



Consolidated Annual Report 2007



Dear Shareholder,

Telenet has completed a very successful year for its key products. Our fixed telephony base grew by 20% in a very competitive market environment. For internet, more than 100,000 new customers enjoyed our speed-leading broadband services, which grew at a faster pace than the overall Belgian market. At the end of 2007, more than one out of four television customers in our footprint were experiencing our innovative interactive digital TV platform, making it the fastest growing technology compared to the mobile and broadband internet services. Telenet Solutions, our business-to-business division, delivered strong growth in revenue and a healthy development of the product mix towards IP based services. The public WiFi internet hotspots operated by our company recorded an impressive growth in user sessions, partially fueled by our new presence at Brussels Airport, allowing travelers and our customers to stay connected with the office or their family. Our 'over-the-top' service of user generated video content under the brand name 'Garage TV' has demonstrated to rival with world leaders in this segment. Close to year-end we launched High Definition digital TV, a further sign of continuous commitment to innovation for our customers.

Our service delivery is becoming an increasingly important part of our value proposition and consequently we have addressed a wide range of investments to service our customers in a better way. We committed to invest in innovations in cable and related technologies. These have allowed us to demonstrate clear leaderships in the space of broadband data and digital TV. And as a result of all this, our customer loyalty has remained very high.

We integrated UPC Belgium in our operations and customers on its footprint could start to benefit from fixed telephony and digital TV. In order to extend our value added service related to internet access, we acquired Hostbasket which sells hosting and domain name services.

In November last year, we reached an agreement-in-principle with Interkabel on the transfer of all their television activities, which will allow consumers to enjoy the same interactive digital television product over cable across Flanders. The current achievement of a strong digitalization in our region is a result of the competition between infrastructure of cable and DSL. Therefore, despite a number of legal actions, we remain convinced and undetermined in reaching a definite integration to allow everyone in Flanders to have access to a compelling interactive digital TV product and competitive triple play offerings over cable, next to those already offered by the historical incumbent over DSL.

Our operational results translated in solid financial results. Our double digit growth in revenue, the effect of operational leverage as reflected in our expenses and the disciplined use of capital expenditures have delivered a strong free cash flow. Telenet has shown its resilience to lever its balance sheet and then de-lever at a considerable pace.

In the first half of the year we called our bonds and outstanding credit facility which have been replaced by a new, fully underwritten €2.3 billion facility. The deterioration of the credit markets have not impacted Telenet's financing. Furthermore, our debt has a maturity horizon of some 7 to 8 years with no debt repayment for the next 5 years.

We were proud to offer our investors for the first time in our history a financial return on their shareholding through a capital reduction of €6 per share.

Telenet, the Telenet Foundation and its employees endeavored in making many important contributions to our social environment both locally and internationally. These activities and financial contributions mark our engagement in line with our corporate values to improve the lives of many people by truly 'opening their world'.

All of the above achievements would not have been possible without the loyalty and trust of our customers.

We are much indebted to our employees who showed a passionate and unwavering commitment to making a difference and thereby allowed Telenet to grow. We also thank our partners and suppliers for a building with us a great platform for current and future digital services.

Yours sincerely,



Duco Sickinghe
Chief Executive Officer



Frank Donck
Chairman



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Consolidated Annual Report of the Board of Directors for 2007 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, 2007, in accordance with Article 119 of the Belgian Company Code.

In this report the Board of Directors also reports on all relevant corporate governance events that took place during the year 2007 concerning the share capital, the shareholders, the Board of Directors and the management of Telenet Group Holding NV (the "Company") in accordance with the Belgian Corporate Governance Code ("Lippens Code").

1 Information on the company

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

1.1 Analog Television

Basic cable television is the principal medium for the provision of television services in Flanders. Approximately 97% of television households in Belgium are passed by a basic analog cable network. The high penetration of our basic cable television business has resulted in a steady source of revenue and cash flow.

Adjusted for subscribers acquired with the UPC Belgium network, we experienced a net decrease in our basic cable TV subscriber base of 1.7% during 2007. This decline is in line with our expectations amid competition from other digital television and satellite providers.

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1.2 Digital Television

Following the launch of our interactive digital television (“iDTV”) service in 2005, customers now receive a range of basic analog channels without additional equipment and a wider range of basic digital channels, together with certain interactive features, through one of several set top boxes available for purchase or rent in conjunction with our digital television services. Our current digital cable television service includes a combination of premium sports and film channels, a wide range of thematic channels, and a variety of on-demand and other interactive features. Customers are required to have a digital set top box to access these offerings. Our premium content is acquired through various studio contracts, including Universal Studios, MGM, Twentieth Century Fox, Paramount, Sony, Disney and Warner Brothers. These contracts generally require us to make payments on the basis of a minimum number of subscribers, with adjustments made on a sliding scale once minimum subscriber levels are satisfied.

As of December 31, 2007 we registered a total of 420,000 subscribers to one or more premium television services, comprising 391,000 iDTV subscribers, 25,000 Prime customers (on the former Canal+ platform, the majority being in the Partner Network region) and 5,000 customers subscribing to premium content on the former UPC Belgium network.

In 2007, we achieved a net increase of 165,000 iDTV subscribers and grew our customer base by 73% compared to the end of 2006. This implies that during 2007, we converted 10% of our total basic television subscribers from analog to digital, which is in line with our long-term target.

In cooperation with the local broadcasters, we have established a large broadcasting on-demand library, including the majority of their historical and current content and previews of local series. In addition, we currently provide the ability to send e-mail, use short message services, view online photo albums and access government services and programs. Other recently added features include several interactive search engines such as telephony directories, train information, job searches and public and air transportation information.

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

1.3 Broadband Internet

We are the leading provider of residential broadband internet services in Flanders with an estimated market share of 55% in our footprint. Through our hybrid fiber coaxial upgraded network, we offer our residential subscribers a broadband internet service at a downstream data transfer speed of up to 20 Mbps. We believe that the combination of service quality, tiered products offering a range of speeds and brand recognition of our internet offering has enabled us to achieve rapid growth. We also offer narrowband and wireless internet services. Using internet-only cable modems and dual purpose internet and telephony modems to connect subscribers to the Combined Network, our current residential offerings include multiple tiers, which range from Telenet “BudgetNet”, which allows end users to receive data from the internet at a “downstream” data transfer speed of up to 1 Mbps, to “TurboNet”, which offers end users a downstream speed of up to 20 Mbps. Our ability to continue to grow this market, however, will depend in part on increases in the number of households with a personal computer in Flanders. Based on recent external research sources, we estimate that as of the end of 2007, approximately 65% of households in Flanders contained a personal computer.

As of December 31, 2007, our total broadband internet subscribers reached 873,000, an increase of 20% or 144,000 subscribers compared to December 31, 2006. This represented a penetration ratio of homes passed in our footprint of more than 32%. On an organic basis, i.e. excluding the starting base of the UPC Belgium business we acquired, we added 102,000 internet subscribers during 2007, amid strong competition, which is in line with the net additions we achieved during previous years. Out of the 873,000 total broadband internet subscribers, 29,000 were attributable to small and medium-sized enterprises (“SME”). Our residential broadband internet subscriber base grew to 844,000 by the end of December 2007, up from 703,000 at the end of December 2006. Churn in this service was slightly lower at 7.4% in 2007, a reduction of 0.6 percentage points compared to 8.0% in 2006.

1.4 Telephony

We offer our residential subscribers local, national and international long distance fixed line telephony services, mobile telephony services and a variety of value added features. In Flanders, we believe that we are currently the largest competitor to Belgacom, the Belgian incumbent, due in part to our emphasis on customer service and innovative tariff plans.

We ended 2007 with 548,000 fixed telephony subscribers, an increase of 93,000, which is slightly more than the prior year additions and was achieved in a declining fixed line market. Compared to the end of 2006, our fixed telephony subscriber base grew by 20%, reaching a penetration rate over 21%. Our residential fixed telephony base reached 539,000 subscribers as of the end of December 2007, and the remaining 9,000 were SME customers. We benefited from improved churn rates by 1.4 percentage points to 7.7% in 2007 from 9.1% in 2006, and narrowed the gap versus broadband churn levels as a result of an increasing share of bundled customers.

We believe sales of our residential fixed line telephony services have been driven by a combination of attractive tariff rates, notably the "FreePhone" rate plans, cross sales from our broadband internet and iDTV services and the high standards of customer service we seek to maintain. In addition, we use a range of promotions to attract new subscribers to our fixed line telephony services.

Our "Telenet FreePhone" rate plan was launched in December 2004, providing subscribers unlimited national calls to fixed lines during off-peak hours. Our residential telephony subscribers are charged a combination of fixed monthly fees for their telephone line, variable fees based on actual usage and, for certain tariff plans, fixed fees for unlimited calling to national fixed lines at all times. Flat rate usage charges apply for calls placed to other fixed lines in Belgium. We seek to price our residential telephony products to provide a better value alternative to Belgacom.

The majority of our telephony subscribers use VoIP technology which utilizes the open standards EuroDOCSIS protocol, and are able to provide both internet and telephony services.

Our mobile telephony offer was launched in August 2006 under the Telenet Mobile brand name. Since we do not have our own mobile telecommunications network, this service has been established through an MVNO partnership with Mobistar, the second largest mobile operator in Belgium, providing all network services. Customers already subscribing to our fixed line telephony or broadband internet service can subscribe to our mobile telephony service without any additional monthly charge.

Our mobile telephony service added a net 43,000 subscribers during the year of 2007, to reach a total of 56,000 mobile subscribers as of December 31, 2007. These mobile services were primarily sold to existing customers as part of a bundle and hence, were achieved without incurring any incremental marketing cost.

Interconnection

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network. For a subscriber located on one telephony network to complete a telephone call to an end user served by another telephony network, the subscriber's network service provider must interconnect to the network serving the end user. Typically, the network serving the end user charges the subscriber's service provider a fee to terminate the communication, which is based on a call set-up charge and on the length of the telephone call. Interconnection costs and revenue have a significant impact on our financial results, and we have focused heavily on managing this cost.

Our interconnection practices are subject to comprehensive regulation by the Belgian Institute for Post and Telecommunications ("BIPT"). Following the adoption of the new regulatory framework in Belgian law, the BIPT decided in August 2006 to implement a three year gliding path to near reciprocity starting on January 1, 2007. We are now in our third and final year of our gliding path and can charge the Belgacom termination plus 190%. From January 1, 2009 we will only be able to charge the Belgacom termination charge plus 15%.

1.5 Business Services

Our business customers include small and medium size enterprises with between five and 100 employees; larger corporations; public, healthcare and educational institutions; and carrier customers that include international voice, data and internet service providers. For the year ended December 31, 2007, our business services operations generated almost 10% of our total revenue. We market our business services under the Telenet Solutions brand name. Our corporate customers generally connect to the Telenet Network directly through a fiber optic connection and our SME customers connect to the Combined Network through a fiber, DSL or coaxial connection, depending on the scope of their needs and their location relative to our network.

Telenet Solutions offers a range of voice, data and internet products and services that are tailored to the size and needs of each customer. We provide services to business customers throughout Belgium and parts of Luxembourg. With the inclusion of DSL services we have flexibility to target customers throughout Belgium because we are not dependent on such customer's proximity to the Telenet Network.

1.6 Network

The Telenet Network passes approximately 1.7 million homes and businesses in Flanders, to which we are able to offer cable television, broadband and narrowband internet and telephony services. In addition, we are also able to offer internet and telephony services to subscribers whose homes are passed by the Partner Network, pursuant to 50-year usage rights, of which 39 years remain. The Partner Network passes approximately 0.8 million additional homes and businesses. The Telenet Network covers approximately 70% of homes and businesses passed by the Combined Network (consists of the Telenet Network and the Partner Network) in Flanders.

The Combined Network includes our high performance optical fiber backbone network which we constructed and which extends over 12,700 kilometers across Flanders and parts of Brussels. As part of the Telenet Solutions acquisition, we acquired additional network assets that provide high capacity data transport across Belgium and parts of Luxembourg, where we own the electronic components and currently lease the fiber, the assets of which are also part of the Telenet Network.

Through the acquisition of UPC Belgium, we acquired additional network assets that provide access to approximately 187,000 homes in the Brussels and Leuven areas.

The fiber backbone of the Combined Network connects to the coaxial local loops of the Combined Network, which extend over 67,000 kilometers throughout Flanders. We use our network to transmit television signals in Flanders and the Combined Network to carry telephony and internet traffic to and from residential end users in Flanders and currently operates at a minimum capacity of 450 MHz. We are in the process of gradually upgrading our network to a minimum capacity of 600 MHz.

Our fiber backbone currently runs several protocols. We expect over time that Internet Protocol ("IP") will carry an increasing proportion of our communications traffic. Additional IP-based services may also be supported by our systems in the future. We are able to use multi protocol label switching ("MPLS") to route our IP traffic, which enables us to more efficiently tag data to better manage traffic on the Combined Network. This means, for example, that voice packets can be given priority over data packets to avoid interruption to voice communications.

The portion of the network starting at the head end and terminating at the end user is referred to as the HFC access network or the "local loop." Residential customers connect to the Combined Network through a coaxial connection from one of our nodes. Amplifiers are used on the coaxial lines to strengthen both downstream and return path signals on the local loop. On average, approximately 1,400 homes are served by each of the approximately 2,399 nodes in the Combined Network. These nodes generally offer the homes they serve a total capacity of 2 Gbps. Network quality usually deteriorates as customer penetration rates on any particular node increase. When required, the scalability of our network enables us to address this problem, within limits, through node "splits" in which we install additional equipment at the node so that the same 2 Gbps capacity serves approximately 550 homes per node or less.

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

2 Discussion of the consolidated accounts

2.1 CONSOLIDATED PROFIT & LOSS ACCOUNT

For the years ended December 31,		
	2007	2006
(in thousands of Euro, EU GAAP, except share data)		
Continuing operations		
Revenue	931,896	813,452
Costs of services provided	(553,481)	(510,696)
Gross profit	378,415	302,756
Selling, general and administrative	(173,134)	(159,022)
Operating profit	205,281	143,734
Finance costs, net	(211,994)	(100,963)
Income (loss) before income tax	(6,713)	42,771
Income tax benefit (expense)	27,382	(34,283)
Net income from continuing operations	20,669	8,488
Discontinued operations		
Loss from discontinued operations	-	(3,035)
Net income	20,669	5,453
Basic earnings (loss) per share in €:		
Net income from continuing operations	0.20	0.08
Loss from discontinued operations	-	(0.03)
Net income	0.20	0.05
Diluted earnings (loss) per share in €:		
Net income from continuing operations	0.19	0.08
Loss from discontinued operations	-	(0.03)
Net income	0.19	0.05

Revenue from continued operations, including UPC Belgium contributions in the 2007 result, increased by €118.4 million, or 15%, to €931.9 million for 2007 from €813.5 million for 2006. The principal drivers of our revenue growth were revenue from the UPC Belgium acquisition and subscriber growth in our residential broadband internet, fixed telephony and iDTV services, partly offset by a decrease in set top box sales following the introduction of set top box rentals and lower set top box retail prices and a regulatory-driven reduction of our termination rates. Excluding the impact from the UPC Belgium acquisition, our organic annual revenue growth was 10% compared to the prior year.

Our EBITDA ("Earnings Before Income Taxes Depreciation and Amortization") from continuing operations increased by €76.4 million; from €366.6 million in 2006 to €442.9 million in 2007.

Our net income from continuing operations improved by €12.2 million, from €8.5 million for 2006 to €20.7 million for 2007.

2.2 REVENUE BY SERVICE

For the year ended December 31,		
	2007	2006
	(in thousands of Euro, EU GAAP)	
Continuing operations		
Cable television:		
- Basic Subscribers ¹	221,730	199,433
- Premium Subscribers ¹	62,892	47,312
- Distributors/Other	35,299	36,788
Residential:		
- Internet	324,435	268,588
- Telephony ²	200,530	183,269
Business	87,010	78,062
Subtotal continuing operations	931,896	813,452
Discontinued Operations		
Residential:		
- Telephony ²	-	7,509
Total	931,896	820,961

Our revenue in 2007 remain well balanced, with analog cable television, residential internet and residential telephony all representing significant shares of our total revenue.

2.2.1 Cable Television

Our aggregate cable television revenue was €319.9 million for 2007, an increase of €36.4 million or 13% compared to 2006.

We generated €221.7 million of basic cable television revenue for 2007, compared with €199.4 million for 2006, an increase of 11%. This increase is primarily attributable to the UPC Belgium acquisition and the price increase of our basic cable television subscription. We implemented a further price increase of 3.1% in August 2007, the benefit of which accrues to us over a twelve month period from the start of this price increase. The steadiness of our basic cable revenue reflects the sustained high penetration of our basic cable services and stable basic cable television tariffs. In line with expectations, we continued to observe a net decrease in our basic cable television customer base as a result of increased competition from other digital television and satellite operators in our area. To a degree, the Brussels area influenced the overall basic TV churn as this area contains a more volatile subscriber base, resulting in a natural higher churn compared to the Flanders area.

Our premium cable television business, which combines both the Prime premium service and the iDTV service, contributed €62.9 million to our aggregate cable television revenue for 2007, an increase of €15.6 million or 33%, compared to €47.3 million for 2006. This increase is attributable to strong growth in the iDTV customer base (+73%) and paying video-on-demand transactions (+81%). In addition, we observed further growth in the share of paying video-on-demand transactions to total transactions compared to last year. Our reported premium cable television revenue includes revenue from the rental of iDTV set top boxes, while set top box sales are included under "Distributors/Other".

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.

For 2007, we recorded €35.3 million of “Distributors/Other” revenue compared to €36.8 million in 2006. This includes €4.2 million carriage fee revenue from the distribution of certain content on our network, €15.9 million installation and activation fees and €15.2 million set top box sales revenue, compared to €26.0 million in 2006. The decline in set top box sales revenue is due to the introduction of a set top box rental option, the impact of which was mitigated by a change in accounting practice for activation and installation fees, effective January 1, 2007.

2.2.2 Residential Broadband Internet

Revenue generated by our residential broadband internet business continued to grow by 21%, to €324.4 million in 2007 from €268.6 million in 2006. Increased residential broadband internet revenue was primarily the result of organic growth of residential broadband internet subscribers by 14% year-on-year, combined with the steady ARPUs generated by these subscribers, and revenue from the UPC Belgium acquisition. While broadband internet continues to perform as a stable product for the Company, it is anticipated that the future mix of broadband internet subscribers may over time be more significantly weighted towards lower-tier options.

2.2.3 Residential Telephony

Residential telephony revenue (including interconnection revenue for both residential subscribers and business customers) increased in 2007 by 9%, to €200.5 million, from €183.3 million in 2006. This increase was primarily due to the 20% net subscriber growth in 2007 compared to 2006 and the introduction of mobile telephony services through our MVNO in the second half of 2006, that started to contribute to our overall revenue in 2007. These growth factors were partially offset by a decline in ARPU reflecting (i) an ongoing take up of our Freephone tariff plans, (ii) a takeup of bundled offers on fixed line telephony, which applied to new subscribers and which have also been adopted by a significant portion of our existing telephony subscribers and (iii) lower retail rates for fixed-to-mobile voice traffic as a result of a decrease in mobile termination rates. Discounts in our bundled offers are attributed on a pro rata basis against the stand-alone subscription fees for broadband internet, telephony and iDTV revenue, as applicable. Revenue growth was also reduced by the regulatory-mandated decrease in interconnect termination rates, a factor which will also persist during 2008 and 2009, when our interconnect rate eventually reaches reciprocity.

2.2.4 Business Services – Telenet Solutions

Our business service division continued to deliver top line growth through its segmented approach in offering coaxial and fiber based products for voice, data and internet services. Revenue for 2007 reached €87.0 million, up 11% on 2006. In an environment that is highly price sensitive and which is characterized by demanding service requirements, we continue to pursue our strategy of offering tailored quality solutions and products with high levels of service to business customers. In 2008, we will assess our current product offerings and services portfolio in order to ensure a long-term sustainability of both revenue and profitability growth by selecting the best available technologies, combined with an increased focus on our small and medium-sized enterprises.

2.3 TOTAL COSTS AND EXPENSES

Total expenses included costs related to discontinued operations of €7.7 million in 2006.

	For the years ended December 31,	
	2007	2006
	(in thousands of Euro, EU GAAP)	
Continuing operations		
Costs of services provided	(553,481)	(510,696)
Selling, general and administrative	(173,134)	(159,022)
Costs & expenses of continuing operations	(726,615)	(669,718)
Expenses discontinued operations		(7,661)
Total costs & expenses	(726,615)	(677,379)

2.3.1 Costs of Services Provided

Costs of services provided increased by €42.8 million, or 8%, to €553.5 million in 2007, from €510.7 million in 2006. As a percentage of revenue, costs of services provided decreased to 59% in 2007, from 63% in 2006.

The decrease in costs of services provided as a percentage of revenue reflects the implementation of several efficiency enhancing programs, partly offset by the impact of the strong subscriber growth in residential telephony and iDTV services, which resulted in higher call center activity, network operating costs, programming, interconnection and personnel and customer service costs. The year-on-year increase also reflects the impact of the UPC Belgium acquisition, accounting for more than one-third of the growth in expenses for the period. Costs of services provided for the portion of our business excluding the UPC Belgium acquisition grew at a slower rate than our revenue, reflecting a stabilization of our personnel expenses notwithstanding the growth in subscribers from our organic business.

2.3.2 Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased by €14.1 million, or 9%, to €173.1 million in 2007, from €159.0 million the prior year. As a percentage of revenue, SG&A expenses were 19% in 2007 and 20% in 2006.

The growth of SG&A expenses in absolute numbers primarily reflects increased sales related activities while overhead costs were kept stable. During the fourth quarter of 2007, we incurred a specific increase in SG&A expenses due to seasonality in our sales cycle and more prominent digital television marketing campaigns, which generated record quarterly net additions for iDTV. Furthermore, during the fourth quarter we also incurred a severance cost of €3.6 million, following (i) consolidation of our Executive Team and (ii) the completion of the UPC Belgium integration plan, compared to €4.8 million of one-off items in the fourth quarter of 2006.

2.4 EXPENSES BY NATURE

	For the year ended December 31,	
	2007	2006
	(in thousands of Euro, EU GAAP)	
Employee benefits	122,578	114,331
Depreciation and impairment	182,037	174,306
Amortization	48,161	43,118
Amortization of broadcasting rights	7,428	5,497
Network operating and service costs	270,238	247,130
Advertising, sales and marketing	59,282	57,117
Other costs	36,891	35,880
Total costs and expenses	726,615	677,379
Attributable to:		
Continuing operations	726,615	669,718
Discontinued operations	-	7,661

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".

Network operating and service costs evolved in line with our net additions in 2007 and were also impacted by the acquisition of UPC Belgium. The item "other costs" includes non-payroll overhead costs, other buildings costs and internal IT costs.

2.5 EARNINGS BEFORE TAX, DEPRECIATION AND AMORTIZATION (EBITDA)

EBITDA from continuing operations increased by 21% on a year-on-year basis to €442.9 million in 2007, from €366.6 million in 2006. Our EBITDA margin of 47.5% for 2007 represented a significant improvement of 2.4 percentage points compared to 45.1% a year earlier. Approximately one fifth of our growth in EBITDA was attributable to the acquisition of UPC Belgium, implying an organic EBITDA growth rate of 16% which reflects the operational leverage of our triple play business and a continued focus on cost management.

2.6 OPERATING PROFIT (EBIT)

Operating profit increased by 43%, to €205.3 million in 2007, from €143.7 million in 2006, as a result of the factors described above. Our operating profit margins increased to 22% in 2007 from 18% a year before.

