financial statements 2006

telenet
opens your world

Telenet is all about people … and how they experience technology on a daily basis. We do our best to make sure that every single Telenet customer gets the value they expect from our products and services. Whether they are calling, surfing, ordering a film or working over the corporate network, Telenet continuously strives to guarantee that their experience is fast, seamless, reliable and … also important, fun.

telenet, the year

By 2010, experts expect that 90% of the population in Belgium will have broadband access. At Telenet, we translate that to well over 1,000,000 customers.

A multiplay success story

2006 was clearly a year of many substantial milestones. After ten years of dedication, persistence and simply good and hard work with more than a bit of innovative thinking, Telenet has matured from a creative start-up to a serious challenger in broadband Internet, telephony, interactive entertainment and enterprise services. Telenet is now the preferred Internet provider in Flanders with a robust market share. In 2006, Telenet recorded a banner number of new telephony, Internet and iDTV users – 347,000. In February 2007, Telenet welcomed its 250,000th iDTV customer. This demonstrates much faster market penetration compared to mobile telephony or even broadband Internet adoption rate. In March 2007, the company sold its 800,000th broadband Internet connection. Together this all contributes to strong and healthy growth.

Today, Telenet delivers quality voice, broadband Internet, TV and iDTV applications – all via an extensive cable network to many homes across Flanders and Brussels. Enterprises and the public sector benefit from our services in Belgium and Luxembourg thanks to our comprehensive connectivity and value-added services via fibre, coax and DSL solutions. In July 2006, we launched a mobile telephony service. Tomorrow, we will continue to expand our possibilities: offering even more communication services, more content from our partners, more convergence products like our Telenet Mobile Data Card and Email on TV, better and smarter web applications and innovative mobile TV. As we continue to focus on our customers, we will be customising our product bundles to meet the needs and pace of their 'digital home and office'.

in review

In pursuit of our strategic objectives

Over the past ten years, Telenet has set a number of strategic goals. We believe that we have made progress on each of them in 2006 and expanded our customer base in the residential market while maintaining or improving our market share for each individual service. We continued to develop our business market with a specific focus on the public sector and small-to-medium enterprises or SMEs. By launching new platforms or product enhancements, we extended our product lines. We managed to get a better grip on all elements that determine the quality of our customer care and repair services and recorded improved customer satisfaction. Our investments focused on strategic assets like the network and new services. To support this objective, innovation has become more than a few bright ideas, it has become formalised in our structure and well anchored in our collective mindset.

Financial and operational results

2006 was an excellent year for Telenet. For the first time in its history, Telenet delivered an 8.5 million euro net profit from continuing operations. Annual revenues increased to 813.5 million euro, up 11% compared to 2005. Our operating performance expressed in EBITDA rose by 9% while we continued to invest 205.8 million euro in our future. Our net cash flow was up by 46%. Growth accelerated towards the year-end.

Key operational statistics like our customer loyalty improved significantly for Internet and telephony compared to the already high standards of our industry. We also recorded more analogue TV customers than ever before in our history. Resulting from our focus on process management, we significantly improved the service levels in our call centres. Our technical platforms and network have become more redundant and robust in order to support an ever-growing number of users. New IT and network systems will enable us to identify and diagnose technical disturbances better.

Residential market: triple-play customers increased by 34%

Telenet operates in an ever-changing environment. Our top priority is to strive for maximum customer satisfaction and loyalty. This means that our technology, our service and, of course, our products need to meet our customers' expectations, fit their budget and match their own personal time frame.

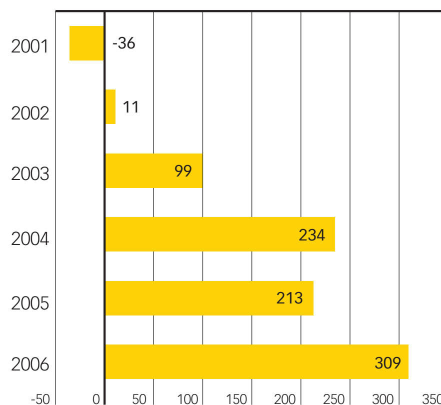
Today, a clear trend is that more and more customers are opting for an all-in-one solution consisting of two, three or even four Telenet services. We refer to this as triple-play or multiplay. Knowing this, we have adopted a strategy of segmentation where we package our products into bundles, which address different market segments. The basic idea is a one-stop shop and integrated care concept for all our customers. With bundled offerings, customers can save up to 25%.

The strategic decision to bundle our products into multiplay packages contributed for a good part to our continued growth. Other developments stimulated demand for our services like mobile telephony in July 2006. This accounted for 21,000 SIM-activated cards by mid-February 2007. By the same time, telephony customers numbered 455,000, an increase of 91,000 or 25% since the end of 2005. The popularity of the FreePhone and FreePhone 24 fixed-rate calling plans can be cited for this success. The fixed line has been rediscovered due to its attractive pricing, reliability and quality. Even with all the technological developments, residential telephony and the fixed-line sector remains an interesting market, albeit a highly competitive one. Broadband Internet grew to 729,000 customers in 2006, a 17% increase over the previous year. Our customers continue to favour our mid-range version: ExpressNet.

Concerning traffic on our Telenet Hotspots, more users on our wireless infrastructure as well as more log-ins per user reflect the increased acceptance of this technological platform.

In line with European trends, digital cable television has taken off across Belgium. By mid-February 2007, Telenet had 250,000 interactive digital television subscribers with one or more premium services. Telenet was the first cable operator to launch MHP technology as a flexible and innovative solution for our set-top box middleware. We have been reinforced in our technology direction when the US cable companies announced their intention to launch a similar platform, referred to as OCAP, in 2008.

Cash flow



In cooperation with local broadcasters, such as VRT, VMMa, SBS and the regional broadcasters, Telenet offers a unique interactive and on-demand portfolio. Community television projects, such as TVLink in Kortrijk, will add some more local focus.

Telenet Solutions: solid growth on the business side

Telenet is also active in both the Belgian and Luxembourg enterprise and public sector markets under the brand, Telenet Solutions. This year Telenet Solutions continued to invest in new services and provide customised voice, data, Internet and digital television solutions to a growing number of large corporations, government organisations and healthcare institutions as well as SMEs. Telenet Solutions is an important division for Telenet, responsible for approximately 10% of the group's revenues. In 2006, Telenet Solutions worked on some impressive new accounts including Deloitte and the bank Landbouwkrediet/Crédit Agricole. The market remained extremely price competitive; despite strong price erosion, Telenet Solutions realised a growth of 6%.

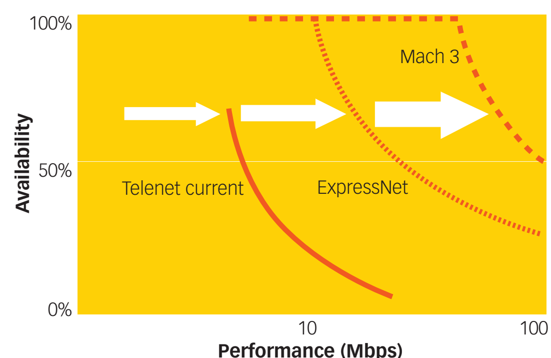
Making the Belgian digital home a reality

A common strategic principle has been: 'Follow the customer beyond the cable'. In 2006, our customers continued to be the centre of everything that we do. To help maintain a customer-driven focus, Telenet underwent a restructuring at the end of 2006 to create a customer-segmented organisation and a flatter management structure, which enables easier communication throughout all levels of the company. The restructuring actually created opportunities for many Telenet employees, as virtually all new positions were filled internally. Toward the end of 2006, Telenet purchased UPC Belgium and is currently in the process of integrating UPC into the Telenet organisation. UPC enables Telenet to acquire experience in the French-speaking area of Brussels, putting Telenet on track as a true Belgian company. We have been encouraged by how our colleagues from UPC have made themselves at home within Telenet. We extend them our warmest welcome.

Significant network investments (more than 55 million) were made to ensure that our service offering is backed by the best possible infrastructure. Major programs like ExpressNet and Mach 3 are well underway. Over 1.7 million homes are on the Telenet network. Network improvements have been completed to guarantee triple-play quality and performance – by increasing speed and capacity. Besides the 11,500 fibre optic backbone, Telenet manages a fully upgraded 52,000 km coax network to guarantee top performances on the residential and business markets. We believe that our network and related technology investments will allow us to accelerate the speed and overall capacity. Our network will approach over the next two years speeds commonly seen on fibre. The increased capacity will be used to support iDTV channel expansion as well as increasing the performance of our Internet services.

Towards the end of 2006, the Telenet portal, Zita, became the second most visited site in Flanders and translates our market visibility into functional advantages. On our portal, visitors can find links to other new Telenet Internet concepts launched in

Cable is future proof



2006, including GarageTV (a site to share video footage similar to YouTube) and Telenet Foto. Telenet Foto allows users to view digital images online as well as on their Digibox or Digicorder – a good example of real digital convergence.

New web applications and content opportunities like these stretch the boundaries of the broadband experience for our customers while still allowing them to evolve at their own pace. The prospect of the digital home is aligned with important Telenet objectives: knowing and respecting our customers and providing them with the tools they need to live digitally. This includes offering the best services and aspects like reliability and customer service, but also product security. Our iDTV products feature budgetary and channel blocking options and our Internet services are supported with additional security packages – both innovative and well-appreciated product features.

In 2006, innovation was put front and centre, literally. A dedicated innovation team headed by the Vice President of Innovation reports directly to the CEO. The innovation team works on successfully exploiting new ideas throughout the company, like Zoof and MADUF, a mobile digital television initiative.

Telenet people

Telenet has grown to a team of 1,671 employees and about 1,500 outsourced people by the end of 2006. We owe them profoundly for what we have achieved. They are the core of our company and culture. Their commitment and persistence allows us to go beyond what organisations typically can deliver. We will continue to invest in their skills and working environment as exemplified by the new office facilities in Mechelen, the renovated facilities in Merelbeke, Herentals and Wijgmaal, the existing offices in Ieper, Kortrijk, Brugge and Schaarbeek, and the recently acquired offices in Schaarbeek and Leuven (formerly UPC).

The Telenet Foundation

Since Telenet is such an intrinsic part of the community, it is not surprising that its extensive community involvement has taken more of a formal approach in 2006 with the start of the Telenet Foundation. The Foundation sponsors projects in Belgium and abroad all addressing the bridging of the digital divide.

Looking ahead to 2007

The Telenet strategy for 2007 continues to build on the successful work in 2006. Telenet will continue to offer quality innovative products that meet our customers' increasingly sophisticated needs. Telenet will refine its customer focus by creating even more segment-specific bundles. The bundles offer our customers substantially lower prices. The integration of UPC broadens our reach and also creates new revenues as multiplay bundles are introduced in Brussels.

In 2007, Telenet will continue to surprise with innovative enterprise and public sector solutions for the business environment, as well as exciting interactive applications and top-of-the-bill entertainment for our residential customers.

In Europe, we see the cable sector increasingly in a consolidation mode and we will be open to increased partnerships.

The continuous development and evolution of Telenet has been recognised by the market and is reflected by the positive trend of the Telenet stock listed on the Brussels exchange. Significant investors, such as Liberty Global, continue to believe in the company and expanded their stake through the excercise of options and market purchase – all positive signs for the future of Telenet.

In 2007, Telenet will continue to develop its core activities through a segmented customer approach, concentrating on cost-effective, all-in-one triple-play and multiplay bundles. Customer satisfaction will also take a front seat with our brand-new monthly customer satisfaction tracker, which monitors all service levels. On the network side, the ExpressNet expansion project is scheduled to finalise and Mach 3, the network modernisation project that will increase iDTV capability, as well as interactive rich-media Internet content, is well underway. With Mach 3, we hope to have our entire network modernised by the end of 2008.

These key investments will significantly increase network capacity and enable Telenet to move from a broadcast mode to a content-rich on-demand mode. All kinds of things you want to hear if you are a Telenet customer … or thinking about becoming one soon.

So, in short, in 2007 we aim to do as good a job as in 2006. For this we would like, again, to thank every single person involved in Telenet – our employees, our shareholders, our partners and most of all our customers for their continuous dedication and commitment.

Duco Sickinghe,
Chief Executive Officer

Frank Donck,
Chairman of the Board

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Consolidated Annual Report of the Board of Directors for 2006 to the Shareholders of Telenet Group Holding NV

The Board of Directors of Telenet Group Holding NV has the pleasure to submit to you the consolidated annual report of the fiscal year ending December 31, 2006, in accordance with Article 119 of the Belgian Companies Code.

In this report the Board of Directors also reports on all relevant corporate governance events that took place during the year 2006 concerning the share capital, the shareholders, the Board of Directors and the management of the company Telenet Group Holding NV in accordance with the Belgian Corporate Governance Code ('Lippens Code').

1 Discussion of the consolidated accounts

1.1 Consolidated profit & loss account

For the years ended December 31, € Millions (EU GAAP)	2005	2006
Continuing operations		
Revenues	733.5	813.5
Costs of services provided	(456.7)	(510.7)
Gross profit	276.8	302.8
Selling, general and administrative	(145.6)	(159.0)
Operating profit	131.2	143.8
Finance costs, net	(193.2)	(101.0)
Income/(loss) before income tax	(62.0)	42.8
Income tax expense	(15.0)	(34.3)
Net income/(loss) from continuing operations	(77.0)	8.5
Discontinued operations		
Loss for the year from discontinued operations	0.3	(3.0)
Net income/(loss)	(76.7)	5.5
Basic and diluted earnings/(loss) per share in €		
Net income/(loss) from continuing operations	(0.86)	0.08
Loss for the year from discontinued operations	0.00	(0.03)
Net income/(loss)	(0.86)	0.05

Revenues from continuing operations increased by € 80.0 million, or 11%, from € 733.5 million for 2005 to € 813.5 million in 2006. The principal drivers of our revenue growth were subscriber growth in our residential broadband internet business and to lesser degrees, growth in our other residential and business services operations. Revenues from discontinued operations, which relate to the Phone Plus Sprl carrier pre-select telephony business, decreased by 20% from € 9.4 million in 2005 to € 7.5 million in 2006.

Our EBITDA (Earnings Before Income Taxes Depreciations and Amortizations) from continuing operations increased by € 28.7 million; from € 337.9 million in 2005 to € 366.6 million in 2006.

Our net result improved by € 82.2 million, from a loss of € 76.7 million for 2005 to € 5.5 million for 2006, as a result of the factors described above.

1.2 Revenues by service

For the years ended December 31, € Million (EU GAAP)	2005	2006
Continuing operations		
Basic cable Television	198.6	199.4
Premium cable television	51.8	47.3
Distributors/Other	17.2	36.8
Residential broadband internet	231.1	268.6
Residential telephony	160.9	183.3
Business services (Telenet Solutions)	73.9	78.1
Subtotal continuing operations	**733.5**	**813.5**
Discontinued operations		
Residential telephony	9.4	7.5
Total	**742.9**	**821.0**

Our revenues in 2006 remain well balanced, with analog cable television, residential internet and residential telephony all representing significant shares of our total revenues.

1.2.1 Cable Television

We generated € 199.4 million of basic cable television revenues for 2006, compared with € 198.6 million for 2005. The steadiness of these revenues reflects the sustained high penetration of our basic cable services, but has very limited room to grow. The increases in the basic subscription fee and copyright charges did not have a meaningful impact on our revenues in 2006 and it will take a year before we see the full benefit of these increases in our cable television revenues.

Our premium cable television business contributed € 47.3 million to our aggregate cable revenues for 2006, compared to € 51.8 million in the prior year. The decrease arose from a reduction in the ARPU for our premium cable services, which in turn was the consequence of the repositioning of our premium cable services to appeal to a wider potential audience.

Our cable television revenues also include carriage fee revenues from the distribution of certain content on our network and set top box revenues. Set top box revenues were the principal factor resulting in an € 19.6 million increase in distributor and set top box revenues, from € 17.2 million in 2005 to € 36.8 million in 2006.

1.2.2 Residential Broadband Internet

Revenues generated by our residential broadband internet business continued to grow, by 16%, from € 231.1 million for 2005 to € 268.6 million for 2006. Increased residential broadband internet revenues were primarily the result of 17% net growth of residential broadband internet subscribers for 2006, combined with the steady ARPUs generated by these subscribers.

1.2.3 Residential Telephony

Residential telephony revenue (including interconnection revenue for both residential subscribers and business customers) increased for 2006, by 14%, from € 160.9 million for 2005 to € 183.3 million for 2006. This increase was primarily due to 25% net subscriber growth for 2006, the benefit of which was partially offset by a decline in the ARPUs. The decrease in ARPUs reflects the introduction of our Freephone tariffs at the end of 2004, which applied to new subscribers and which were also adopted by a significant portion of our existing telephony subscribers.

1.2.4 Business Services – Telenet Solutions

Business services revenues increased by 6.0%, from € 73.9 million for 2005 to € 78.1 million for 2006, which represents a faster growth than the overall market, and was partly attributable to higher customer installation revenues. In an environment that is highly sensitive to price and which is characterized by demanding service requirements, we seek to offer a combination of qualities, including high levels of service, a full product portfolio and geographic coverage with a particular focus on the SME market.

1.3 Total costs and expenses

Total expenses included costs related to discontinued operations of € 7.7 million and € 9.0 million in 2006 and 2005 respectively.

For the years ended December 31, € Million (EU GAAP)	2005	2006
Continuing operations		
Costs of services provided	(456.7)	(510.7)
Selling, general and administrative	(145.6)	(159.0)
Costs & expenses of continuing operations	**(602.3)**	**(669.7)**
Expenses discontinued operations	(9.0)	(7.7)
Total costs & expenses	**(611.3)**	**(677.4)**

1.3.1 Costs of Services Provided

Costs of services provided increased by € 54.0 million, or 12%, from € 456.7 million in 2005 to € 510.7 million for the year 2006. Operating expenses increased primarily as a result of an increase in costs arising from set top box sales related to our iDTV service and higher depreciation, as well as increasing content and a general rise in maintenance costs. As a percentage of revenues, operating expenses were stable at 62% and 63% of revenues, respectively in 2005 and 2006.

Other factors contributing to the increase in operating expenses included the general growth in internet and telephony subscriber numbers, higher call center activity following the launch of our iDTV services, higher interconnection costs, network operating costs and programming costs.

1.3.2 Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by € 13.4 million, or 9%, from € 145.6 million for 2005 to € 159.0 million for 2006. As a percentage of revenues, selling, general and administrative expenses were 20% in the years ended December 31, 2005 and 2006.

Factors contributing to our selling, general and administrative expenses were the high level of sales activity in 2006 across all residential product lines, reflected both in higher personnel costs and in higher advertising and marketing costs.

1.4 Expenses by nature

For the years ended December 31, € Million (EU GAAP)	2005	2006
Employee benefits	110.3	114.4
Depreciation and impairment	159.1	172.4
Amortization	39.1	43.1
Amortization of broadcasting rights	8.1	5.5
Network operating and service costs	213.1	247.1
Advertising, sales and marketing	49.4	57.1
Other costs	32.2	37.8
Total costs and expenses	**611.3**	**677.4**
Attributable to:		
Continuing operations	602.3	669.7
Discontinued operations	**9.0**	**7.7**

Our depreciation costs are the result of the large investments we have made in our network as well as to investments we have made to build our subscriber base. Amortization costs relate to expenditures on intangible assets, including certain network user rights and IT investments. In addition, under EU GAAP, certain content costs are capitalized and subsequently amortized, rather than reflected as operating expenses incurred. The amortization relating to this impact is reported as 'Amortization of broadcasting rights'.

Factors affecting the increase in network operating and service costs included the addition of set top box costs used for our iDTV rollout, increased content cost compared to 2005, higher call centre costs reflecting the record level of sales activity in 2006 and finally higher interconnect cost, reflecting our growing telephony business.

The increase in marketing costs is related to our record sales results in 2006. The item 'other costs' includes non-payroll overhead costs, other buildings costs and internal IT costs.

1.5 Earnings before tax, depreciation and amortization (EBITDA)

Our EBITDA from continuing operations increased with 9% from € 337.9 million for 2005 to € 366.6 million in the fiscal year 2006. Our EBITDA margin decreased from 46% for 2005 to 45% in 2006. EBITDA from discontinued operations, which relates to the Phone Plus Carrier pre-select telephony business, decreased from a positive € 0.4 million in 2005 to a negative € 0.2 million in 2006.

