the six months ended June 30, 2015 included nonrecurring benefits of €6.0 million and €7.6 million, respectively, linked to the settlement of certain operational contingencies associated with the Full-MVNO Agreement with Orange Belgium and the resolution of a contingency associated with universal obligations, respectively. In addition, Telenet incurred €5.2 million higher integration costs for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 linked to the BASE acquisition.

Total operating expenses represented approximately 77% of revenue for the six months ended June 30, 2016. Cost of services provided as a percentage of revenue represented approximately 57% for the six months ended June 30, 2016, while selling, general and administrative expenses represented approximately 20% of total revenue for the six months ended June 30, 2016.

2.3 Expenses by nature

2.3.1 Network operating expenses

Network operating expenses reached €64.9 million for the six months ended June 30, 2016 compared to €34.0 million for the six months ended June 30, 2015 (+91% year-on-year) and primarily reflected the effects of the BASE acquisition. On a rebased basis, network operating expenses increased 10% year-on-year as a result of higher network equipment maintenance and higher electricity costs partially due to changes in local legislation.

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

Direct costs include all of Telenet's direct expenses such as (i) costs related to interconnection, (ii) handset sales and subsidies, and (iii) programming and copyrights. For the six months ended June 30, 2016, direct costs represented €291.8 million, up 41% compared the six months ended June 30, 2015 and mainly impacted by the BASE acquisition. On a rebased basis, direct costs increased 2% for the six months ended June 30, 2016, which included the aforementioned nonrecurring benefit of €6.0 million linked to the settlement of the Full-MVNO Agreement with Orange Belgium. Excluding this favorable impact, growth in Telenet's direct costs would have been higher, reflecting higher content-related expenses as a result of its connected entertainment strategy and higher costs related to handset sales, partially offset by substantially lower handset subsidies compared the six months ended June 30, 2015.

2.3.3 Staff-related expenses

Staff-related expenses increased €37.0 million to €124.1 million for the six months ended June 30, 2016 and reflected the acquisition of BASE, the effect of the mandatory wage indexation since early 2016 and modest growth in the combined employee base.

2.3.4 Sales and marketing expenses

Sales and marketing expenses for the six months ended June 30, 2016 reached €47.4 million compared to €31.0 million for the six months ended June 30, 2015. On a rebased basis, sales and marketing expenses increased €4.5 million year-on-year as a result of the "Vollenbak Voordelen" campaign and latest mobile marketing campaigns at BASE, as well as timing variances in some of Telenet campaigns as compared to the six months ended June 30, 2015.

2.3.5 Outsourced labor and professional services

Costs related to outsourced labor and professional services were €26.0 million for the six months ended June 30, 2016 compared to €17.5 million for the six months ended June 30, 2015. On a rebased basis, costs related to outsourced labor and professional services increased €6.3 million year-on-year including amongst other items €5.2 million higher costs linked to the integration of BASE.

2.3.6 Other indirect expenses

Other indirect expenses reached €71.9 million for the six months ended June 30, 2016, up 79% compared to the six months ended June 30, 2015 and impacted by the BASE acquisition. Moreover, other indirect expenses for the six months ended June 30, 2015 included a nonrecurring €7.6 million benefit linked to the resolution of a contingency associated with universal service obligations. Excluding this impact, other indirect expenses for the six months ended June 30, 2016 were broadly stable compared to the six months ended June 30, 2015 on a rebased basis. For the six months ended June 30, 2016, other indirect expenses represented around 6% of total revenue.

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

Depreciation and amortization, including gains on disposal of property and equipment and other intangible assets, reached €269.9 million for the six months ended June 30, 2016 and primarily reflected the impacts from the BASE acquisition and higher depreciation expenses related to set-top boxes and IT.

For further information, we refer to note 5.19 to the Interim Financial Statements of the Company.

2.4 Adjusted EBITDA

For the six months ended June 30, 2016, Telenet realized Adjusted EBITDA of €552.5 million, up 15% compared to the six months ended June 30, 2015 when Telenet produced Adjusted EBITDA of €481.4 million. Telenet's Adjusted EBITDA for the six months ended June 30, 2016 included the effects of BASE from February 11, 2016, as mentioned above. Excluding this impact, Telenet achieved rebased Adjusted EBITDA growth of 2% for the six months ended June 30, 2016. Telenet's Adjusted EBITDA for both the six months ended June 30, 2016 and the six months ended June 30, 2015 included nonrecurring benefits of €6.0 million and €7.6 million, respectively, as mentioned above. Adjusted EBITDA growth for the six months ended June 30, 2016 was adversely impacted by €5.2 million higher integration costs linked to the integration of BASE as compared to the six months ended June 30, 2015, while Telenet also incurred higher commercial costs at BASE for the three months ended June 30, 2016 to fuel net postpaid subscriber growth. Excluding the impact from nonrecurring benefits in both periods and excluding the aforementioned integration costs, rebased Adjusted EBITDA growth would have been higher.

Telenet's Adjusted EBITDA margin reached 46.9% for the six months ended June 30, 2016 compared to 53.6% on a reported basis for the six months ended June 30, 2015. This decline was mainly driven by a higher proportion of lower-margin mobile business, including BASE's contribution since the acquisition, and premium content revenue in the overall mix, as well as higher costs associated with the integration of BASE.

(in thousands of euro)	**For the six months ended June 30,**	
	2016	**2015**
Adjusted EBITDA	**552,549**	**481,375**
Adjusted EBITDA margin	46.9%	53.6%
Share based compensation	(4,673)	(6,725)
Operating charges related to acquisitions or divestitures	(6,422)	(4,051)
Restructuring gains (charges)	200	518
EBITDA	**541,654**	**471,117**
Depreciation, amortization and impairment	(269,909)	(193,034)
Operating profit	**271,745**	**278,083**
Net finance expense	(246,717)	(78,606)
Share of the result of equity accounted investees	(1,898)	(2,195)
Income tax expense	(42,686)	(72,971)
Profit (loss) for the period	**(19,556)**	**124,311**

2.5 Operating profit

Telenet generated operating profit of €271.7 million for the six months ended June 30, 2016, which was down €6.4 million, or (2)%, compared to the six months ended June 30, 2015 when operating profit reached €278.1 million and was impacted by a 40% increase in depreciation and amortization charges.

2.6 Net finance expenses

For the six months ended June 30, 2016, net finance expenses totaled €246.7 million compared to €78.6 million of net finance expenses incurred for the six months ended June 30, 2015. Compared to the six months ended June 30, 2015 when Telenet booked a €40.0 million non-cash gain on derivatives, Telenet incurred an €86.2 million non-cash loss for the six months ended June 30, 2016. In addition, Telenet also incurred a €16.9 million loss on the extinguishment of debt following the June 2016 repayment of certain Senior Secured Notes due 2021 for an aggregate amount of €700.0 million. Net interest expense, foreign exchange loss and other finance expense increased 20% from €119.5 million for the six months ended June 30, 2015 to €143.9 million for the six months ended June 30, 2016, reflecting the impact from the Company's higher average outstanding debt balance compared the six months ended June 30, 2015.

For further information, we refer to note 5.20 to the Interim Financial Statements of the Company.

2.7 Income taxes

The Company recorded income tax expenses of €42.7 million for the six months ended June 30, 2016 compared to income tax expense of €73.0 million for the six months ended June 30, 2015, a decrease of 42% year-on-year, as a result of lower pre-tax profits compared to for the six months ended June 30, 2015.

2.8 Net income

Telenet incurred a net loss of €19.6 million for the six months ended June 30, 2016 compared to net income of €124.3 million Telenet achieved for the six months ended June 30, 2015. Net income was impacted by a €86.2 million net loss on derivative financial instruments and a €16.9 million loss on the extinguishment of debt versus a gain on derivatives of €40.0 million for the six months ended June 30, 2015.

2.9 Cash flow and liquidity

For further information, we refer to the consolidated interim statement of cash flows of the Company.

2.9.1 Net cash from operating activities

For the six months ended June 30, 2016, Telenet's operations yielded €285.0 million of net cash compared to €328.2 million Telenet generated for the six months ended June 30, 2015. Compared to the six months ended June 30, 2015, Telenet's net cash from operating activities decreased 13% for the six months ended June 30, 2016, negatively impacted by a nonrecurring €23.5 million cash outflow following a favorable contract renegotiation and the payment of €18.7 million ticking fees linked to the BASE acquisition. In addition, the net cash from operating activities for the six months ended June 30, 2016 was impacted by (i) a negative trend in working capital following the BASE acquisition, (ii) higher cash interest expenses following the Company's increased indebtedness, and (iii) €14.4 million higher cash taxes paid compared to the six months ended June 30, 2015.

2.9.2 Net cash used in investing activities

The Company used €1,406.1 million of net cash in investing activities for the six months ended June 30, 2016 compared to €236.3 million of net cash used in investing activities for the six months ended June 30, 2015. The strong year-on-year increase in net cash used in investing activities was primarily driven by the acquisition of BASE for €1,180.6 million net of cash acquired, which closed on February 11, 2016. Also, the net cash used in investing activities included cash payments for capital expenditures, including a cash payment for the Belgian football broadcasting rights covering the second leg of the current 2015-2016 season. Please refer to Section 2.11 - Capital expenditures for detailed information about the underlying accrued capital expenditures.

2.9.3 Free Cash Flow

For the six months ended June 30, 2016, Telenet generated Free Cash Flow of €59.3 million compared to €145.1 million for the six months ended June 30, 2015. Compared to the three months ended March 31, 2016, when Free Cash Flow was negatively impacted by (i) a nonrecurring €23.5 million cash outflow following a favorable contract renegotiation, (ii) the payment of €18.7 million ticking fees linked to the BASE acquisition, and (iii) a negative trend in working capital following the BASE acquisition, Free Cash Flow markedly improved for the three months ended June 30, 2016 to €128.4 million as a result of strong growth in operating cash flow.

(in thousands of euro)	For the six months ended June 30,	
	2016	**2015**
Net cash provided by operating activities	285,069	328,172
Cash payments for direct acquisition and divestiture costs	8,522	1,947
Purchases of property and equipment	(121,227)	(117,046)
Purchases of intangibles, net of proceeds from sale of other intangibles	(105,244)	(61,326)
Principal payments on capital leases (excluding network-related leases assumed in acquisitions)	(900)	(900)
Principal payments on post acquisition additions to network leases	(6,864)	(5,709)
Free Cash Flow	**59,356**	**145,138**

2.9.4 Net cash from financing activities

The net cash from financing activities was €860.0 million for the six months ended June 30, 2016 compared to €49.1 million of net cash used in financing activities for the six months ended June 30, 2015. The net cash from financing activities for the six months ended June 30, 2016 mainly reflected the aggregate draw-down of €1,217.0 million from certain debt facilities in February 2016 related to the acquisition of BASE and the issuance of a new USD 850.0 million Term Loan in May 2016. The net proceeds from this new Term Loan were used in June 2016 to repay the €300.0 million Senior Secured Fixed Rate Notes due February 2021 and the €400.0 million Senior Secured Floating Rate Notes due June 2021. In addition to the aforementioned €700.0 million debt repayment, Telenet also repaid €297.0 million of outstanding amounts under the revolving credit facilities from the Company's excess cash balance. Furthermore, the net cash from financing activities for the six months ended June 30, 2016 was impacted by (i) €40.0 million spent under the Share Repurchase Program 2016, (ii) a nonrecurring €9.9 million impact reflecting the call premium for the voluntary Senior Secured Notes repayment, and (iii) a payment of €10.7 million for the early termination of certain derivative financial contracts linked to the €400.0 million Senior Secured Floating Rate Notes mentioned above. The remainder of the net cash used in financing activities primarily consisted of capital lease repayments and other financial payments.