2.7 NET FINANCE COSTS

2.7.1 Net Interest Expense

In 2007, net interest expense increased to €116.3 million, from €94.3 million in 2006. The increase was the result of debt borrowings incurred for the UPC Belgium acquisition, increases in the underlying 3-month EURIBOR interest rate payable on our Senior Credit Facility and increased interest costs associated with the higher level of debt following our fourth quarter 2007 refinancing transactions, partially offset by reductions in our total debt until October 10, 2007 through prepayments and scheduled repayments under our former Senior Credit Facility and a decrease in our weighted average interest rate due to the redemption of the Senior Discount Notes and Senior Notes.

2.7.2 Gains and Losses Resulting from Foreign Exchange Exposures and Derivatives

Net foreign exchange and derivatives income or expense consists of (i) net foreign exchange transaction gains or losses, which reflects changes in the spot value of our foreign currency debt obligations, (ii) the change in the fair value of foreign exchange forward contracts reclassified into earnings, which reflects the effect of the hedging for the changes in the spot value of our foreign currency hedges for these foreign currency debt obligations, and (iii) the change in the fair value of other derivatives. These effects generated a loss of €8.8 million for 2007 compared to a gain of €14.7 million in the prior year. These changes are primarily a result of fluctuations in the fair value of the forward points on the foreign exchange forward contracts and the change in the fair value of our interest rate derivatives. Our result on derivative financial instruments also included €3.8 million of losses related to the release of Other Comprehensive Income as a result of the discontinuation of hedge accounting. Hedge accounting was applied for interest rate derivatives on the former Senior Credit Facility until January 1, 2007 and for foreign exchange forward contracts on the Senior Discount Notes until June 30, 2007. The Company no longer applies hedge accounting for its derivatives.

2.7.3 Loss on Extinguishment of Debt

In 2007, the Company incurred a charge of €86.7 million, recorded as "Loss on extinguishment of debt" which was primarily related to the redemption of the Senior Discount Notes and Senior Notes. This charge included the make-whole premiums on both Notes and the accelerated write-off of the debt issuance costs that were to be recognized over the lifetime of these debt instruments.

As a percentage of revenue, net finance costs were 23% during 2007 compared to 12% in 2006.

2.8 INCOME TAX EXPENSES

In 2007, we had an income tax credit of €27.4 million compared to an income tax expense from continuing operations of €34.3 million for the prior year. Adjusted for the favorable impact of the recognition of the deferred tax asset of €93.0 million, income tax expenses for the full year of 2007 were €65.6 million, reflecting the increased use of net operating losses as a result of higher taxable profits being recognized in our operating entity, Telenet NV. The majority of our income tax expenses and credits did not have any cash consequences.

2.9 NET INCOME (LOSS) FROM CONTINUING OPERATIONS

Net income increased to €20.7 million for 2007, compared to net income from continuing operations of €8.5 million in the prior year. The net result for 2006 included a one-off expense of €21.4 million associated with the refinancing of the Senior Credit Facility, while 2007 included €90.5 million of charges related to the debt refinancing, offset by €93.0 million of deferred tax assets. Excluding these one-off items in both years, we generated net income of €18.2 million in 2007, compared to €29.9 million for the prior year. This decrease is primarily a result of higher interest charges and non-cash deferred taxes.

2.10 CASH FLOW

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

	For the years ended December 31,	
	2007	2006
	(in thousands of Euro, EU GAAP)	
Cash flows provided by operating activities	222,334	311,348
Cash flows used in investing activities	(209,067)	391,379
Cash flows provided by (used in) financing activities	4,500	(71,484)
Net increase (decrease) in cash and cash equivalents	17,767	(151,515)

Net cash from operating activities. Net cash provided by operating activities decreased to €222.3 million in 2007, from €311.3 million in 2006, reflecting the significant impact of one-time cash flows related to the debt refinancing that was completed on October 10, 2007, partially compensated by improved cash flows from our operations. The one-time cash flows related to our debt refinancing amounted to €163.7 million for 2007 and consisted of (i) the premium on our new cap contracts and the unwinding of old future contracts, both recorded as “Cash paid for or received from derivatives” and (ii) accelerated payment of the accrued interest expenses on the Senior Discount Notes, recorded as “Interest paid”. Adjusted for these one-off items, the Company generated cash from operating activities of €386.0 million for 2007, up by 25% compared to 2006.

Free cash flow. The Company generated free cash flow¹ of €177.2 million for 2007, a 71% increase compared to the €103.4 million generated during 2006.

Net cash from financing activities. On October 10, 2007, our former Senior Discount Notes, Senior Notes and Senior Credit Facility representing an aggregate principal amount of €1.2 billion, were each fully redeemed and repaid, and replaced by a new Senior Credit Facility of €2.3 billion, of which €1.9 billion has been initially drawn. This entire transaction is reflected in “Net cash from financing activities” and incorporates the repayment of the outstanding amount of our former debt instruments, the payment of redemption premiums and debt issuance costs for a total of €1,184.7 million, funded by the drawdown proceeds from our new Senior Credit Facility of €1,900.0 million. The remainder of these proceeds was used to fund a capital reduction to our shareholders of €6.00 per share, for a total of €654.9 million. During the first nine months of 2007, the Company made three scheduled repayments of €11.0 million each under Tranche A of the Senior Credit Facility and two voluntary prepayments of €50.0 million each under Tranche B revolver of the Senior Credit Facility using excess cash on the balance sheet, and received proceeds from the exercise of subordinated debt warrants of €78.0 million.

The Company held €76.6 million of cash and cash equivalents as of December 31, 2007, compared to €58.8 million as of December 31, 2006. This increase represents our net cash flow generation, less debt prepayments, scheduled repayments, capital distribution and the payment of debt issuance costs related to our debt refinancing.

Leverage ratio. At the end of 2007, the drawn amount of our new Senior Credit Facility represented a net leverage ratio of 4.05x EBITDA². Within the new Senior Credit Facility, the Company has access to an additional committed loan capacity of €400.0 million, subject to compliance with applicable covenants, pursuant to the Term Loan B2 and Revolving facility which are available to be drawn up to and including July 31, 2008 and June 30, 2014, respectively.

1 Free cash flow is defined as net cash provided by operating activities, excluding cash related to the purchase and sale of derivatives and excluding accelerated interest payments under discounted debt instruments, less capital expenditures.

2 Calculated as per terms of Senior Credit Facility, using previous two quarter's EBITDA.

2.11 CAPITAL EXPENDITURE

Capital expenditures¹ were €208.8 million in 2007, compared to €206.0 in 2006. Approximately 67% of our capital expenditures were related to subscriber growth or were network growth related, such as the further completion of our Expressnet bandwidth upgrade project and various investments to accommodate our strongly increased subscriber base. We benefited from operational improvements and scale as evidenced by the fact that our installation cost per new subscriber decreased compared to 2006. The balance represented fixed asset network investments, repairs and replacements. As a percentage of revenue, total capital expenditures decreased to 22% of revenue in 2007 compared to 25% of revenue in the prior year.

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. Our capital expenditures include the costs of acquiring certain programming content rights, which we capitalize on our balance sheet and subsequently amortize. In 2008, we anticipate capital expenditure of between €180 million and €190 million excluding the assumption of up to €30 million for set top box rentals.

2.12 AVAILABLE LIQUIDITY

We held €76.6 million of cash and cash equivalents as of December 31, 2007. At the same time €225.0 million of tranche B2 of the New Senior Credit Facility and €175.0 million of the revolving credit facility, was undrawn. Of that amount, approximately up to €350.0 million was available to us subject to being in compliance with certain financial covenants and other conditions.

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

3 Risk factors

3.1 GENERAL INFORMATION

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

- the competition that we face in the internet, telephony and television markets in which we provide services;
- including new sources of competition from providers of television services in what had principally been an analog cable television market;
- our high leverage and significant debt service obligations, including the restrictive covenants included in our New Senior Credit Facility. As of December 31, 2007, we had total debt of €2,046 million on a consolidated basis;
- the control over our operations that our principal shareholders retain pursuant to the Syndicate Agreement and possible conflicts of interest that we may have with our principal shareholders;

Other risks that we face include increasing subscriber acquisition costs; any negative impact on the reputation of and value associated with our brand name; our ability to successfully introduce new technologies or services and our ability to obtain necessary network and other equipment; failure to maintain and upgrade the networks that we own or use or the occurrence of events that damage those networks; the failure to ensure sufficient access to premium content; foreign

¹ Capital expenditures are defined as purchases of property, equipment and intangible assets as reported in our consolidated statement of cash flows.

exchange rate exposure; and adverse regulatory, legislative, tax or other judicial developments.

For further information about the financial risk factors, we refer to Note 5.4 *Risk Management to the consolidated annual accounts of the Company*.

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

3.2 LEGAL PROCEEDINGS

We are involved in a number of legal proceedings that have arisen in the ordinary course of our business. We discuss below certain pending lawsuits in which we are involved, which may or have had in the recent past significant effects on our financial position or profitability. Other than as discussed below, we do not expect the legal proceedings in which we are involved or with which we have been threatened to have a material adverse effect on our business or consolidated financial position. We note, however, that the outcome of legal proceedings can be extremely difficult to predict with certainty, and we offer no assurances in this regard.

Litigation concerning the in-principle agreement concluded between Telenet and the pure intercommunal cable operators, Interkabel and IN.DI (together the "PICs")

In November 2007, Telenet signed an in-principle agreement with the PICs concerning a possible collaboration whereby Telenet would take over all analogue and digital TV services from the PICs for a fixed amount of €170 million (as a remuneration for the customer base) as well as an annual payment for the operational expenses of the network. The PICs would retain bandwidth for some of their own internal public services.

The successful conclusion of this in-principle agreement led Belgacom, Telenet's main competitor, taking action in a number of court cases to have it overturned. It brought cases before a civil court in Antwerp, the Council of State and the Government Commissioner.

On December 26, 2007, Belgacom lodged summary proceedings with the President of the Court of First Instance of Antwerp with a view to obtaining a provisional injunction preventing the PICs from effecting the agreement-in-principle. Belgacom's claim is based on the allegation that the PICs should have organized a market consultation prior to entering into the agreement-in-principle. The PICs are challenging this allegation, and Telenet intervened in this litigation in order to protect its interests. In March 2008, the Antwerp civil court ruled in favour of Telenet's main competitor, temporarily suspending the implementation of the in-principle agreement. Belgacom also filed a claim on the merits with the Antwerp court, which is still pending.

In February 2008, Belgacom has also initiated legal proceedings before the Council of State, an administrative court, with a view to obtaining a provisional injunction preventing the PICs from effecting the agreement-in-principle. At the date of this report, no decision has been rendered in the (administrative) case before the Council of State.

In December 2007, Telenet's main competitor also filed a complaint with the Government Commissioner. The Government Commissioner and the Minister have not deemed it necessary to suspend the agreement-in-principle in light of the pending legal proceedings referred to above.

No assurance can be given that Telenet will be able to enter into a definitive agreement with the PICs on the terms mentioned above, on a timely basis, or at all. To the extent that Telenet cannot conclude its negotiations with the PICs on satisfactory terms and Telenet has exhausted other means to resolve network congestion issues, it is possible that certain areas on the Partner Network would over time begin to experience congestion, resulting in a deterioration in the quality of service that Telenet would be able to provide to its subscribers and possible damage to Telenet's reputation and its ability to maintain or increase revenue and subscribers in the affected areas.

Litigation between Telenet and the PICs concerning interactive television services in certain service areas

In 2007, Telenet and the PICs have been discussing the PICs' desire to provide video-on-demand and related digital interactive services over the Partner Network. These discussions were complicated by differences in the parties'

interpretation of the precise scope of the long-term exclusive right to provide point-to-point services over the Partner Network that the PICs contributed to Telenet in exchange for stock in 1996. Telenet learned that the PICs intended to launch certain digital interactive services in breach of Telenet's exclusive right to provide point-to-point services on the Partner Network and therefore lodged summary proceedings with the President of the Court of First Instance of Brussels to protect its rights. On July 5, 2007, the President issued an injunction, prohibiting the PICs from offering video-on-demand and other interactive services on the Partner Network.

The PICs appealed the court decision on July 28, 2007. However, in view of the in-principle agreement that Telenet concluded with the PICs in November 2007 (see above), the PICs have agreed to temporarily suspend their appeal proceedings. It cannot be ruled out however that at some point these proceedings would be restarted. If the appeal were to be determined in a manner unfavorable to Telenet, Telenet's operations and revenue are likely to be adversely affected, although the extent of such adverse effect is difficult to predict at this time.

Interconnection Litigation

We have been involved in regulatory and court proceedings with Belgacom related to the increased interconnection fees that we began charging telephone operators to terminate calls made to end users on the Combined Network in August 2002. Traditionally, interconnection fees between fixed line telephony operators had been charged on a reciprocal basis – the interconnection termination rates that Belgacom charged us were the same as the interconnection termination rates we charged Belgacom. This fee arrangement made it difficult for us to provide telephony services at a profitable level, however, because we did not have the benefit of scale to be able to achieve the same unit cost as Belgacom. We requested permission from the BIPT to increase our domestic and international interconnection rates. In a series of rulings in the summer of 2002, the BIPT decided that we could increase our average interconnection rates for inbound domestic calls from €0.009 to €0.0475 per minute but that the interconnection rates for inbound international calls would remain the same. We began charging increased interconnection termination rates for inbound domestic calls on August 13, 2002.

On August 12, 2002, Belgacom increased the retail tariffs that it charges its telephony subscribers calling Telenet numbers to reflect our increased termination rates. In a series of rulings in June and August of 2002, the regulator of the Belgian telephony industry, the Belgian Institute for Postal Services and Telecommunications (Belgisch Instituut voor Postdiensten en Telecommunicatie / Institut Belge des Services Postaux et des Telecommunications) (the "BIPT"), approved, over the protest of Belgacom, our request to increase the rates we charge other telephone operators to terminate domestic calls on the Combined Network. We then raised our interconnection termination rates and Belgacom appealed the BIPT's decision to the Council of State (Raad van State / Conseil d'Etat), the highest administrative court in Belgium.

On July 3, 2002, the Council of State rejected an emergency request from Belgacom to suspend the implementation of the increased interconnection termination rate. In the mean time the auditor of the Council of State has advised the Council on the merits of the case to annul the BIPT decision as it was not sufficiently well motivated. We expect a decision of the Council of State by mid 2008. Separately, Belgacom challenged the higher rates before the commercial court (Rechtbank van Koophandel) of Mechelen, alleging that the new rates constituted abusive pricing.

On January 20, 2004, the President of the Commercial Court in Mechelen rendered a judgment in this case, which was heard on September 23, 2003. The court found no indication that Telenet's interconnection tariffs breached the unfair trade practices law, competition law or pricing regulations as alleged by Belgacom. The judge who heard the case was not competent to rule because of the nature of the procedure initiated by Belgacom. As a result, the court dismissed the claim. The Court of Appeal of Antwerp rejected Belgacom's appeal of this decision in March 2005.

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. If, as a result of litigation or otherwise, we cannot continue to charge our current interconnection rates (which, in any event, we expect to decline over time), our revenue would decline, and our telephony operations could experience a significant decline in profitability. If the commercial or administrative courts were to require us to charge the original average reciprocal interconnection termination rate of €0.009 per minute (which has subsequently lowered to €0.0074 per minute since January 1, 2007), we estimate that our revenue from interconnection would have been reduced by approximately €29.0 million in 2006. Following the transposition of the new regulatory framework in Belgian law, the BIPT decided to implement a three year gliding path to near reciprocity starting on January 1, 2007.

In October 2006, Belgacom submitted an appeal to the Court of Appeal in Brussels arguing for a faster reduction in our interconnection rates. Telenet has also launched an appeal with the Brussels Court of Appeal arguing that the reduction in its interconnection rates should be cost oriented. If Belgacom are successful in this appeal, the results of which are not expected before mid 2008, we could be required to reduce our interconnection rates. Although independent legal advice obtained by the Company has concluded that the probability of a retroactive claim is remote, if Belgacom are successful in either of their challenges submitted to the Council of State, and we are required to reduce our interconnection rates, there is a possibility we may be required to refund the excess amounts that we have collected since August 2002, which would result in a substantial liability.

Tromboning

The BIPT only permitted us to increase termination rates for domestic, not international, calls to Telenet numbers. We have appealed the BIPT's decision to the Council of State (Raad van State / Conseil d'Etat). We have argued that international interconnection rates should match our domestic rates in order, among other things, to restrict the practice of tromboning, which arises when inbound domestic calls are rerouted outside of Belgium and then back to Belgium so that they can take advantage of the lower international interconnection termination rates. In addition, we have noted that the cost to us of terminating calls on the Combined Network is independent of the call's origin, whether domestic, mobile or international. We do not expect a decision from the Council of State before mid 2008. In the meantime, this disparity between domestic and international termination rates has provided increased incentives for tromboning. We believe that some of our telephony competitors trombone on the Telenet Network, with international calls and tromboning together representing approximately 21.78% of all calls terminated on the Combined Network for the year ended December 31, 2007. The BIPT has imposed limits on Belgacom's ability to trombone because of its market power, but has authorized Belgacom to trombone up to 6% of its domestic calls to allow it to compete with other telephony service providers. Belgacom must submit monthly reports on its tromboning activity to the BIPT. If Belgacom engages in substantial amounts of tromboning, it may face action from Belgian or EU competition authorities for abuse of its dominant market position. Belgacom is currently appealing the BIPT's decision to the Council of State. No decision in this matter is expected until mid-2008.

Copyright Litigation

As of December 31, 2007, we retained an accrual of €7.2 million for liabilities arising from settlements of copyright litigation in which we have been involved. Together with other Belgian cable television operators, we pay fees to copyright collection agencies and broadcasters for the content that we distribute to end users on our network. In September 1995, copyright collection agencies and broadcasters began to dispute the terms for the payment of these fees. These disputes ultimately resulted in extensive litigation between the majority of the copyright collection agencies and broadcasters and the Belgian cable television operators, including us, represented through the Belgian Radio and Television Distributors Association (Beroepsvereniging voor Radio- en Televisiedistributie / Union professionnelle de radio et de télédistribution) (the "RTD").

In November 2002, we, together with other Belgian cable operators, began to reach settlements with the copyright agencies and broadcasters pursuant to which we agreed to make certain upfront payments as well as to make increased payments over time. Consequently, in August 2003, we increased the copyright fee we charge our subscribers.

The amounts that we expect to pay as a result of these settlements have been accrued for in our financial statements. We remain involved in one further case involving copyright claims. In July 2004, the Association for the Collection, Distribution and Protection of the Rights of the Artists, Interpreters and Performers (CVBA Vereniging voor de inning, repartitie en de verdediging van de vertolkende en uitvoerende kunstenaars) ("Uradex") filed a claim against RTD for €55 million plus interest concerning neighboring rights owed by the members of the RTD to artists and performers represented by Uradex during the period from August 1994 through the end of July 2004 (the "Period"). Based on our market share during the Period, we estimate that we would be liable for approximately €24 million plus interest if Uradex received a judgment for the full amount of its claim. We dispute Uradex's claims and intend to defend the lawsuit vigorously through the RTD. Although we cannot provide assurance that this claim will be unsuccessful, based on our assessment of our potential liability, we have not accrued or reserved any amounts for this claim.

Equipment Supplier Litigation

On November 31, 2005, we terminated our agreement with M-Tec NV, a network equipment supplier, for the delivery of amplifiers for use in our Expressnet upstream upgrade project, following persistent issues with the quality of the equipment delivered by M-Tec. Separately, we provisioned expenses resulting from our decision to write off certain equipment delivered by M-Tec during the 2005. Following our termination of M-Tec's contract, M-Tec filed litigation against Telenet, claiming €1.6 million for unpaid invoices and €5.0 million in damages for unlawful termination. The Court of First Instance has awarded M-Tec €287,356 plus interest and costs, which Telenet paid into a blocked account. In a second proceeding before the Court of First Instance, M-Tec is claiming a further €396,520 for unpaid invoices, the judgement for which remains pending. A former supplier of M-Tec for the Expressnet contract, Unitron NV, also initiated proceedings against Telenet. Unitron has significant outstanding invoices owed by M-Tec for the delivery of Expressnet equipment and aims to recover these directly from Telenet. Telenet filed an appeal against the judgement of the Court of First Instance on September 25, 2006, the Court of Appeal of Antwerp revoked the previous judgement that was against Telenet in Telenet's favour. Following this, sums previously paid by Telenet on the basis of the first judgement were restituted. Two judicial experts have been appointed by the Court of Appeal to investigate the underlying facts of the case. In the meantime, M-Tec has been awarded protection against its creditors, a move that Telenet believes ignores its rights as a significant creditor of M-Tec. Telenet opposes the dismantling of M-Tec and sale of its assets and has started proceedings to declare this protection null and void. As expected in first instance the Court of Mechelen filed a negative judgement. This was the same Court that awarded M-Tec the protection against its creditors. Telenet filed for appeal. Meanwhile the technical expert started his work in the case on the merits. The first phase consists of an inventory of all delivered products. The second phase will focus on the acceptance testing and criteria in order to determine whether the products were fit for the purpose for which they were destined.

4 Information about subsequent events (Following closing of the fiscal year)

4.1 AGREEMENT-IN-PRINCIPLE WITH INTERKABEL

At December 31, 2007, Telenet provided services over broadband networks owned by Telenet and the Partner Network owned by the Pure Intercommunales ("PICs"), with the networks owned by Telenet accounting for approximately 70% of the aggregate homes passed by the combined networks and the Partner Network accounting for the remaining 30%. Telenet has been negotiating with the PICs to increase the capacity available to Telenet on the Partner Network. Telenet is seeking the additional capacity in order to avoid a possible future degradation of service due to congestion that may arise in future years.

On November 26, 2007, Telenet and the PICs announced a non-binding agreement-in-principle to transfer the analog and digital television activities of the PICs, including all existing subscribers, to Telenet for a purchase consideration of €170 million. Among other matters, the agreement-in-principle provides that the PICs would remain the legal owners of the cable network, and that Telenet would receive full rights to use the network under a long-term lease for a period of 38 years via a user right in rem, for which it will pay annual fees in addition to the fees payable under the existing structure. It is provided that the PICs will subsequently be able to use a limited bandwidth for certain public interest services.

In the meantime however, legal proceedings have been initiated by Belgacom, Telenet's main competitor, concerning the implementation of this in-principle agreement. These proceedings are further described under section 3.2 *Legal Proceedings of the consolidated annual report of the Board of Directors*.

4.2 DECISION ON BROADBAND WHOLESALE MARKET

On January 3, 2008, the European Commission approved the Belgian regulator's ("BIPT") draft decision related to the wholesale broadband market. The BIPT proposed not to include cable in the wholesale broadband market as it was not considered a true substitute for bit stream. The Commission decided that in the current state of competition on the

Belgian market, it should not be appropriate to define sub-national markets (i.e. Flanders) but did not rule out a possible sub-division in future. The Commission also made some comments on the overall level of competition on the broadband market and the fact that retail prices are rather high compared to other Member States. On January 10, 2008, the BIPT approved the final decision on the wholesale broadband market.

4.3 ACQUISITION OF HOSTBASKET

On January 7, 2008, Telenet acquired Hostbasket, a leading Belgian hosting provider in the SME market. The Company was founded in 2000 and privately held. In 2005, Hostbasket was awarded “EMEA service provider of the Year” by Microsoft. Hostbasket has built its market leader position through its comprehensive partner and reseller channel, its in-depth technological and market expertise, and a unique – internally developed – extremely scalable and flexible hosting platform. Its activities mainly consist of domain name registration, e-mail hosting and website hosting. The annual turnover (unaudited) of Hostbasket for fiscal year 2007 was approximately €5 million. The agreed purchase price equalled approximately the annual turnover for 2007 of Hostbasket and consisted of a fixed amount (paid at closing) and an earn-out amount based on EBITDA and revenue targets for 2008 and 2009. As a result, the cost of the combination is contingent on future events.