1.6 Operating profit

Operating profit increased by 10%, from € 131.2 million for 2005 to € 143.7 million for 2006, as a result of the factors described above. Our operating profit margin remained stable at 18% for the years ended December 31, 2005 and 2006.

1.7 Net financial costs

1.7.1 Net Interest Expense

Net interest expense decreased from € 139.3 million for 2005 to € 94.3 million for 2006, primarily due to the reduction in our total debt following the prepayment and redemptions of € 285 million of the outstanding balance

of our Senior Credit Facility, Senior Discount Notes and Senior Notes between 2005 and May 2006 and the lower margins we paid on our Senior Credit Facility as a result of the decreased leverage we attained and the refinancing of our Senior Credit Facility in May 2006.

1.7.2 Foreign Exchange Income (Expense)
Net foreign exchange expense, which consists of net foreign exchange transaction gains or losses on financing transactions and gains or losses on derivative financial instruments, changed from a net expense of € 14.5 million in 2005 to a gain of € 14.7 million in 2006.

1.7.3 Loss on Extinguishment of Debt
In 2006, we incurred € 21.4 million in one-time costs related to the refinancing of our Senior Credit Facility. Although a partial redemption of our Senior Notes occurred in the first quarter of 2006, the associated costs of this were incurred in the fourth quarter of 2005.

As a percentage of revenues, net finance costs reduced from 26% in 2005 to 12% in 2006.

1.8 Net income/(loss) from continuing operations

Our net result improved by € 82.1 million, from a loss of € 76.7 million for 2005 to € 5.5 million for 2006, as a result of the factors described above.

1.9 Cash flow

The following table sets forth the components of our historical cash flows for the periods indicated:

For the years ended December 31, € Million (EU GAAP)	2005	2006
Cash flows from (used in) operating activities	212.6	309.4
Cash flows from (used in) investing activities[1]	(184.0)	(389.4)
Cash flows from (used in) financing activities	36.6	(71.5)
Net (increase) decrease in cash and cash equivalents	65.2	(151.5)

Net cash from operating activities increased from € 212.6 million to € 309.4 million for 2006. This increase mainly reflects the higher profitability achieved and lower interest expenses compared to the same period last year.

Net cash used in investing activities increased from € 184.0 million for 2005 to € 389.4 million for 2006. This increase primarily reflects the acquisitions of UPC Belgium and Hypertrust for a total amount of € 183.6 million and the higher costs we incurred in 2006 for subscriber installations, which represented the largest portion of our investing activity, network investments to support our growth and the investments we are making to upgrade the upstream path of our network.

Net cash used in financing activities was € 71.5 million for 2006. This movement primarily reflects the financing of the acquisition of UPC Belgium in 2006.

[1] Including €183.6 million used for the UPC Belgium and Hypertrust acquisitions

1.10 Capital expenditure

Our business is highly capital intensive. Excluding the acquisitions made in 2006, we incurred capital expenditure of € 184.0 million in 2005 and € 205.8 million in 2006. Management estimates that over 80% of our capital expenditure on fixed assets in these years (excluding € 16 million land and office extension related costs incurred in 2006) were directly or indirectly growth related.

A substantial portion of our capital expenditure is variable, being directly related to subscriber growth or related to the general increasing capacity requirements that accompany subscriber growth. In addition, a portion of our capital expenditure consists of specific non-recurring projects. The remainder is capital expenditure that we are not contractually committed to incur, but which we believe is appropriate for network quality reasons or in respect of new home builds. In 2007, we anticipate capital expenditure of between € 210 million and € 230 million. Our capital expenditures include the costs of acquiring certain programming content rights, which we capitalize on our balance sheet and subsequently amortize.

1.11 Available liquidity

We held € 58.8 million of cash and cash equivalents as of December 31, 2006. At the same time € 100.0 million of tranche B of the Senior Credit Facility, which is a € 200.0 million revolving Credit Facility, was available to us subject to our being in compliance with certain financial covenants and other conditions. In addition, an additional € 200.0 million was available under tranche C of the Senior Credit Facility on an uncommitted basis. Tranche C's availability was temporarily extended to € 350.0 million if used to support the acquisition of certain Belgian cable assets, but this extension expired on December 29, 2006.

We believe that our cash flow from operations and our existing cash resources, together with available borrowings under the Senior Credit Facility, will be sufficient to fund our currently anticipated working capital needs, capital expenditures and debt service requirements.

1.12 Risk factors

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

- the competition that we face in the Internet, telephony and television markets in which we provide services;
- including new sources of competition from providers of iDTV services in what had principally been an analog cable television market;
- our high leverage and significant debt service obligations, including the restrictive covenants included in our Senior Credit Facility and the indentures governing our outstanding notes. As of December 31, 2006, we had a total debt of € 1,414 million on a consolidated basis;
- the control over our operations that our principal shareholders retain pursuant to the Syndicate Agreement and possible conflicts of interest that we may have with our principal shareholders;
- in connection with the roll-out of iN.Di on the segment of the cable network In Flanders owned by four pure intercommunales (PICs), disputes have arisen between the PICs and Telenet as to whether certain interactive applications that iN.Di may consider offering fall within the scope of Telenet's exclusive rights of usage of that network. Depending on the outcome of these disputes, the roll-out of iN.Di may have a significant negative impact on our operations within the territory covered by the PICs.

Other risks that we face include increasing subscriber acquisition costs; any negative impact on the reputation of and value associated with our brand name; our ability to successfully introduce new technologies or services, including iDTV; our ability to obtain necessary network and other equipment; failure to maintain and upgrade the networks that we own or use or the occurrence of events that damage those networks; the failure to ensure sufficient access to premium content; foreign exchange rate exposure; and adverse regulatory, legislative, tax or other judicial developments. Additional risks and uncertainties not currently known to us or that we now deem immaterial may also harm us.

2 Information about subsequent events (following closing of the fiscal year)

2.1 IDTV RGUs: 250,000

On February 5, 2007 Telenet announced that it had passed the milestone of 250,000 digital TV subscribers. This success can be attributed to a successful Christmas campaign, coming after a year of steady growth in the takeup of Telenet's digital television services. Telenet also announced that it had carried out a successful software release at the end of January 2007 that enhanced the Digicorder and the Digibox performance characteristics.

2.2 Broadband internet RGUs: 800,000

On March 20, 2007, Telenet announced that it had passed the milestone of 800,000 broadband internet subscribers. This result underlines the success of Telenet's broadband internet service, which we believe is a combination of the speed offered, the range of tiers and the customer service we provide to support this product, both in Flanders and in Brussels. These numbers include approximately 43,000 broadband internet customers at UPC Belgium.

2.3 Interkabel

On January 24, 2007, Telenet received a letter from the Pure Intermunicipality companies (acting together under the Interkabel umbrella) inviting Telenet to submit a proposal to offer VOD services to Interkabel's customers. Telenet and Interkabel have engaged in another round of discussions on an agreement for iDTV. Telenet holds a number of rights for point-to-point services on the Interkabel networks which include Video on Demand.

Proposals for a broader framework of cooperation have also been exchanged. The outcome of these contacts cannot be predicted at this point. Telenet remains committed to work towards a constructive solution that is consistent with its rights which have been agreed at its foundation and which it will defend firmly.

2.4 European Commission Approval of LGI's Controlling Ownership in Telenet

On February 26, 2007, LGI announced that the European Commission had approved their increased and controlling ownership position in the Company. With this regulated approval, the Company will be consolidated by LGI for financial reporting purposes beginning January 1, 2007. LGI also stated that it intends to nominate a majority of the Company's Board of Directors.

3 Information on research and development

Telenet still invests a substantial portion of its revenues in research and development. In the past business year these activities concerned mainly the preparation of the future Internet business (e.g. ExpressNet and Mach3) and the development of the digital television platform (iDTV). Substantial resources were also allocated to research and development of new products to support Internet, telephony, cable TV and iDTV services and services to business customers. To further enhance and coordinate research and development at Telenet, a dedicated Innovation department was set up in November 2006.

4 Use of financial instruments

Telenet seeks to reduce its foreign currency exposure through a policy of matching, to the extent possible, assets and liabilities denominated in foreign currencies. In addition, Telenet uses certain derivative financial instruments in order to manage its exposure to exchange rate and interest rate fluctuations arising from its operations and funding. Telenet has identified certain foreign exchange forward contracts, interest rate swaps, caps and collars as cash flow hedges and has determined that it has no significant embedded derivative instruments that are required to be isolated and measured at fair value. Telenet is also exposed to credit risks.

5 Corporate governance

Following its IPO in October 2005, Telenet Group Holding has taken all measures to comply with best practices regarding corporate governance. The Board of Directors of the company has adopted a Corporate Governance Charter, in accordance with the Lippens Code, on December 12, 2005, which became effective as from January 1, 2006. The Charter can be consulted on the website of the company (http://investors.telenet.be). In this chapter the Board of Directors discusses factual information regarding the executed corporate governance policy and relevant events which took place in 2006 (as it was done in the annual report of 2005).

5.1 Capital and shareholders

5.1.1 Capital and shares

The share capital of the company amounted to € 1,656,645,249.91 per December 31, 2006 and was represented by 101,085,455 shares without nominal value. All shares are ordinary shares, listed on Eurolist (by Euronext Brussels), with the exception of 30 Golden Shares and 2,164,911 Liquidation Dispreference Shares to which certain specific rights or obligations are attached, as described in the Articles of Association and the Corporate Governance Charter.

The company has also issued 3,426,000 Subordinated Debt Warrants. These give right to subscribe to 3 new shares at an exercise price of € 40 per warrant and can be exercised at any moment. There is also a possibility for a cashless exercise as a result of which the total number of new shares may be lower. On December 31, 2006 no such warrants were exercised yet.

Finally the company has issued profit certificates of class A and B and options on these profit certificates. The profit certificates are issued subject to exercise of the options. The options were granted to staff members of Telenet within the framework of a stock option plan. Under certain conditions the profit certificates can be converted into shares. On December 31, 2006, there were 1,185,000 options of class A, 608,514 options of class B, 30,000 profit certificates of class A and 122,397 profit certificates of class B outstanding.

5.1.2 Evolution of the share capital

The following capital increases took place in 2006:

- on May 12, 2006 the share capital was increased with € 292,875 by conversion of 35,145 profit certificates of class B into an equal number of shares;
- on May 29, 2006 the share capital was increased with € 231,100 by conversion of 27,732 profit certificates of class B into an equal number of shares;
- on October 12, 2006 the share capital was increased with € 3,839,100 by conversion of 285,000 profit certificates of class A and 232,692 profit certificates of class B into an equal number of shares;
- on December 22, 2006 the share capital was increased with € 4,917,540.87 by issuance of 300,033 new shares within an offering to employees. An amount of € 219,024.09 was recorded as issuance premium.

5.1.3 Shareholders

In the course of 2006 the company received the following transparency declarations:

- On March 10, 2006, Fortis Investment Management filed a transparency declaration according to which it held on the date of the declaration 3.54% of the outstanding voting securities and 3.14% of the total number of voting securities.
- On August 9, 2006, Centaurus Capital filed a transparency declaration according to which it held on the date of the declaration 3.50% of the outstanding voting securities and 3.10% of the total number of voting securities of the company.
- On September 28, 2006 and October 24, 2006, Cyrte Fund I C.V. filed transparency declarations according to which it held, on the date of the last declaration, in global 5.82% of the outstanding voting securities and 5.16% of the total number of voting securities.
- On November 15, 2006 and on November 20, 2006, all parties to the Syndicate Agreement acting in concert filed a transparency declaration according to which they held on the date of the declaration 55.17% of the outstanding voting securities and 58.30% of the total number of voting securities.
- On November 13, 2006 Liberty Global Inc., through a subsidiary, exercised options for 8,750,000 shares held by the Mixed Intercommunales. On November 16, 2006, Liberty Global Inc. acquired securities from the other members that are part of the Liberty Global Consortium as defined in the Syndicate Agreement between certain shareholders (see 5.1.4 'Relations with and between Shareholders').

As a consequence of these transactions, Liberty Global Inc. acquired exclusive control over the company on the basis of the provisions of the Syndicate Agreement (see 5.1.4 'Relations with and between Shareholders') according to which a party, holding a majority of the shares within the syndicate, has the right to exclusively propose candidates for a majority of the Board positions of the company.

As a result the shareholder structure of the company per December 31, 2006 was as follows:

Shareholders	Outstanding shares	%	Subordinated Debt Warrants	(Options on) Profit Certificates	Total	%
Liberty Global Consortium [1]	28,292,474	27.99	4,920,000		33,212,474	29.31
Financial Consortium [2]	9,711,089	9.61	1,242,000		10,953,089	9.67
Mixed Intercommunales [3]	9,437,545	9.34	2,700,000		12,137,545	10.71
Interkabel Vlaanderen [4]	4,163,190	4.12			4,163,190	3.67
GIMV [5]	4,003,794	3.96	1,416,000		5,419,794	4.78
Fortis Investment Management NV	3,545,862	3.51			3,545,862	3.13
Centaurus Capital	3,507,667	3.47			3,507,667	3.10
Cyrte fund I	5,837,199	5.77			5,837,199	5.15
Personnel	300,033	0.30		1,945,911	2,245,944	1.98
Public	32,286,602	31.94			32,286,602	28.49
Total	**101,085,455**	**100**	**10,278,000**	**1,945,911**	**113,309,366**	**100.00**

5.1.4 Relations with and between shareholders

Set out below is a summary of all material transactions between or among us and related parties, excluding intercompany indebtedness:

- The Syndicate Agreement and previous shareholders' agreement, as amended, and related addendums, among the principal shareholders of Telenet Group Holding, including GIMV, the Financial Consortium, the MICs, Interkabel, Electrabel and InvestCo Belgian Cable, and, for the purposes of certain provisions, Telenet Group Holding, Telenet Communications and Telenet Bidco, relating to the general provisions with respect to shareholdings and shareholder activities, Board representation, equity contributions, transfers of shares, certain operational aspects and other relevant provisions. Further information can be obtained in the company's Corporate Governance Charter.
- The Senior Credit Facility Agreement dated May 10, 2006 between certain financial institutions, as lenders, and Telenet Bidco and Telenet NV as borrowers, and Telenet Bidco, Telenet NV and Telenet Vlaanderen, as guarantors. This agreement provides a term loan facility, revolving loan facility and an uncommitted acquisition and liquidity facility for our group.
- Subordinated Debt Warrants and related agreements among the principal shareholders of Telenet Group Holding relating to 3,426,000 warrants of Telenet Group Holding (as per 31 December 2006) exercisable at a price of €40 per three Shares (or, subject to an adjustment in the number of warrants, at €0.01 per Share) at any time up to August 9, 2009.
- Warrants and Options granted to certain of our employees and members of management (see 5.4 'Remuneration of Directors and Executive Management').
- Registration Rights Amendment Agreements among the shareholders of Telenet Group Holding, Telenet Communications and Telenet Bidco, whereby Telenet Group Holding may be obligated, under certain circumstances, to consummate a secondary public offering.

[1] Consisting of companies pertaining to respectively Liberty Global Inc., Evercore Capital Partners, Caisse de dépôt et placement du Quebec and Merrill Lynch Private Equity Associates LLC
[2] Finstrad NV, Ibel NV, KBC Private Equity NV and Sofinim NV
[3] Consisting of the mixed intercommunales Intergem, Teveoost, Tevewest, Iverlek, Interteve, Tevelo, Telekempo, IMEA, IVEKA, Gaselwest
[4] Interkabel is a holding company for the pure intercommunales PBE, Integan, WVEM and the 'opdrachthoudende vereniging Intermedia'
[5] the Gewestelijke Investeringsmaatschappij voor Vlaanderen and affiliates

- Agreements with affiliates of the Liberty Global consortium for the provision of certain content used in our cable television services.
- Agreements with Interkabel and its shareholders (the PICs) with respect to the use by Telenet of their network (guaranteed by a mortgage) and payments for the upgrade of the network which is used by Telenet for providing telephony and Internet services.
- Cooperation Agreements granting the PICs and Interkabel certain rights to provide local construction, sales, telephony installation and maintenance services to Telenet NV and Telenet Vlaanderen.
- Cooperation Agreement among the Flemish government, Telenet, Interkabel and certain Flemish broadcasters pursuant to which the parties agree to develop an iDTV offering based on an MHP or similar standard which meets our required specifications.
- Agreements between our group and the PICs to provide the Prime service over the Partner Network.
- Services and Transfer Agreement relating to the MixtICS Acquisition.
- Clientele Agreements and Annuity Agreement between the PICs and certain Telenet Companies.
- Fiber optic framework agreement and dark fiber leases between Electrabel and Telenet NV.
- Framework Assistance Agreement between Trasys SA (an affiliate of Electrabel) and Telenet NV, pursuant to which Trasys SA supplies specialized information system services to Telenet NV.
- Telecommunication Services Agreement between Electrabel and Telenet NV, whereby Telenet NV agrees to supply telecommunications services to Electrabel.
- Agreements between Telenet NV and Electrabel Customer Solutions NV for the nonexclusive supply of electric power to Telenet sites, which contain certain minimum use requirements.
- Agreements between Telenet NV and the MICs for the use of the MICs' poles used for carrying electricity.
- Agreement between Telenet NV and Electrabel for operational services rendered in conjunction with the transfer of the cable network in Bever.
- Lease of our headquarters building pursuant to a sale-leaseback arrangement with KBC, together with our related option to purchase all rights relating to the land and building from KBC, and further grant to Investco Belgian Cable of a similar option which would allow Investco Belgian Cable to purchase all such rights on the same terms and conditions as our option from KBC.
- Lease of our headquarters extension under construction with an entity within the KBC group.
- Agreements between KBC Exploitatie NV and Telenet NV relating to the installation and lease of dark fiber.
- Agreement to supply internet, data and voice business services to KBC.
- Certain ownership rights (opstalrechten) in switch buildings located on land owned by two of the PICs, usage rights with respect to a switch owned by Electrabel and leases of head end stations from Electrabel and several of the PICs.
- Share purchase agreement between Telenet BidCo NV and Liberty Global Europe NV, a subsidiary of Liberty Global, Inc. for the acquisition of all shares in UPC Belgium NV.

5.1.5 Authorised capital

The shareholders' meeting of September 20, 2005 authorised the Board to increase the capital subject to strict conditions. This authorization can only be used to issue shares to personnel within the framework of a Monory-Bis offering up to a total amount of € 5 million. This authorization is valid until October 13, 2010. The authorized capital was not used in 2006.

5.1.6 General meeting of shareholders

According to the Articles of Association, the annual meeting of shareholders takes place on the last Thursday of the month of May at 3 p.m. In 2007, this will be on May, 31.

The rules governing the convening, admission to meetings, their workings and the exercise of voting rights, etc. can be found in the Articles of Association and in the Corporate Governance Charter, which is available on the company's website (http://investors.telenet.be).

5.2 Board of Directors

5.2.1 Composition

On December 31, 2006 the Board of Directors of the company was composed of 15 members. With the exception of the Managing Director (CEO) all directors are non-executive directors.

At the meeting of December 29, 2006 the Board of Directors acknowledged the resignation of Mr. Goodman as director as of December 4, 2006. He has not been replaced for the moment.

There are three independent directors within the meaning of article 524,§4 of the Companies Code and the Corporate Governance Code: Messrs. Friso van Oranje, Julien De Wilde and Cytifinance NV (with as permanent representative Michel Delloye).

Since Telenet Communications NV, a direct subsidiary of the company, is a listed company within the meaning of Article 4 of the Companies Code, in view of its public issue of bonds traded on the regulated market of Luxembourg, also for this company three independent directors were appointed in the meaning of Article 524,§4 Companies Code and the Corporate Governance Code: Abaxon BVBA (with as permanent representative Guido De Keersmaecker), JRoos BVBA (with as permanent representative Jef Roos) and Michel Allé. The remaining members of the Board of Directors of Telenet Communications NV are identical to those of Telenet Group Holding NV (with the exception of the three independent directors of the latter).

All current mandates expire at the annual shareholders' meeting of 2008.

In accordance with the Articles of Association, the Mixed intercommunales and Electrabel-group and Interkabel have their representatives in the Board of Directors, assisted by two permanent advisors each. The meetings are attended by Rumold Lambrechts and Guy Peeters for the Mixed intercommunales and Electrabel-group and Jo Geebelen and Paul De fauw for Interkabel. The Liberty Global Consortium-group has made use of the right provided for in the Articles of Association, to have two observers attend the Board of Directors' meetings. In 2006 only Mr. Dave Brochet was appointed as an observer. He did not attend any meeting and is no longer an observer since February 28, 2007.