2.10 Debt profile, cash balance and net leverage ratio

2.10.1 Debt profile

As of June 30, 2016, the Company carried a total debt balance (including accrued interest) of €4,760.1 million, of which (i) €2,924.6 million principal amount is owed under the 2015 Amended Senior Credit Facility, (ii) €120.0 million outstanding under the revolving credit facilities related to amounts drawn in connection with the BASE acquisition in February 2016, and (iii) €1,230.0 million principal amount is related to the Senior Secured Notes with maturities ranging from 2022 through 2027. The Company's total debt balance at June 30, 2016 also included €31.1 million for the outstanding portion of the 3G mobile spectrum including accrued interest. The remainder primarily represents the capital lease obligations associated with the Interkabel Acquisition.

In February 2016, Telenet drew three debt facilities under the 2015 Amended Senior Credit Facility for the financing of the BASE acquisition for an aggregate amount of €1,217.0 million, including (i) €800.0 million under Term Loan AA with a maturity of June 30, 2023 and a 3.50% margin over EURIBOR, (ii) €217.0 million under Revolving Credit Facility X with a maturity of September 30, 2020 and a 2.75% margin over EURIBOR, and (iii) €200.0 million under Revolving Credit Facility Z with a maturity of June 30, 2018 and a 2.25% margin of EURIBOR.

In April and May 2016, Telenet repaid €130.0 million and €87.0 million, respectively, under Revolving Credit Facility X, fully repaying the amounts it had drawn in February this year. In June 2016, the Company repaid and subsequently cancelled €80.0 million under Revolving Credit Facility Z, leaving an outstanding balance of €120.0 million. Telenet intends to use its excess cash and cash equivalents to repay the outstanding amounts under the revolving credit facilities in the near future.

In May 2016, the Company successfully issued a USD 850.0 million Term Loan ("Facility AD") due June 30, 2024. Facility AD bears interest at 3.50% over LIBOR (with a 75 basis points floor) and was issued at 99.5% of par. Telenet drew Term Loan AD on June 14, 2016 and entered into several cross-currency interest swap transactions at that time to hedge both the underlying currency and floating interest rate exposure. Telenet used the net proceeds from these transactions on June 15, 2016 to prepay the following credit facilities under the existing Senior Credit Facility: (i) Facility O, of which Telenet Finance III Luxembourg S.C.A. ("TFL III") was the lender, and (ii) Facility P, of which Telenet Finance IV Luxembourg S.C.A. ("TFL IV") was the lender. TFL III and TFL IV in turn used the proceeds from the prepayment of Facility O and Facility P to redeem the associated €300.0 million Senior Secured Notes due 2021 and the €400.0 million Senior Secured notes due 2021, respectively. As a result, Telenet faces no debt maturities before June 2022 excluding the short-dated revolving credit facilities which it aims to repay before year-end as mentioned before.

2.10.2 Debt overview and payment schedules

For an overview of the Company's debt instruments and payment schedule at June 30, 2016, we refer to note 5.13 to the Interim Financial Statements of the Company.

2.10.3 Cash balance and availability of funds

At June 30, 2016, the Company held €16.2 million of cash and cash equivalents compared to €277.3 million at December 31, 2015. To minimize the concentration of counterparty risk, the Company's cash equivalents are placed with highly rated European and US financial institutions. The decrease in the cash balance compared to December 31, 2015 was primarily due to the repayment of outstanding amounts under the revolving credit facilities for an aggregate amount of €297.0 million as mentioned above. In addition, the Company used €137.6 million of net cash for the BASE acquisition, including the cash settlement of financing-related ticking fees and associated arrangement fees resulting from the issuance of certain debt facilities in April 2015, offset by €141.3 million of cash acquired. Telenet also paid €92.0 million of cash taxes during the six months ended June 30, 2016 and used €40.0 million of net cash for share repurchases under the Share Repurchase Program 2016, while paying €23.5 million to a counterparty following the 2015 renegotiation of a contract. At June 30, 2016, the Company had access to €381.0 million of available commitments under Revolving Credit Facility X, subject to compliance with the covenants mentioned below.

For further information, we refer to note 5.11 to the Interim Financial Statements of the Company.

2.10.4 Net leverage ratio

As of June 30, 2016, the outstanding balance of the 2015 Amended Senior Credit Facility and outstanding cash balance resulted in a Net Total Debt to Consolidated Annualized EBITDA ratio of 3.9x compared to 3.4x at December 31, 2015. The increase in the Company's net leverage ratio compared to end 2015 primarily reflected the acquisition of BASE in February 2016, which was largely debt-financed. The Company's current net leverage ratio is significantly below the covenant of 6.0x and the availability test of 5.0x.

2.11 Capital expenditures

Accrued capital expenditures reached €303.5 million for the six months ended June 30, 2016, representing approximately 26% of revenue versus approximately 18% for the six months ended June 30, 2015, and included €34.9 million of recurring accrued capital expenditures for BASE. Accrued capital expenditures for both the six months ended June 30, 2016 and the six months ended June 30, 2015 reflected the recognition of the Jupiler Pro League broadcasting rights for the 2016-2017 and 2015-2016 seasons, respectively. In addition, accrued capital expenditures for the six months ended June 30, 2016 reflected the extension of the exclusive UK Premier League broadcasting rights for the next three seasons as of the 2016-2017 season. Under EU IFRS, these broadcasting rights have been capitalized as intangible assets and will be amortized on a pro-rata basis as the season progresses. Excluding these broadcasting rights, accrued capital expenditures represented around 18% of revenue for the six months ended June 30, 2016 and around 15% for the six months ended June 30, 2015.

Set-top box related capital expenditures increased €12.4 million from €3.2 million for the six months ended June 30, 2015 to €15.6 million for the six months ended June 30, 2016, reflecting the underlying growth in Telenet's enhanced video subscriber base. For the six months ended June 30, 2016, set-top box related capital expenditures represented approximately 8% of total accrued capital expenditures excluding the aforementioned football broadcasting rights.

Capital expenditures for customer installations totaled €36.8 million for the six months ended June 30, 2016, or approximately 18% of total accrued capital expenditures excluding the aforementioned football broadcasting rights. The 25% year-on-year increase in customer installations capital expenditures reflected continued net subscriber growth for Telenet's advanced services of broadband internet, enhanced video and fixed-line telephony and included higher costs related to proactive customer visits.

Accrued capital expenditures for network growth and upgrades amounted to €82.1 million for the six months ended June 30, 2016, and represented approximately 40% of total accrued capital expenditures excluding the aforementioned football broadcasting rights. The 74% increase versus for the six months ended June 30, 2015 reflected the effects from the BASE acquisition and was furthermore driven by higher investments in Telenet's HFC network as part of our €500.0 million five-year network investment program "De Grote Netwerf" and incremental spending on BASE's network subsequent to the acquisition.

The remainder of accrued capital expenditures included refurbishments and replacements of network equipment, sports content acquisition costs, and recurring investments in Telenet's IT platform and systems. These reached €169.0 million for the six months ended June 30, 2016 compared to €81.3 million for the six months ended June 30, 2015 and were impacted by the recognition of the aforementioned football broadcasting rights.

This implies that approximately 66% of accrued capital expenditures for the six months ended June 30, 2016 were scalable and subscriber growth related excluding the aforementioned football broadcasting rights. Going forward, Telenet will continue to closely monitor its capital expenditures in order to make sure that they drive incremental returns.

3. Risk factors

3.1 General information

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

- Telenet's substantial leverage and debt service obligations;
- Telenet's ability to generate sufficient cash to service its debt, to control and finance its capital expenditures and operations;
- Telenet's ability to raise additional financing;
- Risks associated with Telenet's structure, and Telenet's indebtedness;
- Risks of default by the counterparties to the Company's derivative and other financial instruments;
- Telenet's relationship with its shareholders;
- Economic and business conditions and industry trends in which Telenet and the entities in which it has interests, operate;
- The competitive environment in which Telenet, and the entities in which it has interests, operate, including competitor responses to its products and services;
- Changes in, or failure or inability to comply with, government regulations in Belgium and adverse outcomes from regulatory proceedings;
- The application of competition law generally and government intervention that opens Telenet's broadband distribution and television networks to competitors, which may have the effect of reducing Telenet's control over the management of, or the quality of, its network and Telenet's ability to reach the expected returns on investment;
- General adverse regulatory or other developments affecting or restricting the effectiveness and use of Telenet's network or its equipment;
- The outcome of any pending or threatened litigation;
- Fluctuations in currency exchange rates and interest rates;
- Instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- Consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- Changes in consumer television viewing preferences and habits;
- Consumer acceptance of existing service offerings, including Telenet's analog and digital cable television, broadband internet, fixed telephony, mobile telephony and business service offerings, and of new technology, programming alternatives and other products and services that Telenet may offer in the future;
- Telenet's ability to manage rapid technological changes;
- Telenet's ability to maintain or increase the number of subscriptions to its digital cable television, broadband internet services, fixed-line telephony and mobile services offerings and the average revenue per household;
- Telenet's ability to provide satisfactory customer service, including support for new and evolving products and services;
- Telenet's ability to increase or maintain rates to its subscribers or to pass through increased costs to its subscribers;
- The impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- Changes in laws or treaties relating to taxation, or the interpretation thereof, in Belgium;
- Changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of Telenet's financial risks;
- The ability of suppliers and vendors to timely deliver quality products, equipment, software and services;
- The availability of attractive programming for Telenet's analog and digital cable television services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- Uncertainties inherent in the development and integration of new business lines and business strategies;
- Telenet's ability to adequately forecast and plan for future network requirements;
- The availability of capital for the acquisition and/or development of telecommunications networks and services;
- Telenet's ability to successfully integrate and recognize anticipated efficiencies from the businesses it may acquire;
- Leakage of sensitive customer data;
- The loss of key employees and the availability of qualified personnel and Telenet's ability to interact with labor councils and unions;
- Changes in the nature of key strategic relationships with partners and joint ventures; and

- Events that are outside Telenet's control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

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

3.2 Legal proceedings

Telenet is involved in a number of legal proceedings that have arisen in the ordinary course of its business. Telenet discusses in its 2015 Annual Report certain pending lawsuits in which the Company is involved, which may have, or have had in the recent past, significant effects on its financial position or profitability. In note 5.23, Telenet discusses certain of these lawsuits and contingent liabilities and provides updates on certain regulatory matters. There have not been any major lawsuits other than those reported in Telenet's 2015 Annual Report or explained in note 5.23 that are expected to have a material adverse impact on the Company's business or consolidated financial position. Telenet notes, however, that the outcome of legal proceedings can be extremely difficult to predict with certainty, and Telenet offers no assurances in this regard.