4.4 400,000 SUBSCRIBERS TO iDTV

On January 18, 2008, Telenet announced that it had passed the milestone of 400,000 digital television customers.

4.5 900,000 BROADBAND INTERNET SUBSCRIBERS

On March 17, 2008, Telenet announced that it had achieved the milestone of 900,000 broadband internet subscribers.

4.6 EMPLOYEE STOCK OPTION PLAN 2007

The extra ordinary shareholders meeting of December 27, 2007 decided to issue 3,300,000 warrants (“Stock option plan 2007”). Each of these stock options gives the holder the right to subscribe to 1 (one) new share of Telenet Group Holding NV. The stock options can be granted to personnel members of Telenet Group Holding NV and of its subsidiaries and to the Chief Executive Officer.

The (new) shares to be issued upon exercise of these stock options will be ordinary shares of the company and will have the same rights and benefits (including the right on dividends) as the existing ordinary shares prior to the issuance of the new shares. The new shares will benefit of a reduced withholding tax of 15% in case dividends will be paid (this right will be represented by a separate VVPR-strip). The options vest in equal parts per quarter over a period of four years.

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

4.7 EMPLOYEE STOCK PURCHASE PLAN 2008

On May 31, 2007 the extraordinary shareholders meeting of Telenet Group Holding NV approved the issuance of a new ESPP ("Employee Stock Purchase Plan") for a maximum amount of €23,500,000 and mandated the Board of Directors to implement such plan before December 31, 2007. On December 27, 2007 the extraordinary shareholders meeting of Telenet Group Holding NV renewed the mandate to the Board of Directors to implement the ESPP until April 30, 2008.

The Board of Directors offered the personnel of the Telenet-group in January 2008 the possibility to enter in the ESPP 2008. Personnel members could make a reservation for the subscription to shares in the period from January 31, 2008 until February 17, 2008. On March 19, 2008, the Board of Directors determined the final subscription price at €12.11. The final subscription price was calculated by applying a 16.67% discount to the so-called reference price. The reference price equals the average closing price of the Telenet share on Euronext Brussels during the 30 days preceding March 20, 2008.

The subscription period for the ESPP 2008 ran from March 20, 2008 until March 26, 2008. Subscriptions were received for a total amount of €8,394,857.87. On April 18, 2008 the capital of the Company was increased with €6,855,916.50 against issuance of 693,217 new shares and a total amount of €1,538,941.74 was booked as an issue premium.

5 Information on research and development

Telenet continued to invest in research and development in 2007. These activities were focused in three main areas : network capacity, mobility and convergence.

In the network capacity area Telenet allocated substantial resources to the so-called Mach 3 project in which the introduction of the EuroDocsis 3.0 standard is being prepared. Another important part of this project is the HFC network upgrade to a 600 MHz network.

The main mobility project was centered around Mobile TV in which the technological, financial, regulatory and business aspects were investigated. Telenet also participated in MADUF, a subsidised R&D project with partners from the academic world and the media and ICT industries.

In the convergence area Telenet focused on a number of different projects. One example is the Telesenior project in which a successful convergence of TV and telephony services was demonstrated and tested. In the accompanying Telesenior E-Care trial a number of participating elderly persons were able to communicate with their local health care advisors via videophony equipment connected to their living room TV sets. The close relatives of the elderly persons were also able to communicate with them in the same manner.

6 Use of financial instruments

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

The Company seeks to reduce its 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 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.

The Company has entered into various derivative instruments to manage interest rate and foreign currency exchange rates exposure. With the exception of the foreign exchange forwards that were purchased historically to hedge the US dollar foreign exchange risk related to the US dollar denominated Senior Discount Notes for which the company applied hedge accounting until June 30, 2007, the Company does not apply hedge accounting to its derivative instruments. Accordingly, changes in the fair values of all other derivative instruments are recognised immediately in the Company's income statement.

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.

For further information, we refer to Note 5.13 *Derivative Financial Instruments to the consolidated annual accounts of the Company*.

7 Corporate governance

The Corporate Governance Charter of the Company 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 current corporate governance policy at Telenet and relevant events which took place in 2007.

7.1. REGULATORY DEVELOPMENTS AND THEIR IMPACT ON TELENET

In 2007, Telenet witnessed an important number of legal and regulatory developments relating to corporate governance.

The Act of December 14, 2005 on the abolition of bearer securities and the related Royal Decree of January 12, 2006 aim at gradually abolishing all bearer securities and allowing only registered or dematerialised securities. Since January 1, 2008 new shares may be issued only in registered or in dematerialised form. Consequently, on January 1, 2008 all bearer shares of Telenet held in a bank account were automatically converted into dematerialised Telenet shares. Owners of registered or dematerialised Telenet shares will no longer be able to request physical delivery of shares, and existing physical Telenet shares will have to be converted into registered or dematerialised shares by December 31, 2013. The Company's extraordinary shareholders' meeting of May 31, 2007 has amended the articles of association of the Company in this respect.

The Act of April 1, 2007 implementing the EU Directive 2004/25/EC (Takeover Directive) and the related Royal Decree of April 27, 2007 came into force on September 1, 2007. Under the new legislation, any person or entity that, acting alone or in concert, exceeds the threshold of 30% of the voting rights in a listed Company, must launch a mandatory take-over bid on that listed Company. The Act provided however for a so-called grandfathering principle whereby persons or entities that held voting rights in a listed Company exceeding the 30% threshold on or before September 1, 2007, could be exempt from launching a take-over bid on that listed Company. These persons or entities had to notify the Belgian Banking, Finance and Insurance Commission as well as the listed Company involved about their holding. In September 2007, the Company received a notification from Liberty Ventures B.V., acting alone, and from Liberty Ventures B.V., Belgian Cable Investors (Delaware partnership), Investco Belgian Cable 1 S.a.r.l. and Investco Belgian Cable 2 S.a.r.l., acting in concert, in accordance with article 74, §7 of the Act of April 1, 2007, according to which Liberty Ventures B.V. alone held more than 30% of the voting rights in the Company on September 1, 2007 and the other companies referred to above together held more than 30% of the voting rights in the Company on September 1, 2007.

The Act of May 2, 2007 implemented the EU Directive 2004/109/EC (Transparency Directive) and will come into force on September 1, 2008. Under this Act, any person or entity acting alone or in concert must notify Belgium's Banking, Finance and Insurance Commission and the Company concerned whenever they exceed or drop below the threshold of 5%, or any multiple of 5%, of the voting rights in a listed Company. A Company may also stipulate that such notification must be made when there are movements above or below the thresholds of 1%, 2%, 3%, 4% and 7.5%. The applicable notification period is four working days (instead of two days under the current legislation).

The Act of May 2, 2007 and the related Royal Decree of November 14, 2007 also deal with periodic and ongoing information provided by listed companies, i.e. in the annual, half-yearly and quarterly financial figures. Under this legislation, the annual financial statements must be published within four months of the end of the previous year, and the half-yearly results within two months of the end of the second quarter. This new legislation also requires listed companies to provide additional information in their annual reports on certain elements that may have an impact in the event of a takeover bid (in accordance with article 34 of the Royal Decree of November 14, 2007). We refer to section 7.2.6 *Consolidated Information related to the elements referred to in article 34 of the Royal Decree of November 14, 2007, of the consolidated annual report of the Board of Directors.*

7.2. CAPITAL AND SHAREHOLDERS

7.2.1 Capital and securities

The share capital of the Company amounted to €1,081,097,740.97 per December 31, 2007 and was represented by 109,313,539 shares without nominal value. All shares are ordinary shares, listed on Euronext Brussels, with the exception of 30 Golden Shares and 1,665,087 Liquidation Dispreference Shares to which certain specific rights or obligations are attached, as described in the Articles of Association and the Corporate Governance Charter.

In 2004, the Company issued profit certificates of class A and B and options on these profit certificates. The profit certificates were issued subject to exercise of the options. The options were granted to staff members of Telenet within the framework of a stock option plan (the 2004 ESOP). Under certain conditions the profit certificates can be converted into shares. On November 19, 2007, both the number of outstanding options and the exercise price of these options were amended following the payment of the capital reduction of the Company. On December 31, 2007, there were 1,502,824 options of class A, 594,874 options of class B, no profit certificates of class A and 62,736 profit certificates of class B outstanding under the 2004 ESOP. More details on the outstanding options and profit certificates under the 2004 ESOP can be found in Note 5.11.1 of the consolidated annual report of the Board of Directors.

On December 27, 2007, the extraordinary shareholders' meeting of the Company approved a new employee stock option plan (the 2007 ESOP) whereby 3,300,000 new warrants were issued in view of the granting of these warrants to selected participants under the 2007 ESOP (most of them hold senior or middle management positions). Each warrant gives the right to subscribe to one share under the conditions set out in the terms and conditions of the 2007 ESOP. The Board of Directors or the HRO Committee can grant the warrants to selected beneficiaries over a maximum period of 3 years. Once subscribed to by the selected beneficiaries, the options vest on a quarterly basis over a period of four years.

7.2.2 Evolution of the share capital of Telenet Group Holding NV

The following capital movements took place in 2007:

- On March 14, 2007 the share capital was increased by €571,275 through the conversion of 68,553 profit certificates of class B into an equal number of shares;
- On March 22, 2007, 412,869 new shares in Telenet Group Holding were issued to Chellomedia Investments BV (now LGI Ventures BV, a Company of the Liberty Global Consortium) following the exercise by Chellomedia Investments BV of 137,623 Subordinated Debt Warrants. Each Subordinated Debt Warrant was exercised at a price of €40.00, resulting in an increase with Telenet's capital of €5,504,920.
- On May 24, 2007 the share capital was increased by €668,700 through the conversion of 30,000 profit certificates of class A and 53,844 profit certificates of class B into an equal number of shares;
- On May 31, 2007 the extraordinary shareholders' meeting of the Company approved a new employee share purchase plan whereby the capital of the Company could be increased by a maximum of €23,500,000 and mandated the Board of Directors to implement this purchase plan by December 31, 2007. The extraordinary shareholders' meeting of December 27, 2007 however extended the mandate granted to the Board of Directors to implement the plan until April 30, 2008. The employee share purchase plan has been implemented in the first quarter of 2008 and has resulted in an increase of the Company's capital on April 18, 2008 of €6,855,916.50 and a total amount of €1,538,941.74 as an issue premium.

- On July 3, 2007 the share capital was increased by €260,000 through the conversion of 39,000 class A profit certificates into an equal number of shares;
- On July 3, 2007 the number of ordinary shares was decreased by 19,224 from 101,689,721 to 101,670,497 following the conversion by Interkabel Vlaanderen CVBA of 499,824 Liquidation Dispreference Shares into 480,600 ordinary shares.
- On August 10, 2007 the share capital was increased by €852,150 through the conversion of 102,258 class B profit certificates into an equal number of shares;
- All 3,288,377 remaining Subordinated Debt Warrants were converted into shares of Telenet on August 10, 2007. A total of 1,475,960 Subordinated Debt Warrants were exercised at the Penny Exercise Price (i.e. a cashless exercise) against issuance of 2,103,533 new shares in the Company for an aggregate exercise price of €0.06. A total of 1,812,417 Subordinated Debt Warrants were exercised at the Normal Exercise Price (€40.00 per Subordinated Debt Warrant) against issuance of 5,437,251 new shares of the Company for an aggregate exercise price of €72,496,680.00.
- On August 17, 2007 the extraordinary shareholders' meeting of the Company approved to decrease the share capital of the Company by €655,881,234 corresponding to a decrease of €6.00 per share outstanding at that date bringing the capital of the Company to €1,081,097,740.97. The Company effectively paid out the capital decrease to all shareholders on November 19, 2007.

7.2.3 Shareholders

In the course of 2007 the Company received the following transparency declarations:

- On December 19, 2007 the Company received a transparency declaration from the surviving parties to the Syndicate Agreement acting in concert, according to which the members of the Liberty Global Consortium together with the members of the Financial Consortium (excluding CDP Capital Communications Belgique Inc.) held on the date of the declaration 55.06% of the outstanding voting securities and 53.99% of the total number of voting securities.
- On November 15, 2007 the Company received a transparency declaration from Centaurus Capital following the transfer of 612,503 shares, which brought the participation of Centaurus Capital under the threshold of 3% of the registered capital of the Company.
- On November 6, 2007 the Company received a transparency declaration from the surviving parties to the Syndicate Agreement acting in concert, according to which the Liberty Global Consortium has performed an intra-group transfer: all shares held by LGI Ventures BV were transferred to another group company, Binan Investments BV. Consequently, Binan Investments BV replaced LGI Ventures BV in the Liberty Global Consortium. According to the declaration that Evercore entities have sold all their shares in Telenet Group Holding (0.96%). The Liberty Global Consortium held on the date of that declaration 52.06% of the currently existing voting securities.
- On September 26, 2007 the Company received a transparency declaration from the surviving parties to the Syndicate Agreement acting in concert, according to which the members of the Liberty Global Consortium (excluding however the Evercore entities and CDP Capital Communications Belgique Inc.) together with the members of the Financial Consortium held on the date of the declaration 55.82% of the outstanding voting securities and 54.99% of the total number of voting securities. According to the declaration Liberty Global Inc., through its affiliates, held 51.11% of the then existing shares.
- On September 21, 2007 the Company received a transparency declaration from Cyrte Investments GP I.B.V. ("Cyrte") declaring that it sold all its stocks in the Company.
- On September 13, 2007 the Company received a transparency declaration from Cyrte Investments GP I.B.V. ("Cyrte"), according to which Cyrte held on the date of the declaration 5.01% of the outstanding voting securities and 4.93% of the total number of voting securities.
- On September 3, 2007 the Company received a new transparency declaration following the transfer of 2,500,000 shares between different companies of the Liberty Group.
- On August 13, 2007 and August 28, 2007 the Company received a transparency declaration from the surviving parties to the Syndicate Agreement acting in concert, according to which the members of the Liberty Global Consortium (excluding however the Evercore entities and CDP Capital Communications Belgique Inc.) together with the members of the Financial Consortium held on the date of the declaration 50.98% of the outstanding voting securities and 50.22% of the total number of voting securities. It also appears from the declaration that Liberty Global Inc., through its affiliates, held 48.18% of the then existing shares.
- On July 4, 2007 the Company received a transparency declaration from all parties to the Syndicate Agreement acting in concert, according to which they held on the date of the declaration 56.17% of the outstanding voting securities

and 59.12% of the total number of voting securities. According to the declaration Liberty Global Inc., through its affiliates, held 49.65% of the total number of outstanding shares.

- On March 26, 2007 the Company received a transparency declaration from all parties to the Syndicate Agreement acting in concert, according to which they hold on the date of the declaration 56.29% of the outstanding voting securities and 59.13% of the total number of voting securities. It also appears from the declaration that Liberty Global Inc., through its affiliates, holds 31.34% of the total number of outstanding shares.
- On March 9, 2007 a transparency declaration was filed by the parties to the Syndicate Agreement acting in concert, according to which they held on the date of the declaration 57.10% of the outstanding voting securities and 60.01% of the total number of voting securities. According to the declaration Liberty Global Inc., through its affiliates, held 30.08% of the total number of outstanding shares.

All transparency declarations referred to above are available on the corporate website of the Company:
<http://investors.telenet.be>

The shareholder structure of the Company per December 31, 2007 was as follows:

Shareholders	Outstanding shares	Percentage	(Options on) PCs ³	Total (fully diluted)	Percentage
Liberty Global Consortium ¹	56,911,314	52.06%		56,911,314	51.05%
Financial Consortium ²	4,321,488	3.95%		4,321,488	3.88%
Fortis Investment Management NV	3,545,862	3.24%		3,545,862	3.18%
Employees	300,033	0.27%	2,166,707	2,466,740	2.21%
Public	44,234,842	40.47%		44,234,842	39.68%
Total	109,313,539	100.00%	2,166,707	111,480,246	100.00%

7.2.4 Relationship with and between shareholders

On October 14, 2005 the shareholders pertaining to the Liberty Global group, the Gimv-group, the Mixed Intercommunales and Electrabel-group and the Financial Consortium, Interkabel and the Company entered into a shareholders agreement (the "Syndicate Agreement") in which arrangements were made with respect to the shareholder structure and the management of the Company and its subsidiaries.

This Syndicate Agreement provided, among other things, for nomination rights for directors, limitations on the transferability of shares within the Syndicate and arrangements on the decision-making process of general shareholder's and Board meetings. The Syndicate Agreement was initially valid until 2026 with the exception of voting rights which were only valid until 2015. Further information regarding the Syndicate Agreement can be obtained in the Corporate Governance Charter.

However, following the exercise by Liberty Global in June 2007 of the so-called 2002-2003 Call Options on Telenet shares held by other parties to the Syndicate Agreement, the Syndicate Agreement was terminated vis-à-vis Electrabel, the Mixed Intercommunales, GIMV and Interkabel Vlaanderen CVBA on July 4, 2007 because they no longer held a stake in Telenet exceeding 3% of the share capital. As from that date, Electrabel and the Mixed Intercommunales no longer form an Aggregation, as defined in the Syndicate Agreement. The Syndicate Agreement remains in place between Liberty Global and the Financial Consortium.

Following the exercise of the so-called 2002-2003 Call Options, the Liberty Global Consortium acquired a +50% majority of the shares of the Company. As a consequence, certain agreements set out in the Syndicate Agreement, some of which are also incorporated in the articles of association of the Company, lapsed or were changed in accordance with the terms of the Syndicate Agreement. This was among others the case for certain agreements related to the composition of the Board of Directors, the requirement for special majority decisions within the Board of Directors and the restrictions on the transferability of shares that are subject to the Syndicate Agreement.

1 Consisting of companies pertaining to Liberty Global group and including the holding of CDP Capital Communication Belgique Inc.

2 Finstrad NV, Ibel NV, KBC Private Equity NV and Sofinim NV

3 Profit Certificates ("PC's"). This column does not include the 3,300,000 warrants that were issued on December 27, 2007, since non of these warrants were accepted by the beneficiaries of the employee stock option plan 2007 (ESOP 2007).

7.2.5 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 2008, this will be on May 29.

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>).

7.2.6 Consolidated Information related to the elements referred to in article 34 of the Royal Decree of November 14, 2007

Article 34 of the Royal Decree of November 14, 2007 requires that listed companies disclose the relevant elements that may have an impact in the event of a takeover bid. The Board hereby gives the following explanations concerning the respective elements to be addressed under the new rules:

- A comprehensive overview of the capital structure of the Company can be found in Note 5.11 of the consolidated annual accounts of the Company.
- Restrictions on the transfer of shares extend only to the golden shares and to the shares that are subject to the provisions of the Syndicate Agreement.
- Any major shareholdings of third parties that exceed the thresholds laid down by law and by the articles of association of the Company are listed in Note 7.2.3 of the consolidated annual report of the Board of Directors.
- On December 31, 2007, the Company had 1,665,087 liquidation dispreference shares and 30 golden shares outstanding. The liquidation dispreference shares can be converted into ordinary shares on a 1.04 to 1.00 ratio. The golden shares attribute certain rights to the financing intercommunales (who hold all 30 golden shares) in relation to the public interest guarantees, as further described in the articles of association and the Corporate Governance Charter of the Company.
- Share option and share purchase plans are described in Notes 5.11.1 and 5.11.2 of the consolidated annual accounts of the Company. The new employee stock option plan of 2007 provides that all outstanding warrants (if granted to selected beneficiaries) would immediately vest upon a change of control over the Company. This provision has been approved by the extraordinary general shareholders' meeting of December 27, 2007 in accordance with article 556 of the Belgian Company Code.
- Except for the Syndicate Agreement the Company is unaware of any agreement with any shareholder that may restrict either the transfer of shares or the exercise of voting rights.
- Board members are elected or removed by a majority of votes cast at the AGM. Any amendment to the Articles of Association requires the Board to propose that the AGM pass a resolution to that effect. If fewer than 50% of the shareholders are represented, a second meeting must be convened which will be able to adopt the resolution with 75% of the votes cast. For amendments to the Articles of Association the AGM must comply with the quorum and majority requirements laid down in the articles of association and the Belgian Company Code.
- The Board is authorized by the shareholders' meeting of September 20, 2005 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 2007. The Board is not entitled to buy back shares of the Company.
- In 2007, the Company has concluded new financing agreements with a banking consortium whereby all existing debts of the Telenet group were refinanced. Certain provisions of these new financing agreements would become effective or would be terminated in case of a change of control over the Company (e.g. following a public take-over bid). The relevant provisions have been approved by the extraordinary shareholders' meeting of August 17, 2007 in accordance with article 556 of the Belgian Company Code. Otherwise, the Company is not party to any major agreement that would either become effective, be amended and/or be terminated due to any change of control over the Company as a result of a public takeover bid.
- The Company has not concluded an agreement with its Board members or employees, which would allow the disbursement of special severance pay in the case of termination of employment as a result of a public takeover bid.

7.3 BOARD OF DIRECTORS

7.3.1 Composition

On 31 December 2007, the Board of Directors of the Company was composed of 16 members.

With the exception of the Managing Director (CEO) all directors are non-executive directors.

At the meeting of May 31, 2007 the annual ordinary shareholders' meeting acknowledged the resignation of the following directors with immediate effect:

- Mr. Freddy Willockx
- Mr. Serge Grysolle
- Mr. Patrick Moenaert
- Mr. Paul Van de Casteele
- Mr. Yvan Dupon

At the same meeting of May 31, 2007 the annual ordinary shareholders' meeting appointed the following persons as new directors of the Company proposed by the LGI Consortium in accordance with the Syndicate Agreement:

- Mr. Diederik Karsten
- Mr. Bernard G. Dvorak
- Mr. Manuel Kohnstamm
- Mr. Niall Curran
- Mrs. Ruth Elisabeth Pirie
- Mr. Gene W. Musselman
- Mr. Jim Ryan

Also on May 31, 2007 the annual ordinary shareholder's meeting acknowledged the resignation of Mr. Julien De Wilde as independent director and has appointed De Wilde J. Management BVBA, with as permanent representative Mr. Julien De Wilde as independent director. De Wilde J. Management BVBA is considered an independent director since both itself and its permanent representative fulfill the independence criteria set out in the articles of association of the Company and article 524,§4, second paragraph of the Belgian Company Code.

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

In addition, Telenet Communications NV, a direct subsidiary of the Company, also has three independent directors appointed in the meaning of Article 524,§4 Company Code and the Corporate Governance Code: Abaxon BVBA (with as permanent representative Guido De Keersmaecker), JRoos BVBA (with as permanent representative Jozef 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).

The mandates of Mr. Diederik Karsten, Mr. Bernard G. Dvorak, Mr. Manuel Kohnstamm, Mr. Niall Curran, Mrs. Ruth Elisabeth Pirie, Mr. Gene W. Musselman, Mr. Jim Ryan and De Wilde J. Management BVBA expire at the annual shareholder's meeting of 2011. All other director mandates expire at the annual shareholder's meeting of 2008. All directors whose mandate expires in 2008 will be proposed for reappointment to the general shareholders' meeting to be held on May 29, 2008.

Mid 2007, the Company has installed an Advisory Board consisting of the following former directors:

Mr. Patrick Moenaert, Mr. Yvan Dupon, Mr. Paul Van de Casteele, Mr. Serge Grysolle and Mr. Freddy Willockx.

The role of the Advisory Council is to advise the Board on matters that relate to the relationship between Telenet and the general public (as opposed to individual customers) or that may relate to other matters of public interest.

