



Telenet Group Holding NV
and Subsidiaries

Report for the
Three months ended March 31, 2007

11.5% Senior Discount Notes due 2014

9% Senior Notes due 2013
(issued by Telenet Communications NV)

INTRODUCTION AND USE OF CERTAIN TERMS

Telenet Group Holding NV (the "Company") is a company organized under the laws of Belgium. References to the "Senior Discount Notes" are to the 11.5% Senior Discount Notes due 2014 and references to the "Senior Notes" are to the 9.0% Senior Notes due 2013 issued by Telenet Communications NV. References to the "Notes" are to both the Senior Notes and Senior Discount Notes. Both the Senior Discount Notes and Senior Notes were issued on December 22, 2003. Other notations and definitions herein apply as presented in our 2006 annual report which was published on April 30, 2007 (the "Annual Report"), a copy of which is available on our website at <http://investors.telenet.be>.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The condensed consolidated Interim Financial Statements of Telenet Group Holding as of and for the period ended March 31, 2007 and 2006 and the audited annual financial statements as of the year ended December 31, 2006 have in each case been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU GAAP").

The financial information included in this report is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the modification or exclusion of certain financial measures, including earnings before interest, tax, depreciation and amortization ("EBITDA"), EBITDA margin, subscriber acquisition costs, average revenue per subscriber and the presentation of certain other information not included herein. Further remarks on the limitations of EBITDA are stated in our 2006 Annual Report under the section "Presentation of Financial and Other Information", which also provides remarks regarding Industry Data and Other Data, the application of which has not changed since the publication of our 2006 Annual Report.

We acquired UPC Belgium NV/SA ("UPC Belgium") on December 31, 2006 (the "UPC Belgium Acquisition"). Our financial results for the three months ended March 31, 2007 include balance sheet, profit and loss and cash flows of UPC Belgium. Our audited financial results as of December 31, 2006 include balance sheet data from UPC Belgium. Our financial results for the three months ended March 31, 2006 do not include any contributions from UPC Belgium.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

We urge you to read the sections of our 2006 Annual Report entitled Item 3, "Key information–Risk factors," Item 4, "Information on the company–Business overview" and Item 5, Operating and financial review and prospects–Operating results" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this document may not occur.

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PART I – FINANCIAL INFORMATION

ITEM 1 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF TELENET GROUP HOLDING NV

TELENET GROUP HOLDING NV
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands of Euro)
(Unaudited)

	Notes	March 31, 2007	December 31, 2006
ASSETS			
<i>NON-CURRENT ASSETS:</i>			
Property and equipment, net	3	981,792	973,379
Goodwill.....	4	1,134,394	1,148,745
Other intangible assets, net	5	269,404	278,813
Other assets		1,894	2,319
Total non-current assets		2,387,484	2,403,256
<i>CURRENT ASSETS:</i>			
Trade receivables, net	6	104,821	105,589
Other current assets.....	7	24,877	24,399
Cash and cash equivalents	8	93,590	58,844
Total current assets.....		223,288	188,832
TOTAL ASSETS.....		2,610,772	2,592,088
EQUITY AND LIABILITIES			
<i>EQUITY:</i>			
Contributed Capital.....		1,662,721	1,656,645
Other reserves		891,646	891,502
Hedging reserves.....	10	(3,584)	(3,599)
Retained loss		(1,812,133)	(1,822,891)
Total equity		738,650	721,657
<i>NON-CURRENT LIABILITIES:</i>			
Long-term debt, less current portion	9	1,316,259	1,330,843
Derivative financial instruments.....	10	32,796	36,485
Unearned revenue	13	14,305	14,825
Other liabilities.....		31,455	29,708
Total non-current liabilities.....		1,394,815	1,411,861
<i>CURRENT LIABILITIES:</i>			
Short-term borrowings.....	18	22,852	15,659
Current portion of long-term debt	9	71,021	59,767
Accounts payable		176,742	180,473
Accrued expenses and other current liabilities.....	12	81,960	79,492
Unearned revenue	13	124,732	123,179
Total current liabilities		477,307	458,570
Total liabilities.....		1,872,122	1,870,431
TOTAL EQUITY AND LIABILITIES		2,610,772	2,592,088

See notes to the condensed consolidated Interim Financial Statements.