4. Fair view statement by the management of the Company

We, the undersigned, John Porter, Chief Executive Officer of Telenet Group Holding NV, and Birgit Conix, Chief Financial Officer of Telenet Group Holding NV, declare that to our knowledge:

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

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

John Porter

CEO

Birgit Conix

CFO

Telenet Group Holding NV Condensed consolidated interim financial statements

1. Condensed consolidated interim statement of financial position

(in thousands of euro)	Note	June 30, 2016	December 31, 2015
Assets			
Non-current assets:			
Property and equipment	5.4	1,991,639	1,411,933
Goodwill	5.5	1,558,015	1,241,813
Other intangible assets	5.6	771,210	241,061
Deferred tax assets	5.15	141,802	108,493
Investments in and loans to equity accounted investees	5.7	56,427	57,651
Other investments	5.7	1,757	—
Derivative financial instruments	5.14	944	7,556
Trade receivables	5.8	6,209	4,739
Other non-current assets	5.9	11,659	13,235
Total non-current assets		**4,539,662**	**3,086,481**
Current assets:			
Inventories	5.10	23,624	19,261
Trade receivables	5.8	205,600	145,907
Other current assets	5.9	129,196	68,622
Cash and cash equivalents	5.11	16,230	277,273
Derivative financial instruments	5.14	6,535	941
Total current assets		**381,185**	**512,004**
Total assets		**4,920,847**	**3,598,485**

(in thousands of euro)	Note	**June 30, 2016**	**December 31, 2015**

Equity and liabilities

Equity:			
Share capital	5.12	12,752	12,751
Share premium and other reserves	5.12	965,381	1,001,302
Retained loss	5.12	(2,244,368)	(2,224,874)
Remeasurements	5.12	(9,286)	(9,286)
Total equity attributable to owners of the Company		**(1,275,521)**	**(1,220,107)**
Non-controlling interests	5.12	16,568	16,648
Total equity		**(1,258,953)**	**(1,203,459)**
Non-current liabilities:			
Loans and borrowings	5.13	4,543,132	3,683,320
Derivative financial instruments	5.14	124,373	57,786
Deferred revenue	5.18	1,339	648
Deferred tax liabilities	5.15	185,833	124,512
Other non-current liabilities	5.16	110,225	59,062
Total non-current liabilities		**4,964,902**	**3,925,328**
Current liabilities:			
Loans and borrowings	5.13	217,043	110,558
Trade payables		182,707	133,512
Accrued expenses and other current liabilities	5.17	506,973	350,313
Deferred revenue	5.18	104,319	73,572
Derivative financial instruments	5.14	10,870	6,181
Current tax liability	5.15	192,986	202,480
Total current liabilities		**1,214,898**	**876,616**
Total liabilities		**6,179,800**	**4,801,944**
Total equity and liabilities		**4,920,847**	**3,598,485**

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

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

(in thousands of euro, except per share data)		For the six months ended June 30,	
	Note	**2016**	**2015 as represented (*)**

Profit/(Loss) for the period

Revenue	5.18	1,178,563	898,715
Cost of services provided	5.19	(667,151)	(498,591)
Gross profit		**511,412**	**400,124**
Selling, general and administrative expenses	5.19	(239,667)	(122,041)
Operating profit		**271,745**	**278,083**
Finance income		272	40,889
Net interest income and foreign exchange gain	5.20	272	935
Net gain on derivative financial instruments	5.20	—	39,954
Finance expense		(246,989)	(119,495)
Net interest expense, foreign exchange loss and other finance expense	5.20	(143,942)	(119,495)
Net loss on derivative financial instruments	5.20	(86,194)	—
Loss on extinguishment of debt	5.20	(16,853)	—
Net finance expenses	5.20	**(246,717)**	**(78,606)**
Share in the loss of equity accounted investees	5.7	(1,898)	(2,195)
Profit before income tax		23,130	197,282
Income tax expense	5.15	(42,686)	(72,971)
Profit/(Loss)for the period		**(19,556)**	**124,311**

(in thousands of euro, except per share data)		For the six months ended June 30,	
	Note	**2016**	**2015 as represented (*)**

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

Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability/(asset)		—	—
Deferred tax		—	—
Other comprehensive income (loss) for the period, net of income tax		**—**	**—**
Total comprehensive income (loss) for the period		**(19,556)**	**124,311**
Profit (loss) attributable to:		**(19,556)**	**124,311**
Owners of the Company		(19,493)	124,311
Non-controlling interests		(63)	—
Total comprehensive income (loss) for the period, attributable to:		**(19,556)**	**124,311**
Owners of the Company		(19,493)	124,311
Non-controlling interests		(63)	—
Earnings (loss) per share			
Basic earnings (loss) per share in €	5.21	(0.17)	1.07
Diluted earnings (loss) per share in €	5.21	(0.17)	1.06

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

(*) We refer to Note 5.1.6 Reporting changes for detailed information regarding the reclassification of reminder fees and carriage fees.

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

Attributable to equity holders of the Company *(in thousands of euro, except share data)*	Note	Number of shares	Share capital	Share premium	Equity-based compensation reserve
January 1, 2016		**117,278,706**	**12,751**	**61,271**	**71,346**
Total comprehensive income for the period					
Profit (loss) for the period		—	—	—	—
Other comprehensive income		—	—	—	—
Total comprehensive income for the period		**—**	**—**	**—**	**—**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners of the Company					
Recognititon of share-based compensation	5.12	—	—	—	3,697
Cost of equity transactions	5.12	—	—	—	—
Own shares acquired	5.12	—	—	—	—
Proceeds received upon exercise of Warrants	5.12	6.801	1	130	—
Total contribution by and distributions to owners of the Company		**6,801**	**1**	**130**	**3,697**
Changes in ownership interests in subsidiaries					
Capital contributions by NCI		—	—	—	—
Total transactions with owners of the Company		**6,801**	**1**	**130**	**3,697**
June 30, 2016		**117,285,507**	**12,752**	**61,401**	**75,043**

	Legal reserve	Reserve for own shares	Other reserves	Retained loss	Remeasurements	Total	Non-controlling interest	Total equity
	79,269	**(38,487)**	**827,903**	**(2,224,874)**	**(9,286)**	**(1,220,107)**	**16,648**	**(1,203,459)**
	—	—	—	(19,493)	—	(19,493)	(63)	(19,556)
	—	—	—	—	—	—	—	—
	—	**—**	**—**	**(19,493)**	**—**	**(19,493)**	**(63)**	**(19,556)**
	—	—	—	—	—	3,697	—	3,697
	—	—	273	—	—	273	—	273
	—	(40,022)	—	—	—	(40,022)	—	(40,022)
	—	—	—	—	—	131	—	131
	—	**(40,022)**	**273**	**—**	**—**	**(35,921)**	**—**	**(35,921)**
	—	—	—	—	—	—	(17)	(17)
	—	**(40,022)**	**273**	**—**	**—**	**(35,921)**	**(17)**	**(35,938)**
	79,269	**(78,509)**	**828,176**	**(2,244,367)**	**(9,286)**	**(1,275,521)**	**16,568**	**(1,258,953)**

Attributable to equity holders of the Company *(in thousands of euro, except share data)*	Note	Number of shares	Share capital	Share premium	Equity-based compensation reserve
January 1, 2015		**116,908,039**	**12,711**	**55,565**	**62,691**
Total comprehensive income for the period					
Profit for the period		—	—	—	—
Other comprehensive income		—	—	—	—
Total comprehensive income for the period		**—**	**—**	**—**	**—**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners of the Company					
Reallocation of prior year's profit to legal reserve	5.12	—	—	—	—
Recognition of share-based compensation	5.12	—	—	—	6,725
Own shares acquired	5.12	—	—	—	—
Own shares sold	5.12	—	—	—	—
Proceeds received upon exercise of Warrants and options	5.12	—	10	1,356	—
Total contribution by and distributions to owners of the Company		**—**	**10**	**1,356**	**6,725**
Changes in ownership interests in subsidiaries					
Capital contributions by NCI		—	—	—	—
Total transactions with owners of the Company		**—**	**10**	**1,356**	**6,725**
June 30, 2015		**116,908,039**	**12,721**	**56,921**	**69,416**

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

Legal reserve	Reserve for own shares	Other reserves	Retained loss	Remeasurements	Total	Non-controlling interest	Total equity
74,396	**(1,448)**	**827,903**	**(2,394,309)**	**(10,545)**	**(1,373,036)**	**10,757**	**(1,362,279)**
—	—	—	124,311	—	124,311	—	124,311
—	—	—	—	—	—	—	—
—	**—**	**—**	**124,311**	**—**	**124,311**	**—**	**124,311**
4,618	—	—	(4,618)	—	—	—	—
—	—	—	—	—	6,725	—	6,725
—	(39,375)	—	—	—	(39,375)	—	(39,375)
—	12,272	—	(1,143)	—	11,129	—	11,129
—	—	—	—	—	1,366	—	1,366
4,618	**(27,103)**	**—**	**(5,761)**	**—**	**(20,155)**	**—**	**(20,155)**
—	—	—	—	—	—	(23)	(23)
4,618	**(27,103)**	**—**	**(5,761)**	**—**	**(20,155)**	**(23)**	**(20,178)**
79,014	**(28,551)**	**827,903**	**(2,275,759)**	**(10,545)**	**(1,268,880)**	**10,734**	**(1,258,146)**

4. Condensed consolidated interim statement of cash flows

(in thousands of euro)		For the six months ended June 30,	
	Note	**2016**	**2015**

Cash flows provided by operating activities:

Profit/Loss for the period		(19,556)	124,311
Adjustments for:			
Depreciation, amortization, impairment and restructuring	5.19	270,856	193,034
Gain on disposal of property and equipment and other intangible assets	5.19	(947)	(534)
Income tax expense	5.15	42,686	72,971
Increase/(decrease) in allowance for bad debt	5.8	(1,409)	70
Net interest income and foreign exchange gain	5.20	(272)	(935)
Net interest expense, foreign exchange loss and other finance expense	5.20	143,942	119,495
Net loss (gain) on derivative financial instruments	5.14 & 5.20	86,194	(39,954)
Loss on extinguishment of debt	5.20	16,853	—
Share of the result of equity accounted investees	5.7	1,898	2,195
Share based payments	5.12	4,673	6,725
Change in:			
Trade receivables		(24,428)	(9,164)
Other assets		39,567	15,493
Deferred revenue		1,591	2,219
Trade payables		(13,314)	(4,840)
Other liabilities		(2,114)	(4,735)
Accrued expenses and other current liabilities		(44,459)	25,087
Interest paid		(124,675)	(95,764)
Interest received		—	120
Income taxes paid		(92,017)	(77,622)
Net cash provided by operating activities		**285,069**	**328,172**

(in thousands of euro)		**For the six months ended June 30,**	
	Note	**2016**	**2015**

Cash flows used in investing activities:

Purchases of property and equipment		(121,227)	(117,046)
Purchases of intangibles		(105,244)	(61,326)
Acquisitions of other investments		(1,757)	—
Acquisitions of and loans to equity accounted investees		(465)	(59,818)
Acquisitions of subsidiaries, net of cash acquired		(1,180,542)	—
Proceeds from sale of property and equipment and other intangibles		3,159	1,920
Purchases of broadcasting rights for resale purposes		(216)	—
Proceeds from the sale of broadcasting rights for resale purposes		216	—
Net cash used in investing activities		**(1,406,076)**	**(236,270)**

Cash flows provided by financing activities:

Repayments of loans and borrowings	5.13	(997,001)	—
Proceeds from loans and borrowings	5.13	1,956,593	—
Payments of finance lease liabilities		(14,263)	(14,042)
Payments for debt issuance costs		(27,789)	—
Payments for early termination of loans and borrowings		(9,939)	—
Payments for early termination of derivative financial instruments	5.14	(10,735)	—
Payments for other financing activities		(49)	—
Repurchase of own shares	5.12	(40,000)	(40,000)
Sale of own shares	5.12	—	1,507
Proceeds from exercise of warrants	5.12	130	1,366
Proceeds from capital transactions with equity participants		3,017	2,092
Payments related to capital reductions and dividends		—	(1)
Net cash provided by (used in) financing activities		**859,964**	**(49,078)**
Net increase (decrease) in cash and cash equivalents		**(261,043)**	**42,824**
Cash and cash equivalents:			
at January 1	5.11	277,273	189,076
at June 30	5.11	16,230	231,900

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

5. Notes to the condensed consolidated interim financial statements for the six months ended June 30, 2016

5.1 Reporting entity and basis of preparation

5.1.1 Reporting entity

The accompanying condensed consolidated interim financial statements (the "Interim Financial Statements") present the operations of Telenet Group Holding NV, its subsidiaries and other consolidated companies (hereafter collectively referred to as the "Company" or "Telenet"). Through its broadband network, the Company offers basic and enhanced video services, including pay television services, broadband internet and fixed-line telephony services to residential subscribers in Flanders and certain communes in Brussels as well as broadband internet, data and voice services in the business market throughout Belgium and parts of Luxembourg. The Company acquired mobile operator BASE Company NV ("BASE") on February 11, 2016, and offers mobile telephony services over BASE's network, as well as through an MVNO Arrangement with Orange Belgium NV/SA. Telenet Group Holding NV and its principal operating subsidiaries are limited liability companies organized under Belgian law. Subsidiaries and structured financing entities ("SEs") have been incorporated in Luxembourg and the Netherlands in order to structure the Company's financing operations.