On 31 December 2007, 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			
Alex Brabers	Executive Vice President ICT, GIMV	GIMV Until July 4, 2007	X	X	Chairman		X	X
Charles H. Bracken	Co-Chief Financial Officer, Principal Financial Officer Liberty Global Inc.	Liberty Global Consortium	X	X	X			
Guido De Keersmaecker (Abaxon bvba)	Director of companies	Independent Director		X		Chairman		
Michel Delloye (Cytifinance nv)	Director of companies	Independent Director	X		X	X	X	
Julien De Wilde (De Wilde J. Management bvba)	Director of companies	Independent Director	X				Chairman	Chairman
James S. O'Neill	President Chello Media BV, Chief Strategy Officer Liberty Global Inc.	Liberty Global Consortium	X	X		X	X	X
Jozef Roos (JROOS bvba)	Chairman of the Catholic University of Leuven	Independent Director		X		X		
André Sarens	Grid Participations Manager Electrabel	Mixed Inter-communales Until July 4, 2007	X	X	X			
Duco Sickinghe	Chief Executive Officer & Managing Director Telenet		X	X				
Friso van Oranje	Director of companies	Independent Director	X				X	X
Diederik Karsten	Managing Director UPC Nederland	Liberty Global Consortium	X	X				

Name	Function	Nominated by	Director	Director Communications	Audit Committee (6)	HRO Committee	Strategic Committee	Nomination Committee
Bernard G. Dvorak	Senior Vice President and Co-Chief Financial Officer (Principal Accounting Officer) of Liberty Global, Inc	Liberty Global Consortium	X	X				
Manuel Kohnstamm	Managing Director Public Policy & Communications UPC Corporate	Liberty Global Consortium	X	X				
Niall Curran	Chief Operating Officer Chello Media BV	Liberty Global Consortium	X	X				
Ruth Elisabeth Pirie	CFO UPC Corporate	Liberty Global Consortium	X	X				
Gene W. Musselman	President & Chief Operating Officer UPC Corporate	Liberty Global Consortium	X	X				
Jim Ryan	MD Strategy & Corp. Development UPC Corporate	Liberty Global Consortium	X	X				

Presentation of new directors

The following individuals were appointed as new directors of the Company during 2007:

Bernie Dvorak

Bernard G. Dvorak has been Liberty Global's Senior Vice President since April 2005 and Co-Chief Financial Officer (Principal Accounting Officer) since June 2005. In addition, Mr. Dvorak has served as an officer of various subsidiaries of Liberty Global, Inc., including LGI International, Inc. since March 2004. From July 2002 until May 2004, Mr. Dvorak served as Senior Vice President, Chief Financial Officer and Treasurer of On Command Corporation, a then subsidiary of Liberty Media Corporation.

Ruth Pirie

Ruth Pirie has been the Chief Financial Officer for Liberty Global Europe, Inc., the European division of Liberty Global, since June 2005. Between September 2001 and June 2005, Ms. Pirie was the Co-Principal Accounting Officer of UnitedGlobalCom, Inc., a subsidiary of Liberty Global, Inc., and the Deputy Chief Financial Officer and Principal Accounting Officer of Liberty Global Europe, Inc. and its predecessors. Prior to September 2001, Ms. Pirie served as the Managing Director of Investor Relations at Liberty Global Europe, Inc. from February 2000.

Gene Musselman

Gene W. Musselman has been President and Chief Operating Officer of Liberty Global, Inc.'s UPC Broadband division since June 2005, where he is responsible for Liberty Global, Inc.'s European broadband operations. Mr. Musselman served in similar positions with the UPC Broadband division of Liberty Global Europe, Inc. and its predecessors from April 2000 to June 2005. Mr. Musselman serves as an officer and/or director of various other of Liberty Global, Inc.'s European subsidiaries.

Diederik Karsten

Diederik Karsten has been Chief Executive Officer of UPC Nederland BV, a subsidiary of Liberty Global, Inc. and part of the UPC Broadband division, since July 2004. Prior to joining UPC Nederland BV, Mr. Karsten was a director and is currently a non-executive board member of EasyJet PLC, a low cost airline company. Mr. Karsten has also worked for KPN Mobile BV, PepsiCo and Procter & Gamble, where he held several marketing and general management positions.

Jim Ryan

Jim Ryan has been the Managing Director of Strategy and Corporate Development of Liberty Global, Inc. since January 2005. In this capacity, Mr. Ryan has global responsibility for strategy and strategic planning across the regions. Prior to 2005, Mr. Ryan held a similar position with Liberty Global Europe NV, where he was responsible for corporate development and strategy focusing on M&A, strategic planning and group strategy.

Manuel Kohnstamm

Manuel Kohnstamm has been the Managing Director of Public Policy and Communications for Liberty Global Europe NV since 2005, where he is responsible for government affairs, external relations and communications for Europe. Prior to 2005, Mr. Kohnstamm held a similar position with Liberty Global Europe NV. Mr. Kohnstamm also currently serves as a board member of NLKabel, the Dutch Association of Cable Operators, and as a board member with the position of Vice President of CableEurope, the European Cable industry association.

Niall Curran

Niall Curran is Chief Operating Officer of Chellomedia, the European content division of Liberty Global, Inc., a post he has held since 2003. He is responsible for performance and development of basic pay and premium TV channels and on demand TV content distributed to cable, DTH, IPTV and mobile platforms. Mr. Curran joined the Liberty Global group via Liberty Global Europe NV in 2000, focusing on operational restructuring and beginning in 2002, took on leadership of the group's media activities and European broadband internet product management. Prior to joining the group Niall was Executive Vice President Operations, Walt Disney Europe.

De Wilde J. Management BVBA (represented by Mr. Julien De Wilde)

Julien De Wilde, civil engineer (KUL), was Chief Executive Officer (CEO) of Bekaert Group from July 2002 until May 2006. From 1999 until 2002 he was Executive Vice-President and member of the Executive Committee of Alcatel Paris, with direct responsibility for Europe, the Middle East, Africa, India and South-America. In 1989 he joined Alcatel Bell in Belgium as a member of the Executive Committee, responsible for Strategy and General Services. In 1988 he managed the research- and business development centre of Recticel. Before that Julien De Wilde was employed in different operational functions at Texaco (as from 1969) and was nominated in 1987 as a member of the European Management Committee of Texaco in New York. Julien De Wilde is Chairman of the Board of Directors of Nyrstar and Metris and is also member of the Board of Directors of Agfa Gevaert, Bank van Breda, Bekaert, KBC Bank and Telenet. Julien De Wilde is also honorary president of Agoria.

7.3.2 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 2007, 12 board meetings took place of which 7 were scheduled meetings and 5 ad hoc meetings.

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). However, since July 4, 2007, an important number of these special majorities, do no longer apply (see "Relationship with and between shareholders"). The Board of Directors strives to take the resolutions by consensus.

7.3.3 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 six members including one independent director of the Company and one independent director of Telenet Communications NV and four non-executive directors of whom one is the chairman. Two members are directors nominated by LGI. This composition does not conform to the recommendation of the Corporate Governance Code, but stems historically 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. The meetings are attended by Michel Allé, independent director of Telenet Communications NV, provided there is no conflict of interest.

In 2007, the committee convened five 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 procedures for financial reporting to Liberty Global, about certain aspects of the new senior credit facility and the reduction of the capital of the Company. Finally, the audit committee, together with the internal audit function (which is partially outsourced, see under "Internal Audit") followed up on the internal audit processes.

The Company has drafted a whistleblowing policy, which has been reviewed by the audit committee and approved by the Board of Directors. The Company has started the implementation process for this policy in early 2008. This policy allows staff of the Company to raise concerns about possible improprieties in financial reporting or other matters in confidence to the corporate compliance officer or directly to the chairman of the audit committee.

The chairman of the Audit Committee reported on the matters discussed in the Audit Committee to the Board of Directors after each meeting and presented the recommendations of the Audit Committee to the Board for decision-making.

Early 2008 the Audit Committee has discussed the appointment of a new auditor. The Audit Committee has advised the Board of Directors to propose to the shareholders to appoint KPMG Bedrijfsrevisoren CVBA as new auditor for the Telenet Group.

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 three members. Two of the members, one of whom chairs the committee, are independent directors of Telenet Communications NV. Although a majority of the members are independent directors, it should be noted that these individuals are directors of Telenet Communications NV (a 100% subsidiary of the Company) rather than directors of the Company. This is explained, among other things, by the historic objective of the Syndicate Agreement to have a similar composition of the boards of directors and committees

of the different companies within the Telenet group and the specific skills of the individuals concerned. 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 2007, the HRO committee met five times, in the presence of the chairman of the Board of Directors and the CEO (except for matters where the CEO was conflicted).

Among other matters, the committee addressed headcount evolution, a share purchase plan for employees, a new employee stock option plan, the evaluation of the Executive Team and the CEO and recommendations on their remuneration (including bonuses), recommendations on the remuneration of directors, a framework for the delegation of powers to the CEO, modifications to the incentive plans in view of the Company's capital reduction and the reorganization of the overall management structure of the Telenet group.

The chairman of the HRO Committee reported on the matters discussed in the HRO Committee to the Board of Directors after each meeting and presented the recommendations of the HRO Committee to the Board for decision-making.

The nomination committee

The nomination committee consists entirely of non-executive directors (five), 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 historically 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 and to discuss the applications of new directors and to make recommendations to the Board.

The chairman of the Nomination Committee reported on the matters discussed in the Nomination Committee to the Board of Directors after each meeting and presented the recommendations of the Nomination Committee to the Board for decision-making.

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 two other independent directors and two non-executive directors.

The strategic committee convened five times in 2007, particularly to discuss potential joint venture and acquisition projects.

The chairman of the Strategic Committee reported on the matters discussed in the Strategic Committee to the Board of Directors after each meeting and presented the recommendations of the Strategic Committee to the Board for decision-making.

7.3.4 Application of legal rules regarding conflicts of interest

In the meeting of the Board of Directors of November 23, 2007, article 523 of the Company Code was applied. At this meeting the Board discussed the (conditional) approval of a new employee stock option plan (ESOP 2007). The minutes of that meeting mention in this respect the following:

“Prior to the deliberation and the resolutions on this item that is related to the ESOP 2007 that has just been (conditionally) approved by the Board and will be put before the shareholders’ meeting on 27 December 2007 for its approval, the Chairman informs the meeting that Mr. Duco Sickinghe (who is not present at this meeting), as director and in as far as needed in accordance with Article 523 of the Belgian Company Code, has informed him of the fact that he possibly has an interest of a financial nature that could conflict with the resolutions which the Board of Directors will take in connection with the ESOP 2007 as (conditionally) approved on this day, at least if and to the extent that he would be a beneficiary of the concerned ESOP 2007.

The ESOP 2007 provides for the grant of options to employees and consultants of the Company or one of her (direct or indirect) subsidiaries. The Chairman informs the Board that Mr. Duco Sickinghe explained that, as managing director of the Company, he is possibly a beneficiary of the ESOP 2007. This possibly creates an interest that, in accordance with Article 523 of the Belgian Company Code, could conflict with the resolutions that the Board of Directors will take. Nevertheless Mr. Duco Sickinghe is of the opinion that the resolutions that the Board of Directors must take in this framework are in the interest of the Company as further explained in the reports that were prepared by the Board of Directors in accordance with articles 583, 596 and, in as far as applicable and necessary, article 598 of the Belgian Company Code and that will be submitted to the extraordinary shareholders’ meeting of 27 December 2007. Finally the Chairman informs the Board that Mr. Duco Sickinghe has stated that he will inform the auditors of the Company of the above in accordance with Article 523 of the Belgian Company Code. Since Mr. Duco Sickinghe is not present at the current meeting, he did not participate in the deliberation and resolution with regard to this item.

The directors believe that the decision on this matter is in the interest of the Company, because the ESOP 2007 creates an attractive (performance) incentive for the CEO (and all other beneficiaries of the ESOP 2007), as set out in further detail in the special report of the Board of Directors drafted in accordance with articles 583, 596 and, in as far as necessary and applicable, article 598 of the Belgian Company Code, as approved today. For the financial consequences of the issue of the options, reference is made to the same special report of the Board of Directors. With the exception of the respective accounting implications that may apply to the accounting of stock options, there should be no direct financial consequences for the Company resulting from the grant of options to the CEO.

Subject to the approval of the ESOP 2007 by the extraordinary shareholders’ meeting scheduled for 27 December 2007, the Board resolves to grant in aggregate 1,650,000 options under the new ESOP 2007 immediately following the approval of the ESOP 2007 by the extraordinary shareholders’ meeting of 27 December 2007. The Board resolves that the selected beneficiaries and the number of options granted to each of them will be determined by the HRO Committee.”

With respect to some agenda items, certain directors have in 2007 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 Company Code. This goes for example for (i) representatives of Electrabel regarding the legal procedures initiated by the Company against the sellers 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 legal procedures initiated by the Company against the sellers of 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.

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

Following the Company's IPO, Telenet 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.

7.4. DAILY MANAGEMENT

The 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 524bis of the Company Code.

In 2007 the Executive Team of the Company was composed as follows:

Name	Age	Position
Duco Sickinghe	50	Chief Executive Officer and Managing Director
Dirk Van Dessel	46	Senior Vice President - Business Improvements & Product Development
Hugo Lemmens	50	Executive Vice President - Telenet Solutions
Jan de Grave	44	Vice President - Corporate Communications
Jan Vorstermans	48	Executive Vice President - Technology and Infrastructure
Jo Van Gorp	43	Executive Vice President - Residential Markets
Luc Machtelinckx	46	Vice President and General Counsel
Patrick Vincent	44	Senior Vice President - Residential Sales and Care
Piet Spiessens	43	Vice President - Innovation and Business Development
Renaat Berckmoes	42	Senior Vice President and Chief Financial Officer
Ronny Verhelst	44	Senior Vice President - Purchasing and Public Affairs
Tony Jossa	52	Senior Vice President - Human Resources and Organization

Following a reorganization of the Company in January 2008, the executive Team is composed as from 1 February 2008 as follows:

Name	Age	Position
Duco Sickinghe	50	Chief Executive Officer and Managing Director
Jan Vorstermans	48	Executive Vice President - Technology, Infrastructure and Telenet Solutions
Jo Van Gorp	43	Executive Vice President - Residential Markets
Luc Machtelinckx	46	Senior Vice President and General Counsel
Patrick Vincent	44	Executive Vice President - Residential Sales and Care
Piet Spiessens	43	Senior Vice President - Innovation and Business Development
Renaat Berckmoes	42	Executive Vice President and Chief Financial Officer
Ronny Verhelst	45	Executive Vice President - Corporate Staff

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.

Duco Sickinghe

Duco Sickinghe has worked for more than 22 years in the technology and media industry. He holds a Dutch Master's degree in Law from Utrecht University and a Master's degree in Business Administration from Columbia University. His focus has been on finance, marketing, strategy and general management. Mr. Sickinghe started his career in finance with Hewlett Packard in its European headquarters in Switzerland. He then moved to Germany to become head of marketing of the LaserJet product line for Europe. He concluded his tenure at HP Europe by building out its indirect sales channels. He served at NeXT Computer, first as Vice President Marketing Europe and then as General Manager for France. After

leaving NeXT, Mr. Sickinghe became co-founder and Chief Executive Officer of Software Direct, which later became a joint venture with Hachette in Paris. Mr. Sickinghe joined Wolters Kluwer in 1996, and as General Manager of Kluwer Publishing in the Netherlands oversaw its transition to electronic media and re-engineered the Company's traditional business. He joined Cable Partners Europe in early 2001 and was appointed as Chief Executive Officer of Telenet in the summer of 2001. Mr. Sickinghe has lived in Belgium, the United States, France, Germany, Switzerland and the Netherlands. Mr. Sickinghe is also a member of the Board of Directors of Zenitel NV.

Jan Vorstermans

Jan Vorstermans joined the Telenet group as Senior Vice President - Technology, Engineering and Network Operations in February 2003. As of January 2008, Mr. Vorstermans assumed additional responsibilities for Telenet Solutions, the business-to-business unit within the group. From 1994 to 2003, Mr. Vorstermans held several executive positions in British Telecom's Belgian operations, including as Director Customer Service Belgium, Director Operations Belgium and, most recently, Vice President Global Network Operations.

Jo Van Gorp

Jo Van Gorp joined Telenet in 2004 as General Counsel, a post which he held until the end of 2006, when he was appointed to his current role. Prior to joining Telenet, Mr. Van Gorp served as Vice President and General Counsel of Level 3 Communications NV in Europe from 1998 to 2004, in which capacity he was responsible for all of Level 3's European legal, regulatory and corporate affairs. Mr. Van Gorp also served as Chief Executive Officer of Level 3 Communications NV between 2000 and 2004. Mr. Van Gorp also worked in similar executive positions for MCI International and MFS International. He started his career at BT plc in 1991.

Luc Machtelinckx

Luc Machtelinckx joined Telenet as Director Legal Affairs in February 1999. In this function, he was closely involved in the initial commercial steps, as well as the further development of Telenet's telephony and internet offerings. After the acquisition of the cable assets of the Mixed Intercommunales, Mr. Machtelinckx specialized in cable television legal affairs and more specifically, he played an important role in the iDTV project. In January 2007, Mr. Machtelinckx was appointed Vice President and General Counsel and Senior Vice President and General Counsel as of January 2008. Prior to joining Telenet, Mr. Machtelinckx worked for 11 years at Esso Benelux in various legal and HR functions as well as for three 3 years at BASF Antwerp as Legal Manager and as Communication Manager.

Patrick Vincent

Patrick Vincent joined Telenet in September 2004. He is currently Executive Vice President Residential Sales and Care. Mr. Vincent started his career in 1989 in the food industry as Business Unit Manager of the cash and carry division at NV Huyghebaert. From 1994 to 1998 he was responsible for product sales and in 1998 was promoted to Commercial Director. From 2000 to 2004 he worked at Tech Data, an information distribution Company, as Sales Director for Belgium and Luxembourg, and in 2002 was promoted to the role of Director for Sales and Marketing.

Piet Spiessens

Piet Spiessens has been working for Telenet since 1996 and has overseen multiple many aspects of the Company's technological development. During Telenet's initial operations, he was responsible for the development of the Company's internet platform. From 2001, as Vice President Product Engineering, he led new developments in the internet, telephony and digital television operations of Telenet including the introduction of Voice over IP telephony and interactive digital television. In 2006, Mr. Spiessens was appointed Vice President Technology Strategy, and since 2007, has been responsible for Innovation and Business Development. Mr. Spiessens is a Doctor of Computer Sciences, and from 1993 to 1996, worked on numerous research and development projects in the New Developments department at Belgacom. He was simultaneously active in academic circles and lectured on networks and data communications topics. Mr. Spiessens is currently Deputy Chairman of ISPA, Belgium's Internet Service Providers Association, and Chairman of DNS Belgium, the institution responsible for the management of Belgian Internet domain names.

Renaat Berckmoes

Renaat Berckmoes joined Telenet as Treasurer in November 2001 and until the end of 2006 was Group Treasurer and Director, Investor Relations. In these roles, his principal responsibilities involved all of Telenet's financing transactions and acquisitions. Among the key acquisitions that Mr. Berckmoes oversaw were the acquisition of the cable assets of the Mixed Intercommunales, Canal+ Flanders, Codenet and UPC Belgium. The most significant financings he was involved in were the Company's public bond issues in 2003, the initial public offering in 2005 and various refinancings of the Company's senior credit facility. Prior to joining Telenet, Mr. Berckmoes worked at Solutia (Chemicals) from 1998 to 2001, where he worked as Credit Manager EMEA and European Treasurer, and from 1993 to 1998 at KBC Bank.

Ronny Verhelst

Ronny Verhelst joined the Telenet group in June 2001 as Vice President-Customer Operations and since January 2007 has served as Senior Vice President Purchasing and Public Affairs. As of January 2008, Mr. Verhelst assumed additional responsibilities for Human Resources and Internal and External Communication. Prior to joining the Telenet group, Mr. Verhelst served as Senior Manager at PricewaterhouseCoopers and as Customer Service Manager at Anhyp. From 1984 to 1997, Mr. Verhelst held several customer service and project management roles at Belgacom, serving most recently as Customer Service Manager for Flanders.

7.5. REMUNERATION OF DIRECTORS AND EXECUTIVE MANAGEMENT

7.5.1 Remuneration of Directors

The general meeting of shareholders of the Company approved for 2007 a similar remuneration system for directors as applicable for 2006 and has decided to substantially increase the remuneration paid to the chairman of the Board to align the remuneration with Belgian market standards. Each director's remuneration 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. The chairman of the Board receives €48,000. 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 2007 the Board remuneration of the members of the Board of Directors and the advisory board amounted to €541,000 for the Company and to €118,000 for Telenet Communications NV (see table for individual remuneration). The Board of Directors resolved that four special ad hoc Board meetings would not be remunerated because of the short duration of these meetings. The CEO is not remunerated for the exercise of his board mandate.

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 of Telenet.

Non-executive board members do not receive any profit-related incentives, option rights, shares or other fees. In accordance with Belgian legislation and regulations, details of (transactions in) stock options and shares held by all board members (or persons related to them or entities fully controlled by them) are reported to the Belgian Banking, Finance and Insurance Commission.

We set out below the attendance overview of the board and committee meetings as well as the individual remuneration of each board member.

Name	Function	Nominated by	Board of Directors (12)	Audit Committee (5)	HRO Committee (5)	Strategic Committee (5)	Nomination Committee (1)	Remuneration in €
Frank Donck	Executive Director	Financial Consortium	12 (chairman)					64,000
Michel Allé	Chief Financial Officer SNCB Holding – Belgian railways	Independent Director	10	3				38,000
Alex Brabers	Executive Vice President ICT, GIMV	GIMV (until July 4, 2007)	12	5 (chairman)		5	1	28,000
Charles H. Bracken	Co-Chief Financial Officer, Principal Financial Officer Liberty Global Inc.	Liberty Global Consortium	10	5				28,000
Guido De Keersmaecker (Abaxon bvba)	Director of companies	Independent Director	11		5 (chairman)			40,000
Michel Delloye (Cityfinance nv)	Director of companies	Independent Director	10	3		1	1	36,000
Julien De Wilde (De Wilde J. Management bvba)	Director of companies	Independent Director	10			5 (chairman)	1 (chairman)	38,000
James S. O'Neill	President Chello Media BV, Chief Strategy Officer Liberty Global Inc.	Liberty Global Consortium	9		5	4	1	28,000
Jozef Roos (Jroos bvba)	Chairman of the Catholic University of Leuven	Independent Director	12		5			40,000
André Sarens	Grid Participations Manager Electrabel	Mixed Intercommunales (until July 4, 2007)	12	5				28,000
Duco Sickinghe	Chief Executive Officer & Managing Director of Telenet		11					0
Friso van Oranje	Director of companies	Independent Director	9			4	1	36,000
Diederik Karsten ²	Managing Director UPC Nederland	Liberty Global Consortium	4 (out of 7)					18,000
Bernard G. Dvorak ²	Senior Vice President and Co-Chief Financial Officer (Principal Accounting Officer) of Liberty Global, Inc	Liberty Global Consortium	2 (out of 7)	2				14,000
Manuel Kohnstamm ²	Managing Director Public Policy & Communications UPC Corporate	Liberty Global Consortium	7 (out of 7)					20,000
Niall Curran ²	Chief Operating Officer Chello Media BV	Liberty Global Consortium	7 (out of 7)					22,000

Name	Function	Nominated by	Board of Directors (12)	Audit Committee (5)	HRO Committee (5)	Strategic Committee (5)	Nomination Committee (1)	Remuneration in €
Ruth Elisabeth Pirie ²	CFO UPC Corporate	Liberty Global Consortium	5 (out of 7)					20,000
Gene W. Musselman ²	President & Chief Operating Officer UPC Corporate	Liberty Global Consortium	2 (out of 7)					16,000
Jim Ryan ²	MD Strategy & Corp. Development UPC Corporate	Liberty Global Consortium	4 (out of 7)					20,000
Patrick Moenaert ¹	Mayor of the city of Bruges	Mixed Intercommunales	6					24,000
Yvan Dupon ¹	Director of companies	Electrabel nv	6		4	1		24,000
Paul Van de Castele ¹	Mayor of the Community of Hamme	Mixed Intercommunales	5					22,000
Freddy Willockx ¹	Mayor of the city of Sint-Niklaas	Mixed Intercommunales	7				1	26,000
Serge Grysolle ¹	Lawyer, Elderman of the city of Aalst	Mixed Intercommunales	6			3		24,000
Marcel Bartholomeeussen ³	Chairman Interkabel	Interkabel	0					5,000

1 until May 31, 2007, thereafter as advisor.