TELENET GROUP HOLDING NV
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands of Euro)
(Unaudited)

		For the three months ended	
		March 31,	
		<u>2007</u>	<u>2006</u>
Revenue.....	13	226,816	196,185
Costs of services provided.....	14	(134,408)	(120,423)
Gross profit		<u>92,408</u>	<u>75,762</u>
Selling, general and administrative	14	(42,277)	(39,024)
Operating profit		<u>50,131</u>	<u>36,738</u>
Finance costs, net.....	15	(24,011)	(19,814)
Net Profit before income tax		<u>26,120</u>	<u>16,924</u>
Income tax expense.....	11	(15,304)	(11,841)
Loss from unconsolidated company.....		(58)	-
Net income from continuing operations		<u>10,758</u>	<u>5,083</u>
Discontinued operations			
Loss from discontinued operations.....		-	(34)
Net income		<u><u>10,758</u></u>	<u><u>5,049</u></u>
Basic earnings per share	16	<u>0.11</u>	<u>0.05</u>
Diluted earnings per share	16	<u>0.10</u>	<u>0.05</u>

See notes to the condensed consolidated Interim Financial Statements.

TELENET GROUP HOLDING NV
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands of Euro, except share data)
(Unaudited)

	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
Unrealized net gain (loss) on derivative contracts recognized directly in equity ..		-	-	-	(4,677)	-	(4,677)
Net profit for the year		-	-	-	-	5,453	5,453
Total recognized profit for the year		-	-	-	(4,677)	5,453	776
Recognition of share-based compensation		-	-	559	-	-	559
Proceeds received upon exercise of the Class A and Class B options		-	-	5,059	-	-	5,059
Issuance of share capital through Employee Stock Purchase Plan		300,033	4,917	1,248			6,165
Issuance of share capital via exchange of Class A and Class B Profit Certificates	17	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 gain (loss) on derivative contracts recognized directly in equity ..		-	-	-	15	-	15
Net profit for the period.....		-	-	-	-	10,758	10,758
Total recognized profit for the period.....		-	-	-	15	10,758	10,773
Recognition of share-based compensation	14	-	-	84	-	-	84
Proceeds received upon exercise of the Class A and Class B options		-	-	631	-	-	631
Proceeds received upon exercise of debt warrants	17	412,869	5,505		-	-	5,505
Issuance of share capital via exchange of Class B Profit Certificates	17	68,553	571	(571)	-	-	-
March 31, 2007 (0)		101,566,877	1,662,721	891,646	(3,584)	(1,812,133)	738,650

See notes to the condensed consolidated Interim Financial Statements.

TELENET GROUP HOLDING NV
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands of Euro)
(Unaudited)