5.1.2 Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU ("EU IFRS"). They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements as of and for the year ended December 31, 2015. Results for the six months ended June 30, 2016 are not necessarily indicative of future results.

The Interim Financial Statements have been prepared on the historical cost basis, except for certain financial instruments and the net assets acquired as a result of the acquisition of BASE on February 11, 2016, which are measured at fair value. The methods used to measure fair values are discussed in Note 5.3.2. The Interim Financial Statements were approved for issue by the board of directors on July 26, 2016.

5.1.3 Functional and presentation currency

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

5.1.4 Use of estimates and judgments

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

- note 5.3.2: Financial instruments: fair values
- note 5.4: Property and equipment
- note 5.5: Goodwill
- note 5.6: Other intangible assets
- note 5.14: Derivative financial instruments
- note 5.15: Deferred taxes
- note 5.16: Other non-current liabilities - Asset retirement obligation
- note 5.17: Accrued expenses and other current liabilities - Liabilities for tax on sites
- note 5.22: Acquisition of subsidiary - Purchase price allocation

In addition to the significant judgments made by management in preparation of the consolidated financial statements as of and for the year ended December 31, 2015, Telenet management made additional significant judgments related to its accounting for the acquisition of BASE.

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

5.1.5 Segment reporting

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

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

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

5.1.6 Reporting changes

As of January 1, 2016, carriage fees are no longer recognized as revenue, but are netted off against direct expenses as Telenet considers charged carriage fees and the purchase of distributable content as a single transaction going forward. In addition, reminder fees are recognized as revenue from January 1, 2016 as these fees are considered to represent a separately identifiable revenue stream, whereas previously reminder fees were recognized net of the related costs in the indirect expense line. The two aforementioned changes in presentation favorably impacted Telenet's revenue for the six months ended June 30, 2016 by €7.3 million and for the six months ended June 30, 2015 by €6.6 million, but did not impact the Company's operating profit and cash flows. Telenet has also applied these changes retroactively to the prior year quarters.

5.2 Significant accounting policies

The accounting policies applied by the Company in these Interim Financial Statements are the same as those applied in the Company's consolidated financial statements as of and for the year ended December 31, 2015.

5.3 Financial instruments

5.3.1 Financial risk management

During the six months ended June 30, 2016, the Company did not change its financial risk management objectives or policies and, as a result, they are still consistent with the disclosures in the consolidated financial statements as of and for the year ended December 31, 2015.

5.3.2 Financial instruments: fair values

Carrying amount versus fair value

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

June 30, 2016	Note	**Carrying amount**	**Fair value**			
(in thousands of euro)				Level 1	Level 2	Level 3
Financial assets						
Financial assets carried at fair value						
Derivative financial assets	5.14	7,479	7,479	—	7,479	—
Total financial assets carried at fair value		**7,479**	**7,479**	**—**	**7,479**	**—**
Financial liabilities						
Financial liabilities carried at fair value						
Derivative financial liabilities	5.14	135,243	135,243	—	135,243	—
Total financial liabilities carried at fair value		**135,243**	**135,243**	**—**	**135,243**	**—**
Financial liabilities carried at amortized cost						
Loans, borrowings and finance lease liabilities (excluding deferred financing fees)	5.13					
- 2015 Amended Senior Credit Facility		3,059,968	3,020,569	—	3,020,569	—
- Senior Secured Fixed Rate Notes		1,258,913	1,328,738	1,328,738	—	—
- Global Handset Finco Ltd Loan		12,742	12,742	—	12,742	—
- Finance lease obligations		357,925	328,958	—	328,958	—
- Clientele fee > 20 years		101,792	98,078	—	98,078	—
- 3G Mobile Spectrum		31,079	27,988	—	27,988	—
Total financial liabilities carried at amortized cost		**4,822,419**	**4,817,073**	**1,328,738**	**3,488,335**	**—**

December 31, 2015	Note	**Carrying amount**	**Fair value**			
(in thousands of euro)				Level 1	Level 2	Level 3
Financial assets						
Financial assets carried at fair value						
Money market funds	5.11	196,000	196,000	196,000	—	—
Derivative financial assets	5.14	8,496	8,496	—	8,496	—
Total financial assets carried at fair value		**204,496**	**204,496**	**196,000**	**8,496**	**—**
Financial liabilities						
Financial liabilities carried at fair value						
Derivative financial liabilities	5.14	63,967	63,967	—	63,967	—
Total financial liabilities carried at fair value		**63,967**	**63,967**	**—**	**63,967**	**—**
Financial liabilities carried at amortized cost						
Loans, borrowings and finance lease liabilities (excluding deferred financing fees)	5.13					
- 2015 Amended Senior Credit Facility		1,381,726	1,352,713	—	1,352,713	—
- Senior Secured Fixed Rate Notes		1,565,776	1,619,243	1,619,243	—	—
- Senior Secured Floating Rate Notes		400,708	401,208	401,208	—	—
- Global Handset Finco Ltd Loan		12,779	12,779	—	12,779	—
- Finance lease obligations		346,042	306,569	—	306,569	—
- Clientele fee > 20 years		97,743	88,945	—	88,945	—
- 3G Mobile Spectrum		31,079	26,735	—	26,735	—
Total financial liabilities carried at amortized cost		**3,835,853**	**3,808,192**	**2,020,451**	**1,787,741**	**—**

Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

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

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Loans, borrowings and finance lease liabilities : - 2015 Amended Senior Credit Facility	Market comparison technique : The fair values are based on broker quotes. The brokers providing the quotes are among the most active in the trading of the Senior Credit Facility, and regularly provide quotes to the market. No adjustments to this pricing are needed.	Not applicable.	Not applicable.
Loans, borrowings and finance lease liabilities : - Finance lease obligations - Clientele fee > 20 years - 3G Mobile spectrum - Global Handset FinCo Ltd. Loan	Discounted cash flows.	Discount rate.	The estimated fair value would increase (decrease) if : - the discount rate were lower (higher).

During the six months ended June 30, 2016, no financial assets or liabilities measured at fair value have been transferred between the levels of the fair value hierarchy.

5.4 Property and equipment

(in thousands of euro)	Land, buildings, and leasehold improvements	Network	Construction in progress	Furniture, equipment, and vehicles	Total
Cost					
At January 1, 2016	**120,646**	**2,441,661**	**78,526**	**51,211**	**2,692,044**
Additions	2,178	23,322	134,324	136	159,960
Acquisition of Base	19,657	563,778	5,707	4,013	593,155
Transfers	3,147	104,011	(118,142)	10,984	—
Disposals	—	(747)	—	(364)	(1,111)
Write off of fully depreciated assets	—	(31,220)	—	—	(31,220)
At June 30, 2016	**145,628**	**3,100,805**	**100,415**	**65,980**	**3,412,828**
Accumulated Depreciation					
At January 1, 2016	**52,378**	**1,190,253**	**—**	**37,480**	**1,280,111**
Depreciation charge for the year	4,467	164,826	—	3,811	173,104
Disposals	—	(719)	—	(87)	(806)
Write off of fully depreciated assets	—	(31,220)	—	—	(31,220)
At June 30, 2016	**56,845**	**1,323,140**	**—**	**41,204**	**1,421,189**
Carrying Amount					
At June 30, 2016	88,783	1,777,665	100,415	24,776	1,991,639
At January 1, 2016	68,268	1,251,408	78,526	13,731	1,411,933

As a result of the BASE acquisition, property and equipment increased by €593.2 million mainly consisting of its mobile network. With respect to the impact of the preliminary purchase price allocation, we refer to Note 5.22.

Accrued capital expenditures for property and equipment reached €160.0 million for the six months ended June 30, 2016, representing the following additions:

- accrued capital expenditures for network growth and upgrades for an amount of €82.1 million;
- capital expenditures for customer installations for an amount of €36.8 million;
- refurbishments and replacements of network equipment for an amount of €25.5 million; and
- set-top box related capital expenditures for an amount of €15.6 million.

For the six months ended June 30, 2016, the Company removed €31.2 million of gross cost and accumulated depreciation related to fully depreciated assets which are no longer used by the Company.

Disposals of property and equipment for the six months ended June 30, 2016, had a total carrying value at €0.3 million and resulted in a net gain on disposal of €0.9 million and consisted mainly of:

- End of life replacements of network equipment with a loss on disposal equal to the remaining net book value amounting to €0.3 million;
- Sale of set-top boxes with no net book value and scrap material , resulting in a gain on disposal of €0.4 million.

5.5 Goodwill

The total amount of goodwill as of June 30, 2016 amounted to €1,558.0 million (December 31, 2015 : €1,241.8 million). The increase of €316.2 million was integrally attributable to the acquisition of BASE.

(in thousands of euro)	June 30, 2016
January 1, 2016	**1,241,813**
Acquisition of subsidiaries	316,202
Goodwill	**1,558,015**

For detailed information regarding the acquisition of BASE, we refer to note 5.22.

5.6 Other intangible assets

(in thousands of euro)	Network user rights	Trade name	Software	Customer relationships	Broadcasting rights	Other	Subtotal	Broad-casting rights for resale purposes	Total
Cost									
January 1, 2016	**30,697**	**121,514**	**478,330**	**212,776**	**78,690**	**21,125**	**943,132**	**—**	**943,132**
Additions	—	—	41,814	—	102,059	(105)	143,768	640	144,408
Acquisition of Base	230,392	35,934	100,393	117,435	—	—	484,154	—	484,154
Disposals	—	—	(551)	—	(53,059)	—	(53,610)	(640)	(54,250)
Write-off of fully amortized assets	—	—	(268)	—	—	—	(268)	—	(268)
June 30, 2016	**261,089**	**157,448**	**619,718**	**330,211**	**127,690**	**21,020**	**1,517,176**	**—**	**1,517,176**
Accumulated Amortization									
January 1, 2016	**30,697**	**119,496**	**338,806**	**171,679**	**38,031**	**3,362**	**702,071**	**—**	**702,071**
Amortization charge of the year	17,300	2,849	36,720	14,940	25,885	58	97,752	—	97,752
Disposals	—	—	(530)	—	(53,059)	—	(53,589)	—	(53,589)
Write-off of fully amortized assets	—	—	(268)	—	—	—	(268)	—	(268)
June 30, 2016	**47,997**	**122,345**	**374,728**	**186,619**	**10,857**	**3,420**	**745,966**	**—**	**745,966**
Carrying Amount									
June 30, 2016	213,092	35,103	244,990	143,592	116,833	17,600	771,210	—	771,210
January 1, 2016	—	2,018	139,524	41,097	40,659	17,763	241,061	—	241,061

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

The Company acquired intangible assets through the BASE acquisition amounting to €484.2 million and consisting largely of BASE's 2G, 3G and 4G mobile spectrum licenses. For more information on the preliminary purchase price allocation, we refer to Note 5.22.