On 31 December 2006, the Board and the different Board committees of Telenet Group Holding NV and Telenet Communications NV were composed as follows:

Name	Function	Nominated by	Director TGH	Director Communications	Audit committee (6)	HRO committee	Strategic committee	Nomination committee
Frank Donck	Executive Director 3D NV	Financial Consortium	Chairman	Chairman				
Michel Allé	Chief Financial Officer SNCB Holding - Belgian Railways	Independent Director		X	X			
Marcel Bartholomeeussen	Chairman Interkabel	Interkabel	X	X				
Alex Brabers	Vice President GIMV, Director ICT	GIMV	X	X	Chairman		X	X
Charles H. Bracken (as of June 30)	Co-Chief Financial Officer, Principal Financial Officer Liberty Global Inc.	Liberty Global Consortium	X	X	X			

Name	Function	Nominated by	Director TGH	Director Communications	Audit committee (6)	HRO committee	Strategic committee	Nomination committee
Guido De Keersmaecker (Abaxon BVBA)	Director of companies	Independent Director		X		Chairman		
Michel Delloye (Cytifinance)	Director of companies	Independent Director	X		X			X
Julien De Wilde	Director of companies	Independent Director	X				Chairman	Chairman
Yvan Dupon	Director of companies	Electrabel nv	X	X		X	X	
Saul Goodman (till December 4)	Senior Managing Director Evercore Partners	Liberty Global Consortium	X	X				
Serge Grysolle	Lawyer, Elderman of the city of Aalst	Mixed Intercommunales	X	X			X	
Patrick Moenaert	Mayor of the city of Bruges	Mixed Intercommunales	X	X				
James S. O'Neill	President Chello Media BV, Chief Strategy Officer Liberty Global Inc.	Liberty Global Consortium	X	X		X	X	X
Jef Roos (JROOS bvba)	Chairman of the Catholic University of Leuven	Independent Director		X		X		
André Sarens	Grid Participations Manager Electrabel	Mixed Intercommunales	X	X	X			
Duco Sickinghe	Chief Executive Officer & managing director Telenet		X	X				
Paul Van de Casteele	Mayor of the Community of Hamme	Mixed Intercommunales	X	X				
Friso van Oranje	Director of companies	Independent Director	X				X	X
Freddy Willockx	Mayor of the city of Sint-Niklaas	Mixed Intercommunales	X	X				X

5.2.2 Functioning of the Board

The Board convenes as often as the interest of the company requires and in any case at least four times a year. The functioning of the Board of Directors is regulated by the Articles of Association and the provisions of the Corporate Governance Charter.

The meetings of the Board of Directors and committees of Telenet Group Holding and Telenet Communications take place together to the extent there are no conflicts of interest between them.

In 2006, 11 Board meetings took place of which 6 were scheduled meetings and 5 ad hoc meetings, of which 4 with respect to the bid-procedure for the cable interests of the Walloon mixed intercommunales and 1 meeting regarding the acquisition of UPC Belgium in December 2006.
In accordance with its task description, the Board determines the strategy of the company and supervises the organization and execution thereof.

In principle the decisions are taken by a simple majority of votes but the Syndicate agreement contains a large number of special majorities, required for certain important resolutions (see the Corporate Governance Charter for more information). The Board of Directors strives to take the resolutions by consensus.

5.2.3 The Board committees

In accordance with the Articles of Association of the company the Board of Directors has established the following Board committees: an audit committee, a human resources and organization committee (the 'HRO committee'), a strategic committee and a nomination committee.

The audit committee

The principal tasks of the audit committee include regularly convening to assist and advise the Board of Directors with respect to the verification of financial information prepared by the company and its subsidiaries, the internal audit-systems established by the Board and management, the audit procedure and the correct application of the rules of good financial management within the bounds of applicable corporate law and looking after the independent character of the statutory auditor.

The committee is composed of five members including one independent director, one independent director of Telenet Communications NV and three non-executive directors of whom one is the chairman. This composition does not conform to the recommendation of the Corporate Governance Code, but stems from the Syndicate Agreement, in which the shareholders envisaged within the Board committees a balanced composition of directors nominated by the different shareholder groups. The Board is of the opinion that the balanced nature of these composition rules does not jeopardize the independent character of the committee. In addition, all members contribute broad experience and skills regarding financial items, which have a positive impact on the committee's operation. As from mid 2005, the meetings are attended by Michel Allé, independent director of Telenet Communications NV, provided there is no conflict of interest.

During the fiscal year 2006, the committee convened six times to review and discuss the quarterly, semi-annual and annual financial statements each before submission to the Board of Directors and, subsequently, publication. The committee further addressed specific financial items occurring during the year or brought up by the statutory auditor, discussed and advised the Board of Directors about policies for the delegation of powers by the Board in general and for treasury transactions in particular. Finally, the audit committee, together with the internal audit function (which is partially outsourced, see 5.5.2 'Internal audit') followed up on the internal audit processes.

The Corporate Governance Code recommends that the audit committee reviews the specific arrangements by which staff of the company may raise concerns about possible improprieties in financial reporting or other matters in confidence, and that arrangements are made whereby staff can inform the chairman of the audit committee directly. The company will examine this in 2007, following the acquisition of control by Liberty Global Inc., in view of the guidelines following from a possible application of provisions of the US Sarbanes-Oxley Act.

The HRO-committee

The principal tasks of the HRO-Committee include formulating proposals to the Board of Directors with respect to the remuneration policy of non-executive directors and executive management, the hiring and retention policy, assisting the CEO with the appointment and succession planning of executive management.

The committee is composed exclusively of non-executive directors and has four members. Two of the members, of whom one chairs the committee, are independent directors of Telenet Communications NV. This composition does not conform to the recommendation of the Corporate Governance Code because less than a majority of the members are independent directors of the company. This is explained, among other things, by the objective of the Syndicate Agreement to have a balanced composition of the committees. The Board of Directors is of the opinion that the human resources and organizational experience and skills of the members on the one hand and the independent character of the members who are director of Telenet Communications on the other hand, justify the current composition.

In 2006, the HRO-committee met four times, in the presence of the chairman of the Board of Directors and the CEO.

Among other matters, the committee addressed headcount evolution, a share purchase plan for employees, the evaluation of the Executive Team and the CEO, a framework for the delegation of powers to the CEO, modifications to the incentive plans regarding options to securities and the reorganization of the overall management structure of the Telenet-group.

The nomination committee

The nomination committee consists entirely of non-executive directors (six), of whom three are independent directors, among whom the chairman. The composition does not conform to the recommendation of the Corporate Governance Code but stems from the objective of the Syndicate Agreement to have a balanced composition of the Board committees.

The nomination committee's tasks include designing an objective and professional (re-) appointment procedure for directors, the periodic evaluation of the scope and composition of the Board, looking for potential directors and submitting their applications to the Board and making recommendations with respect to candidate directors.

The nomination committee met once to evaluate the interaction between management and the Board of Directors.

The strategic committee

The strategic committee convenes regularly with the CEO to discuss the general strategy of Telenet.

The committee is chaired by an independent director and is further composed of one other independent director and four directors.

The strategic committee convened three times in 2006, particularly to discuss potential joint venture and acquisition projects.

5.2.4 Application of legal rules regarding conflicts of interest

In the following meetings of the Board of Directors article 523 and/or 524 of the Companies Code was applied:

Board of Directors of February 24, 2006

At the meeting of February 24, 2006 the Board discussed a potential acquisition of the telecom operator UPC Belgium. The minutes mention in this respect the following:

"Prior to the discussion of this agenda item the directors Charles Bracken and James O'Neill notify the Board to have a conflict of interest of a financial nature regarding this resolution. This conflict arises since both directors have a financial interest in the results of Liberty Global Inc. while the latter is the seller of the company to be acquired. Both directors leave the meeting for the discussion.

The Board of Directors then discusses the potential acquisition of UPC Belgium from the Liberty Global Group. The latter announced to the company that it wants to receive part of the acquisition price in the form of shares of Telenet, because of, among others, tax reasons. The Board of Directors resolves not to honor this request and therefore not to submit the question to the shareholders. This is mainly explained by the consideration that an issue of shares to one of the existing shareholders at the current stock price is not appropriate at this moment.

To the extent that Liberty Global Inc. would like to continue the negotiations, the Board of Directors instructs already the independent directors of the company to apply the procedure of article 524 of the Companies Code to the extent needed and applicable."

The financial consequences for the company could not yet be determend at that time.

In the same meeting the Board also discussed the terms and conditions for the construction project regarding new offices for Telenet in Mechelen. The minutes mention in this respect the following:

"Prior to discussion of this agenda item, the chairman, Frank Donck, notifies the Board to have a conflict of interest of a financial nature regarding this resolution in that he is director in several of the companies of the KBC-Group wherein he also holds a financial interest while KBC-bank, jointly with Dexia are selected to finance the project. The procedure of article 523 Companies Code is applied to the extent needed since the transaction can be considered to be a usual transaction that takes place at the terms and conditions which are market practice for similar transactions. The chairman leaves the meeting following which the Board approves the terms and conditions for the construction project."

The financial consequences for the company are determined as the future lease payments to be paid by Telenet for the new office building, which are market conform.

Board of Directors of April 25, 2006

At the meeting of April 25, 2006 the Board of Directors discussed, on the basis of the evaluation of the CEO, the CEO's bonus for the year 2005. The minutes mention:

"Prior to deliberating and resolving on this item, Mr. Sickinghe declares to have a financial conflict of interest regarding the decision in the meaning of article 523 of the code of companies, since it concerns the determination of his variable remuneration. He leaves the meeting.

Although the HRO committee had evaluated the performance of the CEO as very positive, it has taken into account when making a proposal for the Board, the wish of the CEO to be granted a moderate bonus.

At the proposal of the HRO committee, the Board resolves to determine the bonus of the CEO for the year 2005 at € 162,500.

Board of Directors of November 28, 2006

At the meeting of November 28, 2006 the Board discussed the possible acquisition of UPC Belgium NV by Telenet. The minutes state in this respect:

"Prior to discussing the status of the project […] regarding the acquisition of UPC Belgium NV, Messrs. Charles Bracken and James Shane O'Neill declare to the other Board members to have a possible conflict of interest. Within Liberty Global, Inc. they hold the following mandates/functions: (i) Charles H.R. Bracken: Senior Vice President, Co-Chief Financial Officer and Principal Accounting Officer, and (ii) James Shane O'Neill: Senior Vice President, Chief Strategy Officer and President Chellomedia. Both also own shares and share options in Liberty Global, Inc.
In view of the aforementioned positions and interests they have an indirect conflict of interests as directors of Telenet Group Holding NV with regards to project Utah which can possibly be regarded as a conflict of interests in the sense of Article 523 of the Belgian Company Code. UPC Belgium NV is an indirect subsidiary of Liberty Global, Inc.
The acquisition by Telenet Bidco NV of UPC Belgium NV may entail a financial benefit to the selling shareholders and therefore also to Liberty Global, Inc. as ultimate parent company of the selling shareholders.

Both directors declare that they shall inform the Company's statutory auditor of this possible conflict of interests in accordance with Article 523 of the Belgian Company Code."

Subsequently, they leave the meeting. Upon discussion the Board resolves:

"Upon discussion, the Board resolves to be prepared to pay a price of around 10 times the EBITDA of 2006 with a maximum of € 190 million, subject to a good outcome of the due diligence examinations. In light of the concern of some minority shareholders that through this acquisition LGI would avoid the application of new takeover legislation, the Board decides to pay the consideration only in cash.

The Board further resolves that, since this is a transaction with an affiliated party, article 524 of the Belgian Company Code applies and consequently to submit the transaction to the judgment of the committee of independent directors, assisted by an independent expert."

Board of Directors of December 29, 2006

At the meeting of December 29, 2006 the Board discussed the acquisition of UPC Belgium NV by Telenet BidCo NV a subsidiary of the company. The company itself is not a party to this acquisition but the resolutions and transactions of Telenet Bidco NV regarding the acquisition could, in accordance with article 524, §5 of the Companies Code, only be taken by Telenet Bidco NV with the consent of the company. Consequently, the company needed to consent regarding this acquisition.

Prior to the discussion of this agenda item two directors notified a conflict of interest:

"Prior to the deliberation on this item on the agenda: - Mr. Charles H.R. Bracken and Mr. James Shane O'Neill have informed the other Directors that within Liberty Global, Inc. they hold the following mandates/functions: (i) Charles H.R. Bracken: Senior Vice President, Co-Chief Financial Officer and Principal Accounting Officer, and (ii) James Shane O'Neill: Senior Vice President, Chief Strategy Officer and President Chellomedia; - Mr. Charles H.R. Bracken has informed the other Directors of the fact that he is also a director in Liberty Global Management B.V. which is in turn the managing director of UPC Broadband Operations B.V. (the service provider under the Transitional Services Agreement) and of the selling shareholders in Project Typhoon; - Mr. Charles H.R. Bracken and Mr. James Shane O'Neill have informed the other Directors of the fact that both Mr. Charles H.R. Bracken and Mr. James Shane O'Neill own shares and share options in Liberty Global, Inc; - Mr. Charles H.R. Bracken and Mr. James Shane O'Neill have informed the other Directors of the fact that in view of the aforementioned positions and interests they have an indirect conflict of interests as directors of Telenet Group Holding NV with regards to Project Typhoon which can possibly be regarded as a conflict of interests in the sense of Article 523 of the Belgian Company Code. Especially UPC Belgium NV is an indirect subsidiary of Liberty Global, Inc. The approval of the acquisition by Telenet Bidco NV of UPC Belgium NV entails a financial benefit to the selling shareholders and therefore also to Liberty Global, Inc. as ultimate parent company of the selling shareholders. Also the compensation under the Transitional Services Agreement will eventually benefit Liberty Global, Inc.; - Mr. Charles H.R. Bracken and Mr. James Shane O'Neill have informed the other Directors of the fact that in view of the applied procedure in this case (application of Article 524 of the Belgian Company Code) they are of the opinion that guarantees have been built in for the Company with regards to the valuation of UPC Belgium NV and the price to be paid in the framework of the acquisition and the transactions in connection therewith.

These directors abstained from participation in the further deliberation and resolution. The minutes state in this regard:

"The Chairman informed the meeting that this procedure [article 524, §§2 and 3 of the Companies Code] was followed and that more specifically: (a) a committee of three independent Directors (hereinafter the 'Committee') was formed (composed of Mr. Julien De Wilde, Mr. Johan Friso van Oranje Nassau and Financière des Cytises SA, having as permanent representative Mr. M. Delloye); (b) the Committee appointed an independent expert (more specifically ABN AMRO, department Corporate Finance – hereinafter 'ABN AMRO') to assist the Committee; (c) the Committee prepared a written advice in connection with (i) a description of the nature of the decisions or actions, (ii) a judgment of the economic advantages and disadvantages, (iii) an estimate of the financial consequences, and

(iv) the determination whether the resolution or the action is of a nature to negatively affect the Company in a way that would be unjustified in view of the Company's policy (and, in case the Committee does not find the resolution or action to be unjustified but still would negatively affect the Company, a clarification on the benefits the resolution or action would account for in compensation of the mentioned disadvantages), hereinafter the 'Advice'.

The Board of Directors subsequently resolved:

"After having taken note of the Advice of the Committee and the Documents and after discussion and upon motion duly made and seconded, it was unanimously decided (whereby the Directors who made a declaration in accordance with Article 523 of the Belgian Company Code refrained from voting, as mentioned before): (a) that the meeting makes reference to the relevant conclusions of the Advice in connection with a more detailed description, in accordance with Article 524 of the Belgian Company Code, of the nature, the justification and the financial consequences of the resolutions and actions in connection with the Transaction, and more specifically to the following items: (i) the activities of UPC Belgium are very similar to the core activities of the Telenet group, consisting of a.o. the supply of cable television and high speed internet. The acquisition of UPC Belgium provides the Telenet group with a possibility to strengthen its supply on the Belgian market (i.e. in Brussels and Leuven). Furthermore, the acquisition of UPC Belgium provides the Telenet group with the possibility to supply telephone services in new regions where it had not yet or only limitedly been active in the provision of phone services. Finally it is expected that the acquisition of UPC Belgium shall enable certain synergies; (ii) the price which shall be paid by Telenet BidCo NV for the acquisition of all shares of UPC Belgium is, on the basis of the opinion of the independent expert, considered fair; (iii) the fact that the acquisition price will be partially paid by means of own funds that Telenet BidCo NV has at its disposal and partially by means of the use of existing credit facilities of Telenet BidCo NV (without the need for a new credit agreement) and the fact that the financing of the Transaction therefore has a minimal impact on the credit profile of the Telenet group. (b) that the meeting took note of the fact and confirmed that the procedure as described in Article 524 of the Belgian Company Code has been complied with; (c) that the meeting concurs with the conclusion of the Advice of the Committee; (d) that the meeting will ask the statutory auditor of the Company to give his opinion on the correctness of the information in the Advice of the Committee and these minutes; (e) that the meeting approves the resolutions and actions to be taken by Telenet BidCo NV in the framework of the Transaction."

The financial consequences for the company of this transaction are the payment of the cash purchase price for an amount of EUR 183.1 million.

The Statutory Auditors were notified of the procedure and formulated the following findings in their report:

"We have reviewed the financial data contained in the advice of the Committee of Independent Directors and in the minutes of the Board of Directors. We have verified the data against the underlying information sources. On the basis of this review no elements have come up which would indicate that the financial data mentioned in the advice of the Committee of Independent Directors and the minutes of the Board of Directors of December 29, 2006 are not correct."

With respect to some agenda items, certain directors have in 2006 abstained from participation in the deliberation and resolution because there might be a perception of conflicting interests between the company and the organisation for which or in which the directors are or have been professionally active, while there is no question of a conflict of interests in the meaning of article 523 of the Companies Code. This goes for example for (i) representatives of Electrabel regarding the potential acquisition by the company of the Walloon cable interests, (ii) for representatives of Interkabel and/or its shareholders (the pure intercommunales) regarding the potential collaboration between Interkabel and Telenet, commercial and financial data regarding iDTV and specific strategic developments (e.g. the bidding-procedure regarding the Walloon cable interests), and finally (iii) for representatives of Liberty Global Inc. regarding the communication of information to Liberty Global Inc. in the framework of consolidation obligations of the latter.

5.2.5. Comments on the measures taken to comply with the legislation concerning insider dealing and market manipulation (market abuse)

Following the IPO, Telenet has adopted a code of conduct related to inside information and the dealing of financial instruments addressing directors, senior staff and other personnel that could dispose of inside information. The code of conduct explains what constitutes improper conduct and what the possible sanctions are. Transactions are not allowed to be executed during certain closed periods and need to be reported as soon as possible to the compliance officer. In 2006, the code was modified to bring it in line with new applicable legislation (e.g. notification duty for top managers).

5.3 Daily management

Managing Director and CEO of Telenet is Mr. Duco Sickinghe.

The Managing Director is responsible for the daily management of the company. He is assisted by the executive management ('Executive Team'), of which he is part, and that does not constitute a management committee within the meaning of article 524 bis of the Companies Code. The Executive Team meets in principle bi-weekly.

In 2006 the Executive Team of the company was composed as follows:

Name	Function	Age
Tony Jossa	Senior Vice President – Human Resources and Organization	51
Hugo Lemmens	Executive Vice President – Telenet Solutions	49
Philippe Lemmens	Executive Vice President – Residential markets	42
Claire Martin	Vice President – Corporate Business Affairs	38
Duco Sickinghe	Chief Executive Officer and Managing Director	49
Leo Steenbergen	Executive Vice President – Chief Financial Officer	53
Jo Van Gorp	Executive Vice President – General counsel	42
Jan Vorstermans	Executive Vice President – Technology and Infrastructure	47

Following a reorganization decided in November 2006, the Executive Team is composed as from January 1, 2007 as follows:

Name	Function	Age
Renaat Berckmoes	Senior Vice President – Chief Financial Officer	41
Jan de Grave	Vice President – Corporate Communications	43
Tony Jossa	Senior Vice President – Human Resources and Organisation	51
Hugo Lemmens	Executive Vice President – Telenet Solutions	49
Luc Machtelinckx	Vice President – General Counsel	45
Duco Sickinghe	Chief Executive Officer and Managing Director	49
Piet Spiessens	Vice President – Innovation and Business Development	42
Dirk Van Dessel	Senior Vice President – Business Improvement and Product Development	45
Jo Van Gorp	Executive Vice President – Residential Markets	42
Ronny Verhelst	Senior Vice President – Purchasing and Public Affairs	43
Patrick Vincent	Senior Vice President – Residential Sales and Care	43
Jan Vorstermans	Executive Vice President – Technology and Infrastructure	47

The Managing Director is authorized to legally bind the company acting individually within the boundaries of daily management and for specific special powers that were granted to him. In addition, specific powers have been granted to certain individuals within the Telenet Group.