2 as from May 31, 2007

3 until July 4, 2007

7.5.2 Remuneration of Executive Management Team

In 2007, the Managing Director (CEO) was granted the following remuneration: (i) a fixed remuneration of €700,000, (ii) a variable remuneration of €710,000, (iii) paid premiums for group insurance in the amount of €43,848 and (iv) benefits in kind valued at €24,744.

Per 31 December 2007, the Managing Director owned options to acquire 1,258,910 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). In case the Managing Director wants to terminate his agreement with the Company, a notice period should be agreed between the Managing Director and the Company which should be at least six months.

In 2007, the Company paid a total amount of remunerations of €3,255,984 to the other members of the Executive Team as composed in 2007 (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 €2,222,775, (ii) a variable salary of €695,376, (iii) paid premiums for group insurance in the amount of €147,622 and (iv) benefits in kind valued at €190,212. All amounts are gross without employer's social security contributions.

On 31 December 2007, the current members of the Executive Team (excluding the Managing Director) held in aggregate 86,550 of the outstanding Class A options (all of which have vested) and 102,010 of the outstanding Class B options (48,172 of which have vested on December 31, 2007) under the 2004 ESOP.

The remaining 492,864 Class B options outstanding on 31 December 2007, of which 359,279 options were vested, are held by about 23 other employees (the majority of whom hold management positions).

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 of the Class B options occurs progressively at certain moments until December 2008 at the latest. On December 31, 2007 (i.e. after adjustment of the exercise price of the Class A and Class B options following the payment of the capital decrease on November 19, 2007) the exercise price per Class A option was €5.08 and the exercise price per Class B option was €6.35.

All members of the Executive Team (excluding the CEO) were granted options under the 2007 ESOP on March 5, 2008, with an exercise price of €14.50. The members of the Executive Team accepted in aggregate 485,000 options (warrants) under this grant. Each option gives the right to subscribe to one share. The vesting of these options occurs progressively (per quarter) over a period of four years.

In accordance with Belgian legislation and regulations, details of (transactions in) stock options and shares held by all members of the Executive Team (or persons related to them or entities fully controlled by them) are reported to the Belgian Banking, Finance and Insurance Commission.

7.6. AUDIT OF THE COMPANY

External audit by statutory auditors

For details on the audit and non-audit fees paid to the auditors in 2007, we refer to Note 5.29 of the consolidated annual accounts of the Company.

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 25, 2008

On behalf of the Board of Directors

Telenet Group Holding NV

Consolidated Accounts

1 Consolidated Balance Sheets

	Notes	December 31, 2007	December 31, 2006
Assets			
(in thousands of Euro)			
Non-current assets			
Property and equipment	5.5	1,008,556	973,379
Goodwill	5.6	1,096,033	1,148,745
Other intangible assets	5.7	259,116	278,813
Deferred income tax assets	5.14	60,647	-
Other assets		1,868	2,319
Total non-current assets		2,426,220	2,403,256
Current assets			
Trade receivables	5.8	110,771	105,589
Derivative financial instruments	5.13	31,182	48
Other current assets	5.9	19,848	24,351
Cash and cash equivalents	5.10	76,611	58,844
Total current assets		238,412	188,832
Total assets		2,664,632	2,592,088
Equity and liabilities			
Equity			
Contributed capital	5.11	1,081,098	1,656,645
Other reserves	5.11	891,187	891,502
Hedging reserves	5.13	-	(3,599)
Retained loss		(1,802,222)	(1,822,891)
Total equity		170,063	721,657
Non-current liabilities			
Long-term debt, less current portion	5.12	1,999,901	1,330,843
Derivative financial instruments	5.13	-	36,485
Unearned revenue	5.18	12,745	14,825
Deferred income tax liabilities	5.14	15,034	6,476
Other liabilities	5.15	28,746	23,232
Total non-current liabilities		2,056,426	1,411,861
Current liabilities			
Short-term borrowings	5.12	-	15,659
Current portion of long-term debt	5.12	18,529	59,767
Accounts payable		230,369	180,473
Accrued expenses and other current liabilities	5.17	62,391	79,217
Unearned revenue and subscriber advanced payments	5.18	123,495	123,179
Derivative financial instruments	5.13	3,359	275
Total current liabilities		438,143	458,570
Total liabilities		2,494,569	1,870,431
Total equity and liabilities		2,664,632	2,592,088

See Notes to the consolidated financial statements.

2 Consolidated Income Statement

For the years ended December 31,			
	Notes	2007	2006
(in thousands of Euro, except share data)			
Continuing operations			
Revenue	5.18	931,896	813,452
Costs of services provided	5.19	(553,481)	(510,696)
Gross profit		378,415	302,756
Selling, general and administrative	5.19	(173,134)	(159,022)
Operating profit		205,281	143,734
Finance costs, net	5.20	(211,994)	(100,963)
Income (loss) before income tax		(6,713)	42,771
Income tax benefit (expense)	5.21	27,382	(34,283)
Net income from continuing operations		20,669	8,488
Discontinued operations			
Loss from discontinued operations	5.23	-	(3,035)
Net income		20,669	5,453
Basic earnings (loss) per share in €:			
Net income from continuing operations	5.22	0.20	0.08
Loss from discontinued operations		-	(0.03)
Net income		0.20	0.05
Diluted earnings (loss) per share in €:			
Net income from continuing operations	5.22	0.19	0.08
Loss from discontinued operations		-	(0.03)
Net income		0.19	0.05

See Notes to the consolidated financial statements.

3 Consolidated Statement of Shareholders' Equity

	Notes	Number of Shares	Share Capital	Share premium and Other Reserves	Hedging Reserves	Retained Loss	Total
January 1, 2006		100,204,853	1,647,365	888,999	1,078	(1,828,344)	709,098
				(in thousands of Euro)			
Unrealized net loss on derivative contracts recognized directly in equity	5.13	-	-	-	(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	5.11	-	-	559	-	-	559
Proceeds received upon exercise of the Class A and Class B Options	5.11	-	-	5,059	-	-	5,059
Issuance of share capital through Employee Stock Purchase Plan	5.11	300,033	4,917	1,248	-	-	6,165
Issuance of share capital via exchange of Class A and Class B Profit Certificates	5.11	580,569	4,363	(4,363)	-	-	-
December 31, 2006		101,085,455	1,656,645	891,502	(3,599)	(1,822,891)	721,657
Unrealized net loss on derivative contracts recognized directly in equity	5.13	-	-	-	(217)	-	(217)
Transfer of accumulated hedging reserve upon discontinuance of hedge accounting	5.13	-	-	-	3,816	-	3,816
Net profit for the year		-	-	-	-	20,669	20,669
Total recognized profit for 2007		-	-	-	3,599	20,669	24,268
Recognition of share-based compensation	5.11	-	-	507	-	-	507
Proceeds received upon exercise of the Class A and Class B Options	5.11	-	-	1,510	-	-	1,510
Ordinary shares issued upon exercise of the Debt Warrants	5.11	7,953,653	78,002	-	-	-	78,002
Issuance of share capital via exchange of Class A and Class B Profit Certificates	5.11	293,655	2,332	(2,332)	-	-	-
Issuance of ordinary shares upon exchange of dispreference shares	5.11	(19,224)	-	-	-	-	-
Repayment of capital	5.11	-	(655,881)	-	-	-	(655,881)
December 31, 2007		109,313,539	1,081,098	891,187	-	(1,802,222)	170,063

See Notes to the consolidated financial statements.

4 Consolidated Statement of Cash Flows

	For the year ended December 31,	
	2007	2006
	(in thousands of Euro)	
Cash flows from operating activities		
Net income	20,669	5,453
Adjustments for		
Depreciation, amortization and impairment	237,626	222,921
Income taxes	(27,382)	34,232
Provision for liabilities and charges	7,901	11,778
Increase / (decrease) in allowance for bad debt	4,132	(1,352)
Amortization of financing cost	5,497	4,930
Loss on extinguishment of debt	86,679	21,355
Interest income	(6,074)	(4,569)
Interest expense	116,874	93,958
Loss on derivative instruments, net	25,487	8,856
Unrealized foreign exchange gain, net	(16,730)	(23,580)
Other	2,045	7,564
Changes in operating assets and liabilities		
Accounts receivable	(9,314)	(6,239)
Other assets	4,011	3,351
Unearned revenue	(1,764)	5,135
Accounts payable	51,480	7,833
Accrued expenses and other current liabilities	(23,159)	(12,235)
Cash generated from operations	477,978	379,391
Interest paid	(172,830)	(67,974)
Interest received	5,575	-
Income taxes paid	(2,450)	(69)
Cash paid for derivatives	(348,188)	-
Cash received for derivatives	262,249	-
Net cash provided by operating activities	222,334	311,348
Cash flows by investing activities		
Purchases of property and equipment	(184,062)	(178,857)
Purchases of intangibles	(24,717)	(29,069)
Acquisition of subsidiaries and affiliates	(288)	(183,627)
Proceeds on disposal of property and equipment and from disposal of business	-	174
Net cash used in investing activities	(209,067)	(391,379)

Cash flows from financing activities		
Repayments of long-term borrowings	(1,222,486)	(166,249)
Proceeds from long-term borrowings	1,900,000	100,000
Net proceeds from short term borrowings	-	5,875
Payments of redemption premiums	(66,970)	(11,230)
Repayments of finance leases	(2,444)	(1,748)
Proceeds from the issuance of capital, net of offering costs	-	5,137
Proceeds received upon exercise of Class A and Class B options	1,511	5,059
Payments for debt issuance costs	(28,214)	(8,328)
Proceeds received upon capital increase (issuance of debt warrants)	78,002	-
Capital decrease paid as dividend	(654,899)	-
Net cash provided by (used in) financing activities	4,500	(71,484)
Net increase (decrease) in cash and cash equivalents	17,767	(151,515)
Cash and cash equivalents		
Beginning of period	58,844	210,359
End of period	76,611	58,844

See Notes to the consolidated financial statements.

5 Notes to the Consolidated Financial Statements for the Year ended December 31, 2007

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 25, 2008.

As a result of a reclassification in the figures of 2006 mentioned in Note 5.19, we adjusted accordingly the corresponding figures of 2006 in Note 5.5 and the consolidated statement of cash flows.

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 judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.3.

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 2-10 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 analogue and digital cable, internet, and telephony and interactive digital television ("iDTV") service installation costs are capitalized and depreciated over 2 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 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 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.

The Company has entered into various derivative instruments to manage interest rate and foreign currency exchange rates exposure. With the exception of the foreign exchange forwards that were purchased historically to hedge the US dollar foreign exchange risk related to the US dollar denominated Senior Discount Notes, the Company does not apply hedge accounting to its derivative instruments. Accordingly, changes in the fair values of all other derivative instruments are recognised immediately in the income statement.

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. However, judgment 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 usage based premium television, 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 direct selling costs equalling the installation revenue or exceeding this revenue are expensed as incurred and reliably measurable. Accordingly, telephony and digital television and internet installation fees are recognized immediately to the extent of direct selling costs incurred whereas prior to 2007, the analogue cable installation fees had been deferred and recognized over the estimated customer relationship period of 10 years. From 2007 onwards, these fees are immediately recognized in revenue to the extent of direct selling costs incurred.

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 due to the fact that the Company is acting as a principal in the arrangement between the public broadcaster and other copyright holders which 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, 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 a 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 with the interest element of the finance cost charged to the income statement over the lease 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.

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

The Company provides 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

Standards, amendment and interpretations effective in 2007

In 2007 the Company adopted IFRS 7 *Financial Instruments: Disclosures* which is effective for annual reporting periods beginning on or after January 1, 2007, and the consequential amendments to IAS 1 *Presentation of Financial Statements*. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

In addition to IFRS 4 *Insurance Contracts*, four Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") are effective for the current period. These are: IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*; IFRIC 8 *Scope of IFRS 2*; IFRIC 9 *Reassessment of Embedded Derivatives*; and IFRIC 10 *Interim Financial Reporting and Impairment*. IFRS 4 is not relevant to the Company's operations and the adoption of these Interpretations has not led to any changes in the Company's accounting policies.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after January 1, 2008 or later periods, but the group has not early adopted them:

- IAS 1 (Revised 2007) *Presentation of Financial Statements* (effective from January 1, 2009) introduces, among other items, new disclosure requirements relating to comprehensive income and makes changes to the titles of some of the financial statements. Other than the required changes in presentation, IAS 1 (Revised 2007) will not have a material impact on the Company's accounts.
- IAS 23 (Revised) *Borrowing Costs* (effective from January 1, 2009) requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company will early adopt IAS 23 (Revised) from January 1, 2008 but it is not expected to have a material impact on the Company's accounts.
- IFRS 8, *Operating Segments* (effective from January 1, 2009) replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS No. 131, *Disclosures about segments of an enterprise and related information*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The group will apply IFRS 8 from January 1, 2009. The expected impact is still being assessed, but it appears likely that there will not be a substantial impact to the manner in which the Company reports its results.
- IFRIC 11, IFRS 2 – *Group and treasury share transactions* (effective from January 1, 2009) provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation is not expected to have a material impact on the Company's accounts.

Interpretations to existing standards that are not yet effective and not relevant for the group's operations

The following interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2008 but are not relevant for the Company's operations:

- IFRIC 12, *Service concession arrangements*
- IFRIC 13, *Customer loyalty programmes*
- IFRIC 14, IAS 19, *The limit on a defined benefit asset, minimum funding requirements and their interaction*

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 quarters of 2007 and 2006. 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 7.9% (2006: 9.0%) 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% 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, 2007, Telenet Group Holding and its subsidiaries had available combined cumulative tax loss carry-forwards of €765,839 (2006: €698,877). 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. Taxable profit is reduced by a notional interest deduction which can be carried forward for 7 years. A subsidiary acquired in a previous business combination made taxable profits of €156,670 (2006: €85,366) during the year and utilized tax loss carryforwards which had not been previously recognized as deferred tax assets. During 2007, the last portion of acquired tax loss carryforwards for this profitable subsidiary were utilized in 2007 were recorded through goodwill resulting in a reduction of goodwill and a deferred tax expense of €30,898 (2006: €34,292).

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. During 2007, the Company determined that it was probable that the tax loss carry-forwards for the subsidiary discussed above would be utilized based on both the actual usage in the prior periods and the expected taxable profit for the future. As a result, a net deferred tax asset was recognized for the tax loss carry-forwards and other temporary timing differences. Telenet did not recognise deferred income tax assets of €170,735 (2006: €237,548) in respect of losses amounting to €502,310 (2006: €698,877) that can be carried forward against future taxable income.

5.4 RISK MANAGEMENT

5.4.1 Credit Risk

Qualitative disclosures

Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to the Company in relation to lending, hedging, settlement and other financial activities. The Company is exposed to credit risk from its operating activities and treasury activities.

The largest share of the gross assets subject to credit risk from operating activities is accounts receivable from residential and small commercial customers located throughout Belgium. Accordingly, the Company has no significant concentration of credit risk. The risk of material loss from non-performance from these customers is not considered likely. Reserves for uncollectible accounts receivable are provided for the potential loss from non-payment by these customers.

In regards to credit risk on financial instruments, 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 Company maintains a policy of entering into such transactions only with highly rated European and US financial institutions. To minimize the concentration of counterparty credit risk, the Company enters into derivative transactions with a portfolio of financial institutions. Likewise, cash equivalents, term deposits and commercial paper are placed with highly rated financial institutions.

Quantitative disclosures

The Company considers its maximum exposure to credit risk to be as follows:

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
Cash and cash equivalents (including commercial paper/certificates of deposits)	76,611	58,844
Trade receivables	132,882	123,568
Derivative financial instruments	31,119	555
Outstanding guarantees to third parties for own liabilities (cash paid)	823	795
Total	241,435	183,762

More detailed financial information has been disclosed under the respective Notes.

5.4.2 Liquidity Risk

Qualitative disclosures

The principal risks to our sources of liquidity are operational risks, including risks associated with decreased pricing, reduced subscriber growth, increased marketing costs and other consequences of increasing competition and potentially adverse outcomes with respect to our interconnection dispute that is currently the subject of litigation. Our ability to service our debt and to fund our ongoing operations will depend on our ability to generate cash. The last two financial years (2006 and 2007) have generated a net profit. Although we anticipate generating positive cash flow after deducting interest and taxes, we cannot assure you that this will be the case. We may not generate sufficient cash flow to fund our capital expenditures, ongoing operations and debt obligations.

Telenet Group Holding and Telenet Communications are holding companies with no source of operating income. They are therefore dependent on capital raising abilities and dividend payments from subsidiaries to generate funds. The terms of the New Senior Credit Facility contain a number of significant covenants that restrict our ability, and the ability of our subsidiaries to, among other things, pay dividends or make other distributions, make capital expenditure, incur additional debt and grant guarantees. The agreements and instruments governing our debt contain restrictions and limitations that could adversely affect our ability to operate our business.

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

On August 1, 2007, a New Senior Credit Facility agreement was executed in order to refinance the 2006 Senior Credit Facility, the Senior Notes, the Senior Discount Notes and to finance a distribution to the Company's shareholders by way of a capital reduction. Our New Senior Credit Facility is discussed in greater detail in Note 5.12.3 of the consolidated accounts of the Company.

The Company has access to undrawn facilities under the New Senior Credit Facility. As of December 31, 2007, €175.0 million under the revolving credit facility and €225.0 million under tranche B2 of the New Senior Credit Facility was available to the Company subject to our being in compliance with certain financial covenants and other conditions.

As of December 31, 2006, €100.0 million of tranche B of the 2006 Senior Credit Facility, which was a revolving credit facility, was available to the Company 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 2006 Senior Credit Facility on an uncommitted basis.

On October 10, 2007 the Company redeemed the Senior Notes and Senior Discount Notes which were carrying a fixed interest rate of 9% and 11.5% respectively and replaced them by floating rate debt (Euribor) under the New Senior Credit Facility. In order to hedge its increased exposure to floating rate debt, the Company concluded new interest rate cap contracts for a total nominal amount of €1,500 million.

The Company has implemented a policy on financial risk management. With respect to liquidity and funding risks, the key objectives can be summarized as:

- ensure that at all times the Company has access to sufficient cash resources to meet its financial obligations as they fall due and to provide funds for capital expenditure and investment opportunities as they arise;
- ensure that the Company has sufficient excess liquidity to ensure that the Company can meet its non-discretionary financial obligations in the event of unexpected business disruption;
- ensure compliance with borrowing facilities covenants and undertakings.

A minimum liquidity buffer of cash and cash equivalents is maintained in order to meet unforeseen cash expenses. The Company's funding requirements and funding strategy is reviewed annually. More detailed information has been disclosed under Note 5.10 of the consolidated accounts of the Company.

A limit has been set regarding the maximum amount that can be invested per derivative product type. On top of this limit, the authorized financial counterparties have been determined and limits have been set for each counterparty by reference to long term credit rating.

Quantitative disclosures

Our aggregate contractual obligations as at December 31, 2007 and 2006, were as follows :

Situation as per December 31, 2007							
Contractual obligations	Total	Payments due by period					
		Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
(in thousands of Euro)							
Long-term debt ¹	2,911,093	150,500	149,957	149,149	148,687	663,244	1,649,556
Capital lease obligations ¹	73,214	6,421	6,746	6,514	6,433	6,142	40,958
Operating lease obligations	32,765	9,629	7,054	5,583	3,985	3,867	2,647
Other contractual obligations ²	64,582	24,837	21,344	9,739	5,268	1,199	2,195
Interest rate derivatives	1,115	425	426	132	132	-	-
Foreign exchange derivatives ³	7,582	7,582	-	-	-	-	-
Accounts payable ⁴	230,369	230,369	-	-	-	-	-
Total contractual obligations	3,320,720	429,763	185,527	171,117	164,505	674,452	1,695,356

1 Interest included.

2 Represents fixed minimum commitments under certain programming and purchase agreements.

3 Gross cash outflows arising from foreign exchange forward contracts disclosed in the table above will be accompanied by a related US Dollar denominated inflow.

4 Including Accounts Payable, as well as the accrued trade payables for invoices to be received at year end.

Situation as per December 31, 2006							
Contractual obligations	Total	Payments due by period					After 5 years
		Less than 1 year	2 years	3 years	4 years	5 years	
	(in thousands of Euro)						
Long-term debt ¹	2,013,662	123,555	129,422	168,224	174,334	553,178	864,949
Capital lease obligations ¹	74,790	4,431	6,285	6,615	6,403	6,343	44,713
Operating lease obligations	39,487	12,491	8,294	6,167	4,586	3,938	4,011
Other contractual obligations ²	146,679	38,358	22,442	21,037	10,411	10,403	44,028
Interest rate derivatives	6,171	1,588	1,447	1,175	1,166	795	-
Foreign exchange derivatives ³	12,978	12,978	-	-	-	-	-
Accounts payable ⁴	180,473	180,473	-	-	-	-	-
Total contractual obligations	2,474,240	373,874	167,890	203,218	196,900	574,657	957,701

5.4.3 Market Risk

We are exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily as between the US dollar and Euro, and use financial instruments to manage our exposure to interest rate and foreign exchange rate fluctuations. Each of these risks is discussed below.

Qualitative disclosures on foreign exchange risk

The Company undertakes certain transaction in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Our functional currency is the Euro. However, we conduct, and will continue to conduct, transactions in currencies other than the Euro, particularly the US dollar. Less than 5% of our costs of operations (primarily the costs of network hardware equipment and software and premium cable television rights) were denominated in US dollars, while all of our revenue was generated in Euros. We have significant US dollar obligations with respect to the contracts we are party to for the supply of premium content. Decreases in the value of the Euro relative to the US dollar would increase the cost in Euro of our US dollar denominated costs and expenses, while increases in the value of the Euro relative to the US dollar would have the reverse effect.

We have historically covered a portion of our US dollar cash outflows arising on anticipated and committed purchases through the use of foreign exchange derivative instruments. Forward foreign exchange rate contracts to hedge the exchange rate risk arising from:

- purchases of goods and services in foreign currency;
- capital equipment priced in foreign currency or subject to price changes due to movements in exchange rates;
- payments of interest on debt, royalties, franchise or licence fees denominated in a foreign currency.

Although we take steps to protect ourselves against the volatility of currency exchange rates, there is a residual risk that currency risks due to volatility in exchange rates could have a material adverse effect on its financial condition and results of operations.

During the last quarter of 2006 and 2007, we entered into foreign exchange contracts which cover a significant portion of our US dollar obligations in respect of our agreements for the supply of content for our premium cable television

1 Interest included.

2 Represents fixed minimum commitments under certain programming and purchase agreements.

3 Gross cash outflows arising from foreign exchange forward contracts disclosed in the table above will be accompanied by a related US Dollar denominated inflow.

4 Including Accounts Payable, as well as the accrued trade payables for invoices to be received at year end.

service and purchases of goods and services. Our policy is to enter into such foreign exchange hedging arrangements for periods of up to 18 months at any one time, and as we approach the expiration of each foreign exchange contract, we will review our hedging strategy with respect to future US dollar obligations relating to our premium content agreements.