Following a tendering procedure in June 2014, the Company acquired the non-exclusive broadcasting rights of the Belgian football championship for three seasons starting July 2014. The rights related to the third season (2016-2017) met the recognition criteria for intangible assets in 2016. The Company also acquired the exclusive broadcasting rights of the UK Premier League for the three seasons starting August 2016 until 2019. The aforementioned acquired rights represent the majority of the total additions regarding broadcasting rights of €102.1 million.

The disposals consist mainly of the broadcasting rights related to the 2015-2016 season of the Jupiler Pro League and the 2013-2016 seasons of the UK Premier League, which were written-off upon the end of the season in May 2016 (€ 53.1 million).

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

5.7.1 Investments in and loans to equity accounted investees

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

(in thousands of euro)	De Vijver Media NV	Other	Total
Investments in Associates			
At January 1, 2016	**59,013**	**1,734**	**60,747**
Additions	—	—	—
Direct Acquisition Costs	654	16	670
At June 30, 2016	**59,667**	**1,750**	**61,417**
Share in the result of Associates			
At January 1, 2016	**(4,093)**	**(144)**	**(4,237)**
Share in the result	(1,775)	(123)	(1,898)
At June 30, 2016	**(5,868)**	**(267)**	**(6,135)**
Loans granted to Associates			
At January 1, 2016	**—**	**1,141**	**1,141**
Accrued interest	—	4	4
At June 30, 2016	**—**	**1,145**	**1,145**
Carrying Amount			
At June 30, 2016	53,799	2,628	56,427
At January 1, 2016	54,920	2,731	57,651

5.7.2 Other investments

On June 29, 2016, Telenet participated in a capital increase of Belgian Mobile Wallet NV for an amount of €1.8 million representing a stake of 16.67%. Belgian Mobile Wallet NV launched a Belgian standard for payments via smartphones in spring 2014 allowing consumers to use their smartphones in the future to pay for goods and services, exchange coupons, or use their customer cards.

5.8 Trade receivables

5.8.1 Non-current

(in thousands of euro)	June 30, 2016	December 31, 2015
Trade receivables	6,977	4,841
Less : allowance for bad debt	(768)	(102)
Trade receivables, net	**6,209**	**4,739**

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

5.8.2 Current

(in thousands of euro)	June 30, 2016	December 31, 2015
Trade receivables	216,241	153,023
Less: allowance for bad debt	(10,641)	(7,116)
Trade receivables, net	**205,600**	**145,907**

The increase in the net position of trade receivables (€59.7 million) was almost fully attributable to the impact of the BASE acquisition.

When a trade receivable is uncollectible, it is written off against the provision for impairment of trade receivables. Trade receivables impairment losses have been included in cost of services provided in the consolidated statement of profit or loss and other comprehensive income. The Company does not hold any receivables in foreign currency.

5.9 Other assets

5.9.1 Non-current

(in thousands of euro)	June 30, 2016	December 31, 2015
Outstanding guarantees to third parties for own liabilities (cash paid)	1,008	982
Long-term prepaid expense other	2,651	2.025
Long-term prepaid expense suppliers	4,150	—
Deferred financing fees	3,671	10,228
Receivable from sale of sport broadcasting rights	179	—
Other non-current assets	**11,659**	**13,235**

As of December 31, 2015, the Company presented the deferred financing fees related to the undrawn Term Loan AA and the Revolving Credit Facilities X and Z as other non-current assets. As Term Loan Facility AA was drawn in 2016, the related deferred financing fees are presented as of June 30, 2016 net of the outstanding debt (see Note 5.13).

5.9.2 Current

(in thousands of euro)	Note	June 30, 2016	December 31, 2015
Recoverable withholding taxes		308	284
Prepaid content		8,200	7,455
Prepayments		36,626	15,663
Unbilled revenue		67,037	40,811
Receivables from sale of sports broadcasting rights		1,586	1,446
Indemnity asset for tax on sites	5.22 & 5.23	13,321	—
Other		2,118	2,963
Other current assets		**129,196**	**68,622**

The increase in other current assets was mainly attributable to the impact of the BASE acquisition.

Unbilled revenue generally represents revenue for which the Company has already provided a service or product in accordance with the customer agreement but for which the customer has not yet been invoiced.

5.10 Inventories

As of June 30, 2016, inventories amounted to €23.6 million (December 2015: €19.2 million) and consisted mainly of mobile handsets as well as tablets, HD Digiboxes, other DTV materials, wireless modems and powerline adaptors.

The increase compared to the end of 2015 of €4.4 million was mainly driven by an increase in the mobile handsets and accessories inventory of €7.8 million attributable to the BASE acquisition, partially compensated by a decrease in the telephony and internet related customer premise equipment of €2.6 million.

The net book value of inventories also includes inventory impairments to reduce the carrying values to the net realizable value. These inventory impairments amounted to €2.3 million as of June 30, 2016 compared to €1.1 million as of December 31, 2015.

5.11 Cash and cash equivalents

(in thousands of euro)	June 30, 2016	December 31, 2015
Cash at bank and on hand	15,729	80,083
Certificates of deposit	501	1,190
Money market funds	—	196,000
Total cash and cash equivalents	**16,230**	**277,273**

At June 30, 2016, the Company held €16.2 million of cash and cash equivalents compared to €277.3 million at December 31, 2015. To minimize the concentration of counterparty risk, the Company's cash equivalents are placed with highly rated European and US financial institutions. The decrease in the cash balance compared to December 31, 2015 was primarily due to the repayment of outstanding amounts under the revolving credit facilities for an aggregate amount of €297.0 million as mentioned above. In addition, the Company used €137.6 million of net cash for the BASE acquisition, including the cash settlement of financing-related ticking fees and associated arrangement fees resulting from the issuance of certain debt facilities in April 2015, offset by €141.3 million of cash acquired. Telenet also paid €92.0 million of cash taxes during the six months ended June 30, 2016 and used €40.0 million of net cash for share repurchases under the Share Repurchase Program 2016, while paying €23.5 million to a counterparty following a 2015 favorable contract renegotiation. At June 30, 2016, the Company had access to €381.0 million of available commitments under Revolving Credit Facility X, subject to compliance with the covenants mentioned above.

5.12 Shareholders' equity

5.12.1 Shareholders' equity

As of June 30, 2016, the share capital amounted to €12.8 million (December 31, 2015: €12.8 million).

Warrants exercised during the six months ended June 30, 2016 resulted in a capital increase of €739.47, an increase of share premium of €130,995.90 and the issuance of 6,801 new shares. The details of the exercises are summarized in the following table:

Class of warrants	Numbers of warrants exercised	Exercise date	Share price at exercise date (closing price)
Warrant Plan 2010 ter warrants	6,801	April 11, 2016	€44.84

The condensed consolidated interim financial statements as of June 30, 2016 showed a negative consolidated equity amounting to €1,259.0 million, mainly as a result of the Company's historical shareholder disbursements policy, including various capital reductions.

The Company considers its most optimal equity structure on a consolidated level, based on a certain net leverage range, even in case of a negative equity on a consolidated level.

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

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

Own shares

As of June 30, 2016, the Company held 1,678,474 own shares. During the six months ended June 30, 2016, the Company acquired 912,415 own shares under the Share Repurchase Program 2016, for a total amount of €40.0 million. No stock options were exercised during the six months ended at June 30, 2016.

5.12.2 Employee share based compensation

Telenet Equity Plan 2016

On March 22, 2016, the board of directors approved the Telenet Equity Plan, on the basis of which Telenet is able to grant its Senior Leadership Team and the Company's CEO stock options and performance shares.

Stock Option Plan 2016

On March 22, 2016, the board of directors approved Telenet's General Stock Option Plan 2016 for the Company's Senior Leadership, one other manager and the CEO for a total number of 741,806 stock options on existing shares ("ESOP 2016"). Each of these stock options entitles the holder thereof to purchase from the Company one existing share of the Company.

The grant of these 741,806 stock options, with an exercise price of €45,48 per stock option, occurred on April 14, 2016. On June 14, 2016 a total of 695,631 stock options were accepted.

The vesting of the stock options under the ESOP 2016 occurs quarterly over a period of 4 years, with a vesting of 10% of the total stock options granted during each of the first 4 quarters and a vesting of 5% of the total stock options granted during each of the 12 following quarters.

The details regarding the stock option plan granted by the Company for the six months ended June 30, 2016 are summarized in the table below:

	Grant Date (for accounting purposes)	Fair Value at grant date (in euro)	Share Price (in euro)	Exercise Price (in euro)	Expected Volatility	Expected Option Life	Expected Dividends	Risk-free interest rate
ESOP 2016 Stock Options	June 14, 2016	3.40 - 4.81	39.46	45.48	21.5% - 23.3%	4.3 years	0.0%	-0.44% - -0.33%

Performance shares 2016

For more information regarding the 2013 Telenet Performance Shares, the 2014 Telenet Performance Shares and the 2015 Telenet Performance Shares, we refer to the Company's Consolidated Financial Statements as of and for the year ended December 31, 2015.

On April 15, 2016, Telenet granted its Senior Leadership Team members, its CEO and one other manager a total of 119,842 performance shares ("the 2016 Telenet Performance Shares"). The performance target applicable to the 2016 Telenet Performance Shares is the achievement of a compound annual growth rate (CAGR) for Operating Cash Flow (OCF), when comparing the OCF during the period started as of January 1, 2016 and ending on December 31, 2018 to the OCF for the period started on January 1, 2015 and ended on December 31, 2015. A performance range of less than 3.75% to 8% or more of the CAGR of OCF would generally result in award recipients earning 0% to 300% of their 2016 Telenet Performance Shares, subject to reduction or forfeiture based on service requirements. The earned 2016 Telenet Performance Shares will vest on April 11, 2019. Any compensation costs attributable to the 2016 Telenet Performance Shares are recognized over the requisite service period of the awards and will be included in stock-based compensation in the statement of profit or loss and other comprehensive income.

In the six months ended June 30, 2016, Telenet recognized € 4.7 million of compensation expense for the Telenet share based compensation plans (for the six months ended June 30, 2015: € 6.7 million).

5.13 Loans and borrowings

The balances of loans and borrowings specified below include accrued interest as of June 30, 2016 and December 31, 2015.

(in thousands of euro)	**June 30, 2016**	**December 31, 2015**
2015 Amended Senior Credit Facility:		
Revolving Credit Facility X	852	943
Revolving Credit Facility Z	120,030	240
Term Loan W	476,781	476,781
Term Loan Y	888,323	888,323
Term Loan AA	804,899	15,439
Term Loan AD	769,083	—
Senior Secured Fixed Rate Notes:		
€300 million Senior Secured Notes due 2021	—	307,508
€450 million Senior Secured Notes due 2022	460,625	460,625
€250 million Senior Secured Notes due 2024	256,375	256,375
€530 million Senior Secured Notes due 2027	541,913	541,268
Senior Secured Floating Rate Notes:		
€400 million Senior Secured Notes due 2021	—	400,708
Global Handset Finco Ltd Loan	12,742	12,779
Finance lease obligations	357,925	346,042
3G Mobile Spectrum	31,079	31,079
Clientele fee > 20 years	101,792	97,743
	4,822,419	**3,835,853**
Less: deferred financing fees	(62,244)	(41,975)
Total non-current and current loans and borrowings	**4,760,175**	**3,793,878**
Less: current portion	(217,043)	(110,558)
Total non-current loans and borrowings	**4,543,132**	**3,683,320**

As of June 30, 2016, the Company carried a total debt balance (including accrued interest) of €4,760.1 million, of which (i) €2,924.6 million principal amount is owed under the 2015 Amended Senior Credit Facility, (ii) €120.0 million outstanding under the revolving credit facilities related to amounts drawn in connection with the BASE acquisition in February 2016, and (iii) €1,230.0 million principal amount is related to the Senior Secured Notes with maturities ranging from 2022 through 2027. The Company's total debt balance at June 30, 2016 also included €31.1 million for the outstanding portion of the 3G mobile spectrum including accrued interest. The remainder primarily represents the capital lease obligations associated with the Interkabel Acquisition.