5.4 Remuneration of directors and executive management

5.4.1 Remuneration of directors

The general meeting of shareholders of the company approved for 2006 a similar remuneration system for directors as applicable for 2005. It consists of a fixed and a variable part. Independent directors receive an annual lump sum amount of € 24.000 each. The other non-executive directors each receive a lump sum amount of € 12.000. For each physically attended meeting of the Board, directors receive an amount of € 2.000. No additional remuneration is attributed for committee meetings. The independent directors of Telenet Communications NV are paid in the same way as the independent directors of Telenet Group Holding. In principle no additional remuneration is paid by other companies pertaining to the Telenet-group.

For the year 2006 the Board remuneration amounted to € 402.000 for the company and to € 114.000 for Telenet Communications NV (see table for individual remuneration). The Board of Directors resolved that only three out of the five special ad hoc Board meetings would be remunerated because of the short duration of these meetings. Directors further receive a price reduction or other benefits in kind with respect to Telenet products they order. The Corporate Governance Code recommends that non-executive directors do not receive any benefits in kind. It is however considered to be important that directors are familiar with and have a good view on the products and services. Moreover it concerns rather limited amounts.

Name	Function	Nominated by	Board of Directors (11)	Audit Committee (6)	HRO Committe (4)	Strategic Committee (2)	Nomination committee (1)	Remuneration
Frank Donck	Executive Director 3D NV	Financial Consortium	11					28,000
Michel Allé	Chief Financial Officer SNCB Holding - Belgian Railways	Independent Director	10	5				34,000
Marcel Bartholomeeussen	Chairman Interkabel	Interkabel	0					12,000
Alex Brabers	Vice President GIMV, Director ICT	GIMV	10	6		3	1	28,000
Charles H. Bracken (as of June 30)	Co-Chief Financial Officer, Principal Financial Officer Liberty Global Inc.	Liberty Global Con-sortium	9	5				24,000
Guido De Keersmaecker (Abaxon BVBA)	Director of companies	Independent Director	11		4			40,000
Michel Delloye (Cytifinance)	Director of companies	Independent Director	10	5			1	40,000
Julien De Wilde	Director of companies	Independent Director	8			3	1	38,000
Yvan Dupon	Director of companies	Electrabel nv	7		3	3		24,000

Name	Function	Nominated by	Board of Directors (11)	Audit Committee (6)	HRO Committe (4)	Strategic Committee (2)	Nomination committee (1)	Remuneration
Saul Goodman (till December 4)	Senior Managing Director Evercore Partners	Liberty Global Consortium	3					12,000
Serge Grysolle	Lawyer, Elderman of the city of Aalst	Mixed Intercom-munales	11			1		30,000
Patrick Moenaert	Mayor of the city of Bruges	Mixed Intercom-munales	9					26,000
James S. O'Neill	President Chello Media BV, Chief Strategy Officer Liberty Global Inc.	Liberty Global Consortium	8		4	0	1	24,000
Jef Roos (JROOS bvba)	Chairman of the Catholic University of Leuven	Independent Director	11		4			40,000
André Sarens	Grid Participations Manager Electrabel	Mixed Intercommunales	9	6				26,000
Duco Sickinghe	Chief Executive Officer & managing director Telenet		9					0
Paul Van de Casteele	Mayor of the Com-munity of Hamme	Mixed Intercom-munales	10					30,000
Friso van Oranje	Director of companies	Independent Director	8			3	1	32,000
Freddy Willockx	Mayor of the city of Sint-Niklaas	Mixed Intercommunales	10				1	28,000

5.4.2 Remuneration of the Executive Team

In 2006, the Managing Director (CEO) was granted the following remuneration: (i) a fixed remuneration of € 650,000 (gross salary without employer's contributions),(ii) paid premiums for group insurance in the amount of € 38,839.35, (iii) benefits in kind valued at € 19,920.84. In total this constitutes a remuneration package of € 708,760.19.

Upon proposal of the HRO committee, the Board of Directors decided to grant the CEO a bonus of € 487,500. The CEO, however, has requested the Board to use the amount of his bonus to cover the cost of the activities for the tenth anniversary of Telenet. In addition, Duco Sickinghe made a private donation to the Telenet Foundation for a total amount of € 225,000.

Per 31 December 2006, the Managing Director owned options to acquire 960.000 class A profit certificates, which under certain conditions can be converted into an equal number of shares, all of which have vested and having an exercise period until June 15, 2009.

The agreement with the Managing Director contains a termination arrangement providing for an indemnification of twice the total annual remuneration in case of termination by the company (other than for cause) during the first three years of the agreement and an amount of 2.5 times the total annual remuneration in case of termination after the first three years.

In 2006, the company paid a total amount of remunerations of € 2,223,790.24 to the other members of the Executive Team as composed in 2006 (not including the Managing Director). This amount is composed of the following elements (for all members jointly, excluding the Managing Director): (i) a fixed salary of € 1,604,994, (ii) a variable salary of € 400,040, (iii) paid premiums for group insurance in the amount of € 118,126.39, (iv) benefits in kind valued at € 100,629.85. All amounts are gross without employer's social security contributions.

In 2004, the members of the Executive Team (Managing Director not included) were granted in aggregate 670,500 class A and class B options of which 546,720 have vested and 206,877 were exercised on December 31, 2006.

In total 952.500 class A and class B options were granted to about 32 other employees, the majority persons in management positions, of which 654,120 options have vested and 346,089 were exercised on December 31, 2006. All options allocated, grant the right to receive profit certificates upon exercise. These profit certificates can be converted into ordinary shares under certain conditions.

The vesting occurs progressively at certain moments until December 2008 at the latest. The options can be exercised per three whereby the exercise price for the options of Class A amounts to € 20 per three options and for the options of Class B amounts to € 25 per three options.

5.5 Audit of the company

5.5.1 External audit by statutory auditors

For details on the audit and non-audit fees paid to the auditors in 2006, we refer to the consolidated annual accounts of the company.

5.5.2 Internal audit

Deloitte was entrusted by the company with the concrete execution of the internal audit function of the company and its subsidiaries. The internal audit activities are carried out on the basis of a plan annually approved and monitored by the Audit Committee. These internal audit activities cover a wide range of topics and aim at the evaluation and improvement of the specific controlling environment.

Mechelen, April 27, 2007

On behalf of the Board of Directors

Telenet Group Holding NV
Consolidated Accounts

1 Consolidated balance sheets

(in thousands of Euro)	Notes	December 31, 2006	December 31, 2005
Assets			
Non-current assets			
Property and equipment	4	973,379	943,919
Goodwill	5	1,148,745	1,012,544
Other intangible assets	6	278,813	278,347
Other assets		2,319	860
Total non-current assets		**2,403,256**	**2,235,670**
Current assets			
Trade receivables	7	105,589	98,677
Other current assets	8	24,399	26,668
Cash and cash equivalents	9	58,844	210,359
Total current assets		**188,832**	**335,704**
Total assets		**2,592,088**	**2,571,374**
Equity and liabilities			
Equity			
Contributed capital	10	2,543,032	2,532,504
Other reserves	10	5,115	3,860
Hedging reserves	12	(3,599)	1,078
Retained loss		(1,822,891)	(1,828,344)
Total equity		**721,657**	**709,098**
Non-current liabilities			
Long-term debt, less current portion	11	1,330,843	1,288,785
Derivative financial instruments	12	36,485	20,364
Unearned revenue	17	14,825	11,537
Other liabilities	14	29,708	23,755
Total non-current liabilities		1,411,861	1,344,441
Current liabilities			
Short-term borrowings	11	15,659	-
Current portion of long-term debt	11	59,767	156,129
Accounts payable		180,473	174,701
Accrued expenses and other current liabilities	16	79,492	74,129
Unearned revenue and subscriber advanced payments	17	123,179	112,876
Total current liabilities		**458,570**	**517,835**
Total liabilities		**1,870,431**	**1,862,276**
Total equity and liabilities		**2,592,088**	**2,571,374**

See notes to the consolidated financial statements.

2 Consolidated income statements

(in thousands of Euro)	Notes	For the years ended	
		December 31, 2006	**December 31, 2005**
Continuing operations			
Revenue	17	813,452	733,517
Costs of services provided	18	(510,696)	(456,717)
Gross profit		**302,756**	**276,800**
Selling, general and administrative	18	(159,022)	(145,621)
Operating profit		**143,734**	**131,179**
Finance costs, net	19	(100,963)	(193,208)
Income/(loss) before income tax		**42,771**	**(62,029)**
Income tax expense	20	(34,283)	(14,938)
Net income/(loss) from continuing operations		**8,488**	**(76,967)**
Discontinued operations			
Income (loss) from discontinued operations	22	(3,035)	300
Net income/(loss)		**5,453**	**(76,667)**
Basic and diluted earnings/(loss) per share in €	21		
Net income/(loss) from continuing operations		0.08	(0.86)
Loss from discontinued operations		(0.03)	0.00
Net income/(loss)		**0.05**	**(0.86)**

See notes to the consolidated financial statements.

3 Consolidated statement of shareholders' equity

(in thousands of Euro)	Notes	Number of Shares	Share Capital	Share Premium and Other Reserves	Hedging Reserves	Retained Loss	Total
January 1, 2005		**86,527,257**	**1,427,930**	**841,334**	**(26,627)**	**(1,751,677)**	**490,960**
Unrealized net gain/ (loss) on derivative contracts recognized directly in equity	12	-	-	-	27,705	-	27,705
Net loss for the year		-	-	-	-	(76,667)	(76,667)
Total recognized loss for 2005		**-**	**-**	**-**	**27,705**	**(76,667)**	**(48,962)**
Recognition of share-based compensation	10	-	-	2,196	-	-	2,196
Ordinary shares issued upon exercise of the Bank Warrants	10	329,994	-	-	-	-	-
Proceeds received upon exercise of the Class B Options	10	-	-	524	-	-	524
Issuance of share capital through IPO, net of offering costs	1	13,347,602	219,435	44,945	-	-	264,380
December 31, 2005		**100,204,853**	**1,647,365**	**888,999**	**1,078**	**(1,828,344)**	**709,098**
Unrealized net gain/ (loss) on derivative contracts recognized directly in equity	12	-	-	-	(4,677)	-	(4,677)
Net profit for the year		-	-	-	-	5,453	5,453
Total recognized profit for 2006		**-**	**-**	**-**	**(4,677)**	**5,453**	**776**
Recognition of share-based compensation	10	-	-	559	-	-	559
Proceeds received upon exercise of the Class A and Class B Options	10	-	-	5,059	-	-	5,059
Issuance of share capital through Employee Stock Purchase Plan	10	300,033	4,917	1,248	-	-	6,165
Issuance of share capital via exchange of Class A and Class B Profit Certificates	10	580,569	4,363	(4,363)	-	-	-
December 31, 2006		**101,085,455**	**1,656,645**	**891,502**	**(3,599)**	**(1,822,891)**	**721,657**

See notes to the consolidated financial statements.

4 Consolidated statement of cash flows for the year ended December 31, 2006

(in thousands of Euro)	For the years ended December 31,	
	2006	2005
Cash flows from operating activities		
Net income/(loss)	**5,453**	**(76,667)**
Adjustments for		
Depreciation, amortization and impairment	220,970	206,314
Income taxes	34,232	15,052
Provision for liabilities and charges	11,778	1,698
Increase in allowance for bad debt	(1,352)	3,550
Amortization of financing cost	4,930	9,165
Loss on extinguishment of debt	21,355	13,678
Interest income	(4,569)	(3,420)
Interest expense	93,958	133,511
(Gain)/loss on derivative instruments, net	8,856	(25,802)
Unrealized foreign exchange (gain)/loss, net	(23,580)	40,261
Share based compensation	1,587	2,196
(Gain)/loss on disposal of fixed assets and business	5,977	(147)
Changes in operating assets and liabilities		
Accounts receivable	(6,239)	(17,440)
Other assets	3,351	(5,513)
Unearned revenue	5,135	2,613
Accounts payable	7,833	26,770
Accrued expenses and other current liabilities	(12,235)	10,964
Cash generated from operations	**377,440**	**336,783**
Interest paid	(67,974)	(123,984)
Income taxes paid	(69)	(177)
Net cash provided by operating activities	**309,397**	**212,622**
Cash flows by investing activities		
Purchases of property and equipment	(176,906)	(141,088)
Proceeds on disposal of property and equipment	156	453
Purchases of intangibles	(29,069)	(41,925)
Acquisition of subsidiaries	(183,627)	(1,444)
Proceeds from disposal of business	18	-
Net cash used in investing activities	**(389,428)**	**(184,004)**
Cash flows by financing activities		
Repayments of long-term borrowings	(166,249)	(317,660)
Net proceeds from short-term borrowings	5,875	-
Proceeds from long-term borrowings	100,000	105,000
Payments of redemption premiums	(11,230)	(13,341)
Repayments of finance leases	(1,748)	(853)
Proceeds from the issuance of capital, net of offering costs	5,137	264,380
Proceeds received upon exercise of Class A and Class B options	5,059	524
Payments for debt issuance costs	(8,328)	(1,497)
Net cash provided by (used in) financing activities	**(71,484)**	**36,553**
Net increase (decrease) in cash and cash equivalents	**(151,515)**	**65,171**
Cash and cash equivalents		
Beginning of period	210,359	145,188
End of period	58,844	210,359

See notes to the consolidated financial statements.

5 Notes to the consolidated financial statements for the year ended December 31, 2006

(in thousands of Euro, except per share amounts, unless otherwise stated)

5.1 General information

The accompanying consolidated financial statements present the operations of Telenet Group Holding NV ('Telenet Group Holding') and its subsidiaries (hereafter collectively referred to as the 'Company'). Through its broadband network the Company offers cable television, including premium television services, broadband internet and telephony services to residential subscribers in Flanders as well as broadband internet, data and voice services in the business market throughout Belgium. Telenet Group Holding and its principal subsidiaries are limited liability companies organized under Belgian law. The Company is managed and operates in one operating segment, broadband communications.

These consolidated financial statements have been authorized for issue by the Board of Directors on April 27, 2007.

5.1.1 Initial Public Offering

On October 11, 2005, shares in Telenet Group Holding commenced trading on the Brussels Euronext stock exchange pursuant to an initial public offering ('IPO') of the Company's shares by the Company (the 'Primary Offering') and certain of its shareholders (the 'Secondary Offering'). In addition, shares were offered to qualifying employees (the 'Employee Offering') at a discounted price. The initial price of the shares was € 21.00. The Company issued and sold 13,333,333 shares of its common stock pursuant to the Primary Offering and approximately 14,269 shares pursuant to the Employee Offering. Net of the underwriting discount and other expenses of the offering, the Company received € 264,380 for the common stock it issued and sold under the Primary and Employee Offerings. The net proceeds from the Primary and Employee Offerings were used to partially redeem Telenet Group Holding's Senior Discount Notes and Telenet Communications' Senior Notes (Note 11). Telenet Group Holding did not receive any proceeds from the sale of shares by the selling shareholders.

5.2 Summary of significant accounting policies

In accordance with the EU Regulation 1606/2002 of July 19, 2002, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRSs as adopted by the EU'). The financial statements have been prepared on the historical cost basis, except for certain financial instruments. The principal accounting policies are set out below.

5.2.1 Basis of Consolidation

The consolidated financial statements include the accounts of Telenet Group Holding and all of the entities that it directly or indirectly controls. All intercompany accounts and transactions among consolidated entities have been eliminated.

5.2.2 Management's Use of Estimates

The preparation of financial statements in accordance with IFRSs as adopted by the EU requires the use of certain critical accounting estimates and management judgement 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 judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

5.2.3 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets, other than land and assets not yet ready for use, on a straight-line basis over their estimated useful lives. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the lease.

The following useful lives are used for the depreciation of property and equipment:

Buildings and improvements	10-33 years
Operating facilities	3-20 years
Other equipment	3-10 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The costs associated with the construction of cable transmission and distribution facilities and also internet and telephony service installations are capitalized and depreciated over 3 to 20 years. Costs include all direct labor and materials as well as certain indirect costs.

Government grants related to assets are recorded as a deduction from the cost in arriving at the carrying amount of the asset. The grant is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge. Expenditures for repairs and maintenance are charged to operating expense as incurred. Borrowing costs are recognized in profit and loss in the period in which they are incurred.

5.2.4 Intangible Assets

Intangible assets are measured at cost and are amortized on a straight-line basis over their estimated useful lives as follows:

Network user rights	10 or 20 years
Trade name	15 years
Customer lists and supply contracts	5 or 15 years
Broadcasting rights	Life of the contractual right
Software development costs	3 years

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Capitalized internal-use software costs include only external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll related costs for employees who are directly associated with and who devote time to the project. Capitalization of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Broadcasting rights are capitalized as an intangible asset when the value of the contract is measurable upon signing and are amortized on a straight-line basis over contractual life.

5.2.5 Impairment of Tangible and Intangible Assets Excluding Goodwill

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

5.2.6 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually, or more frequently when there is an indication that it may be impaired. The Company has identified one cash-generating unit to which all goodwill was allocated. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets pro-rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in a subsequent period.

5.2.7 Foreign Currency Transactions

The Company's functional and presentation currency is Euros ('€'), which is also the functional currency of each of the Company's subsidiaries. Transactions in currencies other than Euros are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on translation are included in profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity. In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward contracts and options (see below for details of the Company's accounting policies in respect of such derivative financial instruments).

5.2.8 Financial Instruments

Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Cash and Cash Equivalents

Cash equivalents consist principally of commercial paper and certificates of deposit with maturities of three months or less when purchased.

Trade Receivables

Trade receivables do not carry any interest and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade Payables

Trade payables are not interest bearing and are stated at their fair value.

Bank Borrowings

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using effective interest method and are recorded as a component of the related debt to the extent that they are not settled in the period in which they arise.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Warrants

When issued in connection with detachable warrants to purchase shares, the fair value of debt securities is determined using a market interest rate for an equivalent debt instrument. Any resulting discount or premium on the debt securities is recognized using the effective interest rate method over the contractual term of the debt. The remainder of the proceeds is allocated to the detachable warrants and is recognized and included in shareholders' equity, net of any income tax effects.

The Company assesses whether freestanding warrants are to be classified within shareholder's equity or as a liability. Warrants accounted for as permanent equity are recorded at their initial fair value and subsequent changes in fair value are not recognized unless a change in the classification of those warrants occurs. Warrants not qualifying for permanent equity accounting are recorded at fair value as a liability with subsequent changes in fair value recognized through the income statement.

Derivative Financial Instruments and Hedge Accounting

The Company's activities are exposed to changes in foreign currency exchange rates and interest rates.

The Company seeks to reduce its foreign currency exposure through the use of certain derivative financial instruments in order to manage its exposure to exchange rate and interest rate fluctuations arising from its operations and funding. The Company has identified certain agreements as cash flow hedges including foreign exchange forward contracts, interest rate swap agreements, cap options and combinations of such instruments.

The use of derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of derivatives consistent with the Company's risk management strategy described in Note 12.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Fair Values

The Company has estimated the fair value of its financial instruments in these consolidated financial statements using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company would realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. The carrying amount of cash, accounts and other receivables, and accounts and other payables approximates fair value because of the short maturity of those instruments.

5.2.9 Revenue Recognition

Subscription fees for telephony, internet and premium cable television are prepaid by subscribers on a monthly basis and recognized in revenue as the related services are provided i.e. in the subsequent month. Subscription fees for basic cable television are prepaid by subscribers predominantly on an annual basis and recognized in revenue on a straight line basis over the following twelve months. Revenue from telephone and internet activity is recognized on usage.

Installation fees are recognized immediately only when (1) they represent a separately identifiable service that is delivered (2) for which part the related costs equivaling the installation revenue or exceeding this revenue are expensed as incurred and reliably measurable. Accordingly, telephony, digital television and internet installation fees are recognized immediately whereas analogue cable television activation fees are deferred and recognized over the estimated customer relationship period of 10 years.