	For the three months ended March 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income.....	10,758	5,049
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and impairment	56,193	51,995
Income tax expense	15,304	11,841
Provision for liabilities and charges.....	3,277	3,095
Increase in allowance for bad debt.....	244	732
Amortization of financing cost	993	1,848
Interest income	(605)	(2,336)
Interest expense	25,759	27,375
(Gain)/loss on derivative instruments, net	405	(1,214)
Unrealized foreign exchange gain, net	(2,541)	(5,855)
Loss from unconsolidated company	58	-
Share based compensation	84	118
(Gain)/loss on disposal of fixed assets.....	98	(33)
Changes in operating assets and liabilities:		
Accounts receivable	524	4,661
Other assets.....	1,781	(1,826)
Unearned revenue.....	1,033	1,520
Accounts payable	(3,309)	(9,788)
Accrued expenses and other current liabilities	(3,644)	223
Cash provided by operations.....	<u>106,412</u>	<u>87,405</u>
Interest paid	(11,970)	(12,343)
Taxes paid.....	-	-
Net cash provided by operating activities.....	<u>94,442</u>	<u>75,062</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(44,047)	(43,654)
Proceeds on disposal of property and equipment.....	-	33
Purchases of intangibles	(4,578)	(4,759)
Cash paid in connection with acquisitions, net of cash acquired.....	(144)	(550)
Net cash used in investing activities	<u>(48,769)</u>	<u>(48,930)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term borrowings.....	(16,462)	(129,719)
Repayments of finance leases.....	(601)	(692)
Payments of redemption premiums.....		(11,230)
Proceeds received upon capital increase (issuance of debt warrants).....	5,505	-
Proceeds received upon exercise of Class A and Class B Options.....	631	-
Net cash used in financing activities.....	<u>(10,927)</u>	<u>(141,641)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,746	(115,509)
CASH AND CASH EQUIVALENTS:		
Beginning of period	58,844	210,359
End of period	<u>93,590</u>	<u>94,850</u>
NON CASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of property and equipment in exchange for short term borrowings.....	7,126	

See notes to the condensed consolidated interim Financial Statements.

TELENET GROUP HOLDING NV
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Euro)
(Unaudited)

1. BASIS OF PRESENTATION

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

The accompanying Interim Financial Statements are unaudited . In the opinion of management, these Interim Financial Statements include all adjustments which are necessary to present fairly the financial position and the results of operations for the interim periods. The Interim Financial Statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2006. Results for the three months ended March 31, 2007 are not necessarily indicative of future results.

These condensed consolidated Interim Financial Statements were approved for issue by the Board of Directors on May 8, 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended December 31, 2006.

Management's Use of Estimates

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates and management judgment in the process of applying the Company’s accounting policies that affects the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

TELENET GROUP HOLDING NV
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Euro)
(Unaudited)

3. PROPERTY AND EQUIPMENT

	Land, buildings and leasehold improvements	Network	Construction in progress	Furniture, equipment and vehicles	Total
Cost					
At December 31, 2006	54,900	1,609,428	45,419	38,850	1,748,597
Additions		7,122	43,673	378	51,173
Transfers	615	37,736	(39,564)	1,213	-
Impairment.....	-	(343)	-	-	(343)
Disposals.....	-	(1,183)	1,088	(8)	(103)
At March 31, 2007.....	<u>55,515</u>	<u>1,652,760</u>	<u>50,616</u>	<u>40,433</u>	<u>1,799,324</u>
Accumulated Depreciation					
At December 31, 2006	7,514	743,811	-	23,893	775,218
Depreciation charge for the year	458	40,438	-	1,423	42,319
Eliminated on Disposal	-	(5)	-	-	(5)
At March 31, 2007.....	<u>7,972</u>	<u>784,244</u>	<u>-</u>	<u>25,316</u>	<u>817,532</u>
Carrying Amount					
At March 31, 2007.....	<u><u>47,543</u></u>	<u><u>868,516</u></u>	<u><u>50,616</u></u>	<u><u>15,117</u></u>	<u><u>981,792</u></u>

4. GOODWILL

A reconciliation of the changes in goodwill is depicted below:

Balance at December 31, 2006.....	1,148,745
Use of net operating losses acquired in business combinations (Note 11).....	(14,351)
Acquisition	-
Balance at March 31, 2007	<u><u>1,134,394</u></u>

TELENET GROUP HOLDING NV
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Euro)
(Unaudited)