In February 2016, Telenet drew three debt facilities under the 2015 Amended Senior Credit Facility for the financing of the BASE acquisition for an aggregate amount of €1,217.0 million, including (i) €800.0 million under Term Loan AA with a maturity of June 30, 2023 and a 3.50% margin over EURIBOR, (ii) €217.0 million under Revolving Credit Facility X with a maturity of September 30, 2020 and a 2.75% margin over EURIBOR, and (iii) €200.0 million under Revolving Credit Facility Z with a maturity of June 30, 2018 and a 2.25% margin of EURIBOR.

In April and May 2016, Telenet repaid €130.0 million and €87.0 million, respectively, under Revolving Credit Facility X, fully repaying the amounts it had drawn in February this year. In June 2016, the Company repaid and subsequently cancelled €80.0 million under Revolving Credit Facility Z, leaving an outstanding balance of €120.0 million. Telenet intends to use its excess cash and cash equivalents to repay the outstanding amounts under the revolving credit facilities in the near future.

In May 2016, the Company successfully issued a USD 850.0 million Term Loan ("Facility AD") due June 30, 2024. Facility AD bears interest at 3.50% over LIBOR (with a 75 basis points floor) and was issued at 99.5% of par. Telenet drew Term Loan AD on June 14, 2016 and entered into several cross-currency interest swap transactions at that time to hedge both the underlying currency and floating interest rate exposure. Telenet used the net proceeds from these transactions on June 15, 2016 to prepay the following credit facilities under the existing Senior Credit Facility: (i) Facility O, of which Telenet Finance III Luxembourg S.C.A. ("TFL III") was the lender, and (ii) Facility P, of which Telenet Finance IV Luxembourg S.C.A. ("TFL IV") was the lender. TFL III and TFL IV in turn used the proceeds from the prepayment of Facility O and Facility P to redeem the associated €300.0 million Senior Secured Notes due 2021 and the €400.0 million Senior Secured notes due 2021, respectively. As a result, Telenet faces no debt maturities before June 2022 excluding the short-dated revolving credit facilities which it aims to repay before year-end as mentioned before.

The table below provides an overview of the aggregate future principal payments of the total borrowings under all of the Company's loans and borrowings other than the finance leases as of June 30, 2016:

(in thousands of euro)	**Total Facility as per**	**Drawn amount**	**Undrawn amount**	**Maturity Date**	**Interest rate**	**Interest payments due**
		June 30, 2016				
2015 Amended Senior Credit Facility:						
Term Loan W	474,084	474,084	-	June 30, 2022	Floating | 3-month EURIBOR (0% floor) + 3.25%	Quarterly (Jan., April, July, Oct.)
Term Loan Y	882,916	882,916	-	June 30, 2023	Floating | 3-month EURIBOR (0% floor) + 3.50%	Quarterly (Jan., April, July, Oct.)
Term Loan AA	800,000	800,000	-	June 30, 2023	Floating | 3-month EURIBOR (0% floor) + 3.50%	Quarterly (Jan., April, July, Oct.)
Term Loan AD	767,633	767,633	-	June 30, 2024	Floating | 3-month USD LIBOR (0.75% floor) + 3.50%	Quarterly (March, June, Sept., Dec.)
Revolving Credit Facility (Facility X)	381,000	-	381,000	September 30, 2020	Floating | 1-month EURIBOR (0% floor) + 2.75%	Not applicable
Revolving Credit Facility (Facility Z)	120,000	120,000	-	June 30, 2018	Floating | 1-month EURIBOR (0% floor) + 2.25%	Weekly
Senior Secured Fixed Rate Notes:						
€450 million Senior Secured Notes due 2022	450,000	450,000	-	August 15, 2022	Fixed | 6.25%	Semi-annually (Feb. and Aug.)
€250 million Senior Secured Notes due 2024	250,000	250,000	-	August 15, 2024	Fixed | 6.75%	Semi-annually (Feb. and Aug.)
€530 million Senior Secured Notes due 2027	530,000	530,000	-	July 15, 2027	Fixed | 4.875%	Semi-annually (Jan. and Jul.)
Total notional amount	**4,655,633**	**4,274,633**	**381,000**			

At June 30, 2016, the Company's revolving credit facility X was fully undrawn.

5.14 Derivative financial instruments

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

(in thousands of euro)	**June 30, 2016**	**December 31, 2015**
Current assets	6,535	940
Non-current assets	944	7,556
Current liabilities	(10,870)	(6,181)
Non-current liabilities	(124,373)	(57,786)
	(127,764)	**(55,471)**
Interest rate derivatives	(129,314)	(55,737)
Cross Currency Interest Rate Swaps	1,331	—
Foreign exchange forwards	246	307
Embedded derivatives	(27)	(41)
	(127,764)	**(55,471)**

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

(in thousands of euro)	**June 30, 2016**	**June 30, 2015**
Early termination of derivative financial instruments	**(10,735)**	**—**
Change in fair value		
Cross Currency Interest Rate Swaps	1,331	—
Interest rate derivatives	(76,420)	40,093
Stocklending	—	(332)
Foreign exchange forwards	(383)	137
Embedded derivatives	13	56
Total change in fair value	**(75,459)**	**39,954**
Net gain (loss) on derivative financial instruments	**(86,194)**	**39,954**

The loss for the six months ended June 30, 2016 of €86.2 million is mainly the result of a downward shift in the euro swap curve, which had a unfavorable impact on the mark-to-market valuation of the Company's interest rate derivatives.

For interest rate derivatives, the change in fair value includes the change in interest accrual.

5.15 Income taxes

(in thousands of euro)	For the six months ended June 30,	
	2016	**2015**
Current tax expense	82,771	66,181
Deferred tax expense/(income)	(40,085)	6,790
Income tax expense	**42,686**	**72,971**

The Company recognized €82.8 million of current tax expense for the six months ended June 30, 2016, which combined with the payment of €92.0 million of income taxes for the six months ended June 30, 2016, brought the current tax liability to €193.0 million as at June 30, 2016 (December 31, 2015: €202.5 million).

The increase in deferred tax assets and liabilities can be explained by the acquisition of BASE in February 2016 (see Note 5.22).

Telenet Group Holding NV and its subsidiaries had available combined cumulative tax loss carry forwards of €997.6 million and €819.9 million as of June 30, 2016 and December 31, 2015, respectively. Under current Belgian and Luxembourg tax laws, these loss carry forwards have indefinite lives and may be used to offset future taxable income of Telenet Group Holding NV and its subsidiaries.

Deferred tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

The Company did not recognize deferred tax assets of €196.1 million and €171.7 million as of June 30, 2016 and December 31, 2015, respectively, in respect of tax losses carried forward, because it is not considered more likely than not that these net deferred tax assets will be utilized in the future.

5.16 Other non-current liabilities

(in thousands of euro)	**June 30, 2016**	**December 31, 2015**
Employee benefit obligations	16,281	15,640
Other personnel related obligations	842	829
Long service awards	7,388	8,060
Interkabel out of market opex	14,858	14,604
Asset retirement obligations	11,270	1,913
Liabilities regarding sports broadcasting rights	46,450	4,192
Restructuring liability Norkring	12,056	12,412
Other	1,080	1,412
Total Other non-current liabilities	**110,225**	**59,062**

The impact of the BASE acquisition on the other non-current liabilities amounts to €9.4 million and consists mainly of the asset retirement obligation related to the mobile network.

The increase in liabilities regarding sports broadcasting rights (€42.3 million) can mainly be explained by the recognition of football broadcasting rights in the first six months of 2016 for the 2016-2017 season of the Jupiler Pro League and the next three seasons of the UK Premier League as of August 2016.

5.17 Accrued expenses and other current liabilities

(in thousands of euro)	Note	June 30, 2016	December 31, 2015
Customer deposits		21,877	21,984
Compensation and employee benefits		57,195	55,302
VAT and withholding taxes		47,389	13,469
Dividend payable to shareholders		986	989
Accrued programming fees		51,696	54,199
Accrued capital expenditure		58,938	28,661
Accrued other liabilities - invoices to receive regarding:			
Goods received and services performed		52,920	37,710
Professional fees		11,857	10,408
Warehouse items received		5,667	3,480
Interconnect		33,705	21,383
Advertising, marketing and public relations		5,804	3,818
Infrastructure		7,849	7,128
Facilities		6,662	1,624
Other		24,079	15,972
Liability regarding pylon taxes	5.23	38,851	—
Non-income tax contingencies (IFRS 3)	5.22	5,933	—
Accrued interest on derivatives		—	516
Accrued deferred financing costs		545	7,781
Accounts receivable with credit balance		20,825	21,460
Restructuring liability Norkring		3,451	25,750
Liabilities regarding sports broadcasting rights		46,427	17,430
Liabilities resulting from stock lending		—	4
Other current liabilities		4,317	1,245
Total Accrued expenses and other current liabilities		**506,973**	**350,313**

Compared to December 31, 2015, total accrued expenses and other current liabilities increased by €156.7 million to €506.9 million as of June 30, 2016, which is mainly due to the impact of the BASE acquisition.

Compared to December 31, 2015, a large increase is noted in the VAT and withholding taxes payable which is due to the prepayments made in November for the December VAT, thus resulting in a lower outstanding VAT payable at year end. The increase in accrued capital expenditure (€30.3 million) and accrued other liabilities related to invoices to receive (€92.5 million) are mainly the result of the BASE acquisition. Following the amendment to the DTT capacity agreement with Norkring België NV in December 2015, and the agreed upon upfront payment in the first six months of 2016 amounting to €23.5 million, the restructuring liability decreased to €3.5 million as of June 30, 2016. The increase in liabilities regarding sports broadcasting rights (€29.0 million) can mainly be explained by the recognition in the first six months of 2016 of the 2016-2017 season of the Jupiler Pro League and the UK Premier League broadcasting rights for the three seasons as of August 2016. For more details on liabilities for pylon taxes and non-income tax contingencies (IFRS 3), we refer to Note 5.23 and 5.22, respectively.

5.18 Revenue

The Company's revenue is comprised of the following:

(in thousands of euro)	For the six months ended June 30,	
	2016	2015
Subscription revenue		
Video	283,971	274,919
Broadband internet	282,240	270,603
Fixed-line telephony	121,309	112,466
Cable Subscription revenue	**687,520**	**657,988**
Mobile telephony	257,367	98,936
Total Subscription revenue	**944,887**	**756,924**
Business services	60,619	58,415
Other	173,057	83,376
Total Revenue	**1,178,563**	**898,715**

For the six months ended June 30, 2016, Telenet generated revenue of €1,178.6 million, representing a 31% increase compared to the six months ended June 30, 2015 when Telenet produced revenue of €898.7 million. The reported revenue increase was primarily driven by the contribution from BASE, which Telenet acquired on February 11, 2016. When adjusting to neutralize the impact of this acquisition, Telenet achieved rebased revenue growth of 4% for the six months ended June 30, 2016. Telenet's cable business delivered solid mid-single-digit revenue growth for the six months ended June 30, 2016 driven by (i) 4% higher cable subscription revenue on a rebased basis as a result of a 6% increase in triple-play subscribers, continued growth for Telenet's entertainment propositions and the favorable impact from the February 2016 price adjustments, partially offset by a growing proportion of bundle-related discounts, (ii) higher business services revenue and (iii) improved other revenue, primarily due to increased standalone handset sales as compared to the six months ended June 30, 2015 and the impact of our "Choose Your Device" programs launched mid-2015. The continued robust performance of Telenet's cable business was partly offset by continued pressure on its recently acquired mobile business.