Together with subscription fees, basic cable television subscribers are charged a copyright fee for the content received from public broadcasters that is broadcasted over the Company’s network. These fees contribute to the cost the Company bears in respect of copyright fees paid to copyright collecting agencies for certain content provided by the public broadcasters and other copyright holders. The Company reports copyright fees collected from cable subscribers on a gross basis as a component of revenue as the Company is acting as a principal as the arrangement with the public broadcaster and other copyright holders does not represent a passthrough arrangement. Indeed, the Company bears substantial risk in setting the level of copyright fees charged to subscribers as well as in collecting such fees.

5.2.10 Operating Expenses

Operating expenses consist of interconnection costs, network operating and maintenance and repair costs and cable programming costs, including employee costs and related depreciation and amortization charges. The Company capitalizes most of its installation cost, including labor cost. Copyright and license fees paid to the holders of these rights and their agents are the primary component of the Company’s cable programming costs. Other direct costs

include costs that the Company incurs in connection with providing its residential and business services, such as interconnection charges as well as bad debt expense. Network costs consist of costs associated with operating, maintaining and repairing the Company's broadband network and customer care costs necessary to maintain its customer base.

5.2.11 Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and the amount can be reliably measured. Provisions are measured at the Company's best estimate of the expenditure required to settle its liability and are discounted to present value where the effect is material.

5.2.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the Company. Property and equipment acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and any impairment losses. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term debt. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. All other leases are classified as operating leases and are charged to profit or loss on a straight-line basis over the lease term.

5.2.13 Income Taxes

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. In view of the Company's history of losses, no net deferred tax assets have been recognized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

5.2.14 Employee Benefits

Pension Obligations

The Company provides both defined benefit and defined contribution plans to its employees, directors and certain members of management. The defined benefit pension plans pay benefits to employees at retirement using formulas based upon years of service and compensation rates near retirement. The schemes are generally funded by payments from the participants and the Company to insurance companies as determined by periodic actuarial calculations.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. The corridor approach is applied to actuarial gains and losses. Such gains and losses are the result of changes in actuarial assumptions on retirement and similar commitments. Accordingly, all gains and losses exceeding 10 % of the greater of the present value of the defined benefit obligation and the fair value of any plan assets are recognized over the expected average remaining working life of the employees participating in the plan. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Other Employee Benefit Obligations

Some entities provide long-term service awards, health care premiums, early retirement plans and death benefits, among others, to their employees and/or retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the related employees.

Share-based Payments

The Company issues equity-settled share-based payments to certain employees which are measured at fair value at the date of grant. The fair value is determined at the grant date using the Black-Scholes pricing model and is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the cumulative impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

5.2.15 New Standards, Interpretations and Amendments

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2006 and are categorized below as either implemented, not yet effective or not relevant to the Company's operations.

IAS 19 (Amendment), *Employee Benefits* introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The Company applies this amendment from annual periods beginning January 1, 2006.

The following interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 May 2006 or later periods but that the Company has not early adopted:

- IFRS 7, *Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures* (effective from January 1, 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Company has not yet completed its assessment of the impact of IFRS 7 and the amendment to IAS 1 to the level of disclosures currently provided. The Company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning January 1, 2007;
- IFRIC 10, *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after November 1, 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Company will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on the Company's accounts.

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after January 1, 2006 but are not relevant to the Company's operations:

- IAS 21 (Amendment), *Net Investment in a Foreign Operation;*
- IAS 39 (Amendment), *Cash Flow Hedge Accounting of Forecast Intragroup Transactions;*
- IAS 39 (Amendment), *The Fair Value Option;*
- IAS 39 and IFRS 4 (Amendment), *Financial Guarantee Contracts;*
- IFRS 1 (Amendment), *First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;*
- IFRS 6, *Exploration for and Evaluation of Mineral Resources;*
- IFRIC 4, *Determining whether an Arrangement contains a Lease;*
- IFRIC 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;*
- IFRIC 6, *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment;*
- IFRIC 7, *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies;*
- IFRIC 8, *Scope of IFRS 2;* and
- IFRIC 9, *Reassessment of Embedded Derivatives.*

5.3 Critical accounting judgements and key sources of estimation uncertainty

5.3.1 Critical judgements in applying the Company's accounting policies

Goodwill

The Company performed its annual review for impairment during the third quarter of 2006 and 2005. Goodwill was allocated to one reporting unit. The key assumptions for the value in use calculations used to determine the recoverable amount are those regarding the discount rates and expected changes to selling prices/product offerings and direct costs during the period. Changes in selling practices and direct costs are based on past practices and expectations of future changes in the market. The calculation uses cash flow projections based on financial budgets approved by management, and a discount rate of 9.0 per cent based on current market assessments of the time value of money and the risks specific to the Company. Cash flows beyond the five-year period have been extrapolated using a steady 2 per cent growth rate. This growth rate does not exceed the long-term average growth rate for the industry. Management believes that any reasonably possible changes in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

5.3.2 Key sources of estimation uncertainty

Deferred Income Taxes

As of December 31, 2006, Telenet Group Holding and its subsidiaries had available combined cumulative tax loss carry forwards of € 652,865 (2005: € 672,617). Under current Belgian tax laws, these loss carry forwards have an indefinite life and may be used to offset the future taxable income of Telenet Group Holding and its subsidiaries. Two subsidiaries acquired in a previous business combination made taxable profits of € 85,366 (2005: € 37,135) during the year and utilized tax loss carryforwards which had not been previously recognized as deferred tax assets resulting in a deferred tax expense of € 34,292 (2005: € 14,917).

A deferred tax asset is recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. In view of the Company's history of losses, no net deferred tax assets have been recognized.

5.4 Property and equipment

	Land, buildings and leasehold improvements	Network	Construction in progress	Furniture, equipment and vehicles	Total
Cost					
At January 1, 2005	**38,242**	**1,325,072**	**32,238**	**26,117**	**1,421,669**
Additions	5,547	-	119,789	17,196	142,532
Transfers	2,677	126,679	(129,356)	-	-
Disposals	-	-	-	(2,145)	(2,145)
At December 31, 2005	**46,466**	**1,451,751**	**22,671**	**41,168**	**1,562,056**
Acquisition of subsidiary	534	15,388	371	129	16,422
Additions	5,805	9,372	170,071	1,327	186,575
Transfers	2,095	147,662	(147,694)	(2,063)	-
Impairment	-	(8,874)	-	-	(8,874)
Disposals	-	(5,871)	-	(1,711)	(7,582)
At December 31, 2006	**54,900**	**1,609,428**	**45,419**	**38,850**	**1,748,597**
Accumulated Depreciation					
At January 1, 2005	**3,835**	**442,701**	**-**	**14,357**	**460,893**
Depreciation charge for the year	2,020	149,986	-	7,077	159,083
Eliminated on Disposal	-	-	-	(1,839)	(1,839)
At December 31, 2005	**5,855**	**592,687**	**-**	**19,595**	**618,137**
Depreciation charge for the year	1,659	155,447	-	6,375	163,481
Transfers	-	432	-	(432)	-
Eliminated on Disposal	-	(4,755)	-	(1,645)	(6,400)
At December 31, 2006	**7,514**	**743,811**	**-**	**23,893**	**775,218**
Carrying Amount					
At December 31, 2006	**47,386**	**865,617**	**45,419**	**14,957**	**973,379**
At December 31, 2005	**40,611**	**859,064**	**22,671**	**21,573**	**943,919**
Carrying Amount of Finance Leases included in Property and Equipment					
At December 31, 2006	**17,562**	**5,384**	**-**	**361**	**23,307**
At December 31, 2005	**18,256**	**5,790**	**-**	**468**	**24,514**

An impairment of € 8,874 was recorded during 2006 for non-recoverable items of equipment.

5.5 Goodwill

A reconciliation of the changes in goodwill is depicted below:

	December 31, 2006	December 31, 2005
Beginning balance	1,012,544	1,027,461
Use of net operating losses acquired in business combinations (Note 13)	(34,292)	(14,917)
Acquisition of subsidiary (Note 22)	174,975	-
Derecognized on disposal of a subsidiary (Note 22)	(4,482)	-
	1,148,745	**1,012,544**

5.6 Other intangible assets

	Network user rights	Trade name	Software	Customer lists	Other	Total
Cost						
At January 1, 2005	**136,856**	**121,000**	**70,720**	**67,991**	**27,756**	**424,323**
Additions	1,311	-	34,632	-	8,859	44,802
Disposals	-	-	-	-	(23,962)	(23,962)
At December 31, 2005	**138,167**	**121,000**	**105,352**	**67,991**	**12,653**	**445,163**
Acquisition of subsidiary	-	-	321	16,741	-	17,062
Additions	2,388	-	20,590	-	11,023	34,001
Disposals	-	-	36	-	(6,657)	(6,621)
At December 31, 2006	**140,555**	**121,000**	**126,299**	**84,732**	**17,019**	**489,605**
Accumulated Amortization						
At January 1, 2005	**28,685**	**30,250**	**48,589**	**16,498**	**19,525**	**143,547**
Charge for the year	10,343	8,067	13,720	6,532	8,569	47,231
Disposals	-	-	-	-	(23,962)	(23,962)
At December 31, 2005	**39,028**	**38,317**	**62,309**	**23,030**	**4,132**	**166,816**
Charge for the year	10,757	8,066	17,339	6,531	5,922	48,615
Disposals	-	-	37	-	(4,676)	(4,639)
At December 31, 2006	**49,785**	**46,383**	**79,685**	**29,561**	**5,378**	**210,792**
Carrying Amount						
At December 31, 2006	**90,770**	**74,617**	**46,614**	**55,171**	**11,641**	**278,813**
At December 31, 2005	**99,139**	**82,683**	**43,043**	**44,961**	**8,521**	**278,347**

The Company’s intangible assets other than goodwill each have a finite life and are comprised primarily of network user rights, trade name, software development and acquisition costs, customer lists, broadcasting rights and contracts

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with suppliers. These intangible assets are amortized on a straight-line basis over their estimated useful lives. The Company evaluates the estimated useful lives of its finite intangible assets each reporting period to determine whether events or circumstances warrant revised estimates of useful lives.

5.7 Trade receivables

	December 31, 2006	December 31, 2005
Trade receivables	123,568	117,771
Less: provision for impairment of receivables	(17,979)	(19,094)
Trade receivables, net	**105,589**	**98,677**

The Company recognised a loss of € 4,414 and € 4,520 for the impairment of its trade receivables during the years ended December 31, 2006 and 2005, respectively. The loss has been included in cost of services provided in the income statement. There is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers.

5.8 Other current assets

	December 31, 2006	December 31, 2005
Prepaid taxes and VAT	693	1,190
Inventory	12,200	8,212
Receivable from Electrabel	-	7,965
Miscellaneous receivable	3,133	3,705
Prepaid content	3,187	2,270
Prepayments	3,038	3,111
Receivable on disposal of Phone Plus	1,175	-
Other	973	215
	24,399	**26,668**

5.9 Cash and cash equivalents

	December 31, 2006	December 31, 2005
Cash at bank and on hand	37,875	11,422
Commercial paper	9,969	159,664
Certificates of deposits	11,000	39,273
Total cash and cash equivalents	**58,844**	**210,359**

The Company holds commercial paper with a weighted average interest rate of 3.59% (2005: 2.3%) and an average maturity of 31 days (2005: 32 days). The certificates of deposits have a weighted average interest rate of 3.58% (2005: 2.3%) and an average maturity of 4 days (2005: 9 days).

5.10 Shareholders' equity

As per 31 December 2006, Telenet Group Holding had the following shares outstanding, all of which are treated as one class in the earnings/(loss) per share calculation:

- 101,085,455 ordinary Shares;
- 2,164,911 dispreference shares that are held by Interkabel and the Liberty Global Consortium, which have the same rights as the ordinary Shares except that they are subject to an € 8.02 liquidation dispreference, such that in any liquidation of Telenet Group Holding the dispreference shares would only participate in the portion of the proceeds of the liquidation that exceeded € 8.02 per Share. Dispreference shares may be converted into ordinary Shares at a rate of 1.04 to 1; and
- 30 Golden Shares held by the mixed intercommunales, which have the same rights as the ordinary Shares and which also give their holders the right to appoint representatives to the Regulatory Board, which oversees the public interest guarantees related to our offering of digital television.

  The share capital amounts as of December 31, 2006 were € 1,656,645,249.91.

According to a transparency declaration filed with the Banking, Finance and Insurance Commission (BFIC) and the Company on November 15, 2006, Liberty Global Inc. acquired through its affiliate Belgian Cable Investors 6,750,000 shares of Telenet Group Holding through the exercise of its options (the 'New Period Options') issued by the Mixed Intermunicipalities shareholders. The options have been exercised at a price of € 20 per share.

Further to a new transparency declaration of November 20, 2006, Liberty Global Inc. acquired through another affiliate, LGI Ventures BV, formerly known as Chellomedia Investments B.V., all shares held by the Evercore entities which are part of the Liberty Global Consortium. Consequently, LGI holds as of December 31, 2006 a total of 28,292,474 shares or 27.99% of the Telenet Group Holding share capital, representing a majority of the Syndicate Shares. As a result thereof and following the receipt of certain regulatory approvals in February 2007, LGI has the right to exclusively nominate candidates for the majority of the positions in the Board of Directors of Telenet Group Holding.

5.10.1 Employee Share Based Compensation

Class A and Class B Options

In August 2004, the Company granted 1,500,000 Class A Options to certain members of management to subscribe to 1,500,000 Class A Profit Certificates ('Class A Options'). Except for 506,712 Class A Options that vested immediately upon grant, the vesting period of the Class A Options extends to a maximum to 40 months and can be exercised through June 2009. The fair value of the Class A Options was determined on the date of grant to be € 8.46 using the Black Scholes option-pricing model with the following assumptions: annual Euro swap interest rate for each respective expiration date, expected life of 4.9 years, and a dividend yield of 0.0% and volatility of 24%.

In December 2004, the Company offered 1,251,000 of the 1,350,000 authorized Class B Options to certain members of management to subscribe to 1,251,000 Class B Profit Certificates ('Class B Options'). Of the 1,251,000 Class B Options offered by the Company, 1,083,000 were accepted in February 2005. The remaining 267,000 Class B Options were cancelled on September 20, 2005. Except for 105,375 Class B Options that vested immediately upon grant, the Class B Options vest over 4 years and can be exercised through December 2009. The fair value of the Class B Options was determined on the date of grant to be € 5.12 using the Black-Scholes option-pricing model with the following assumptions: annual Euro swap interest rate for each respective expiration date, expected life of 4.9 years, and a dividend yield of 0.0% and volatility of 20%.

The Class A and the Class B Options must be exercised in multiples of three, giving the right to acquire three Class A Profit Certificates for € 20 or three Class B Profit Certificates for € 25. The Class A and Class B Profit Certificates are exchangeable into shares of the Company on a one for one basis, subject to certain conditions being met. Upon exercise, these profit certificates give the holders the right to receive dividends equal to dividends distributed, if any, to the holders of the Company's shares.

In the case of an initial public offering or a change of control, the vesting for half of the remaining non-vested Class A Options would be brought forward to the date of the offering or change in control. In contemplation of the IPO, the Board of Directors decided at its September 2, 2005 meeting to accelerate the vesting of 121,968 Class B Options, contingent upon the closing of the IPO which occurred on October 11, 2005. The terms and conditions of the certificates as originally granted did not provide for such accelerated vesting but allowed the Board of Directors the possibility of accelerating vesting subsequent to grant. As a result of this modification, additional compensation expense of € 576 was incurred in October 2005 based on the increase in the intrinsic value of the Class B Option at the date of grant. The remaining non vested Class B Options will vest over the remaining original vesting periods.

Upon change in control that resulted from the increase in LGI's participation on November 13, 2006, the vesting on all of the remaining unvested Class A options was accelerated in accordance with the terms of the original agreement. This resulted in an additional expense of € 153 in November 2006.

The Class A and Class B options in the table below were exercised versus payments of € 5,059 and € 524 during the years ended December 31, 2006 and 2005, respectively. Upon exercise, the Class A and Class B options were exchanged on a one-for-one basis for Class A and Class B Profit Certificates and are accounted for as increases in Other Reserves within Equity. These reserves are transferred from Other Reserves to Share Capital when the Profit Certificates are exchanged for shares of the Company and resulted in a transfer of € 4,363 between Other Reserves and Share Capital within Equity in 2006.

Class of Option	Number of Options Exercised	Exercise Date	Share Price at Exercise Date (in Euros)
Class B Options	62,877	12/12/05	16.60
Class A Options	285,000	12/05/06	18.20
Class B Options	232,692	12/05/06	18.20
Class B Options	68,533	02/10/06	19.10
Class A Options	30,000	22/12/06	21.69
Class B Options	53,844	22/12/06	21.69

All Plans

A summary of the activity of the Company's stock options for the years ended December 31, 2006 and 2005 is as follows:

	Outstanding Options	
	Number of Options	Weighted Average Exercise Price
Balance, January 1, 2005	**1,544,390**	**7.19**
Class B Options granted	1,083,000	8.33
1998 Plan & 1999 Plan options exercised	(44,390)	24.79
Class B Options exercised	(62,877)	8.33
Balance December 31, 2005	**2,520,123**	**7.34**
Class A Options exercised	(315,000)	6.67
Class B Options exercised	(355,069)	8.33
Class B Options lapsed	(1,140)	8.33
Class B Options forefeited	(55,380)	8.33
Balance December 31, 2006	**1,793,534**	**7.23**

The following table summarizes information about stock options outstanding and exercisable as of December 31, 2006:

	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price (in Euros)
Class A Options	1,185,000	1,185,000	30 months	6.67
Class B Options	608,534	159,989	36 months	8.33

5.10.2 Employee Stock Purchase Plan

On October 16, 2006, Telenet launched an employee stock purchase plan (ESPP). Under the terms of the ESPP, employees were given until December 4, 2006 to purchase new shares of Telenet Group Holding NV at a discount of 16.67% to the average share price over the month of November 2006. Based on the average share price of € 20.54 for November 2006, the discount under the ESPP was € 3.43 per share. As the shares were fully vested at the time of the transaction, the Company recognized € 1,028 as compensation expense in December 2006 for the 300,033 shares that were purchased.

5.10.3 Warrants

Subordinated Debt Warrants

As per 31 December 2006, The Company has 3,426,000 subordinated debt warrants outstanding (the 'Subordinated Debt Warrants') which are held by the Liberty Global Consortium, the GIMV, the Financial Consortium and the MICs. Each Subordinated Debt Warrant entitles the holder thereof to three shares of Telenet Group Holding upon payment of an exercise price of € 40. Alternatively, holders may opt for a 'cashless' exercise of the Subordinated Debt Warrants. In such a case, they will be entitled to acquire a reduced number of shares of Telenet Group Holding, using the value of their warrants (measured by the market value of the shares of Telenet Group Holding at the time of exercise less the exercise price of the warrants) to acquire shares of Telenet Group Holding at their market value. The warrants can be exercised at any time during the exercise period ending on August 9, 2009.

Bank Warrants

In conjunction with the Senior Credit Facility obtained in July 2002, the Company issued a total of 100,000 detachable warrants, which vested immediately upon issuance. Until the expiration date in August 2007, these warrants gave the holders the right to purchase a number of the Company's ordinary shares for € 0.01 per warrant. The number of shares would only be known at the exercise date as it was ultimately based on the number of outstanding shares at August 9, 2002 adjusted by various factors, including additions for shares issued upon the exercise of other warrants.

These warrants are no longer held by the lenders and all but 15,714 were cancelled. The remaining 15,714 warrants were transferred as part of the settlement of the subordinated shareholder debts that were repaid on December 22, 2003. On August 24, 2005, the Company's Chief Executive Officer exercised the 15,714 Bank Warrants acquired in 2004 at a price of € 0.01 per 21 shares, and, as a result, acquired 329,994 shares.

5.11 Debt and other financing

The debt balances specified below include accrued interest as of December 31, 2006 and 2005.

	December 31, 2006	December 31, 2005
Senior Credit Facility		
Tranche A	-	219,013
Tranche B	-	11,127
Tranche D	-	333
Tranche E	-	405,196
New Senior Credit Facility		
Tranche A	600,154	-
Tranche B	100,139	-
Senior Notes	369,691	509,504
Senior Discount Notes [1]	221,239	220,954
Clientele Fee	45,860	42,379
Annuity Fee	51,057	53,822
Finance lease obligations	25,821	27,236
	1,413,961	**1,489,564**
Less: deferred financing fees	(23,351)	(44,650)
	1,390,610	**1,444,914**
Less: current portion	(59,767)	(156,129)
Total long-term debt	**1,330,843**	**1,288,785**

Total debt is denominated in Euros with the exception of the Senior Discount Note which is denominated in U.S. Dollars. Fixed interest rates applied to 41.74% of the total financial debt (2005: 48.5%). The weighted average interest rates at year end was 9.94% on fixed interest rate loans (2005: 9.77%) and 4.90% on floating interest rate loans (2005: 4.83%).