5. OTHER INTANGIBLE ASSETS

	Network user rights	Trade name	Software	Customer lists	Other	Total
<i>Cost</i>						
At December 31, 2006	140,555	121,000	126,299	84,732	17,019	489,605
Additions	186	-	2,967	-	969	4,122
Disposals	-	-	-	-	(1,065)	(1,065)
At March 31, 2007	140,741	121,000	129,266	84,732	16,923	492,662
<i>Accumulated Amortization</i>						
At December 31, 2006	49,785	46,383	79,685	29,561	5,378	210,792
Charge for the year.....	3,458	2,017	4,438	1,675	1,943	13,531
Disposals	-	-	-	-	(1,065)	(1,065)
At March 31, 2007	53,243	48,400	84,123	31,236	6,256	223,258
<i>Carrying Amount</i>						
At March 31, 2007	87,498	72,600	45,143	53,496	10,667	269,404

6. TRADE RECEIVABLES

	March 31, 2007	December 31, 2006
Trade receivables	123,044	123,568
Less: provision for impairment of receivables.....	(18,223)	(17,979)
Trade receivables, net	104,821	105,589

7. OTHER CURRENT ASSETS

	March 31, 2007	December 31, 2006
Prepaid taxes and VAT.....	539	693
Inventory	11,418	12,200
Miscellaneous receivable.....	2,155	3,133
Prepaid content	3,274	3,187
Prepayments	5,614	3,038
Receivable on disposal of Phone Plus.....	470	1,175
Other	1,407	973
	24,877	24,399

TELENET GROUP HOLDING NV
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Euro)
(Unaudited)

8. CASH AND CASH EQUIVALENTS

	March 31, 2007	December 31, 2006
Cash at bank and on hand.....	15,775	37,875
Commercial paper.....	44,724	9,969
Certificates of deposits	33,091	11,000
	<u>93,590</u>	<u>58,844</u>

9. DEBT AND OTHER FINANCING

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

	March 31, 2007	December 31, 2006
Senior Credit Facility.....	689,141	700,293
Senior Notes.....	377,980	369,691
Senior Discount Notes ⁽¹⁾	224,984	221,239
Clientele Fee	47,067	45,860
Annuity Fee.....	45,595	51,057
Finance lease obligations.....	24,871	25,821
	<u>1,409,638</u>	<u>1,413,961</u>
Less: deferred financing fees.....	(22,358)	(23,351)
	<u>1,387,280</u>	<u>1,390,610</u>
Less: current portion.....	(71,021)	(59,767)
Total long-term debt.....	<u>1,316,259</u>	<u>1,330,843</u>

(1) Accreted balance of the Senior Discount Notes, converted to Euros on March 31, 2007 and December 31, 2006 at the accounting rate of \$1.3318 to €1.00 and \$1.3170 to €1.00, respectively.

As of March 31, 2007, the fair market value of Company's outstanding long term debt is estimated to be €1,382,458 versus the carrying amount of €1,316,259.

TELENET GROUP HOLDING NV
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Euro)
(Unaudited)

10. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into various derivative instruments to manage interest rate and foreign currency exposure. With the exception of the foreign exchange forwards that were purchased historically to hedge the U.S. dollar foreign exchange risk related to the U.S. dollar-denominated Senior Discount Notes the Company does not apply hedge accounting to its derivative instruments. Accordingly, 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 table provides details of the fair value of our financial and derivative instrument assets (liabilities), net:

	March 31, 2007	December 31, 2006
Current asset	470	48
Long-term asset.....	-	506
Current liability.....	(4,268)	(274)
Long-term liability.....	(32,796)	(36,485)
	<u>(36,594)</u>	<u>(36,205)</u>

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

	March 31, 2007	March 31, 2006
Interest rate exchange contracts ⁽¹⁾	621	3,899
Foreign exchange options.....	148	(88)
Foreign exchange forwards.....	(1,174)	(2,597)
	<u>(405)</u>	<u>1,214</u>

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

	March 31, 2007	March 31, 2006
Interest rate exchange contracts ⁽¹⁾	-	(148)
Foreign exchange forwards.....	(3,584)	(3,451)
	<u>(3,584)</u>	<u>(3,599)</u>

(1) In the beginning of this year, the Company stopped applying hedge accounting for its Senior Credit Facility which resulted in a full release of hedge reserves relating to the interest rate derivatives for which cash flow hedge relationships were disrupted, amounting to €148. As a consequence, the interest rate derivatives were accounted for at fair value through profit or loss. The fair value of these interest rate derivatives amounted to a liability of €3,290 as of March 31, 2007.