For purposes of calculating rebased growth rates on a comparable basis for the six months ended June 30, 2016, Telenet has adjusted its historical revenue and operating profit for the six months ended June 30, 2015 to include the pre-acquisition revenue and operating profit of BASE in its rebased amounts for the six months ended June 30, 2015 to the same extent that the revenue and operating profit are included in its results for the six months ended June 30, 2016 (BASE being fully consolidated since February 11, 2016). Telenet does not adjust pre-acquisition periods to eliminate non-recurring items or to give retroactive effect to any changes in estimates that might be implemented during post-acquisition periods. As Telenet did not own or operate the acquired businesses during the pre-acquisition periods, no assurance can be given that Telenet has identified all adjustments necessary to present the revenue and operating profit of these entities on a basis that is comparable to the corresponding post-acquisition amounts that are included in its historical results or that the pre-acquisition financial statements Telenet has relied upon does not contain undetected errors. In addition, the rebased growth percentages are not necessarily indicative of the revenue and operating profit that would have occurred if these transactions had occurred on the dates assumed for purposes of calculating the rebased amounts or the revenue and operating profit that will occur in the future. The rebased growth percentages have been presented as a basis for assessing growth rates on a comparable basis, and are not presented as a measure of our pro forma financial performance.

The Company also had deferred revenue as follows:

(in thousands of euro)	June 30, 2016	December 31, 2015
Subscription revenue		
Video	23,591	25,752
Broadband internet	12,694	12,657
Fixed-line telephony	8,154	7,870
Cable Subscription revenue	**44,439**	**46,279**
Mobile telephony	40,504	6,961
Total Subscription revenue	**84,943**	**53,240**
Business services	11,625	10,936
Other	9,090	10,044
Total Deferred Revenue	**105,658**	**74,220**

5.19 Expenses by nature

(in thousands of euro)	For the six months ended June 30,	
	2016	**2015**
Network operating expenses	64,868	34,043
Direct costs (programming, copyrights, interconnect and other)	291,785	207,528
Staff-related expenses	124,069	87,144
Sales and marketing expenses	47,378	30,993
Outsourced labor and Professional services	25,973	17,546
Other indirect expenses	71,941	40,102
Operating expenses	**626,014**	**417,356**
Restructuring gains	(200)	(518)
Operating charges related to acquisitions or divestitures	6,422	4,051
Share-based payments granted to directors and employees	4,673	6,725
Depreciation	173,235	134,007
Amortization	71,736	34,737
Amortization of broadcasting rights	25,885	24,808
Gain on disposal of property and equipment	(947)	(534)
Non-cash and non-recurring items	**280,804**	**203,276**
Total costs and expenses	**906,818**	**620,632**

For the six months ended June 30, 2016, Telenet incurred total expenses of €906.8 million, representing an increase of 46% compared to the six months ended June 30, 2015 when Telenet incurred total expenses of €620.6 million. Excluding the impact from the BASE acquisition, total expenses increased 7% on a rebased basis for the six months ended June 30, 2016. Total expenses for both the six months ended June 30, 2016 and the six months ended June 30, 2015 included nonrecurring benefits of €6.0 million and €7.6 million, respectively, linked to the settlement of the Full-MVNO Agreement with Orange Belgium and the resolution of a contingency associated with universal obligations, respectively. In addition, Telenet incurred €5.2 million higher integration costs for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 linked to the BASE acquisition.

Total operating expenses represented approximately 77% of revenue for the six months ended June 30, 2016. Cost of services provided as a percentage of revenue represented approximately 57% for the six months ended June 30, 2016, while selling, general and administrative expenses represented approximately 20% of total revenue for the six months ended June 30, 2016.

5.20 Finance income / expense

(in thousands of euro)	Note	For the six months ended June 30, 2016	2015
Recognized in the statement of profit or loss and comprehensive income			
Finance income			
Net interest income and foreign exchange gain			
Interest income on bank deposits and commercial paper		268	305
Interest income on receivables		4	58
Net foreign exchange gain		—	572
		272	**935**
Net gain on derivative financial instruments			
Change in fair value	5.14	—	39,954
		272	**40,889**
Finance expense			
Net interest expense, foreign exchange loss and other finance expense			
Interest expense on financial liabilities measured at amortized cost, and other finance expense		(115,977)	(116,403)
Amortization of financing cost		(3,803)	(3,092)
Net foreign exchange loss		(24,162)	—
		(143,942)	**(119,495)**
Net loss on derivative financial instruments			
Early termination of derivative financial instruments	5.14	(10,735)	—
Change in fair value	5.14	(75,459)	—
		(86,194)	**—**
Loss on extinguishment of debt		**(16,853)**	**—**
Net finance expenses		**(246,717)**	**(78,606)**

For the six months ended June 30, 2016, net finance expenses totaled €246.7 million compared to €78.6 million of net finance expenses incurred for the six months ended June 30, 2015. Compared to the six months ended June 30, 2015 when Telenet booked a €40.0 million non-cash gain on derivatives, Telenet incurred an €86.2 million non-cash loss for the six months ended June 30, 2016. In addition, Telenet also incurred a €16.9 million loss on the extinguishment of debt following the June 2016 repayment of certain Senior Secured Notes due 2021 for an aggregate amount of €700.0 million. Net interest expense, foreign exchange loss and other finance expense increased 20% from €119.5 million for the six months ended June 30, 2015 to €143.9 million for the six months ended June 30, 2016. The net foreign exchange loss of €24.1 million almost entirely relates to the foreign currency translation into euro of the USD 850.0 million Term Loan ("Facility AD") due June 30, 2024 as of June 30, 2016.

5.21 Earnings (loss) per share

5.21.1 Basic

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

(in thousands of euro, except share and per share data)	For the six months ended June 30,	
	2016	**2015**
Net (loss)/profit attributable to the equity holders of the Company	(19,493)	124,311
Weighted average number of ordinary shares	116,184.949	116,593.88
Weighted average number of shares used in the calculation of basic earnings per share	**116,184.949**	**116,593.88**
Basic (loss)/earnings per share in €	(0.17)	1.07

5.21.2 Diluted

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

For the six months ended June 30, 2016, the Company had one category of dilutive potential ordinary shares:

- Warrant Plan 2010 ter

For the six months ended June 30, 2015, the Company had four categories of dilutive potential ordinary shares:

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

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

	For the six months ended June 30,	
	2016	**2015**
Weighted average number of shares used in the calculation of basic earnings (loss) per share	116,184,949	116,593,880
Adjustment for:		
Warrant Plan 2007 septies Warrants	—	26,836
Warrant Plan 2010 primo Warrants	—	189,050
Warrant Plan 2010 bis Warrants	—	3,808
Warrant Plan 2010 ter Warrants	30,536 (*)	46,816
Weighted average number of shares used in the calculation of diluted earnings per share	**116,215,485**	**116,860,390**
Diluted (loss)/earnings per share in €	(0.17) (*)	1.06

(*) This includes potentially dilutive shares, which - when included - would be anti-dilutive as the Company incurred a loss for the six months ended June 30, 2016.

5.22 Acquisition of subsidiary

On February 11, 2016, pursuant to a definitive agreement and following regulatory approval, Telenet acquired BASE for a cash purchase price of €1,321.9 million (the BASE acquisition). BASE is the third-largest mobile network operator in Belgium. In 2016, the Company incurred acquisition-related costs of €6.3 million on legal fees and due diligence costs. These have been included in 'Selling, general and administrative expenses'. Total acquisition-related costs incurred for the BASE acquisition amounts to €15.5 million. We expect that the BASE acquisition will provide Telenet with cost-effective long-term mobile access to effectively compete for future growth opportunities in the Belgium mobile market. The BASE acquisition was funded through a combination of three debt facilities for an aggregate amount of €1,217.0 million (see Note 5.13), and existing liquidity of Telenet. The acquisition was approved by the European Commission subject to Telenet's agreement to divest both the JIM Mobile prepaid customer base and BASE's 50% stake in Viking Co NV ("Viking") to MEDIALAAN NV. In February 2016, Telenet completed the sale of its stake in Viking. The divestiture of the JIM Mobile prepaid customer base is expected to occur during the third quarter of 2017.

We have accounted for the BASE acquisition using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets of BASE 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 preliminary opening balance sheet is subject to adjustment based on our final assessment of the fair values of the acquired identifiable assets and liabilities. Although most items in the valuation process remain open, the items with the highest likelihood of changing upon finalization of the valuation process include property and equipment, goodwill, intangible assets associated with mobile spectrum, customer relationships and trademarks and income taxes. A summary of the purchase price and the provisional identifiable assets acquired and liabilities assumed for the BASE acquisition at the acquisition date is presented in the following table:

(in thousands of euro)	IFRS opening balance sheet	Fair value adjustments	Fair value of identifiable net assets
Assets			
Non-current assets:			
Property and equipment	466,849	126,306	593,155
Goodwill	55,695	(55,695)	—
Other intangible assets	260,384	223,785	484,169
Other assets	2,562	807	3,369
Total non-current assets	**785,490**	**295,203**	**1,080,693**
Current assets:			
Inventories	10,569	—	10,569
Trade receivables	33,858	—	33,858
Other current assets	78,381	13,321	91,702
Cash and cash equivalents	141,321	—	141,321
Total current assets	**264,129**	**13,321**	**277,450**
Total assets acquired	**1,049,619**	**308,524**	**1,358,143**
Liabilities			
Non-current liabilities:			
Deferred revenue	66	—	66
Deferred tax liabilities	(46,279)	116,992	70,713
Other liabilities	6,493	—	6,493
Total non-current liabilities	**(39,720)**	**116,992**	**77,272**
Current liabilities:			
Trade payables	62,570	—	62,570
Accrued expenses and other current liabilities	176,927	5,933	182,860
Deferred revenue	29,780	—	29,780
Total current liabilities	**269,277**	**5,933**	**275,210**
Total liabilities assumed	**229,557**	**122,925**	**352,482**
Fair value of identifiable net assets acquired			**1,005,661**
Total consideration transferred			**1,321,863**
Provisional goodwill arising from the acquisition			**316,202**

The fair value adjustment on property and equipment (€126.3 million) mainly relates to the acquired mobile network of BASE. The €223.8 million step-up recognized on the other intangible assets consists of fair value adjustments recognized with respect to the mobile spectrum licenses owned by BASE (€34.9 million), customer relationships (€117.4 million), tradename (€33.7 million) and software (€37.8 million). The adjustment on other current assets (€13.3 million) relates to non-income tax contingencies. The deferred tax adjustment resulting from the purchase price allocations amounts to €117.0 million and is reported under non-current deferred tax liabilities. The €5,9 million adjustment on accrued expenses and other current liabilities relates to the recognition of non-income tax contingencies.

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

In the period as from February 11, 2016 till June 30, 2016, BASE Company contributed revenue of €237.7 million and a loss of €12.1 million to the Group's results. If the acquisition had occurred on 1 January 2016, management estimates that consolidated revenue would have been €1,246.3 million, and consolidated operating result for the period would have been €250.2 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2016.

The goodwill is mainly attributable to the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognized is expected to be deductible for tax purposes.