In order to hedge the foreign exchange exposure resulting from the issuance of the \$558 million Senior Discount Notes by Telenet Group Holding, we entered into a series of foreign exchange forward contracts ("FECs") (for the purchase of US dollars in exchange for Euros) for a total nominal amount of \$558 million with a maturity at the end of accretion period of the Senior Discount Notes on December 15, 2008 (the "Full Accretion Date"). These FECs were dealt with an effective date close to the issuance of the Senior Discount Notes. The underlying rationale of our hedging strategy is that the maximum accreted nominal amount is hedged given that our functional currency is the Euro. As a consequence of the full redemption of our Senior Discount Notes in 2007, the FECs were closed on October 10, 2007.

As referred to above, the outstanding forward foreign exchange derivatives as of December 31, 2007 and 2006, are disclosed in more detail in Note 5.13 of the consolidated accounts of the Company.

Qualitative disclosures on interest rate risk

The Company is mainly exposed to interest rate risk arising from borrowings at floating interest rates, interest bearing investments, finance leases and operating leases. The risk is managed by maintaining an appropriate mix of interest rate swap contracts, interest rate cap contracts and interest rate collar contracts.

The Company implemented a policy on financial risk management. With respect to interest rate risk, the key objectives can be summarized as:

- only long term interest exposures (+ 1 year) are managed
- cash debt servicing costs, from movements in interest rates, are minimized
- all hedging instruments used are designated to actual interest exposures and are authorized under the policy
- interest cover ratios included in borrowing covenants are complied with

On October 10, 2007 the Company redeemed the Senior Notes and Senior Discount Notes which were carrying a fixed interest rate of 9% and 11.5% respectively and replaced them by floating rate debt (Euribor) under the New Senior Credit Facility. Through this debt refinancing the Company was able to extend the average maturity of its financing and to lower the interest cost on existing debt. On December 31, 2007 fixed interest rates applied to 3.58% of the total financial debt (2006: 45.26%).

Under the New Senior Credit Facility, the Company has a contractual obligation to hedge at least 50% of all outstanding amounts under the Facilities. However based on its internal policy on financial risk management, the Company wishes to hedge at least 80% of its floating interest rate risk.

Interest rate risk is managed by the use of interest rate swap contracts, interest rate cap contracts and interest rate collar contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite. In order to hedge its increased exposure to floating rate debt as a result of the refinancing in 2007, the Company concluded new interest rate cap contracts for a total notional amount of €1,500 million. Through the use of interest rate cap contracts the risk of increasing interest rates has been limited and the Company is still able to benefit from decreases in interest rates.

As referred to above, the outstanding interest rate derivatives as of December 31, 2007 and 2006, are disclosed in more detail in Note 5.13 of the consolidated accounts of the Company.

Quantitative disclosures

Interest Rate Sensitivity Testing

For financial instruments held, the Company has used a sensitivity analysis technique that measures the change in the fair value and cash flows of the Company's financial instruments for hypothetical changes in the relevant base rate applicable at year-end, holding all other factors constant. The sensitivity of profit or loss and equity due to changes in the relevant risk variables as at December 31, 2007 and 2006 are set out in the table below. The estimated change in fair values and

cash flows for changes in market interest rates are based on an instantaneous increase or decrease of 25 basis points at the reporting date, with all other variables remaining constant.

The sensitivity analysis is for illustrative purposes only – in practice market rates rarely change in isolation and are likely to be interdependent. The positive (negative) pre-tax impacts on our results of changes in the relevant risk variables for the years 2007 and 2006 can be summarized as follows:

	2007				2006			
	+0.25%		-0.25%		+0.25%		-0.25%	
	(in thousands of Euro)							
Interest								
New Senior Credit Facility	(4,750)	<i>On P&L</i>	4,750	<i>On P&L</i>	-		-	
2006 Senior Credit Facility	-		-		(1,750)	<i>On P&L</i>	1,750	<i>On P&L</i>
Capital leases	(152)	<i>On P&L</i>	(88)	<i>On P&L</i>	(244)	<i>On P&L</i>	(177)	<i>On P&L</i>
Interest rate derivatives	5,795	<i>On P&L</i>	276	<i>On P&L</i>	1,356	<i>On P&L</i>	750	<i>On P&L</i>
	893	<i>On P&L</i>	4,938	<i>On P&L</i>	(638)	<i>On P&L</i>	2,323	<i>On P&L</i>
Changes in fair value								
Swaps	607	<i>On P&L</i>	(614)	<i>On P&L</i>	863	<i>On P&L</i>	(875)	<i>On P&L</i>
Caps	9,630	<i>On P&L</i>	(8,141)	<i>On P&L</i>	65	<i>On P&L</i>	(48)	<i>On P&L</i>
Collars	423	<i>On P&L</i>	(259)	<i>On P&L</i>	568	<i>On P&L</i>	(194)	<i>On P&L</i>
	10,660	<i>On P&L</i>	(9,014)	<i>On P&L</i>	1,496	<i>On P&L</i>	(1,117)	<i>On P&L</i>
Total	11,553	<i>On P&L</i>	(4,076)	<i>On P&L</i>	858	<i>On P&L</i>	1,206	<i>On P&L</i>

If interest rates had been 25 basis points higher and all other variables were held constant, this would have had a positive effect on the results of the Company for 2007 of €11,553 (2006: €858). This is mainly attributable to the change in fair value of the new interest rate cap contracts concluded end of 2007 as a result of the refinancing for the notional amount of €1,500,000. The analysis is prepared assuming that the amounts of interest rate derivatives at year end 2007 were outstanding for the whole year.

If interest rates had been 25 basis points lower and all other variables were held constant, the Company's results would have been impacted in 2007 in a negative way for an amount of €4,076, whereas it would have had a positive impact on the 2006 results of €1,206.

The following table summarises the Company's interest obligations under the outstanding indebtedness which carries a floating rate of interest. The amounts generated from this sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets.

Situation as per December 31, 2007						
+0,25%	Interest payments due by period					
	Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
	(in thousands of Euro)					
New SCF Term Loan A	37,589	37,486	37,486	37,486	21,978	-
New SCF Term Loan B1	22,590	22,529	22,529	22,529	22,590	13,126
New SCF Term Loan C	80,756	80,536	80,536	80,536	80,756	208,069
Capital leases	2,390	2,198	1,995	1,788	1,572	6,262
Interest rate derivatives	(5,028)	(4,703)	(4,905)	(4,786)	(4,677)	(9,899)

Situation as per December 31, 2007						
Interest payments due by period						
-0,25%	Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
(in thousands of Euro)						
New SCF Term Loan A	34,895	34,800	34,800	34,800	20,403	-
New SCF Term Loan B1	21,027	20,970	20,970	20,970	21,027	12,218
New SCF Term Loan C	75,355	75,149	75,149	75,149	75,355	194,153
Capital leases	2,327	2,142	1,947	1,746	1,539	6,217
Interest rate derivatives	446	518	379	309	(76)	(171)

Situation as per December 31, 2006						
Interest payments due by period						
+0,25%	Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
(in thousands of Euro)						
2006 SCF Tranche A	28,818	26,570	23,740	20,491	4,507	-
2006 SCF Tranche B	4,940	4,953	4,940	4,940	1,218	-
2006 SCF Tranche C	-	-	-	-	-	-
Capital leases	1,617	2,229	2,054	1,869	1,681	7,632
Interest rate derivatives	1,292	1,196	1,011	944	668	-

Situation as per December 31, 2006						
Interest payments due by period						
-0,25%	Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
(in thousands of Euro)						
2006 SCF Tranche A	25,860	23,844	21,304	18,388	4,044	-
2006 SCF Tranche B	4,433	4,445	4,433	4,433	1,093	-
2006 SCF Tranche C	-	-	-	-	-	-
Capital leases	1,551	2,167	1,998	1,821	1,640	7,554
Interest rate derivatives	1,884	1,698	1,339	1,387	922	-

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. We do not currently have any obligation to prepay fixed rate debt prior to maturity and, accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt.

Foreign Currency Sensitivity Testing

The Company is mainly exposed to market risks relating to fluctuations in foreign exchange rates between the US Dollar and Euro.

The following table details the Company's sensitivity to a 10% increase and decrease of the relevant foreign exchange rate. 10% is the sensitivity rate used when reporting foreign currency risk internally and represents management's

assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes the effect on our US Dollar denominated costs and expenses (primarily the costs of network hardware equipment, software and premium cable television rights) and forward foreign exchange contracts.

December 31, 2007			Impact in Euro of			
	Foreign Currency	Amount in foreign currency	10% increase		10% decrease	
(in thousands of Euro)						
Accounts payable	USD	4,425	(337)	<i>On P&L</i>	276	<i>On P&L</i>
	GBP	-26	4	<i>On P&L</i>	(3)	<i>On P&L</i>
	CHF	36	(2)	<i>On P&L</i>	2	<i>On P&L</i>

December 31, 2006			Impact in Euro of			
	Foreign Currency	Amount in foreign currency	10% increase		10% decrease	
(in thousands of Euro)						
Accounts payable	USD	1,415	(119)	<i>On P&L</i>	98	<i>On P&L</i>
	GBP	88	(15)	<i>On P&L</i>	12	<i>On P&L</i>
	CHF	61	(4)	<i>On P&L</i>	3	<i>On P&L</i>
Change in fair value Forward Exchange Contracts ¹						
			30,600	<i>On OCI</i>	(25,036)	<i>On OCI</i>
			(2,994)	<i>On P&L</i>	2,450	<i>On P&L</i>

As a consequence of the 100% cash flow hedge on the remaining outstanding principal of \$362.7 million Senior Discount Notes, the Company has no exposure to changes in the US Dollar / Euro exchange rate relating to these notes until December 15, 2008. The Company is considering the further use of derivative instruments to hedge the US Dollar cash outflow related to the cash interest payments under the Senior Discount Notes which are payable from June 15, 2009 of the Senior Discount Notes. As a consequence of the full redemption of the Senior Discount Notes in 2007, the related forward exchange contracts were closed on October 10, 2007.

¹ Limited to Foreign exchange contracts covering the principal of the Senior Discount Notes.

5.4.4 Categories of financial assets and financial liabilities

In accordance with IAS 39, financial assets and liabilities are to be classified in four primary classification categories. Their carrying amounts can be summarized as of December 31 2007 and 2006 as follows:

December 31, 2007	Fair Value					
	Carrying Amount	Categories according to IAS 39				Out of scope IAS 39
		Financial assets or liabilities at fair value through P&L	Loans and receivables / Other financial liabilities	Available for sale financial assets	Financial liabilities measured at mortized cost	
	(in thousands of Euro)					
Assets						
Current						
Trade receivables	110,771		110,771			
Other current assets	19,848		19,848			
Cash and cash equivalents	76,611		76,611			
Derivative financial assets						
- Transactional	31,182	31,182				
Total current assets	238,412					
Non current						
Derivative financial assets						
Other non current assets	1,868					1,868
Total other non current assets	1,868					
Liabilities						
Financial debts						
Non current						
Long term debt	1,999,901			1,977,096		
Derivative financial liabilities	-					
Current						
Current portion of long term debt	18,529			18,529		
Short term borrowings	-					
Derivative financial liabilities	3,359	3,359				
Trade payables	230,369		230,369			
Other liabilities						
Non current	56,525					56,525
Current	185,886					185,886
Total liabilities	2,494,569					
Net Gains / (Losses)						
On foreign exchange transactions	16,730		361		16,369	
On cash and cash equivalents (interest income)	6,074		6,074			
On derivative financial instruments	(25,487)	(25,487)				
On extinguishment of debt	(86,679)				(86,679)	
On financial debts	(122,371)				(122,371)	

December 31, 2006	Fair Value					Out of scope IAS 39
	Carrying Amount	Categories according to IAS 39			Financial liabilities measured at mortgized cost	
		Financial assets or liabilities at fair value through P&L	Loans and receivables / Other financial liabilities	Available for sale financial assets		
(in thousands of Euro)						
Assets						
Current						
Trade receivables	105,589		105,589			
Other current assets	24,351		24,351			
Cash and cash equivalents	58,844		58,844			
Derivative financial assets						
- Cash flow hedging	48					
Total current assets	188,832					
Non current						
Derivative financial assets						
- Cash flow hedging	507					
Other non current assets	1,812					1,812
Total other non current assets	2,319					
Liabilities						
Financial debts						
Non current						
Long term debt	1,330,843				1,417,998	
Derivative financial liabilities						
- Cash flow hedging	36,485					
Current						
Current portion of long term debt	59,767				59,767	
Short term borrowings	15,659				15,659	
Derivative financial liabilities						
- Cash flow hedging	275					
Trade payables	180,473		180,473			
Other liabilities						
Non current	44,533					44,533
Current	202,396					202,396
Total liabilities	1,870,431					
Net Gains / (Losses)						
On foreign exchange transactions	23,580		555		23,025	
On cash and cash equivalents (interest income)	4,569		4,569			
On derivative financial instruments	(8,856)	(8,856)				
On extinguishment of debt	(21,355)				(21,355)	
On financial debts	(98,888)				(98,888)	

5.5 PROPERTY AND EQUIPMENT

	Land, buildings, and leasehold improvements	Network	Construction in progress	Furniture, equipment, and vehicles	Total
(in thousands of Euro)					
Cost					
At January 1, 2006	46,466	1,451,751	22,671	41,168	1,562,056
Acquisition of subsidiaries	534	15,388	371	129	16,422
Additions	5,805	11,323	170,071	1,327	188,526
Transfers	2,095	147,662	(147,694)	(2,063)	-
Impairment	-	(10,825)	-	-	(10,825)
Disposals	-	(5,871)	-	(1,711)	(7,582)
At December 31, 2006	54,900	1,609,428	45,419	38,850	1,748,597
Acquisition of subsidiaries	1,339	19,420	-	201	20,960
Additions	30,001	15,246	151,558	726	197,531
Transfers	3,550	140,757	(147,105)	2,798	-
Impairment	-	(1,457)	-	-	(1,457)
Disposals	-	(1,290)	-	(476)	(1,766)
At December 31, 2007	89,790	1,782,104	49,872	42,099	1,963,865
Accumulated Depreciation					
At January 1, 2006	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
Depreciation charge for the year	3,043	171,578	-	5,959	180,580
Eliminated on Disposal	-	(25)	-	(464)	(489)
At December 31, 2007	10,557	915,364	-	29,388	955,309
Carrying Amount					
At December 31, 2007	79,233	866,740	49,872	12,711	1,008,556
At December 31, 2006	47,386	865,617	45,419	14,957	973,379
Carrying Amount of Finance Leases included in Property and Equipment					
At December 31, 2007	45,868	4,082	-	256	50,206
At December 31, 2006	17,562	5,384	-	361	23,307

An impairment of €1,457 (2006: €8,874) was recorded during 2007 for non-recoverable items of equipment. The pledges of property and equipment are discussed in Note 5.12.9 of the consolidated accounts of the Company.

5.6 GOODWILL

A reconciliation of the changes in goodwill is depicted below:

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
Beginning balance	1,148,745	1,012,544
Use of net operating losses acquired in business combinations (Note 5.14)	(30,898)	(34,292)
Acquisition of subsidiary and adjustments to allocation of purchase price (Note 5.23)	(21,814)	174,975
Derecognized on disposal of a subsidiary (Note 5.23)	-	(4,482)
	1,096,033	1,148,745

5.7 OTHER INTANGIBLE ASSETS

	Network user rights	Trade name	Software	Customer lists	Other	Total
	(in thousands of Euro)					
Cost						
At January 1, 2006	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
Acquisition of subsidiary	9,731	-	-	459	-	10,190
Additions	2,513	-	18,349	-	4,840	25,702
Disposals	-	-	-	-	(5,433)	(5,433)
At December 31, 2007	152,799	121,000	144,648	85,191	16,426	520,064
Accumulated Amortization						
At January 1, 2006	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
Charge for the year	12,398	8,067	18,792	8,199	8,133	55,589
Disposals	-	-	-	-	(5,433)	(5,433)
At December 31, 2007	62,183	54,450	98,477	37,760	8,078	260,948
Carrying Amount						
At December 31, 2007	90,616	66,550	46,171	47,431	8,348	259,116
At December 31, 2006	90,770	74,617	46,614	55,171	11,641	278,813

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 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.

The pledges of the intangible assets are discussed in Note 5.12.9 of the consolidated accounts of the Company.

5.8 TRADE RECEIVABLES

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
Trade receivables	132,882	123,568
Less: provision for impairment of receivables	(22,111)	(17,979)
Trade receivables, net	110,771	105,589

At year end 2007, respectively 2006, the ageing of our current trade receivables can be detailed as follows:

	Past due						Total
	Not due	1-30 days	31-60 days	61-90 days	91-120 days	>120 days	
	(in thousands of Euro)						
December 31, 2007	63,384	16,355	5,611	3,514	2,720	41,298	132,882
December 31, 2006	70,955	13,001	6,762	2,487	1,823	28,540	123,568

All invoices related to residential customers are due within 20 days. For other clients, payment due date is set at 30 or 60 days. In accordance with the Company's accounting policies and based on historical experience, trade receivables that are less than four months past due are not considered impaired. At December 31, 2007 a total amount of €28,200 (2006: €24,073) is due but not impaired. With respect to these trade receivables, there are no indications that the debtors will not meet their payment obligations.

Outstanding trade receivables due for more than 120 days are considered as impaired and are subject to detailed analysis at customer level and a provision for impairment of trade receivables is established based upon objective evidence that the Company will not be able to collect the amounts. Significant financial difficulties of the debtor, defaults in payments, etc. are considered indicators that the trade receivable is impaired. Based on the necessary and appropriate underlying documentation, the receivables more than 120 days due for which it is likely that the amount due will be recovered, are excluded for the calculation of the allowance for bad debts. For the remaining receivables more than 120 days past due, a bad debt allowance is accounted for at 100% (VAT excluded).

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, we believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Following table shows the development of the allowance on trade receivables:

	2007	2006
	(in thousands of Euro)	
Allowance at the beginning of the year	(17,979)	(19,094)
Additions	(8,660)	(4,414)
Write-offs	4,528	5,529
Allowance at the end of the year	(22,111)	(17,979)

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. The Company recognised a loss of €8,660 and €4,414 for the impairment of its trade receivables during the years ended December 31, 2007 and 2006, respectively. The loss has been included in cost of services provided in the income statement. The Company does not hold any receivables in foreign currency.

The pledges of the trade receivables are discussed in Note 5.12.9 of the consolidated accounts of the Company.

5.9 OTHER CURRENT ASSETS

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
Prepaid taxes and VAT	3,491	693
Inventory	5,466	12,200
Miscellaneous receivables	2,213	3,133
Prepaid content	3,979	3,187
Prepayments	4,335	3,038
Receivable on disposal of Phone Plus	-	1,175
Other	364	925
	19,848	24,351

The pledges of the other current assets are discussed in Note 5.12.9 of the consolidated accounts of the Company.

5.10 CASH AND CASH EQUIVALENTS

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
Cash at bank and on hand	15,990	37,875
Commercial paper	19,839	9,969
Certificates of deposits	40,782	11,000
Total cash and cash equivalents	76,611	58,844

The Company holds commercial paper with a weighted average interest rate of 4.77% (2006 : 3.59%) and an average maturity of 62 days (2006 : 31 days). The certificates of deposits have a weighted average interest rate of 3.89% (2006 : 3.58%) and an average maturity of 7 days (2006 : 4 days).

The pledges of cash and cash equivalents are discussed in Note 5.12.9 of the consolidated accounts of the Company.

5.11 SHAREHOLDERS' EQUITY

On December 31, 2007 Telenet Group Holding has the following shares outstanding, all of which are treated as one class in the earnings (loss) per share calculation:

- 107,648,422 ordinary shares (2006: 101,085,455 shares);
- 1,665,087 dispreference shares (2006: 2,164,911 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 (2006: 30 shares) held by the financing 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.

As of December 31, 2007, the share capital amounts were €1,081,098 (2006: €1,656,645).

Liberty Global Consortium

According to a transparency declaration filed with the Banking, Finance and Insurance Commission (“BFIC”) and the Company on November 13, 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 held 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.

On July 4, 2007, Chellomedia Investments BV acquired in total 18,668,826 shares from other parties to the Syndicate Agreement, pursuant to the exercise of the BCI Call Options. Following this exercise, the Syndicate Agreement was terminated vis-à-vis GIMV, the Mixed Intercommunales and the Pure Intercommunales (Interkabel Vlaanderen CVBA). In view of the transfer of these shares, Interkabel Vlaanderen CVBA has converted 499,824 liquidation preference shares into 480,600 ordinary shares on July 3, 2007.

On December 19, 2007 the Company received a transparency declaration from the surviving parties to the Syndicate Agreement acting in concert, according to which the members of the Liberty Global Consortium together with the members of the Financial Consortium hold on the date of the declaration 55.06% of the outstanding voting securities and 53.99% of the total number of voting securities.

Capital Reduction

On August 17, 2007, the extra ordinary shareholders meeting of Telenet Group Holding approved a capital reduction of €6.00 per share. This was executed as a repayment of capital to all shareholders of Telenet Group Holding at the moment of the closing of trading on Euronext Brussels at November 16, 2007 with the payment of €655,881 made on November 19, 2007. No changes to the outstanding number of shares occurred as result of this transaction.

Capital Risk Management

The Company manages its capital to ensure that the Company’s entities will be able to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the leverage ratio. The drawn amount of the New Senior Credit Facility (see Note 5.12.3) represents a net leverage ratio of 4.05x EBITDA and is calculated as per terms of the Senior Credit Facility, using the previous two quarter’s EBITDA. Within the New Senior Credit Facility, the Company has access to an additional committed loan capacity of €400,000, subject to compliance with applicable covenants, composing the Term Loan B2 and Revolving Facility which are available to be drawn up to and including July 31, 2008 and June 30, 2014 respectively.

5.11.1 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 the 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.

Upon the payment of the capital reduction on November 19, 2007, the Company amended both the Class A and Class B Options. Telenet has obtained a tax ruling supporting the conclusion that, in this case, the Company has the legal obligation (in conformity with art. 501 of the Belgian Company Code) to amend the options to ensure that benefits granted to the option holders was not reduced. The options were increased and the exercise price was decreased by a factor of 0.762564 which is the ratio of the quoted market price of the Telenet Group Holding shares before the capital reduction less the capital reduction of €6.00 per share versus the quoted market price before the capital reduction.

The outstanding numbers of Class A and B options, 1,146,000 and 506,256 options, respectively, have been increased by 356,824 and 157,627, respectively, as a result of the amendment. At the same time, the exercise prices of the options were adjusted with the same factor bringing the exercise price for the Class A Options from €6.66 to €5.08 and the Class B Options from €8.33 to €6.35. As a result of these adjustments, fair value of the options before and after the transaction remain exactly the same for all option holders resulting in no additional compensation expense. From November 19, 2007, the Class A and Class B Options must no longer be exercised in multiples of three.

The Class A and Class B options in the table below were exercised versus payments of €1,510 and €5,059 during the years ended December 31, 2007 and 2006, 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 €2,332 and €4,363 between Other Reserves and Share Capital within Equity in 2007 and 2006, respectively.