(1) Accreted balance of the Senior Discount Notes, converted to Euros on December 31, 2006 and 2005 at the accounting rate of $ 1.317 to € 1.00 and $ 1.1797 to € 1.00, respectively.

5.11.1 Senior Notes

On December 22, 2003, Telenet Communication issued Senior Notes with a principal amount of € 500,000, receiving net proceeds of € 482,310. Interest on the notes is payable semi-annually at an annual rate of 9%. The notes do not have required principal repayments prior to maturity on December 15, 2013.

Telenet Communications initiated an offer for approximately € 125,522 of principal and accrued interest of its Senior Notes on November 30, 2005. Under the terms of the offer, which closed in January 2006, Telenet Communications redeemed € 124,773 of principal of the Senior Notes plus accrued interest of € 749, and paid a 9.0% redemption premium of € 11,230, resulting in a total payment to holders of the Senior Notes of € 136,752. The redemption cost associated with this exercise was recorded as an increase in finance cost in the fourth quarter of 2005.

5.11.2 Senior Discount Notes

On December 22, 2003, the Company issued Senior Discount Notes at 57.298% of par value with a principal amount at maturity of $ 558,000 (or € 450,654 using the exchange rate obtained upon the issuance of $ 1.2382 per € 1.00), receiving net proceeds of € 242,527. Interest on the notes started accreting from December 22, 2003 at an annual rate of 11.5%, compounded semi-annually. Commencing on June 15, 2009 until maturity on June 15, 2014, interest is payable semi-annually at an annual rate of 11.5%. There are no required principal repayments prior to maturity.

In connection with the issuance of the Senior Discount Notes, the Company entered into a registration rights agreement pursuant to which it undertook to either complete a registered exchange offer (or, if required, cause a shelf registration statement to become effective) with respect to the Senior Discount Notes by June 30, 2005, or to pay in cash liquidated damages at a rate equal to 1% per annum of the accreted value of the Senior Discount Notes until December 31, 2005. The accreted value of the Senior Discount notes as of June 30, 2005 was $ 379 million.

Because the Company has not completed a registered exchange offer (or caused a shelf registration statement to become effective) with respect to the Senior Discount Notes as of June 30, 2005, it paid liquidated damages of $ 1,150 (or € 973) to holders of the Senior Discount Notes on December 15, 2005.

On October 17, 2005, Telenet Group Holding initiated an offer for up to 35% of the accreted value of its Senior Discount Notes, as calculated under the terms of the indenture governing such Notes, including an adjustment for amounts redeemed under the Change of Control Offer for the Senior Discount Notes, described below, such that not less than 65% of the Senior Discount Notes remains outstanding. Under the terms of the offer, which closed on November 23, 2005, Telenet Group Holding redeemed Senior Discount Notes with an accreted value of $ 136,171 (€ 115,233), representing 34.6% of $ 393,743 (€ 465,286), the total accreted value of the Senior Discount Notes as of such date, and paid an 11.5% redemption premium of $ 15,660 (€ 13,341). In addition, Telenet Group Holding paid $ 552 (€ 467) in accrued liquidated damages with respect to the redeemed Senior Discount Notes. The redemption cost associated with this exercise was recorded as an increase in finance cost in the fourth quarter of 2005.

5.11.3 Change of Control Offers for the Telenet Group Holding Senior Discount Notes and Telenet Communications Senior Notes

Certain of the Company's shareholders entered into an agreement on October 14, 2005 which, among other matters, amended certain governance terms. The Company concluded that these changes resulted in a Change of Control within the definitions of the relevant indentures. Therefore, on October 17, 2005, Telenet Group Holding and Telenet Communications initiated change of control offers for the full accreted value and outstanding principal amount of Senior Discount Notes and Senior Notes, respectively (the 'Change of Control Offers'). As per the terms of the indentures governing the Senior Discount Notes and Senior Notes, the Change of Control Offers were made at 101% of accreted value and outstanding principal amount, respectively. The Change of Control Offers expired on November 18, 2005 at which time $ 2,523 of face value at redemption of the Senior Discount Notes and € 6,825 of

the Senior Notes were tendered for redemption and settled during November 2005 together with accreted or accrued interest, as appropriate, the 1% redemption premium and the accrued liquidated damages in respect of the Senior Discount Notes. Pursuant to the Change of Control Offers, the total cost of the Senior Discount Notes purchased was $ 2,559 and the total cost of the Senior Notes purchased was € 7,165.

5.11.4 New Senior Credit Facility

On May 10, 2006, Telenet Bidco, Telenet NV and Telenet Vlaanderen (as Borrowers and Guarantors), entered into a New Senior Credit Facility (the 'New Senior Credit Facility'), which provided significantly improved terms compared to Telenet's previous Senior Credit Facility. The New Senior Credit Facility was closed on May 12, 2006 and has a final maturity date of March 31, 2011. In connection with the closing of the New Senior Credit Facility, the Company prepaid a net € 35,000 of outstanding senior debt using excess cash on its balance sheet.

The major terms and conditions of the various tranches of the New Senior Credit Facility were as follows:

- Tranche A provides a € 600,000 amortising loan facility which was drawn in full upon closing. It is repayable in quarterly instalments commencing on March 31, 2007 and calls for a final repayment of € 370,000 on March 31, 2011.
- Tranche B is a € 200,000 revolving Credit Facility of which the undrawn availability was € 100,000 as of December 31, 2006.
- Tranche C is an uncommitted facility of up to € 200,000 or, if utilised for the acquisition of certain Belgian cable assets, up to € 350,000.

Interest is currently payable on Tranches A and B of the New Senior Credit Facility at a margin of 0.90% over EURIBOR, and can vary from 0.70% to 1.25% subject to an interest margin ratchet mechanism based on the ratio of Net Cash Pay Debt to Consolidated EBITDA. A commitment fee is payable quarterly in arrears on undrawn amounts of the Tranche B Loan at the rate of 40% of the applicable margin of the Tranche B Loan. The financial covenants, which are tested on a quarterly basis, measure performance against, among others, standards for leverage, debt service coverage, and earnings before interest, taxes, depreciation, and amortization ('EBITDA').

5.11.5 Senior Credit Facility

Until replaced by the New Senior Credit Facility in May 2006 (the 'Refinancing'), the Company had a senior secured facility that provided up to € 835,000 in committed financing from a syndicate of lenders and in various tranches and a further € 150,000 in uncommitted Senior Secured Facilities (the 'Senior Credit Facility'). Since the date that the Senior Credit Facility was originally signed in July 2002, the Company amended the terms and structure and made partial prepayments of the Senior Credit Facility in line with its requirements and its evolving credit profile.

At the time the Refinancing, the major terms and conditions of the various committed tranches of the Senior Credit Facility were as follows:

- Tranche A was an amortizing term loan and guarantee facility expiring in 2009 for an amount of up to € 218,880. Amounts under the facility incurred interest at Euribor plus a margin of 3%.
- Tranche B was an amortizing revolving Credit Facility, expiring in 2009, of up to € 11,121. Amounts under the facility incurred interest at Euribor plus a margin of up to 3%.
- Tranche C2 was a nonamortizing term loan with a principal amount of € 150,000 which matured in 2010. Amounts under the Tranche C2 facility incurred interest at Euribor plus a margin of up to 3.75%. The outstanding principal under this facility was fully repaid on March 31, 2005.
- Tranche D was a revolving Credit Facility, expiring in 2009, of € 200,000. Amounts under the facility incurred interest at Euribor plus a margin of up to 3.50%.

- Tranche E was a non-amortizing term loan, expiring in 2011, of € 405,000. Amounts under the facility incurred interest at Euribor plus a margin of 2.50%.

5.11.6 Clientele and Annuity Agreements

In 1996, the Company entered into a Clientele Agreement and an Annuity Agreement with the Pure Intercommunale Companies ('PICs'), through Interkabel Vlaanderen CVBA ('Interkabel'), which is a related party of the Company.

The clientele fee payable under the Clientele Agreement is payable by the Company in return for access to the cable network customer database owned and controlled by the PICs. The clientele fee is payable as long as the Company maintains its usage rights to the cable network, and is adjusted periodically depending on the level of inflation. Such payments allow the PICs to recover part of their historical investment to upgrade the original cable network to allow for two-way communication (the 'HFC Upgrade'). Considering this, the present value of the clientele fee payments over the first 20 years (being the life of the longest lived assets that are part of the HFC Upgrade) has been accounted for as network user rights under intangible assets, and is amortized over 10 or 20 years depending on the useful life of the underlying assets that make up the HFC Upgrade.

In accordance with the terms of the Annuity Agreement, the PICs charge an annuity fee, which in substance covers the remaining 60% of the cost of the HFC Upgrade incurred by the PICs, to the Company. Payments under the Annuity Agreement are due over a period of 10 or 20 years, depending on the useful life of the underlying assets that make up the HFC Upgrade incurred by the PICs. The present value of the future payments under the Annuity Agreement has been capitalized as network user rights under intangible assets, and is amortized over 10 or 20 years depending on the useful life of the underlying assets that make up the HFC Upgrade.

5.11.7 Finance Lease Obligations

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2006	**December 31, 2005**	**December 31, 2006**	**December 31, 2005**
Within one year	2,748	2,159	1,525	1,184
In the second to fifth years, inclusive	12,989	11,509	9,300	8,223
Thereafter	19,074	22,091	14,430	17,090
Total minimum lease payments	**34,811**	**35,758**	**25,255**	**26,497**
Less: future finance charges	(9,556)	(9,261)	-	-
Present value of lease obligations	**25,255**	**26,497**	**25,255**	**26,497**
Less: amount due for settlement within 12 months			(1,525)	(1,184)
Amount due for settlement after 12 months			**23,730**	**25,313**

The Company leases certain assets under finance leases including buildings, head-ends and certain vehicles with average lease terms of 20, 20 and 5 years, respectively. Leases of head-ends include the equipment used to receive signals of various devices, whether directly from the transmitter or from a microwave relay system. These devices are used, among other things, to transmit data and telephony and television signals. For the year ended December 31, 2006, the average effective borrowing rate was 4.69% (2005: 3.76%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

On July 20, 2006, Telenet NV entered into an arrangement to finance the construction of a new building for a maximum amount of € 30,000. At the end of the construction period the company will start paying quarterly lease payments, based on fixed capital repayments, in order to repay the total amount financed plus applicable interest charges. The lease period will last for 15 years starting at the end of the construction period and the Company has a bargain purchase option at the end of the lease. On November 17, 2006 the Company entered into an agreement with the lessors pursuant to which the contractual interest margin of 1.00% will be payable over a fixed rate of 3.89% for the term of the finance arrangement.

During the construction phase, the Company will pay interest on amounts drawn under the finance arrangement based on 3-month Euribor plus a 1.00% margin. As of December 31, 2006 the total amount capitalized for construction in progress was € 15,545 and an equivalent amount plus accrued interest is presented as short-term borrowings pursuant to the terms of the above mentioned finance agreement. At the end of the construction period a sale and lease back will be accounted for whereby the lease back is a finance lease.

5.11.8 Repayment Schedule

Aggregate future principal payments on the total borrowings under all of the Company's debt agreements other than finance leases are shown in the following table. The Senior Discount Note is included at its fully accreted value.

	December 31, 2006	December 31, 2005
On demand or within one year	52,628	12,342
In the second year	61,441	51,725
In the third year	72,298	52,166
In the fourth year	82,018	52,485
In the fifth year	480,241	52,199
After five years	740,901	1,307,492
	1,489,527	**1,528,409**
Less: Interest to be accreted on the Senior Discount Note	(59,791)	(85,628)
	1,429,736	**1,442,782**

5.11.9 Guarantees and Covenants

Obligations under the Senior Notes, Senior Discount Notes and the New Senior Credit Facility are guaranteed and cross guaranteed by certain subsidiaries of Telenet Group Holding. The obligations are also secured by mortgages and by pledges of certain equity interests, material contracts, and other rights and claims held by certain of Telenet Group Holding's subsidiaries including, on a consolidated basis, property and equipment of € 957,028, intangible assets of € 261,752, trade receivables of € 104,484 and other current assets of € 24,241.

As of December 31, 2006 and 2005, the Company was in compliance with all of its financial covenants.

5.12 Derivative financial instruments

The Company seeks to reduce its foreign currency exposure through a policy of matching, to the extent possible, assets and liabilities denominated in foreign currencies. In addition, the Company uses certain derivative financial instruments in order to manage its exposure to exchange rate and interest rate fluctuations arising from its operations and funding. The Company has identified certain foreign exchange forward contracts, interest rate swaps, caps and collars as cash flow hedges and has determined that it has no significant embedded derivative instruments that are required to be bifurcated and measured at fair value. The Company is also exposed to credit risks.

5.12.1 Foreign Currency Cash Flow Hedges

The Company continues to apply hedge accounting in relation to its foreign exchange forwards that were purchased historically to hedge the U.S. dollar foreign exchange risk related to the U.S. dollar-denominated Senior Discount Notes.

The hedging instrument in this hedging relationship is the spot value of the foreign exchange forwards, as defined by the difference between the spot rate at inception and the closing spot rate. The hedged risk is the variability in the Euro-equivalent cash flows related to the fully accreted amount of the Senior Discount Notes.

As of December 31, 2006 and December 31, 2005 outstanding foreign exchange forward contracts that qualified as cash flow hedges were as follows:

	December 31, 2006	December 31, 2005
Forward purchase contract		
Notional amount in U.S. dollars	362,700	362,700
Weighted average strike price (U.S. dollars per Euro)	1.1930	1.1930
Maturity	December 15, 2008	December 15, 2008

5.12.2 Foreign Exchange Risk Related to Operations

The Company uses forward and option contracts in order to limit its exposure to the U.S. dollar fluctuations against the Euro for transactions that are part of daily operations. These derivatives are economic hedges but have not been accounted for as cash flow hedges.

Derivative financial instruments covering operational foreign exchange risk exposure as of December 31, 2006 and December 31, 2005 were as follows:

	December 31, 2006	December 31, 2005
Option contracts		
National amount in U.S. dollars	17,000	17,500
Weighted average strike price (U.S. dollars per Euro)	1.29	1.17
Maturity	From January to June 2007	From January to July 2006

5.12.3 Interest Rate Risk

The Company has entered into interest rate swaps, caps and collars designed to hedge the interest rate exposure associated with various floating rate debts.

Interest rate swaps qualifying for cash flow hedge accounting have been designated as hedging instruments in their entirety. The time value of cap and collar contracts has been excluded from the designation. Hedge effectiveness is determined using the hypothetical derivative method. Cumulative changes in the fair value of the hedging instrument are compared to cumulative changes in the fair value of the hypothetical derivative.

When the Company determines that a derivative is not highly effective as a hedging instrument, hedge accounting is discontinued prospectively. Consequently, amounts accumulated in other comprehensive income are transferred to earnings in the same periods during which the hedged forecasted transaction affects earnings. When hedge accounting is discontinued because it is no longer expected that a forecasted transaction will occur, the Company reclassifies amounts accumulated in the hedging reserve to earnings immediately.

In conjunction with entering into the New Senior Credit Facility, during the second quarter of 2006, the Company discontinued cash flow hedge accounting for all outstanding interest rate derivatives. Consequently, cumulative losses that were previously recorded through hedging reserves were reversed into profit or loss for an amount of € 2,173.

During the second semester of 2006, the Company has defined several new cash flow hedge relationships for a portion of its interest rate derivatives.

As of December 31, 2006 and December 31, 2005, the outstanding contracts were as follows:

	December 31, 2006	**December 31, 2005**
Interest rate swaps		
Notional amount	171,163	180,762
Average pay interest rate	4.79%	4.78%
Average receive interest rate	2.9%	2.4%
Maturity	From 2008 to 2011	From 2008 to 2011
Caps		
Notional amount	49,046	59,504
Average cap interest rate	4.4%	4.4%
Maturity	From 2009 to 2017	From 2009 to 2017
Collars		
Notional amount	450,000	450,000
Average floor interest rate	2.5%	2.5%
Average cap interest rate	5.4%	5.4%
Maturity	From 2009 to 2011	From 2009 to 2011

5.12.4 Summary

The cumulative impact of the all of the derivative instruments described above has been allocated between hedging reserves and earnings as follows:

	Fair Value	Hedging Reserves	Earnings
January 1, 2005	**(81,134)**	**(26,627)**	**(54,507)**
Change in fair value of foreign exchange forward contracts	51,576	62,161	(15,540)
Change in fair value of foreign exchange forward contracts reclassified into earnings	-	(43,403)	43,403
Change in fair value of foreign exchange option contracts	251	-	251
Change in fair value of interest rate derivatives qualifying for hedge accounting	252	(70)	322
Change in fair value of interest rate derivatives not qualifying for hedge accounting	6,383	-	6,383
Amortization of the change in fair value of interest rate derivatives frozen upon discontinuance of hedge accounting	-	9,017	(9,017)
December 31, 2005	**(22,672)**	**1,078**	**(28,705)**
Change in fair value of foreign exchange forward contracts	(20,586)	(32,052)	11,466
Change in fair value of foreign exchange forward contracts reclassified into earnings	-	24,517	(24,517)
Change in fair value of foreign exchange option contracts	(254)	-	(254)
Change in fair value of interest rate derivatives qualifying for hedge accounting	2,429	685	1,744
Change in fair value of interest rate derivatives not qualifying for hedge accounting	4,878	-	4,878
Amortization of the change in fair value of interest rate derivatives frozen upon discontinuance of hedge accounting	-	98	(98)
Immediate transfer of amounts accumulated in hedging reserve to profit or loss due to discontinuance of hedge accounting	-	2,075	(2,075)
December 31, 2006	**(36,205)**	**(3,599)**	**(37,561)**

The difference between the cumulative change in fair value of the derivative instruments and the cumulative amounts booked in the hedging reserve and earnings amounts to € 4,955. This corresponds to the settlement of foreign exchange forward contracts in 2005.

5.12.5 Credit Risk

Credit risk relates to the risk of loss that the Company would incur as a result of non-performance by counterparties. The Company maintains credit risk policies with regard to its counterparties to minimize overall credit risk. These policies include an evaluation of a potential counterparty's financial condition, credit rating, and other credit criteria and risk mitigation tools as deemed appropriate.

The largest share of the gross assets subject to credit risk is accounts receivable from residential and small commercial customers located throughout Belgium. The risk of material loss from nonperformance from these customers is not considered likely. Reserves for uncollectible accounts receivable are provided for the potential loss from nonpayment by these customers based on historical experience.

With regards to credit risk on financial instruments, the Company maintains a policy of entering into such transactions only with highly rated European and U.S. financial institutions.

5.12.6 Fair market value

The carrying amounts and related estimated fair values of the Company's significant financial instruments were as follows:

	December 31, 2006		December 31, 2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including short-term maturities)	(1,413,961)	(1,477,765)	(1,489,564)	(1,576,295)
Foreign exchange forward	(31,490)	(31,490)	(10,904)	(10,904)
Foreign exchange options	(227)	(227)	27	27
Interest rate swaps	(2,840)	(2,840)	(7,994)	(7,994)
Caps	(352)	(352)	(718)	(718)
Collars	(1,296)	(1,296)	(3,083)	(3,083)
Total derivative instruments	**(36,205)**	**(36,205)**	**(22,672)**	**(22,672)**
Total	**(1,450,166)**	**(1,513,970)**	**(1,512,236)**	**(1,598,967)**

The fair values of interest rate swaps and foreign exchange forwards are calculated by the Company based on swap curves flat, without extra credit spreads. Confirmations of the fair values received from the contractual counterparties, which are all commercial banks, are used to validate the internal calculations. The fair value of derivative instruments containing option-related features are determined by commercial banks and validated by management.

The fair values of our long-term debt instruments are derived as the lesser of either the call price of the relevant instrument or the market value as determined by quoted market prices at each measurement date, where available, or, where not available, at the present value of future cash flows discounted at rates consistent with comparable maturities with similar credit risk to the appropriate measurement date.