5.23 Commitments and contingencies

5.23.1 Pending litigations

Interkabel Acquisition

On November 26, 2007, Telenet and the PICs announced a non-binding agreement-in-principle to transfer the analog and digital television activities of the PICs, including all existing subscribers to Telenet. Subsequently, Telenet and the PICs entered into a binding agreement (the 2008 PICs Agreement), which closed effective October 1, 2008. Beginning in December 2007, Proximus NV/SA (Proximus), the incumbent telecommunications operator in Belgium, instituted several proceedings seeking to block implementation of these agreements. Proximus lodged summary proceedings with the President of the Court of First Instance of Antwerp to obtain a provisional injunction preventing the PICs from effecting the agreement-in-principle and initiated a civil procedure on the merits claiming the annulment of the agreement-in-principle. In March 2008, the President of the Court of First Instance of Antwerp ruled in favor of Proximus in the summary proceedings, which ruling was overturned by the Court of Appeal of Antwerp in June 2008. Proximus brought this appeal judgment before the Cour de Cassation (the Belgian Supreme Court), which confirmed the appeal judgment in September 2010. On April 6, 2009, the Court of First Instance of Antwerp ruled in favor of the PICs and Telenet in the civil procedure on the merits, dismissing Proximus's request for the rescission of the agreement-in-principle and the 2008 PICs Agreement. On June 12, 2009, Proximus appealed this judgment with the Court of Appeal of Antwerp. In this appeal, Proximus is also seeking compensation for damages. While these proceedings were initially suspended, other proceedings were initiated, which resulted in a ruling by the Belgian Council of State in May 2014 annulling (i) the decision of the PICs not to organize a public market consultation and (ii) the decision from the PICs' board of directors to approve the 2008 PICs Agreement. In December 2015, Proximus resumed the civil proceedings pending with the Court of Appeal of Antwerp seeking to have the 2008 PICs Agreement annulled and claiming damages of €1.379 billion ($1.5 billion).

Telenet is in the process of evaluating the resumed proceedings and claim for damages and intends to defend itself vigorously. No assurance can be given as to the outcome of these or other proceedings. However, an unfavorable outcome of existing or future proceedings could potentially lead to the annulment of the 2008 PICs Agreement and/or to an obligation of Telenet to pay compensation for damages, subject to the relevant provisions of the 2008 PICs Agreement, which stipulate that Telenet is only responsible for damages in excess of €20.0 million ($21.7 million). We do not expect the ultimate resolution of this matter to have a material impact on our results of operations, cash flows or financial position. No amounts have been accrued by us with respect to this matter as the likelihood of loss is not considered to be probable.

Litigation regarding cable access

In December 2010, the members of the CRC (BIPT, VRM, CSA and Medienrat) published their respective draft decisions reflecting the results of their analysis of the broadcasting market in Belgium. At the same time, the BIPT published its draft decision regarding the analysis of the broadband market in Belgium. After a public consultation, the draft decisions were submitted by the CRC to the European Commission. The European Commission issued a notice on the draft decisions which criticized the analysis of the broadcasting markets on several grounds, including the fact that the CRC failed to analyze upstream wholesale markets. It also expressed doubts as to the necessity and proportionality of the various remedies.

The CRC nevertheless adopted a final decision on July 1, 2011 (the "July 2011 Decision") with some minor revisions. The regulatory obligations imposed by the July 2011 Decision include (i) an obligation to make a resale offer at "retail minus" of the cable analog package available to third party operators (including Proximus), (ii) an obligation to grant third-party operators (except Proximus) access to digital television platforms (including the basic digital video package) at "retail minus," and (iii) an obligation to make a resale offer at "retail minus" of broadband internet access available to beneficiaries of the digital television access obligation that wish to offer bundles of digital video and broadband internet services to their customers (except Proximus). A "retail-minus" method of pricing involves a wholesale tariff calculated as the retail price for the offered service by Telenet, excluding value-added taxes and copyrights, and further deducting the retail costs avoided by offering the wholesale service (such as, for example, costs for billing, franchise, consumer service, marketing, and sales).

After Telenet submitted draft reference offers in February 2012 to meet the three obligations described above in each of Flanders and Brussels, the CRC made its observations and launched a national consultation process and consulted with the European Commission. Although the European Commission expressed doubts regarding the proportionality of the analog resale obligation on August 8, 2013, the European Commission did not object to the CRC draft decision on the reference offers. On September 9, 2013, the CRC then published the final decisions that it had issued on September 3, 2013. According to the CRC decision, the regulated wholesale services had to be available within six months after a third-party operator filed a letter of intent and pays an advance payment to each cable operator.

On April 2, 2013, the CRC issued a draft decision regarding the "retail minus" tariffs of minus 35% for basic TV (basic analog and digital video package) and minus 30% for the bundle of basic TV and broadband internet services. On October 8, 2013, the European Commission received a draft quantitative decision from the CRC in which they changed the "retail minus" tariffs to minus 30% for basic TV (basic analog and digital video package) and to minus 23% for the bundle of basic TV and broadband internet services. Even though the European Commission made a number of comments regarding the appropriateness of certain assumptions in the proposed costing methodology, the CRC adopted such retail minus tariffs on December 11, 2013.On December 27, 2013, wireless operator Orange Belgium submitted a letter of intent to Telenet to obtain access to three regulated products of Telenet: (i) resale of the analog television offering; (ii) access to the digital television platform; and (iii) resale of the broadband access offering. Orange Belgium paid the advance payment on January 10, 2014. Telenet implemented the access obligations as described in its reference offers, and complied with its implementation obligation towards Orange Belgium in due time, i.e. within the period of six months as set forth by the regulator. Since June 23, 2014, access to the Telenet network has become operational and Orange Belgium is currently using it to offer analog television, digital television and the bundle television plus broadband internet to its clients. On November 14, 2014, Proximus also submitted a request to start access negotiations. The VRM and BIPT are currently considering the reasonableness of this request.

On December 14, 2015, the CRC published a draft decision, which amended the previously-issued retail minus decisions, that sets forth the "retail-minus" tariffs of minus 26% for basic television (basic analog and digital video package) and minus 18% for the bundle of basic television and broadband internet services during an initial two-year period. Following this two-year period, the tariffs would change to minus 15% and 7%, respectively. The CRC notified the draft decision to the European Commission, and a final decision was adopted by the CRC on February 19, 2016.

Telenet filed an appeal against the July 2011 Decision with the Brussels Court of Appeal. On November 12, 2014, the Brussels Court of Appeal rejected Telenet's appeal and accepted Proximus' claim that Proximus should be allowed access to Telenet's (among other operators) broadband internet and digital television platforms. Telenet has filed an appeal against this decision with the Supreme Court on November 30, 2015. On November 18, 2013 and February 20, 2014, Telenet filed an appeal with the Brussels Court of Appeal against the decisions regarding the qualitative and the quantitative aspects (***i.e.*** tariffs) of the reference offer respectively. Finally, on April 25, 2016, Telenet also filed an appeal with the Brussels Court of Appeal against the retail minus decision of February 19, 2016.

Telenet and the CRC have in the meantime agreed to end the proceedings with respect to the qualitative aspects (the case was revoked on May 24, 2015). A decision regarding the quantitative aspects is not expected before the second quarter of 2017.

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

Cable ownership related legal proceedings

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

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

Separately, on April 28, 2015, the municipality of Sint-Lambrechts-Woluwe decided to sell its cable network. On June 29, 2015, the municipality awarded the purchase contract to Coditel Brabant for €18 million. Telenet, who had also submitted an offer to purchase the cable network, brought an action for annulment of the municipality's decision before the Council of State. The case is currently pending.

Copyright related legal proceedings

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

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

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

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

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

The Supreme Court has not yet issued its judgment in this matter but the Advocate-General with the Supreme Court has issued an opinion in which he stated that direct injection is a single relevant copyright operation, but that the Court of Appeal was wrong when it qualified this operation as 'cable retransmission'. A decision of the Supreme Court should normally follow by the end of this year.

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

Settlement regarding disputes relating to the MVNO agreement with Orange Belgium

Telenet and Orange Belgium were in dispute over amounts payable to Orange Belgium with respect to certain provisions of their MVNO agreement. As part of this dispute, Orange Belgium initiated legal proceedings against Telenet claiming, among other things, that the migration period after termination or expiration of the MVNO agreement should be shortened from 24 months to 6 months. A settlement has now been reached with Orange Belgium, putting an end to all outstanding legal disputes between both companies and defining the terms and conditions for the future termination of the MVNO agreement. The MVNO service provided by Orange Belgium to Telenet will run until the end of the year 2018. Telenet committed to a minimum payment of €150.0 million (excluding VAT) over the 3-year period 2016-2018. The actual amount paid by Telenet could exceed this minimum amount in case of higher network usage. Beyond 2018, an optional 6-month extension period has been agreed upon with a minimum payment of €15.0 million (excluding VAT) if triggered.

Pylon taxes

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

In particular, Telenet Group has argued that such tax regulations are discriminatory because they apply only to pylons, masts and antennas dedicated to mobile telecom services and not to comparable equipment used for other purposes (whether telecom-related or not). Telenet believes that there is no objective and reasonable justification for such differentiated tax treatment. Telenet is therefore of the view that the contested tax regulations violate the general non-discrimination principle. The Courts have in a number of instances accepted this argument (cf. positive judgment of the Supreme Court of September 25, 2015).

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

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

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

On July 16, 2015, the Constitutional Court annulled the 2014 Walloon Decree, but decided to maintain its effects. By judgment of May 25, 2016, the Constitutional Court also annulled the Walloon Decree 2015, without maintaining its effects. On June 14, 2016, Telenet contested the tax notices received in relation to the 2014 Walloon Decree (in an amount of EUR 8.21 million).

Telenet intends to continue challenging the contested tax regulations. As per June 30, 2016, Telenet has recognised a provision of EUR 38.8 million in this respect (see also note 5.17). Telenet and the KPN Group have moreover agreed on certain recourse arrangements in respect of certain (pre-2015) pylon taxes in their sale and purchase agreement with respect to BASE. It can however not be excluded that other taxes on telecom equipment will in the future be imposed, which may have a significant negative financial impact on Telenet.

5.23.2 Other contingent liabilities

Regulation regarding signal integrity

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

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

Other

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

5.24 Related parties

The related parties of the Company mainly comprise its shareholders that have the ability to exercise significant influence or control. This consisted of the Liberty Global Consortium for both 2016 and 2015. Related parties further include transactions with Pebble Media NV, Doccle CVBA and Doccle.Up NV, Idealabs Telenet Fund NV and De Vijver Media NV.

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

5.24.1 Statement of financial position

(in thousands of euro)	**June 30, 2016**	**December 31, 2015**
Trade receivables		
Liberty Global Consortium (parent)	2,595	2,946
Associates	359	399
Trade payables and accrued trade liabilities		
Liberty Global Consortium (parent)	24,560	20,764
Associates	345	472
Loans and borrowings payable		
Liberty Global Consortium (parent)	12,740	12,740
Loans and borrowings receivable		
Associates	400	400
Property and equipment		
Liberty Global Consortium (parent)	5,581	66,784

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

5.24.2 Statement of profit or loss and other comprehensive income

(in thousands of euro)	For the six months ended June 30	
	2016	**2015**
Revenue		
Liberty Global Consortium (parent)	1,990	2,199
Associates	653	461
Operating expenses		
Liberty Global Consortium (parent)	180	2,656
Associates	2,422	840

5.24.3 Key management compensation

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

(in thousands of euro)	For the six months ended June 30,	
	2016	**2015**
Salaries and other short-term employee benefits	3,894	3,306
Post-employment benefits	294	225
Share-based payments (compensation cost recognized)	3,326	4,137
	7,514	**7,668**

5.25 Subsequent events

There were no significant events subsequent to June 30, 2016, that would require adjustment to or disclosure in the financial information included in these Interim Financial Statements.

Statutory auditor's report to board of directors of Telenet Group Holding NV on the review of the condensed consolidated interim financial information as at 30 June 2016 and for the 6-month period then ended

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Telenet Group Holding NV as at 30 June 2016, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 6-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2016 and for the 6-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Brussels, 26 July 2016

KPMG Bedrijfsrevisoren
Statutory Auditor
represented by

Filip De Bock
Bedrijfsrevisor

Notes

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