TELENET GROUP HOLDING NV
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Euro)
(Unaudited)

11. DEFERRED TAXES

Subsidiaries acquired in a previous business combination made taxable profits of €35,733, €29,503 and €85,366 during the three months ended March 31, 2007 and 2006 and the year ended December 31, 2006, respectively, and utilized tax loss carry forwards which had not been previously recognized as deferred tax assets. The utilization of tax losses carried forward from previous business combinations is recorded as a reduction of goodwill using the historic tax rate of 40.17% applicable at the time of the acquisition while the deferred tax asset is established using the current tax rate of 33.99%. This resulted in a deferred tax expense and a reduction of goodwill of €14,351, €1,852 and €34,292 as of and for the three months ended March 31, 2007 and 2006 and as of and for the year ended December 31, 2006, respectively.

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	March 31, 2007	December 31, 2006
Customer deposits.....	25,516	25,859
Compensation and employee benefits.....	28,529	32,828
Financial instruments.....	4,269	275
VAT and withholding taxes	11,371	4,244
Deferred tax liability	1,342	-
Copyright fees.....	9,358	14,807
Other current liabilities	1,575	1,479
	81,960	79,492

13. REVENUE

The Company's revenue comprises:

	For the three months ended March 31,	
	2007	2006
Continuing operations		
Cable television:		
- Basic Subscribers ⁽¹⁾	54,872	49,792
- Premium Subscribers ⁽¹⁾	14,049	11,027
- Distributors/Other	9,667	8,390
Residential:		
- Internet.....	78,467	63,896
- Telephony ⁽²⁾	48,378	44,480
Business	21,383	18,600
Subtotal continuing operations.....	226,816	196,185
Discontinued operations		
Residential:		
- Telephony ⁽²⁾	-	2,190
Total	226,816	198,375

TELENET GROUP HOLDING NV
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Euro)
(Unaudited)

The Company also has unearned revenue as follows:

	March 31, 2007	December 31, 2006
Cable television:		
- Basic Subscribers ⁽¹⁾	103,802	113,982
- Premium Subscribers ⁽¹⁾	13,184	10,104
- Distributors/Other	7,946	207
Residential:		
- Internet	10,337	10,539
- Telephony ⁽²⁾	2,625	2,529
Business	1,143	643
Total	139,037	138,004
Current portion	124,732	123,179
Long-term portion	14,305	14,825

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

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

14. EXPENSES BY NATURE

	For the three months ended March 31,	
	2007	2006
Employee benefits:		
- Wages, salaries, commissions and social security costs	24,443	22,870
- Share options granted to directors and employees	84	119
- Other employee benefit costs	6,799	5,123
Employee benefits	31,326	28,112
Depreciation	42,662	40,113
Amortization	11,723	10,611
Amortization of broadcasting rights	1,808	1,271
Network operating and service costs	65,222	59,211
Advertising, sales and marketing	14,258	14,070
Other costs	9,686	8,279
Total costs and expenses	176,685	161,667
Attributable to:		
Continuing operations	176,685	159,447
Discontinued operations	-	2,220
Total	176,685	161,667

TELENET GROUP HOLDING NV
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Euro)
(Unaudited)