The carrying amounts for financial assets classified as current assets and the carrying amounts for financial liabilities classified as current liabilities approximate fair value due to the short maturity of such instruments. The fair values of other financial instruments for which carrying amounts and fair values have not been presented are not materially different than their related carrying amounts.

Management has applied its judgment in using market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company would realize in a current market exchange.

5.13 Deferred taxes

Telenet Group Holding and its consolidated subsidiaries each file separate tax returns in accordance with Belgian tax laws. For financial reporting purposes, Telenet Group Holding and its subsidiaries calculate their respective tax assets and liabilities on a separate-return basis. These assets and liabilities are combined in the accompanying consolidated financial statements.

The tax effects of significant temporary differences and tax loss carry forwards are presented below:

	December 31, 2006	December 31, 2005
Deferred income tax assets		
Financial instruments	5,700	12,251
Bad debt allowance	6,023	5,929
Tax loss carry-forwards	260,899	307,349
Total deferred tax assets	**272,622**	**325,529**
Deferred income tax liabilities		
Intangible assets	7,327	3,399
Property and equipment	664	1,448
Other	330	420
Total deferred tax liabilities	**8,321**	**5,267**
Net deferred income tax assets	**264,301**	**320,262**
Net deferred income tax recognized in the balance sheet	**6,477**	**-**

As of December 31, 2006, Telenet Group Holding and its subsidiaries had available combined cumulative tax loss carry forwards of € 698,877 (2005: € 672,617). Under current Belgian tax laws, these loss carry forwards have an indefinite life and may be used to offset the future taxable income of Telenet Group Holding and its subsidiaries. As Telenet Group Holding and virtually all of its subsidiaries have never realized any substantial taxable profits, no deferred taxes have been recognized.

Two subsidiaries acquired in a previous business combination made taxable profits of € 85,366 (2005: € 37,135) during the year and utilized tax loss carryforwards which had not been previously recognized as deferred tax assets. One of these two subsidiaries was liquidated in 2006. The utilization of tax losses carried forward from previous business combinations is recorded as a reduction of goodwill using the historic tax rate of 40.17% applicable at the time of the acquisition while the deferred tax asset is established using the current tax rate of 33.99%. This results in a deferred tax expense of € 34,292 (2005: € 14,917). Available tax loss carry forwards were reduced by € 381,689 during 2005 as a result of taxable profits being recognized on permanent tax differences and adjustments related to the mergers and disallowed expenses. Taxable profit is reduced by a notional interest deduction which can be carried forward for 7 years.

5.14 Other liabilities

	December 31, 2006	December 31, 2005
Copyright fees	3,453	11,131
Employee benefit obligations	16,859	9,868
Other	9,396	2,756
	29,708	**23,755**

In 2004, the Company, together with other Belgian cable operators, concluded negotiations with certain of the broadcasters and copyright collection agencies in Belgium that determined the copyright fees due by cable operators that represented the significant majority of the claims previously outstanding. The Company remains in litigation with smaller copyright collection agencies and broadcasters and has reached an agreement in principle on some of the outstanding terms. The Company has accrued € 18,260 (2005: € 22,884) for settlement of these fees of which € 14,807 (2005: € 11,753) is considered to be short-term and is recorded under accrued expenses and other current liabilities.

5.15 Employee benefit plans

The majority of Telenet's employees participate in defined contribution plans funded through a group insurance or pension fund. By law, those plans provide an average minimum guaranteed rate of return over the employee's career equal to 3.75% on employee contributions and 3.25% on employer contributions paid as from January 1, 2004 onwards. Since the actual rates of return have been significantly higher, no provisions have been accounted for. During 2006, an amount of € 1,871 (2005: € 1,430) was paid by the employer with respect to those plans.

The accumulated plan assets in the pension fund amount to € 15,503 at December 31, 2006 (2005: € 11,759). The Company has also recognized a liability of € 2,973 at December 31, 2006 (2005: € 1,591) for long term service awards.

The funded defined benefit pension plans are financed through insurance contracts which provide a guaranteed rate of return. The plan assets do not include any shares issued by Telenet or property occupied by Telenet.

The amounts recognized in the balance sheet are as follows:

	Defined Benefit Plans		Postretirement Plans	
	2006	**2005**	**2006**	**2005**
Present value of funded obligations	7,080	4,719	-	-
Fair value of plan assets	(6,185)	(1,878)	-	-
	895	**2,841**	**-**	**-**
Present value of unfunded obligations	-	-	6,351	3,471
Unrecognized net actuarial loss	(1,680)	(1,440)	(1,856)	(490)
Net (asset) liability in balance sheet	**(785)**	**1,401**	**4,495**	**2,981**

The amounts recognized in the income statement are as follows:

	Defined Benefit Plans		Postretirement Plans	
	2006	**2005**	**2006**	**2005**
Service cost	2,375	2,186	855	984
Interest cost	270	206	240	142
Expected return on plan assets	(163)	(74)	-	-
Losses/(gains) on curtailments	-	-	461	-
Actuarial losses recognized in the year	60	5	90	-
Total	**2,542**	**2,323**	**1,646**	**1,126**

Of the charge for the year, € 3,555 (2005: € 2,825) is included in costs of services provided in the income statement, € 192 (2005: € 350) is included in selling, general and administrative and € 441 (2005: € 274) is included in finance cost.

Changes in the present value of the defined benefit obligation are as follows:

	Defined Benefit Plans		Postretirement Plans	
	2006	**2005**	**2006**	**2005**
Opening defined benefit obligation	4,719	2,265	3,471	1,855
Service cost	2,375	2,186	855	984
Interest cost	270	206	240	142
Plan participants contributions	60	57	-	-
Losses/(gains) on curtailments	-	-	461	-
Actuarial loss/(gain)	(317)	326	1,456	490
Benefits paid	(27)	(321)	(132)	-
Closing defined benefit obligation	**7,080**	**4,719**	**6,351**	**3,471**

Changes in the fair value of plan assets are as follows:

	Defined Benefit Plans		Postretirement Plans	
	2006	**2005**	**2006**	**2005**
Opening fair value of plan assets	1,878	1,462	-	-
Actual return on plan assets	163	74	-	-
Company contributions	4,727	1,625	132	-
Plan participants contributions	59	56	-	-
Actuarial (loss)/gain	(615)	(1,018)	-	-
Benefits paid	(27)	(321)	(132)	-
Closing fair value of plan assets	**6,185**	**1,878**	**-**	**-**

A 1% change in assumed medical cost increase would have the following effects on:

	1% increase	1% decrease
a) aggregate amount of service cost and interest cost	157	(123)
b) defined benefit obligation	687	(577)

The experience adjustments for the current and previous four annual periods amount to:

	2006	2005	2004	2003	2002
Defined benefit obligation	13,431	8,189	4,120	410	287
Fair value of plan assets	6,185	1,878	1,462	317	213
(Surplus) / deficit	7,246	6,311	2,658	93	74
Experience adjustments on plan liabilities	1,634	-	-	-	-
Experience adjustments on plan assets	(615)	(1,018)	-	-	-

The principal assumptions used for the purpose of the actuarial valuations are as follows:

	Defined Benefit Plans		Postretirement Plans	
	2006	2005	2006	2005
Discount rate at December 31	4.30%	4.00%	4.30%	4.00%
Rate of compensation increase	3.09%	3.11%	-	-
Expected return on plan assets	4.00%	4.83%	-	-
Underlying inflation rate	2.00%	2.00%	2.00%	2.00%
Increase of medical benefits	-	-	3.00%	3.00%

5.16 Accrued expenses and other current liabilities

	December 31, 2006	December 31, 2005
Customer deposits	25,859	25,451
Compensation and employee benefits	32,828	30,574
Financial instruments	275	2,465
VAT and withholding taxes	4,244	1,616
Copyright fees	14,807	11,753
Other current liabilities	1,479	2,270
	79,492	**74,129**

5.17 Revenue

The Company's revenue, for both continuing and discontinued operations, are comprised of the following:

	For the year ended December 31,	
	2006	**2005**
Continuing operations		
Cable television:		
- Basic Subscribers [1]	199,433	198,557
- Premium Subscribers [1]	47,312	51,808
- Distributors/Other	36,788	17,211
Residential:		
- Internet	268,588	231,097
- Telephony [2]	183,269	160,930
Business	78,062	73,914
Subtotal continuting operations	**813,452**	**733,517**
Discontinued Operations		
Residential:		
- Telephony [2]	7,509	9,364
Total	**820,961**	**742,881**

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

The Company also has unearned revenue as follows:

	December 31, 2006	**December 31, 2005**
Cable television		
- Basic Subscribers [1]	113,982	107,861
- Premium Subscribers [1]	10,104	3,756
- Distributors/Other	207	777
Residential		
- Internet	10,539	8,079
- Telephony [2]	2,529	2,062
Business	643	1,878
Total	**138,004**	**124,413**
Current portion	123,179	112,876
Long-term portion	14,825	11,537

(1) Basic and premium cable television substantially comprises residential customers, but also includes a small proportion of business customers.
(2) Residential telephony revenue also includes interconnection fees generated by business customers.

Unearned revenues are generally fees prepaid by the customers and, as discussed in Note 2, are recognized in the Income Statement on a straight-line basis over the related service period.

5.18 Expenses by nature

	For the year ended December 31	
	2006	**2005**
Employee benefits		
- Wages, salaries, commissions and social security costs	91,498	89,203
- Share-based payments granted to directors and employees	1,587	2,196
- Other employee benefit costs	21,246	18,854
Employee benefits	**114,331**	**110,253**
Depreciation and impairment	172,355	159,084
Amortization	43,118	39,087
Amortization of broadcasting rights	5,497	8,144
Network operating and service costs	247,130	213,137
Advertising, sales and marketing	57,117	49,401
Other costs	37,831	32,202
Total costs and expenses	**677,379**	**611,308**
Attributable to:		
Continuing operations	669,718	602,338
Discontinued operations	7,661	8,970
	677,379	**611,308**

The average number of full time equivalents employed by the Company during the year ended December 31, 2006 was 1,552 (2005: 1,503).

5.19 Finance costs

	For the year ended December 31	
	2006	2005
Interest expense (including amortization of financing cost)	98,888	142,676
Interest income	(4,569)	(3,420)
Interest expense, net	**94,319**	**139,256**
Net foreign exchange transaction (gains)/losses on financing transactions	(23,580)	40,262
Change in fair value of foreign exchange forward contracts reclassified into earnings (Note 12)	24,517	(43,403)
Change in fair value of derivatives (Note 12)	(15,661)	17,601
Net (Gains)/losses on derivative financial instruments	8,856	(25,802)
Loss on extinguishment of debt	21,355	39,472
Finance costs, net	**100,950**	**193,188**
Attributable to:		
Continuing operations	100,963	193,208
Discontinued operations	(13)	(20)
	100,950	**193,188**

5.20 Income tax expense

	For the year ended December 31	
	2006	2005
Current tax expense	107	136
Deferred tax expense (Note 13)	34,292	14,917
Income tax expense	**34,399**	**15,053**
Attributable to:		
Continuing operations	34,283	14,938
Discontinued operations	116	115
	34,399	**15,053**

The tax on the Company's profit/(loss) before tax differs from the theoretical amount that would arise using the Belgian statutory tax rate applicable to profits/(losses) of the consolidated companies as follows:

	For the year ended December 31	
	2006	**2005**
Income (loss) before tax from continuing operations	42,771	(62,029)
Income (loss) before tax from discontinued operations	(2,919)	415
Income (loss) before tax	**39,852**	**(61,614)**
Income tax expense/(benefit) at the Belgian statutory rate of 33.99%	13,546	(20,943)
Expenses not deductible for tax purposes	17,907	20,738
Recognition of previously unrecognized acquired tax losses through goodwill at the historic Belgian statutory rate of 40.17%	34,292	14,917
Utilization of previously unrecognized tax losses	(34,950)	(14,929)
Tax losses for which no deferred income tax asset was recognised	3,604	15,270
Tax expense for the year	**34,399**	**15,053**

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:

	For the year ended December 31	
	2006	**2005**
Net Income (loss)		
Net Income (loss) from continuing operations used in the calculation of basic earnings per share from continuing operations	8,488	(76,967)
Net Income (loss) from discontinued operations used in the calculation of basic earnings per share from discontinued operations	(3,035)	300
Net Income (loss) attributable to the equity holders of the Company	**5,453**	**(76,667)**
Weighted average number of shares		
Weighted average number of ordinary shares	100,365,003	89,503,387
Weighted average number of Class A Profit Certificates	120,536	-
Weighted average number of Class B Profit Certificates	140,008	-
Weighted average number of shares used in the calculation of basic earnings/(loss) per share (all measures)	**100,625,546**	**89,503,387**
Basic and diluted earnings (loss) per share in €		
From continuing operations	0.08	(0.86)
From discontinued operations	(0.03)	-
Total basic and diluted earnings (loss) per share	**0.05**	**(0.86)**

5.21.2 Diluted

Diluted earnings/(loss) per share is calculated adjusting the weighted average number of shares in issue to assume conversion of all dilutive potential ordinary shares. During the year ended December 31, 2005, the Company had six categories of dilutive potential ordinary shares: Class A and Class B Options, stock options under the 1999 and 1998 Plans, the Bank Warrants and the Subordinated Debt Warrants. Of these, only the Class A and Class B Options and the Subordinated Debt Warrants are still outstanding during the year ended December 31, 2006 as the other instruments were exercised during September 2005. The effects of the dilutive potential ordinary shares were not included in the computation of diluted loss per share for the year ended December 31, 2005 because they are anti-dilutive. The earnings used in the calculation of all diluted earnings per share measures are the same as those for the equivalent basic earnings per share measures, as outlined above.

	For the year ended December 31	
	2006	**2005**
Weighted average number of shares		
Weighted average number of shares used in the calculation of basic earnings/(loss) per share	100,625,546	89,503,387
Adjustment for:		
- Class A Options	825,132	-
- Class B Options	400,537	-
- Subordinated Debt Warrants	2,602,510	-
Weighted average number of shares used in the calculation of diluted earnings/(loss) per share (all measures)	**104,453,725**	**89,503,387**
Basic and diluted earnings (loss) per share in €		
From continuing operations	0.08	(0.86)
From discontinued operations	(0.03)	-
Total basic and diluted earnings/(loss) per share	**0.05**	**(0.86)**

5.22 Acquisitions and disposals of subsidiaries

5.22.1 Acquisition of Hypertrust

On February 2, 2006, the Company announced the acquisition of the assets and rights of Hypertrust, a Belgian provider of on-line digital photography services, for € 550. Hypertrust's technology, which was previously marketed under the Pixagogo and Photoblog brand names, allows Telenet broadband internet and iDTV customers to easily store, manage and share digital photographs. The Company has allocated € 70 of the total consideration paid to property and equipment and the remaining € 480 to goodwill.

5.22.2 Acquisition of UPC Belgium

The Company completed the acquisition of 100% of UPC Belgium from LGI on December 31, 2006 for € 183,076, net of cash acquired of € 22,343. The acquisition was paid for in cash. UPC Belgium is a leading provider of television and broadband internet in the Brussels and Leuven regions. The acquisition provides the opportunity to expand the Company's footprint and offer its interactive digital television and telephony products to UPC Belgium's customers. On a provisional basis, the Company has allocated the consideration paid over the net assets as follows:

	December 31, 2006
Current assets, net of cash acquired	1,263
Fixed assets	16,352
Intangible assets	17,061
Non current assets	65
Liabilities assumed	(26,159)
Goodwill	174,495
Total cash consideration paid	**183,077**

5.22.3 Disposal of Phone Plus

On November 28, 2006, Telenet signed an agreement for the sale of 100% of its equity ownership in its wholly-owned Phone Plus subsidiary to Toledo Telecom. Under the terms of the transaction, Telenet will receive total cash consideration of € 2,350 less € 1,056 cash and cash equivalents that was held by Phone Plus when sold. Of the cash consideration, € 1,175 is postponed until 2007. Telenet made the decision to sell Phone Plus as part of an optimisation of its products and services. In that review, Phone Plus was considered to be a non-core business. Toledo Communications and Telenet Solutions are working towards further broadening and deepening of their business cooperation for voice and data products. Goodwill held by the group was derecognized on disposal of Phone Plus for € 4,482.

	For the year ended December 31	
	2006	2005
Loss from discontinued operations		
Revenue	7,509	9,364
Expenses	(7,648)	(8,949)
Profit/(loss) before tax	(139)	415
Attributable income tax expense	(116)	(115)
	(255)	**300**
Loss on disposal of business	(2,780)	
Profit/(loss) from discontinued operations	**(3,035)**	**300**
Cash flows from discontinued operations		
Net cash flows from operating activities	153	37
Net cash flows used in investing activities	(39)	(35)
Net cash flows from financing activities		
Net cash flows	**114**	**2**
Book value of net assets sold		
Non-current assets	125	-
Current assets	2,864	-
Non-current liabilities	(11)	-
Current liabilities	(2,157)	-
Net assets disposed of	**821**	**-**

5.23 Non cash investing and financing transactions

	For the year ended December 31	
	2006	2005
Acquisition of network user rights in exchange for debt	2,182	1,311
Extinguishment of Senior Credit Facility via the New Senior Credit Facility	600,000	-
Acquisition of property and equipment in exchange for short-term borrowings	9,670	-
Disposal of business in exchange for note receivable	1,175	-

5.24 Commitments and contingencies

5.24.1 Interconnection Litigation

The Company has been involved in legal proceedings with Belgacom related to the increased interconnection fees that have been charged since August 2002 to telephone operators to terminate calls made to end users on the Company's network.

The Company obtained approval from the Belgian Institute for Postal Services and Telecommunications (BIPT) to increase its interconnection rates for inbound domestic calls in August 2002. Belgacom increased the tariffs charged to its telephony customers calling Telenet numbers to reflect the Company's increased termination rates.

Belgacom challenged the Company's increased interconnection termination rates before the Commercial Court of Mechelen (Rechtbank van Koophandel) alleging abusive pricing. Belgacom has further challenged the BIPT's approval of the Company's increased domestic interconnection termination rates before the Council of State (Raad van State), the highest administrative court in Belgium. The Council of State may affirm the BIPT's decision or return the case to the BIPT for reconsideration. The Council of State rejected an emergency request from Belgacom to suspend the implementation of the increased interconnection termination rate.

On January 20, 2004, the President of the Commercial Court in Mechelen rendered a judgement in the case where Belgacom contested the validity of the Company's interconnection tariffs which was heard on September 23, 2003. The judgement stated that there is no indication that the Company's interconnection tariffs constitute a breach of the unfair trade practices law, competition law or pricing regulations as invoked by Belgacom. As a result, the judge determined that Belgacom's potential claim is limited to a contractual matter upon which the judge who heard the case was not competent to rule, considering the nature of the procedure initiated by Belgacom. The judge therefore dismissed the claim. The Company's is currently not required to change the interconnection rates it currently charges to Belgacom and which were approved in 2002 by the BIPT.

Belgacom appealed this judgement in April 2004. On March 17, 2005, the Court of Appeals of Antwerp dismissed Belgacom's claims. In February 2006, Belgacom brought the case before the Belgian Supreme Court *(Hof van Cassatie /Cour de Cassation),* which will have the authority to review only whether there has been a mistake of law or breach of certain formal procedural requirements in the case. We expect a final decision may take up to three years to be reached, since the Supreme Court can refer the case back to the Court of Appeal.

In August 2006, the BIPT issued a new decision on the fixed termination market, imposing a linear glide path over three year towards near reciprocity, starting in January 2007. Belgacom challenged the BIPT August decision before the Court of Appeal, imposing a three year gliding path for Telenet. We also challenged BIPT's decision as the gilding path prevents Telenet of recuperating all of its costs.

5.24.2 Operating Leases

The Company leases facilities, vehicles and equipment under cancelable and non-cancelable operating leases. The following schedule details, at December 31, 2006 and 2005, the future minimum lease payments under cancelable and non-cancellable operating leases:

	December 31, 2006	December 31, 2005
Within one year	12,238	7,762
In the second to fifth years, inclusive	22,181	10,849
Thereafter	3,881	1,146
Total minimum lease payments	38,300	19,758
Minimum lease payments recognized as an expense in the year	20,976	19,325

5.25 Related parties

The related parties of the Company mainly comprise its shareholders that have the ability to exercise significant influence. This consisted of the Liberty Global Consortium for both 2006 and 2005, and the MICs, Electrabel and Suez as a result of their direct and indirect ownership of the Company until the change in ownership at the time of the IPO in October 2005. As a result of the sale of their investment in the Company in December 2004 and the termination of the Strategic Services Agreement on May 11, 2005, Cable Partners Europe L.L.C. ('CPE') (formerly known as Callahan Associates International L.L.C.) and Callahan InvestCo Belgium 1 S.à.R.L. ('CIB') are no longer related parties. Transactions with other related parties primarily relate to leasing and derivative contracts held with a financial institution.