Class of Option	Number of Options Exercise	Exercised Date	Share Price at Exercise Date (in Euro)
Class A Options	285,000	05/12/06	18.20
Class B Options	232,692	05/12/06	18.20
Class B Options	68,533	10/02/06	19.10
Class A Options	30,000	12/22/06	21.69
Class B Options	53,844	12/22/06	21.69
Class A Options	39,000	02/02/07	24.00
Class B Options	44,532	03/22/07	23.80
Class B Options	57,726	06/15/07	24.92
Class B Options	62,736	12/27/07	19.80

All Plans

A summary of the activity of the Company's stock options for the years ended December 31, 2007 and 2006 is as follows:

	Outstanding Options	
	Number of Options	Weighted Average Exercise Price (in Euro)
Balance January 1, 2006	2,520,123	7.34
Class A Options exercised	(315,000)	6.67
Class B Options exercised	(355,089)	8.33
Class B Options lapsed	(1,140)	8.33
Class B Options forfeited	(55,380)	8.33
Balance December 31, 2006	1,793,514	7.23
Class A Options exercised	(39,000)	6.67
Class B Options exercised	(164,994)	7.58
Additional Class A Options issued upon plan amendment	356,824	5.08
Additional Class B Options issued upon plan amendment	157,627	6.35
Class B Options forfeited	(6,273)	6.35
Balance December 31, 2007	2,097,698	5.44

The following table summarizes information about stock options outstanding and exercisable as of December 31, 2007:

	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price (in Euro)
Class A Options	1,502,824	1,502,824	18 months	5.08
Class B Options	594,874	407,451	24 months	6.35

5.11.2 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.

On May 31, 2007 the extraordinary shareholders meeting of Telenet Group Holding NV approved the issuance of a new employee stock purchase plan ("ESPP") for a maximum amount of €23,500 and mandated the Board of Directors to implement such plan before December 31, 2007. On December 27, 2007 the extraordinary shareholders meeting of Telenet Group Holding NV renewed the mandate to the Board of Directors to implement the ESPP until April 30, 2008.

5.11.3 Warrants

Subordinated Debt Warrants

The Company had 3,426,000 subordinated debt warrants outstanding (the "Subordinated Debt Warrants") which were held by the Liberty Global Consortium, the GIMV, the Financial Consortium and the MICs. Each Subordinated Debt Warrant entitled 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 were 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 could be exercised at any time during the exercise period ending on August 9, 2009.

On March 22, 2007, 412,869 new shares in Telenet Group Holding were issued to Chellomedia Investments BV (a Company of the Liberty Global Consortium) following the exercise by Chellomedia Investments BV of 137,623 Subordinated Debt Warrants. Each Subordinated Debt Warrant was exercised at a price of €40.00. The capital of Telenet was therefore increased by €5,505.

On August 10, 2007 all 3,288,377 remaining Subordinated Debt Warrants were exercised. A total of 1,475,960 Subordinated Debt Warrants were exercised at the Penny Exercise Price (i.e. a cashless exercise) in exchange for the issuance of 2,103,533 new shares in Telenet Group Holding for an aggregate exercise price of €0.06. A total of 1,812,417 Subordinated Debt Warrants were exercised at the Normal Exercise price (€40.00 per Subordinated Debt Warrant) against issuance of 5,437,251 new shares of Telenet Group Holding NV for an aggregate exercise price of €72,497.

5.12 DEBT AND OTHER FINANCING

The debt balances specified below include accrued interest as of December 31, 2007 and 2006.

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
New Senior Credit Facility		
Term Loan A	530,396	-
Term Loan B1	307,738	-
Term Loan B2	343	-
Term Loan C	1,063,353	-
Revolving Credit Facility	223	-
2006 Senior Credit Facility		
Tranche A	-	600,154
Tranche B	-	100,139
Senior Notes	-	369,691
Senior Discount Notes ¹	-	221,239
Clientele Fee	43,968	45,860
Annuity Fee	47,942	51,057
Finance lease obligations	52,329	25,821
	2,046,292	1,413,961
Less: deferred financing fees	(27,862)	(23,351)
	2,018,430	1,390,610
Less: current portion	(18,529)	(59,767)
Total long-term debt	1,999,901	1,330,843

As of December 31, 2007, the total debt is denominated in Euros. Fixed interest rates applied to 3.58% of the total financial debt (2006: 45.26%). The weighted average interest rates at year end was 8.73% on fixed interest rate loans (2006: 10.03%) and 6.95% on floating interest rate loans (2006: 4.52%).

5.12.1 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 was payable semi-annually at an annual rate of 9%. The notes did 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. Also during November 2005, €6,825 of the Senior Notes were tendered for redemption and settled.

¹ Accreted balance of the Senior Discount Notes, converted to Euros on December 31, 2006 at the accounting rate of \$1.317 to €1.00.

On September 5, 2007 Telenet Communications notified the holders of the Senior Notes of the redemption of all of the outstanding Notes, which was executed on October 10, 2007 (the redemption date). In accordance with the terms of the indenture governing the Notes, the redemption price was equal to 100% of the outstanding principal amount, plus accrued and unpaid interest up to the redemption date, plus the applicable premium. The total redemption price for the Senior Notes was €413,476.

5.12.2 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 accruing 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 would have been payable semi-annually at an annual rate of 11.5%. There were no required principal repayments prior to maturity. During 2005, Telenet Group Holding redeemed Senior Discount Notes with an accreted value at the time of redemption of \$138,694, including \$ 2,523 as a result of the Change of Control Offer.

On September 5, 2007 Telenet Group Holding notified the holders of the Senior Discount Notes of the redemption of all of the outstanding Notes, to be executed on October 10, 2007 (the redemption date). In accordance with the terms of the indenture governing the Notes, the redemption price was equal to 100% of the outstanding principal amount, plus accrued and unpaid interest (if any) up to the redemption date, plus the applicable premium. The total redemption price for the Senior Discount Notes was \$363,806.

5.12.3 Terms and Structure of New Senior Credit Facility

On August 1, 2007 (the "Signing Date"), Telenet Bidco NV (the "Borrower"), an indirect subsidiary of Telenet, executed a new senior credit facility agreement, as amended and restated by supplemental agreements dated August 22, 2007, September 11, 2007 and October 8, 2007 (the "New Senior Credit Facility"). The New Senior Credit Facility provides for (i) a €530.0 million Term Loan A Facility (the "New Telenet TLA Facility") maturing five years from the Signing Date, (ii) a €307.5 million Term Loan B1 Facility (the "New Telenet TLB1 Facility") maturing seventy-eight months from the Signing Date, (iii) a €225.0 million Term Loan B2 Facility (the "New Telenet TLB2 Facility") maturing seventy-eight months from the Signing Date, (iv) a €1,062.5 million Term Loan C Facility (the "New Telenet TLC Facility") maturing eight years from the Signing Date, and (v) a €175.0 million Revolving Facility (the "New Telenet Revolving Facility") maturing seven years from the Signing Date.

On October 10, 2007, the New Telenet TLA Facility, the New Telenet TLB1 Facility and the New Telenet TLC Facility were drawn in full. The New Telenet TLB2 Facility, which was undrawn as of December 31, 2007, is available to be drawn up to and including July 31, 2008. The New Telenet Revolving Facility is available to be drawn through June 2014. The proceeds of the New Telenet TLA Facility, the New Telenet TLB1 Facility and the first €462.5 million drawn under the New Telenet TLC Facility have been used primarily to (i) redeem in full the Telenet Senior Discount Notes, (ii) redeem in full the Telenet Senior Notes and (iii) repay in full the amounts outstanding under the 2006 Senior Credit Facility. The New Telenet TLB2 Facility may be used for general corporate purposes (including permitted acquisitions) and to provide funding to Telenet, via a dividend or intercompany loan, for a distribution to Telenet's shareholders by way of a capital reduction. The New Telenet Revolving Facility may be used for general corporate purposes (including acquisitions).

At the extraordinary general shareholders' meeting held on August 17, 2007, the shareholders of Telenet Group Holding NV approved a capital decrease of €6.00 per share. The record date and payment date for the distribution of the capital decrease was fixed on November 16 and 19, 2007, respectively. The additional €600.0 million drawn under the New Telenet TLC Facility and €56.0 million of cash reserves have been used to fund this distribution to shareholders.

The applicable margin for the New Telenet TLA Facility and for the New Telenet TLC Facility is 2.25% and 2.75% per annum over EURIBOR respectively. The applicable margin for the New Telenet TLB1 Facility and the New Telenet TLB2 Facility is 2.50% per annum over EURIBOR. The applicable margin for the New Telenet Revolving Facility is 2.125% per annum over EURIBOR.

The New Telenet TLA Facility and the New Telenet TLC Facility will be repaid in full at maturity. The New Telenet TLB1 Facility and the New Telenet TLB2 Facility will each be repaid in three equal installments, the first installment on the date falling sixty-six months after the Signing Date, the second installment on the date falling seventy-two months after the Signing Date and the final installment payable at maturity. Advances under the New Telenet Revolving Facility will be repaid at the end of the applicable interest period and all advances outstanding will be repaid in full at maturity.

In addition to customary restrictive covenants, prepayment requirements and events of default, the New Senior Credit Facility requires compliance with a Net Total Debt to Consolidated Annualized EBITDA covenant and a Consolidated EBITDA to Total Cash Interest covenant, each capitalized term as defined in the New Senior Credit Facility. The Borrower under the New Senior Credit Facility is permitted to make certain distributions and restricted payments to its shareholders subject to compliance with applicable covenants. The New Senior Credit Facility is secured by (i) pledges over the shares of the Borrower and certain of its subsidiaries, (ii) pledges over certain intercompany and subordinated shareholder loans and (iii) pledges over certain receivables, real estate and other assets of the Borrower, Telenet and certain other Telenet subsidiaries, in line with the 2006 Senior Credit Facility.

The New Telenet TLB2 Facility has a commitment fee on undrawn and uncanceled commitments of 40% of the applicable margin of the New Telenet TLB2 Facility subject to a maximum of 1.00%. The New Telenet Revolving Facility has a commitment fee on undrawn and uncanceled commitments of 40% of the applicable margin of the New Telenet Revolving Facility subject to a maximum of 0.75% p.a.

5.12.4 2006 Senior Credit Facility

Until replaced by the New Senior Credit Facility in August 2007, Telenet Bidco, Telenet NV and Telenet Vlaanderen (as Borrowers and Guarantors), had a 2006 senior credit facility (the "2006 Senior Credit Facility"), which provided significantly improved terms compared to Telenet's previous Senior Credit Facility. The 2006 Senior Credit Facility was closed on May 10, 2006 and had a final maturity date of March 31, 2011. In connection with the closing of the 2006 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 2006 Senior Credit Facility were as follows:

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

Interest on Tranches A and B of the 2006 Senior Credit Facility was payable at a margin of 0.90% over EURIBOR, and could 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 was 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 were tested on a quarterly basis, measure performance against, among others, standards for leverage, debt service coverage, and earnings before interest, taxes, depreciation, and amortization.

5.12.5 Senior Credit Facility

Until replaced by the 2006 Senior Credit Facility in May 2006, 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 "2002 Senior Credit Facility"). Since the date that the 2002 Senior Credit Facility was originally signed in July 2002, the Company amended the terms and structure and made partial prepayments of the 2002 Senior Credit Facility in line with its requirements and its evolving credit profile.

At the time the 2006 Senior Credit Facility was closed, the major terms and conditions of the various committed tranches of the 2002 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%.

5.12.6 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 was at that time a shareholder 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.

5.12.7 Finance Lease Obligations

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
	(in thousands of Euro)			
Within one year	6,421	2,748	3,678	1,525
In the second to fifth years, inclusive	25,835	12,989	17,065	9,300
Thereafter	40,958	19,074	31,214	14,430
Total minimum lease payments	73,214	34,811	51,957	25,255
Less: future finance charges	(21,257)	(9,556)	-	-
Present value of lease obligations	51,957	25,255	51,957	25,255
Less: amount due for settlement within 12 months			(3,677)	(1,525)
Amount due for settlement after 12 months			48,280	23,730

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, 2007, the average effective borrowing rate was 5.13% (2006: 4.69%). 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. As from July 1, 2007 (end of the construction period) the Company started paying quarterly lease payments, based on fixed capital repayments, in order to repay the total amount financed (€30,000) plus applicable interest charges. The lease period lasts 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. A contractual interest margin of 1.00% is payable over a fixed rate of 3.89% for the term of this finance arrangement.

During the construction phase, the Company paid interest on amounts drawn under the finance arrangement based on 3-month Euribor plus a 1.00% margin. At the end of the construction period a sale and lease back was accounted for whereby the lease back is a finance lease.

5.12.8 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 2006 repayments include the Senior Discount Note at its fully accreted value.

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
On demand or within one year	7,597	52,628
In the second year	7,892	61,441
In the third year	7,614	72,298
In the fourth year	7,688	82,018
In the fifth year	537,479	480,241
After five years	1,418,810	740,901
	1,987,080	1,489,527
Less: Interest to be accreted on the Senior Discount Notes	-	(59,791)
	1,987,080	1,429,736

5.12.9 Guarantees and Covenants

Before the refinancing on October 10, 2007, obligations under the Senior Notes, Senior Discount Notes and the 2006 Senior Credit Facility were guaranteed and cross-guaranteed by certain subsidiaries of Telenet Group Holding. The obligations were 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, intangible assets, trade receivables and other current assets.

Telenet BidCo NV, Telenet NV and UPC Belgium NV guarantee the obligations of the borrower under the New Senior Credit Facility (being Telenet BidCo NV), to the extent permitted by law. The New Senior Credit Facility is secured by the same security as that for the 2006 Senior Credit Facility. This means that security has been given by all members of the Telenet group (other than Telenet Group Holding NV and Telenet Communications NV) under the 2007 Senior Credit Facility over substantially all their assets, of which the carrying amounts at year end 2007, respectively 2006 can be detailed as follows:

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
Property and equipment (excluding leases)	958,350	950,072
Other intangible assets	259,116	278,813
Trade receivables	110,771	105,589
Other current assets	19,848	24,351
	1,348,085	1,358,825

The above mentioned securities include:

- a pledge of all shares of all members of the Telenet group (other than Telenet Group Holding NV and Telenet Communications NV);
- a non-joined (*non-cumulative*) mortgage of (i) €800 million from Telenet NV, (ii) €625 million from Telenet Vlaanderen NV and former MixtICS NV (succeeded by Telenet NV), and (iii) €50 million from former Telenet Solutions NV (succeeded by Telenet NV);
- a non-joined (*non-cumulative*) floating charge of (i) €1.25 billion granted by Telenet NV, (ii) €135 million granted by Telenet NV and (iii) €615 million granted by Telenet Vlaanderen NV and former MixtICS NV (succeeded by Telenet NV); a floating charge of €250 million granted by Telenet BidCo NV, of €250 million granted by Telenet Vlaanderen NV, of €250 million granted by former MixtICS (succeeded by Telenet NV) and of €75 million granted by former PayTVCo NV (succeeded by Telenet NV) and former Telenet Solutions NV (succeeded by Telenet NV); a portion of the floating charges being granted in a non-joined manner (*niet-cumulatief*) with certain mortgages;
- a non-exercised floating charge mandate of €865 million granted by Telenet NV;
- non-exercised mortgage mandates for a total value of €650 million granted by Telenet BidCo NV and of €450 million granted by Telenet NV, Telenet Vlaanderen NV and former MixtICS NV (succeeded by Telenet NV); and
- pledges on bank accounts, and pledges, as appropriate, of all present and future receivables.

In addition, the Company's obligations under finance leases are secured by the lessor's title to the leased assets, which have a carrying amount of €29,000 (2006 : €14,455). The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

As of December 31, 2007 and 2006, the Company was in compliance with all of its financial covenants.

5.13 DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into various derivative instruments to manage interest rate and foreign currency exposure. As of December 31, 2007 and 2006, the outstanding forward foreign exchange derivatives were as follows:

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
Forward Purchase Contracts		
Notional amount in US Dollar	-	362,700
Weighted average strike price (US Dollar per Euro)	-	1.1930
Maturity	-	December 15, 2008
Option Contracts		
Notional amount in US Dollar	11,000	17,000
Weighted average strike price (US Dollar per Euro)	1.42	1.29
Maturity	From January to April 2008	From January to June 2007

As of December 31, 2007 and 2006, the outstanding interest rate derivatives were as follows:

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
Interest Rate Contracts		
Notional amount	159,431	171,163
Average pay interest rate	4.81%	4.79%
Average receive interest rate	4.13%	2.9%
Maturity	From 2008 to 2011	From 2008 to 2011
Caps		
Notional amount	1,537,426	49,046
Average cap interest rate	4.7%	4.4%
Maturity	From 2009 to 2017	From 2009 to 2017
Collars		
Notional amount	375,000	450,000
Average floor interest rate	2.5%	2.5%
Average cap interest rate	5.37%	5.4%
Maturity	From 2009 to 2011	From 2009 to 2011

On January 1, 2007, the Company stopped applying hedge accounting for its Senior Credit Facility which resulted in a full release of €148 of hedge reserves relating to the interest rate derivatives for which cash flow hedge relationships were discontinued.

Cash flow hedge accounting on the Senior Discount Note was discontinued on June 30, 2007 because the hedged forecasted transaction of the USD repayment at maturity of the Senior Discount Note could no longer be considered as being "probable" since it was known that the debt/equity structure of the Group would be modified. On September 5, 2007 Telenet Group Holding notified the holders of the Senior Discount Notes of the redemption of all of the outstanding Notes, to be executed on October 10, 2007 (the redemption date). As a consequence, the cashflow hedge reserve amounting to €3,668 was released in September 2007.

Upon the discontinuance of hedge accounting, changes in the fair values of all other derivative instruments are recorded in realized and unrealized gains (losses) on financial and derivative instruments in our consolidated statements of operations. The following tables provide details of the fair value of our financial and derivative instrument assets (liabilities), net:

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
Current asset	31,182	48
Non-current asset	-	507
Current liability	(3,359)	(275)
Non-current liability	-	(36,485)
	27,823	(36,205)
Interest rate exchange contracts	28,025	(4,488)
Foreign exchange options	(264)	(227)
Foreign exchange forwards	-	(31,490)
Embedded derivatives	62	-
	27,823	(36,205)

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

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
Interest rate exchange contracts	(3,290)	4,448
Foreign exchange options	5,033	(254)
Foreign exchange forwards	(27,292)	(13,050)
Embedded derivatives	62	-
	(25,487)	(8,856)

Cumulative losses on financial and derivative instruments deferred in hedging reserves are comprised of the following amounts:

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
Interest rate exchange contracts	-	(148)
Foreign exchange contracts	-	(3,451)
	-	(3,599)

5.13.4 Summary

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

	Increase (decrease) in fair value	Cash paid (received)	Increase (decrease) in hedging reserves	Increase (decrease) to earnings
(in thousands of Euro)				
January 1, 2006	(22,672)	4,955	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)	4,955	(3,599)	(37,561)
	Increase (decrease) in fair value	Cash paid (received)	Increase (decrease) in hedging reserves	Increase (decrease) to earnings
(in thousands of Euro)				
January 1, 2007	(36,205)	4,955	(3,599)	(37,561)
Fair value of foreign exchange forward contracts	31,490		(6,831)	38,321
Change in fair value of foreign exchange forward contracts reclassified into earnings			6,614	(6,614)
Unwinding of the historic Forward Exchange Contracts concluded by Telenet Bidco for the purchase of USD to redeem the Senior Discount Notes on 15/12/2008		(45,903)		
Settlement of Forward Exchange Contract concluded by Telenet Bidco for the purchase of USD to redeem the Senior Discount Notes on 10/10/2007		9,428		(9,428)
Spot purchase of 3,806,235 USD to redeem the Senior Discount Notes on 10/10/2007 ¹		23		(23)
Change in fair value of foreign exchange option contracts	(37)			(37)
Settlement of PUT/CALLS concluded by Telenet Bidco and exercised on 10/10/2007		(5,070)		5,070
Prepaid hedge premiums CAPS	35,655	35,655		
Change in fair value of interest rate derivatives not qualifying for hedge accounting	(3,142)			(3,142)
Embedded derivatives at fair value through P&L	62			62
Release of hedge reserve upon discontinuance of hedge accounting on IRS			148	(148)
Release of hedge reserve upon discontinuance of hedge accounting on futures			3,668	(3,668)
December 31, 2007	27,823	90,894	0	(63,071)

1 The spot purchase of 3,806,235 USD resulted in a foreign exchange loss of €23.

5.13.6 Fair market value

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

	December 31, 2007		December 31, 2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands of Euro)			
Long-term debt (including short-term maturities)	(2,046,292)	(1,995,625)	(1,413,961)	(1,477,765)
Foreign exchange forward	-	-	(31,490)	(31,490)
Foreign exchange options	(264)	(264)	(227)	(227)
Interest rate swaps	(1,094)	(1,094)	(2,840)	(2,840)
Caps	30,228	30,228	(352)	(352)
Collars	(1,109)	(1,109)	(1,296)	(1,296)
Embedded derivatives	62	62	-	-
Total derivative instruments	27,823	27,823	(36,205)	(36,205)
Total	(2,018,469)	(1,967,802)	(1,450,166)	(1,513,970)

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.

5.14 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 movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax entity, is as follows:

	January 1, 2006	(Charged) credited to income statement	Reversal of write- downs to goodwill	Acquisition of Subsidiary	December 31, 2006
(in thousands of Euro)					
Deferred tax assets					
Tax loss carry-forwards	-	(34,292)	34,292	-	-
Intangible assets	-	-	-	(5,171)	(5,171)
Property and equipment	-	-	-	(1,261)	(1,261)
Other	-	-	-	(44)	(44)
Deferred tax liabilities	-	-	-	(6,476)	(6,476)

	January 1, 2007	(Charged) credited to income statement	Reversal of write- downs to income statement	Reversal of write- downs to goodwill	Acquisition of Subsidiary	December 31, 2007
(in thousands of Euro)						
Deferred tax assets						
Financial instruments	-	416	1,071	-	-	1,487
Property and equipment	-	44	457	-	-	501
Provisions	-	(2,670)	7,260	-	-	4,590
Tax loss carry-forwards	-	(65,763)	122,968	30,898	473	88,576
Deferred tax assets	-	(67,973)¹	131,756¹	30,898	473	95,154
Deferred tax liabilities						
Intangible assets	(5,171)	3,395	(36,009)	-	(3,464)	(41,249)
Property and equipment	(1,261)	376	(1,221)	-	(5,863)	(7,969)
Other	(44)	(72)	(251)	-	44	(323)
Deferred tax liabilities	(6,476)	3,699¹	(37,481)¹	-	(9,283)	(49,541)

A subsidiary acquired in a previous business combination made taxable profits of €156,670 (2006: €85,366) during the year and utilized tax loss carryforwards which had not been previously recognized as deferred tax assets. The utilization of unrecognized 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 reduction of goodwill and a deferred tax expense of €30,898 (2006: €34,292). During 2007, the Company utilized the last €76,917 of acquired tax loss carryforwards for this subsidiary. As a result, the benefit of utilizing the remaining tax loss carryforwards will now be recorded directly through profit and loss.

1 Equals in total to €30,001, see Note 5.21 of the consolidated accounts of the Company.

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

As of December 31, 2007, Telenet Group Holding and its subsidiaries had available combined cumulative tax loss carry-forwards of €765,839 (2006: €698,877). 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. Taxable profit is reduced by a notional interest deduction which can be carried forward for 7 years. As Telenet Group Holding and virtually all of its subsidiaries with tax loss carry-forwards have never realized any substantial taxable profits, no deferred tax assets have been recognized other than those discussed in the previous paragraphs for one profitable subsidiary. Telenet did not recognise deferred income tax assets of €170,735 (2006: €237,548) in respect of losses amounting to €502,304 (2006: €698,877) that can be carried forward against future taxable income.

5.15 OTHER LIABILITIES

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
Employee benefit obligations	16,508	16,859
Copyright fees	2,751	3,453
Other	9,487	2,920
	28,746	23,232

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 €5,402 (2006: €18,260) for settlement of these estimated fees of which €2,650 (2006: €14,807) is considered to be short term and is recorded under accrued expenses and other current liabilities.

5.16 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. During 2007, an amount of €1,858 (2006: €1,871) was paid by the employer with respect to those plans.

Since the actual returns obtained by the pension fund have been significantly higher than the minimum guaranteed rates of return, no additional liability needed to be recognized and accounted for. The accumulated plan assets in the pension fund amount to €18,510 at December 31, 2007 (2006: €15,503). The Company has also recognized a liability of €3,655 at December 31, 2007 (2006: €2,973) 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 with respect to the defined benefit plans are as follows:

	Defined Benefit Plans		Postretirement Plans	
	2007	2006	2007	2006
	(in thousands of Euro)			
Present value of funded obligations	5,097	7,080	-	-
Fair value of plan assets	(3,228)	(6,185)	-	-
Present value of unfunded obligations	1,869	895	-	-
Unrecognized net actuarial loss	-	-	6,053	6,351
	(1,742)	(1,680)	(139)	(1,856)
Net (asset) liability in balance sheet	127	(785)	5,914	4,495

The amounts recognized in the income statement are as follows:

	Defined Benefit Plans		Postretirement Plans	
	2007	2006	2007	2006
	(in thousands of Euro)			
Service cost	1,866	2,375	821	855
Interest cost	283	270	277	240
Expected return on plan assets	(227)	(163)	-	-
Losses / (gains) on curtailments	-	-	397	461
Losses / (gains) on settlements	430	-	-	-
Actuarial losses recognized in the year	73	60	29	90
Total	2,425	2,542	1,524	1,646

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

	Defined Benefit Plans		Postretirement Plans	
	2007	2006	2007	2006
	(in thousands of Euro)			
Opening defined benefit obligation	7,080	4,719	6,351	3,471
Service cost	1,866	2,375	821	855
Interest cost	283	270	277	240
Plan participants contributions	52	60	-	-
Losses / (gains) on curtailments	-	-	397	461
Actuarial loss (gain)	(982)	(317)	(1,688)	1,456
Benefits paid	(3,202)	(27)	(105)	(132)
Closing defined benefit obligation	5,097	7,080	6,053	6,351

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

	Defined Benefit Plans		Postretirement Plans	
	2007	2006	2007	2006
	(in thousands of Euro)			
Opening fair value of plan assets	6,185	1,878	-	-
Expected return on plan assets	227	163	-	-
Company contributions	1,513	4,727	105	132
Plan participants contributions	52	59	-	-
Actuarial (loss) gain	(1,547)	(615)	-	-
Benefits paid	(3,202)	(27)	(105)	(132)
Closing fair value of plan assets	3,228	6,185	-	-

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

	1% increase	1% decrease
		(in thousands of Euro)
a) aggregate amount of service cost and interest cost	157	(123)
b) defined benefit obligation	655	550

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

	2007	2006	2005	2004	2003
	(in thousands of Euro)				
Defined benefit obligation	11,150	13,431	8,189	4,120	410
Fair value of plan assets	3,228	6,185	1,878	1,462	317
(Surplus) / deficit	7,922	7,246	6,311	2,658	93
Experience adjustments on plan liabilities	(831)	1,634	-	-	-
Experience adjustments on plan assets	(1,547)	(615)	(1,018)	-	-

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

	Defined Benefit Plans		Postretirement Plans	
	2007	2006	2007	2006
Discount rate at December 31	5.35%	4.30%	5.35%	4.30%
Rate of compensation increase	3.11%	3.09%	-	-
Expected return on plan assets	4.82%	4.00%	-	-
Underlying inflation rate	2.00%	2.00%	2.00%	2.00%
Increase of medical benefits	-	-	3.00%	3.00%

The expected rate of return reflects the guaranteed interest rates under the insurance contracts and expected insurance dividends.

5.17 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
Customer deposits	24,569	25,859
Compensation and employee benefits	29,950	32,828
VAT and withholding taxes	1,465	4,244
Copyright fees	3,942	14,807
Other current liabilities	2,465	1,479
	62,391	79,217

5.18 REVENUE

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

	For the year ended December 31,	
	2007	2006
	(in thousands of Euro)	
Continuing operations		
Cable television:		
Basic Subscribers ¹	221,730	199,433
Premium Subscribers ¹	62,892	47,312
Distributors/Other	35,299	36,788
Residential:		
Internet	324,435	268,588
Telephony ²	200,530	183,269
Business	87,010	78,062
Subtotal continuing operations	931,896	813,452
Discontinued Operations		
Residential:		
Telephony ²	-	7,509
Total	931,896	820,961

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

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.

The Company also has unearned revenue as follows:

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
Cable television		
Basic Subscribers ¹	95,344	113,982
Premium Subscribers ¹	21,296	10,104
Distributors/Other	6,359	207
Residential		
Internet	9,841	10,539
Telephony ²	2,745	2,529
Business	655	643
Total	136,240	138,004
Current portion	123,495	123,179
Long-term portion	12,745	14,825

Unearned revenue is generally fees prepaid by the customers and, as discussed in Note 5.2.9 of the consolidated accounts of the Company, is recognized in the Income Statement on a straight-line basis over the related service period.

5.19 EXPENSES BY NATURE

	For the year ended December 31,	
	2007	2006
	(in thousands of Euro)	
Wages, salaries, commissions and social security costs	101,983	91,498
Share-based payments granted to directors and employees	507	1,587
Other employee benefit costs	20,088	21,246
Employee benefits	122,578	114,331
Depreciation and impairment	182,037	174,306
Amortization	48,161	43,118
Amortization of broadcasting rights	7,428	5,497
Network operating and service costs	270,238	247,130
Advertising, sales and marketing	59,282	57,117
Other costs	36,891	35,880
Total costs and expenses	726,615	677,379
Attributable to:		
Continuing operations	726,615	669,718
Discontinued operations	-	7,661
	726,615	677,379

The number of full time equivalents employed by the Company at the year ended December 31, 2007 was 1,592 (2006: 1,552).

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.

5.20 FINANCE COSTS

For the year ended December 31,		
	2007	2006
	(in thousands of Euro)	
Interest expense (including amortization of financing cost)	122,371	98,888
Interest income	(6,074)	(4,569)
Interest expense, net	116,297	94,319
Net foreign exchange transaction (gains)/losses on financing transactions	(16,730)	(23,580)
Change in fair value of foreign exchange forward contracts reclassified into earnings (Note 5.13)	6,614	24,517
Transfer of accumulated hedging reserve to profit and loss upon discontinuance of hedge accounting	3,816	-
Change in fair value of derivatives (Note 5.13)	15,057	(15,661)
Net (Gains)/losses on derivative financial instruments	25,487	8,856
Loss on extinguishment of debt	86,679	21,355
Share of the loss of associates accounted for using the equity method	261	-
Finance costs, net	211,994	100,950
Attributable to:		
Continuing operations	211,994	100,963
Discontinued operations	-	(13)
	211,994	100,950

5.21 INCOME TAX (BENEFIT) / EXPENSE

For the year ended December 31,		
	2007	2006
	(in thousands of Euro)	
Current tax expense	2,619	107
Deferred tax (benefit) expense (Note 5.14)	(30,001)	34,292
Income tax (benefit) / expense	(27,382)	34,399
Attributable to:		
Continuing operations	(27,382)	34,283
Discontinued operations	-	116
	(27,382)	34,399

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,		
	2007	2006
	(in thousands of Euro)	
Income (loss) before tax from continuing operations	(6,713)	42,771
Income (loss) before tax from discontinued operations	-	(2,919)
Income (loss) before tax	(6,713)	39,852
Income tax expense (benefit) at the Belgian statutory rate of 33.99%	(2,282)	13,546
Expenses not deductible for tax purposes	616	17,907
Deferred tax benefit arising from the reversal of a previous write-down of deferred tax assets	(86,589)	-
Recognition of previously unrecognized acquired tax losses through goodwill at the historic Belgian statutory rate of 40.17%	30,898	34,292
Utilization of previously unrecognized tax losses	(26,171)	(34,950)
Tax losses for which no deferred income tax asset was recognised	56,115	3,604
Other	31	-
Tax expense (benefit) for the year	(27,382)	34,399

5.22 EARNINGS (LOSS) PER SHARE

5.22.1 Basic

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

For the year ended December 31,		
	2007	2006
	(in thousands of Euro)	
Net Income (loss)		
Net income from continuing operations used in the calculation of basic earnings per share from continuing operations	20,669	8,488
Net loss from discontinued operations used in the calculation of basic earnings per share from discontinued operations	-	(3,035)
Net income attributable to the equity holders of the Company	20,669	5,453
Weighted average number of shares		
Weighted average number of ordinary shares	104,525,939	100,365,003
Weighted average number of Class A Profit Certificates	27,964	120,536
Weighted average number of Class B Profit Certificates	61,533	140,008
Weighted average number of shares used in the calculation of basic earnings per share (all measures)	104,615,436	100,625,547
Basic earnings / (loss) per share in €		
From continuing operations	0.20	0.08
From discontinued operations	-	(0.03)
Total basic earnings per share	0.20	0.05

5.22.2 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 years ended December 31, 2007 and 2006, the Company had three categories of dilutive potential ordinary shares: Class A and Class B Options and the Subordinated Debt Warrants. The remaining Subordinated Debt Warrants were exercised during August 2007. 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,	
	2007	2006
Weighted average number of shares		
Weighted average number of shares used in the calculation of basic earnings per share	104,615,436	100,625,547
Adjustment for:		
Class A Options	933,790	825,132
Class B Options	401,292	400,537
Subordinated Debt Warrants	2,637,997	2,602,510
Weighted average number of shares used in the calculation of diluted earnings per share (all measures)	108,588,515	104,453,726
Diluted earnings (loss) per share in €		
From continuing operations	0.19	0.08
From discontinued operations	-	(0.03)
Total diluted earnings per share	0.19	0.05

5.23 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

5.23.1 Acquisition of UPC Belgium

The Company completed the acquisition of 100% of UPC Belgium from LGI on December 31, 2006 for €183,077, 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. During 2007, the Company finalized its allocation of the consideration paid over the net assets as follows:

	December 31, 2007
	(in thousands of Euro)
Current assets, net of cash acquired	1,262
Fixed assets	37,312
Intangible assets	27,252
Non-current assets	65
Liabilities assumed	(35,321)
Goodwill	152,507
Total cash consideration paid	183,077

Before the acquisition, UPC Belgium was not reporting under IFRSs as adopted by the EU. Consequently, the carrying amount of the assets and liabilities under IFRSs as adopted by the EU is not disclosed.

5.24 NON CASH INVESTING AND FINANCING TRANSACTIONS

	For the year ended December 31,	
	2007	2006
	(in thousands of Euro)	
Acquisition of network user rights in exchange for debt	2,347	2,182
Extinguishment of Senior Credit Facility via the New 2006 Senior Credit Facility	-	600,000
Acquisition of property and equipment in exchange for short-term borrowings and refinancing of short-term borrowings with capital lease	(15,545)	9,670
Refinance of short-term borrowings with capital leases	30,000	-
Disposal of business in exchange for note receivable	-	1,175

5.25 COMMITMENTS AND CONTINGENCIES

5.25.1 Interconnection Litigation

Belgacom introduced a damage claim based on Telenet's higher termination charges between July 2002 and 2006. The claim was directed to both Telenet and the regulator. We believe that the risk of such a retro-active damage claim is limited. We are in discussion with the Belgian regulator ("BIPT") in order to evaluate the possible measures the regulator could take to strengthen our case. For the moment, the BIPT does not want to intervene until the final decision by the Council of State. It would however consider drafting a communication on the consequences of the decision by the Council of State.

5.25.2 Operating Leases

The Company leases facilities, vehicles and equipment under cancelable and non-cancelable operating leases. The following schedule details, at December 31, 2007 and 2006, the future minimum lease payments under cancelable and non-cancellable operating leases:

	December 31, 2007	December 31, 2006
	(in thousands of Euro)	
Within one year	9,629	12,238
In the second to fifth years, inclusive	20,489	22,181
Thereafter	2,647	3,881
Total minimum lease payments	32,765	38,300
Minimum lease payments recognized as an expense in the year	20,719	20,976

5.26 RELATED PARTIES

The related parties of the Company mainly comprise its shareholders that have the ability to exercise significant influence or control. This consisted of the Liberty Global Consortium for both 2007 and 2006.

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

5.26.1 Balance Sheet

	December 31, 2007	December 31, 2006
Accounts receivable	10	15
Accounts payable	260	10

5.26.2 Income Statement

	For the years ended December 31	
	2007	2006
Operating		
Leases and other operating expenses	(389)	(319)
Other operating income	128	16

5.26.3 Key management compensation

	December 31, 2007	December 31, 2006
Salaries and other short-term employee benefits	5,491	3,554
Post-employment benefits	213	174
Share-based payments	162	346
	5,866	4,074

5.27 SUBSIDIARIES

Details of the Company and its subsidiaries as of December 31, 2007 are as follows.

Company	National Number	Address	% Held	Consolidation Method
Telenet Group Holding NV	477.702.333	Liersesteenweg 4, 2800, Belgium	-	Parent Company
Telenet Communications 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
Telenet Solutions Luxembourg SA	1.999.223.4426	Rue de Neudorf 595, 2220 Luxembourg, Luxembourg	100%	Fully consolidated

In 2007 the liquidation of Merrion Communications Ltd. (Ireland) was finalised.

On January 7, 2008, Telenet NV acquired Hostbasket as a 100% owned subsidiary. For further information on this acquisition we refer to section 4.3 *Acquisition of Hostbasket of the consolidated annual report of the Board of Directors*. On February 1, 2008, Telenet NV merged with UPC Belgium NV (with Telenet NV as surviving entity).

5.28 SUBSEQUENT EVENTS

We refer to section 4 *Information about subsequent events of the consolidated annual report of the Board of Directors*.

5.29 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 determined the audit fee of PricewaterhouseCoopers for the group to €517,750. In 2007 PwC charged €32,895 of fees for legal missions. The fees with respect to due diligence work performed by PwC for the Telenet Group amount to €223,778 in 2007. A fee of €41,690 is due for special missions delivered by PwC in 2007, 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 €319,695 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 were pre-approved by the Audit Committees of the Company and her affiliates. For the special missions of BDO an amount of €14,050 was accrued in 2007. The latter related mainly to legal missions for the changes in capital 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 2007

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 43 till page 94, of TELENET GROUP HOLDING N.V. and its subsidiaries as of and for the year ended 31 December 2007, 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 2007 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 €2,664,632,000 and the consolidated statement of income shows a profit for the year of €20,669,000.

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 43 till page 94, give a true and fair view of the group's net worth and financial position as of 31 December 2007 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.

April 26, 2008

The statutory auditor
PricewaterhouseCoopers Bedrijfsrevisoren bcvba
Represented by

Bernard Gabriëls
Bedrijfsrevisor

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 auditor issued an unqualified opinion on the 2007 Telenet Group Holding statutory annual accounts for Telenet Group Holding for the accounting year closed on 31 December 2007. 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 article 523 of the Belgian Company Code (conflict of interest reported by members of the Board of Directors).

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

1 Abridged balance sheet TGH

	2007	2006
	(in thousands of Euro)	
Fixed assets	1,565,482	1,574,190
Formation Expenses	6,943	15,651
Financial Assets	1,558,539	1,558,539
Current assets	6,333	383,629
Amounts receivable after more than 1 year	-	371,795
Amounts receivable within 1 year	467	7,590
Other investments and deposits	700	-
Cash at bank and in hand	4,941	1,745
Deferred charges and accrued income	225	2,499
Total assets	1,571,815	1,957,819

	2007	2006
	(in thousands of Euro)	
Equity	1,109,478	1,691,904
Capital	1,081,098	1,656,645
Share premium account	61,034	61,034
Reserves	401	1,223
Accumulated losses	(33,055)	(26,998)
Liabilities	462,337	265,915
Amounts payable after more than 1 year	459,155	242,774
Amounts payable within 1 year	3,182	14,244
Accrued charges and deferred income	-	8,897
Total liabilities	1,571,815	1,957,819

2 Abridged profit & loss account TGH

	2007	2006
	(in thousands of Euro)	
Operating Income	0	0
Operating charges	(5,688)	(5,248)
Operating loss	(5,688)	(5,248)
Financial income	3,953	12,744
Extraordinary (loss) / income	(4,322)	860
(Loss) / Profit to be appropriated	(6,057)	8,356

3 Capital TGH

	2007	
	(in thousands of Euro)	(number of shares)
Issued capital		
Previous year	1,656,645	101,085,455
14/03/07 capital increase conversion of profit certificates	571	68,553
22/03/07 capital increase exercise of debt warrants	5,505	412,869
24/05/07 capital increase conversion of profit certificates	649	83,844
03/07/07 capital increase conversion of profit certificates	260	39,000
03/07/07 conversion of dispreference shares into ordinary shares	-	(19,224)
10/08/07 capital increase conversion of profit certificates	852	102,258
10/08/07 capital increase exercise of debt warrants	72,497	7,540,784
17/08/07 capital decrease	(655,881)	-
This year	1,081,098	109,313,539
Composition of the capital		
Dispreference shares	16,468	1,665,087
Golden shares	0	30
Ordinary shares without nominal value	1,064,630	107,648,422

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 onwards.

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 nominale 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 is 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 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 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 entered into various derivative instruments to manage interest rate and foreign currency exchange rates exposure. With the exception of the foreign exchange forwards that were purchased historically to hedge the US dollar foreign exchange risk related to the US dollar denominated Senior Discount Notes, the Company does not apply hedge accounting to its derivative instruments. Accordingly, changes in the fair values of all other derivative instruments are recognised immediately in the income statement.

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.

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

5.1 COMMENTS ON THE BALANCE SHEET

5.1.1 Formation expenses

Formation expenses amount to €6.9 million.

Depreciation on these formation expenses amount to €8.7 million.

These include an exceptional release in 2007 of the related debt issuance costs of €4.3 million due to the redemption of the Senior Discount Notes.

5.1.2 Financial assets

The participating interests amounting to €1,558.5 million consist primarily of shares held in Telenet Communications NV at €1,555 million.

Furthermore, Telenet Group Holding NV has a stake in Telenet NV amounting to €3.2 million and in Telenet Vlaanderen NV amounting to €0.3 million.

5.1.3 Amounts receivable after more than one year

The group executed a debt refinancing plan resulting in the redemption of the Senior Discount Notes, the Senior Notes and the Senior Credit Facility funded by Telenet Bidco NV. The additional credit facility was also used for the payment of the capital reduction in Telenet Group Holding NV of €656 million.

At the occasion of the refinancing transaction, the intercompany receivable from Telenet Group Holding NV towards Telenet Communications NV (amounting to €371.8 million as per 31/12/06) was replaced by a €459.2 million intercompany debt of Telenet Group Holding NV towards Telenet Communications NV and an intercompany debt of Telenet Communications NV towards Telenet Bidco NV.

5.1.4 Amounts receivable within one year

Amounts receivable within one year consist of withholding taxes amounting to €0.5 million. The loan granted to Telenet NV (amounting to €7.6 million on December 31, 2006) was repaid on August 31, 2007.

5.1.5 Deferred charges and accrued income

The report costs amounting to €2.5 million at year end 2006 were fully released and taken into result in 2007. The redemption of the Senior Discount Notes resulted in an exceptional release of these report costs of €1.5 million.

5.1.6 Capital

The changes in Capital during 2007 can be summarized as follow:

14/03/07	Capital increase conversion of profit certificates	571,275.00
22/03/07	Capital increase exercise of debt warrants	5,504,920.00
24/05/07	Capital increase conversion of profit certificates	648,700.00
03/07/07	Capital increase conversion of profit certificates	260,000.00
03/07/07	Conversion of dispreference shares into ordinary shares	0
10/08/07	Capital increase conversion of profit certificates	852,150.00
10/08/07	Capital increase exercise of debt warrants	72,496,680.06
17/08/07	Capital decrease	-655,881,234.00
		-575,547,508.94

5.1.7 Amounts payable after more than one year

The debt refinancing plan resulted in the redemption of the Senior Discount Notes for €266 million (including make whole premium and accrued interests), funded by Telenet Bidco NV. The additional credit facility was used for the payment of the capital reduction in Telenet Group Holding NV of €656 million.

Upon the refinancing transaction, the intercompany receivable from Telenet Group Holding NV towards Telenet Communications NV (amounting to €371.8 million as per December 31, 2006) was replaced by a €459.2 million intercompany debt of Telenet Group Holding NV towards Telenet Communications NV and an intercompany debt of Telenet Communications NV towards Telenet Bidco NV.

5.1.8 Amounts payable within one year

The amounts payable within one year amount to €3.2 million and consist mainly of accounts payable/invoices to receive for €2.2 million (due to the refinancing) and other amounts payable for €1.0 million, being the amounts payable related to the capital decrease of November 2007.

The decrease in the other amounts payable results from the repayment of the Senior Discount Notes. As a result the difference between the spot at inception rate and the closing rate at October 10, 2007 (amounting to €14.1 million at December 31, 2006) has been paid.

5.1.9 Accrued charges and deferred income

Above mentioned repayment of the Senior Discount Notes resulted also in the redemption of the difference between the forward rate and the spot rate at inception of the loan (valued at €8.9 million per December 31, 2006).

5.2 COMMENTS ON THE PROFIT & LOSS ACCOUNT

The Profit & Loss account shows a loss of €6,057,148.73 million for the financial year ended December 31, 2007. Net operating loss for the year amount to €5,687,609.85.

Financial income amounts to €39.9 million and consists mainly of interest income from loans granted to Telenet Communications NV for an amount of €36.6 million and interest income amounting to €0,2 million on ST loan granted to Telenet which was repaid at August 31, 2007. The interest income on term accounts amount to €3.1 million.

Interest charges (€28.7 million) consist of interests relating to the Senior Discount Notes (amounting to €18.7 million) as well as intercompany expenses towards Telenet Communications NV for an amount of €9.6 million. The remaining €0.4 million represent regular write-off of debt-issuance costs on the Senior Discount Notes.

Other financial charges (€7,3 million) primarily represent forex on the Senior Discount Note (€3.4 million), €2.4 million release of report expenses and bank charges for €1.5 million.

The exceptional loss of €4.3 million consists of the amortization of deferred financing as a result of the refinancing transaction.

We propose to the General Shareholders' Meeting to carry forward both this year's loss of €6.057.148,73 as well as the loss brought forward from prior years amounting to €26.998.432,15. As a result, the loss to be carried forward amounts to €33.055.580,88 as of December 31, 2007.

5.3 RESEARCH AND DEVELOPMENTS ACTIVITIES

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

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 for the fiscal years 2006 and 2007 in achieving a net profit. 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 cost control and process improvements, we were again able to strongly increase our operating result and margins.

Following our balance sheet optimization in 2007, our total debt drawn increased to €1.9 billion as a result of the drawn new Senior Credit Facility. However, pro forma calculations indicate our strong autonomous deleverage capacity from 5.0x over the year 2007 to 3.5x over the year 2008, based on consensus estimates. This trend was demonstrated at the end of 2007 as we reported a leverage ratio of 4.0x based on results of the second half of 2007.

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 and 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 of the Company.

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, the shareholders will be requested at the annual shareholders' meeting of May 29, 2008 to grant discharge to the directors and the statutory auditors of their responsibilities assumed in the financial year 2007.

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, the shareholders will be requested at the annual shareholders' meeting of May 29, 2008 to confirm that they have properly executed their function and that they cannot be held liable for the exercise of their function.

5.13 INFORMATION REQUIRED PURSUANT TO ARTICLE 34 OF THE BELGIAN ROYAL DECREE OF NOVEMBER 14, 2007

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

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

Mechelen, April 25, 2008

On behalf of the Board of Directors