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

5.25.1 Balance Sheet

	December 31, 2006	December 31, 2005
Purchases of property and equipment – Other related parties	-	6
Other receivables – Other related parties	-	1,486
Accounts receivable – Liberty Global Consortium	15	-
Accounts payable – Liberty Global Consortium	10	23
Accrued expenses – Other related parties	-	974
Current portion of long-term debt – Other related parties	-	808
Long-term debt – Other related parties	-	19,110
Derivative financial instruments – Other related parties	-	6,255

5.25.2 Income Statement

	For the year ended December 31	
	2006	2005
Operating		
Leases and other operating expenses – Electrabel and Suez	-	(4,691)
Leases and other operating expenses – Liberty Global Consortium	(319)	(1,961)
Other operating income – Liberty Global Consortium	16	-
Other operating income – Electrabel and Suez	-	1,063
Interconnect net result – Other related parties	-	(10,284)
Other operating expenses – Other related parties	-	(3,501)
Finance costs		
Finance income/(loss) – Other related parties	-	3,387

5.25.3 Key management compensation

	December 31, 2006	December 31, 2005
Salaries and other short-term employee benefits	3,554	3,570
Post-employment benefits	174	150
Share-based payments	346	1,620
	4,074	**5,340**

On August 24, 2005, the Company's Chief Executive Officer also exercised the Bank Warrants as described in Note 10.

5.26 Subsidiaries

Details of the Company and its subsidiaries as of December 31, 2006 are as follows:

Company	National Number	Address	% Held	Consolidation Method
Telenet Group Holding NV	477.702.333	Liersesteenweg 4, 2800, Belgium	-	Parent company
Telenet Communciations NV	473.416.814	Liersesteenweg 4, 2800, Belgium	100%	Fully consolidated
Telenet Bidco NV	473.416.418	Liersesteenweg 4, 2800, Belgium	100%	Fully consolidated
Telenet NV	439.840.857	Liersesteenweg 4, 2800, Belgium	100%	Fully consolidated
Telenet Vlaanderen NV	458.840.088	Liersesteenweg 4, 2800, Belgium	100%	Fully consolidated
UPC Belgium	455.620.381	Chazallaan 140, 1030, Belgium	100%	Fully consolidated
Merrion Communications	6378934T	62, Merrion Square, Dublin 2, Ireland	100%	Fully consolidated
Telenet Solutions Luxembourg SA	1.999.223.4426	Rue de Neudorf 595, 2220 Luxembourg, Luxembourg	100%	Fully consolidated

In order to simplify the internal corporate structure of the Company and to align the corporate structure with the operating functioning of the Company, the Company completed the mergers of MixtICS and PayTVCo with Telenet NV during July 2005 with effect from January 1, 2005 and the merger of Telenet Solutions NV with Telenet NV on December 31, 2005 with effect from January 1, 2006. On January 31, 2006, Telenet Holding NV was liquidated since it no longer fulfilled any function in the group structure.

5.27 Subsequent events

5.27.1 Idtv RGUs: 250,000

On February 5, 2007 Telenet announced that it had passed the milestone of 250,000 digital TV subscribers. This success can be attributed to a successful Christmas campaign, coming after a year of steady growth in the takeup of Telenet's digital television services. Telenet also announced that it had carried out a successful software release at the end of January 2007 that enhanced the Digicorder and the Digibox performance characteristics.

5.27.2 Broadband internet RGUs: 800,000

On March 20, 2007, Telenet announced that it had passed the milestone of 800,000 broadband internet subscribers. This result underlines the success of Telenet's broadband internet service, which we believe is a combination of the speed offered, the range of tiers and the customer service we provide to support this product, both in Flanders and in Brussels. These numbers include approximately 43,000 broadband internet customers at UPC Belgium.

5.27.3 Interkabel

On January 24, 2007, Telenet received a letter from the Pure Intermunicipality companies (acting together under the Interkabel umbrella) inviting Telenet to submit a proposal to offer VOD services to Interkabel's customers. Telenet and Interkabel have engaged in another round of discussions on an agreement for iDTV. Telenet holds a number of rights for point-to-point services on the Interkabel networks which include Video on Demand.

Proposals for a broader framework of cooperation have also been exchanged. The outcome of these contacts cannot be predicted at this point. Telenet remains committed to work towards a constructive solution that is consistent with its rights which have been agreed at its foundation and which it will defend firmly.

5.27.4 European Commission Approval of LGI's Controlling Ownership in Telenet

On February 26, 2007, LGI announced that the European Commission has approved their increased and controlling ownership position in the Company. With this regulated approval, the Company will be consolidated by LGI for financial reporting purposes beginning January 1, 2007. LGI also stated that it intends to nominate a majority of the Company's Board of Directors.

5.28 External audit – joint audit

The general shareholders meeting of May 26 2005 has appointed PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, represented by Bernard Gabriëls, and BDO Bedrijfsrevisoren BCVBA, represented by Luc Annick and Hans Wilmots, as statutory auditor of the Company for a period of three years. The audit of the stand alone financial statements is a joint audit, whereas the audit of the consolidated financial statements is assigned to PricewaterhouseCoopers only. BDO is responsible for all legal missions for which the Company Law prescribes that an audit report is required.

The general shareholders' meeting has slightly adjusted the audit fee of PricewaterhouseCoopers for the Company to the amount of € 10,500. For the audit of the group the audit fee amounts to € 480,000. In 2006, PwC did not charge any fees for legal missions. The fees with respect to due diligence work performed by PwC for the Telenet Group amount to € 233,484 in 2006. A fee of € 112,176 is due for special missions delivered by PwC in 2006, other than the ones mentioned above. The latter related mainly to additional audit work and advisory services for Telenet NV. In addition, the different entities of the Telenet group accrued an amount of € 373,711 for the fees due to PwC Tax Consultants for tax advice. To the extent that these two amounts were higher than the audit fees, these fees were pre-approved by the Audit Committees of the Company and her affiliates. For the special missions of BDO an amount of € 9,075 was accrued in 2006. The latter related mainly to legal missions for the capital increases and the exercising of profit certificates.

Report of the Statutory Auditor on the Consolidated Financial Statements

Statutory auditor's report to the general shareholders' meeting on the consolidated accounts of the company Telenet Group Holding N.V. as of and for the year ended 31 December 2006

As required by law and the company's articles of association, we report to you in the context of our appointment as the company's statutory auditor. This report includes our opinion on the consolidated accounts and the required additional disclosure.

Unqualified opinion on the consolidated accounts

We have audited the consolidated accounts, disclosed on the pages 32 till 73, of TELENET GROUP HOLDING N.V. and its subsidiaries as of and for the year ended 31 December 2006, prepared in accordance with IFRS, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated balance sheet as of 31 December 2006 and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The total of the consolidated balance sheet amounts to € 2.592.088.000 and the consolidated statement of income shows a profit for the year of € 5.453.000.

The company's Board of Directors is responsible for the preparation of the consolidated accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with the legal requirements applicable in Belgium and with Belgian auditing standards, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement.

In accordance with the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated accounts contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the group's internal control relating to the preparation and fair presentation of the consolidated accounts, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the presentation of the consolidated accounts taken as a whole. Finally, we have obtained from the Board of Directors and of the group officials the explanations and

information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated accounts disclosed from page 32 till page 73, give a true and fair view of the group's net worth and financial position as of 31 December 2006 and of its results and cash flows for the year then ended in accordance with IFRS, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Additional remark

The company's Board of Directors is responsible for the preparation and content of the management report on the consolidated accounts.

Our responsibility is to include in our report the following additional remark, which does not have any effect on our opinion on the consolidated accounts:

- The management report on the consolidated accounts deals with the information required by the law and is consistent with the consolidated accounts. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the companies included in the consolidation, the state of their affairs, their forecast development or the significant influence of certain events on their future development. Nevertheless, we can confirm that the information provided is not in obvious contradiction with the information we have acquired in the context of our appointment.

May 3, 2007

The statutory auditor
PricewaterhouseCoopers Bedrijfsrevisoren bcvba
Represented by

Bernard Gabriëls
Bedrijfsrevisor

Telenet Group Holding NV
Abridged Annual Report of the Board of Directors to the Annual General Meeting of Shareholders

This section contains a short version of the statutory (unconsolidated) annual accounts and annual report of Telenet Group Holding NV.

The joint auditors issued an unqualified opinion on the 2006 Telenet Group Holding statutory annual accounts for Telenet Group Holding for the accounting year closed on 31 December 2006. The second part of the joint audit report also includes the additional paragraph similar to that included in the auditor's report on the consolidated annual accounts, as well as a number of specific paragraphs in respect of procedures in the context of articles 523 and 524 of the Belgian Company Code (conflict of interest reported by members of the Board of Directors).

The full version of the annual accounts and annual report will be filed with the National Bank and are available on the company's website (http://investors.telenet.be).

1 Abridged balance sheets TGH

Amounts in 1,000 Euro	**2006**	**2005**
Fixed assets	**1,574,190**	**1,442,003**
Formation Expenses	15,651	20,135
Financial Assets	1,558,539	1,421,868
Current assets	**383,629**	**475,259**
Amounts receivable after more than 1 year	371,795	329,544
Amounts receivable within 1 year	7,590	2,656
Other investments and deposits		138,052
Cash at bank and in hand	1,745	667
Deferred charges and accrued income	2,499	4,340
Total assets	**1,957,819**	**1,917,262**
Equity	**1,691,904**	**1,673,352**
Capital	1,656,645	1,647,365
Share premium account	61,034	60,815
Reserves	1,223	527
Accumulated losses	(26,998)	(35,355)
Liabilities	**265,915**	**243,910**
Amounts payable after more than 1 year	242,774	236,813
Amounts payable within 1 year	14,244	7,097
Accrued charges and deferred income	8,897	
Total liabilities	**1,957,819**	**1,917,262**

2 Abridged profit & loss account TGH

	2006	2005
Operating Income		
Operating charges	(5,248)	(2,363)
Operating loss	**(5,248)**	**(2,363)**
Financial income	12,744	(2,308)
Extraordinary income	860	(18,029)
Profit (loss) to be appropriated	**8,356**	**(22,700)**

3 Capital TGH

	2006	Number of shares
Issued capital		
Previous year	1,647,365	
12/05/06 capital increase	293	35,145
29/05/06 capital increase	231	27,732
12/10/06 capital increase	1,900	285,000
12/10/06 capital increase	1,939	232,692
22/12/06 capital increase	4,918	300,033
This year	**1,656,645**	**101,085,455**
Composition of the capital		
Ordinary shares without nominal value	1,656,645	101,085,455

4 Accounting policies

4.1 General valuation rules

Every component of the assets is valued individually. Depreciation was calculated on an annual basis up to 2001 and on a monthly basis from 2002 onward.

As a general rule, each component of the assets is valued at its acquisition cost, and shown in the balance sheet at that amount, minus any depreciation or write-downs.

The amounts receivable are also shown, in principle, at their nominal value.

4.2 Abridged specific rules

4.2.1 Expenses for formation and capital increase

These expenses are shown at their acquisition value and amortized using the straight-line method over 4 years.

Expenses for formation and capital increase in foreign currency are kept at the historic exchange rate. That value is used for the calculation of amortization and write-downs.

The capitalised issue expenses relating to the Senior Discount Notes and the Senior Notes will be spread over the term of the loan and included in the result in proportion to the monthly amount of interest.

4.2.2 Financial assets

Investments are shown at their acquisition value. A write-down is shown if the disposal value on the date of the balance sheet would be lower than the book value.

4.2.3 Amounts receivable within one year

Amounts receivable are shown on the balance sheet at their nominal value.

An appropriate write-down will be made if part or all of the payment on the due date is uncertain, or if the disposal value on the date of closure of the annual accounts is lower than the book value.

Amounts receivable in foreign currency are converted at the official exchange rate applicable on the date when the invoice is posted. At the end of the financial year, they are converted using the official exchange rate on the balance sheet date.

4.2.4 Cash and near-cash investments

Balances held with financial institutions are valued at their nominal value.
Securities are valued at their acquisition value.
Near-cash investments are shown at their nominal value.
The additional expenses are charged immediately against the result.
Write-downs are made if the disposal value on the balance sheet data is lower than the book value.

4.2.5 Creditors, amounts falling due in more than one year and within one year

Creditors are shown in the balance sheet at their nominal value.

Trade creditors in foreign currency are shown at the exchange rate on the date when the incoming invoice was posted.

At the end of the financial year, they are converted using the official exchange rate on the balance sheet date.

4.2.6 Profit and loss account

Expenditure and income are calculated for the period to which they relate.

4.2.7 Foreign exchange hedging

The company uses hedging instruments to cover its foreign currency position, due to the issue of the US dollar Senior Discount Notes. The difference between the cash rate when the contract was entered into and the forward rate which is stipulated in the forward contract is spread in the result over the term of the contract.

5 Abridged annual report concerning the statutory annual accounts of Telenet Group Holding NV

5.1 Comments on the Balance Sheet

5.1.1 Formation expenses

Formation expenses amount to € 15.7 million.
Depreciation on these expenses amounts to € 4.5 million.

5.1.2 Financial assets

The participating interests in affiliated companies amounting to € 1,558.5 million consist primarily of shares held in Telenet Communications NV, valued at € 1,555 million. In January 2006, this participation was increased with € 136 million by the payment in full of 2,720,143 new shares, financing the repayment of Senior notes in Telenet Communications.

The 0.35% participating interest in Telenet Holding NV valued at € 2.8 million was replaced by a participation in Telenet NV valued at € 3.5 million (which following a capital decrease in Telenet NV was reduced by € 0.3 million to € 3.2 million) and a participation in Telenet Vlaanderen valued at € 0.4 million (of which € 150,000 (37.5%) has not yet been paid up).

5.1.3 Amounts receivable after more than one year

Amounts receivable after more than one year consist of a loan granted to Telenet Communications NV amounting to € 372 million.

5.1.4 Amounts receivable within one year

Amounts receivable within one year consist of a loan granted to Telenet NV amounting to € 7.6 million.

5.1.5 Deferred charges and accrued income

The deferred charges and accrued income consist of report costs to be carried forward amounting to € 2.5 million.

5.1.6 Capital

In 2006 the following capital increases took place: on May 12, May 29 and October 12 2006 the capital was increased by a total amount of € 4.363 million as a result of the conversion of profit certificates whereby 580,569 new shares were issued.

On December 22, 2006 the capital was increased by € 4.9 million through issuance of 300,033 new shares following an offering to employees. An amount of € 0.2 million was registered as issuance premium.

5.1.7 Amounts payable after more than one year

On 22 December 2003, Telenet Group Holding NV was refinanced by means of the issue of 11.5% Senior Discount Notes amounting to € 258.2 million or USD 319.7 million.

The outstanding amount at year-end 2006 valued at closing price amounts to USD 291.4 million or € 221.2 million.

Further Telenet Group Holding NV has an outstanding long-term debt to Telenet Communications NV amounting to € 21.5 million.

5.1.8 Amounts payable within one year

The amounts payable within one year consist mostly of other amounts payable. These refer to the Senior Discount Notes, of which the total amount to repay at due date December 15, 2008 valued at USD 362.7 million were hedged by forward contracts. The difference between the spot rate and the closing rate at year-end results in an additional debt of € 14.1 million. Furthermore the amounts payable within one year consist of trade payables amounting to € 0.145 million.

5.1.9 Accrued charges and deferred income

The accrued charges and deferred income also refer to the Senior discount notes and represent the difference between the forward rate and the spot rate, valued at € 8.9 million.

5.2 Comments on the Profit & Loss Account

The Profit & Loss account shows a profit of € 8,356,019.01 million for the financial year ended 31 December 2006. Total operating charges for the year amount to € 5,247,926.65.

Financial income mainly consists of interest income from loans granted to Telenet Communications NV for an amount of € 42.4 million.

Interest charges primarily represent interests relating to the Senior Discount Notes for an amount of € 23.4 million as well as regular write-off of debt-issuance costs on the Senior Discount Notes for an amount of € 0.5 million. The remaining € 1.7 million represent interests owed to Telenet Communications NV.

Other financial charges amount to € 4 million and consist of expensed report (€ 1.3 million and realized exchange differences (€ 2.4 million).

The other extraordinary income € 1 million consists mainly of an added value of the participation in Telenet Holding NV.

We propose to the General Shareholders' Meeting to carry forward both this year's profit of € 8,356,019.01 as well as the loss brought forward from prior years amounting to € 35,354,451.16. As a result, the loss to be carried forward amounts to € 26,998,432.15 as of 31 December 2006.

5.3 Research and development activities

Telenet still invests an important part of its revenues in research and development. In the past business year these activities concerned mainly the continued upgrade of our HFC network in order to maintain our premium positioning on the broadband market and to enable a further expansion of our iDTV product. In addition, the digital television platform is persistently being further developed aiming to increase customer experiences. On a general note, Telenet has also put various means in the innovation and development of new products to support the ongoing technology shifts in internet, telephony and television services.

5.4 Main risk factors

We refer to the consolidated annual report of the Board of Directors.

5.5 Subsequent events

We refer to the consolidated annual report of the Board of Directors.

5.6 Going concern

The going concern of the Company is entirely dependant on that of the Telenet Group.

Currently, the Telenet group still has a substantial amount of losses carry forward on the balance sheet, but succeeded this fiscal year in achieving a net profit for the first time since its foundation. This is entirely aligned to our long range plan, which encompasses a continued development of our profit generating activities in order to absorb the losses carry forward over time. Because of the strong growth in the number of subscribers on telephony, internet and premium television and a further focus on conscious cost control, we were again able to increase our operational result in a solid way.

The debt reduction program (partial prepayments of SDN, SN en SCF ahead of scheduled repayment dates) resulted in a decrease of Telenet's leverage (Net Total Debt/Annualized EBITDA) from 6.1x at the end of 2003 to approximately 3.7x at the end of 2006.

Taking into account the growing positive EBITDA results of the current year, the Board of Directors believes that the Telenet group will be able to fund the further development of its operations and to meet its obligations.

Based on this, the Board of Directors believes that the current valuation rules, as enclosed in the annual account, and in which the continuity of the Company is assumed, are correct and justified under the current circumstances.

5.7 Application of legal rules regarding conflicts of interest

We refer to the consolidated annual report of the Board of Directors.

5.8 Branch Offices of the company

Telenet Group Holding has no Branch Offices.

5.9 Extraordinary activities and special assignments carried out by the auditor

We hereby refer to the notes of the consolidated accounts.

5.10 Telenet Hedging Policy and the use of financial instruments

We refer to the consolidated annual report of the Board of Directors.

5.11 Grant of discharge to the Directors and Statutory Auditor

In accordance with the law and articles of association, you are requested to discharge the directors and the statutory auditors of their responsibilities assumed in the financial year 2006.

5.12 Resolution on behalf of the other persons present

As far as required, and given the fact that the other persons present at the Board meetings, such as advisors and the secretary, are not board members, you are requested to confirm that they have properly executed their function and that they cannot be held liable for the exercise of their function.

This report shall be deposited in accordance with the relevant legal provisions and is available at the registered office of the company.

Mechelen, April 27, 2007

On behalf of the Board of Directors

Safe Harbor Statement under the U.S. Private Securities Litigation Reform Act of 1995: 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, 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; 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; our ability to complete the integration of our billing systems; 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. 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.

Financial Information: The audited consolidated annual financial statements of Telenet Group Holding as of and for the years ended December 31, 2005 and 2006 have in each case been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU GAAP") unless otherwise stated.

Our mission

Telenet wants to contribute to a positive social development of people and businesses via innovative and accessible services for communication, information and leisure.

Our vision

As a service provider, we want to play a decisive role in the confluence of television, Internet and telephone services. The development of iDTV offers all consumers access to that confluence.

Our strategy

Telenet seeks to respond to present and future customer needs in a reliable manner. Telenet develops high-quality products and services. We support customers so that they can live and work with ease.

www.telenet.be

Responsible publisher: Telenet, Jan de Grave, Liersesteenweg 4, B-2800 Mechelen, Belgium. For more information: Call our communications services at the number +32 (0)15 333 000 or surf to www.telenet.be.