15. FINANCE COSTS

	For the three months ended	
	March 31,	
	2007	2006
Interest expense	26,752	29,223
Interest income.....	(605)	(2,336)
Interest expense, net	26,147	26,887
Net foreign exchange transaction gains on financing transactions	(2,541)	(5,855)
Change of fair value of foreign exchange forward contracts reclassified into earnings	2,928	5,465
Change in fair value of derivatives.....	(2,523)	(6,679)
Total (gains)/losses on derivative financial instruments.....	405	(1,214)
Loss on extinguishment of debt	-	-
Finance costs, net.....	<u>24,011</u>	<u>19,818</u>
Attributable to:		
Continuing operations	24,011	19,814
Discontinued operations.....	-	4
Total.....	<u>24,011</u>	<u>19,818</u>

TELENET GROUP HOLDING NV
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Euro)
(Unaudited)

16. PROFIT PER SHARE

Basic

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

	For the three months ended	
	March 31,	
	2007	2006
Net income from continuing operations used in the calculation of basic earnings per share from continuing operations	10,758	5,083
Net loss from discontinued operations used in the calculation of basic earnings per share from discontinued operations	-	(34)
Net income attributable to the equity holders of the Company	<u>10,758</u>	<u>5,049</u>
Weighted average number of ordinary shares	101,140,300	100,204,853
Weighted average number of Class A Profit Certificates.....	54,978	-
Weighted average number of Class B Profit Certificates.....	113,806	62,877
Weighted average number of shares in issue.....	<u>101,309,084</u>	<u>100,267,730</u>
Basic earnings per share in €.....	<u>0.11</u>	<u>0.05</u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares in issue to assume conversion of all dilutive potential ordinary shares. During the three months ended March 31, 2007, the Company had three categories of dilutive potential ordinary shares: the Class A and Class B Options and the Subordinated Debt Warrants.

For the three months ended March 31, 2007, the calculation is performed for the Class A and Class B Options and the Subordinated Debt Warrants to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The earnings used in the calculation of diluted earnings per share measures are the same as those for the basic earnings per share measures, as outlined above.

	For the three months ended	
	March 31,	
	2007	2006
Weighted average number of shares in issue.....	101,309,084	100,267,730
Adjustment for:		
- Class A Options	827,614	876,189
- Class B Options.....	361,237	441,014
- Subordinated Debt Warrants.....	4,369,784	1,925,115
Weighted average number of shares for diluted earnings per share	<u>106,867,719</u>	<u>103,510,048</u>
Diluted earnings per share in €.....	<u>0.10</u>	<u>0.05</u>

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17. CLASS A AND CLASS B OPTIONS

During February and March 2007, 30,000 Class A Options and 44,532 Class B Options were exercised versus payments of €260 and €71 and exchanged on a one-for-one basis for Class A and Class B Profit Certificates. This was accounted for as an increase in Other Reserves within Equity and did not result in an increase in the outstanding share capital of the Company. The average share price during February and March were €23.60 and 23.59. Also during March 2007, the Class B Profit Certificates that were issued in 2006 were exchanged for 68,553 shares of the Company and resulted in a transfer of €71 between Other Reserves and Share Capital within Equity

During the first quarter of 2007, LGI acquired 2,720,970 or 2.6% of Telenet's outstanding ordinary shares through transactions with third parties and the conversion of certain subordinated debt warrants. As a result of the transaction LGI holds 31,813,444 shares in Telenet Group Holding, representing 31.32% of the share capital.

18. DISPOSAL OF SUBSIDIARY

On November 28, 2006, Telenet signed an agreement for the 100% sale of its subsidiary Phone Plus to Toledo Telecom. Under the terms of the transaction, Telenet will receive total cash consideration of €2,350 less €1,056 cash and cash equivalents that was held by Phone Plus when disposed. Of the cash consideration, €470 is deferred until the fourth quarter of 2007. Telenet took the decision to sell Phone Plus as part of an optimisation of its products and services. In that review, Phone Plus was considered as a non-core business and is therefore being split off from Telenet through the sale of all the shares. Toledo Communications and Telenet Solutions are working towards further broadening and deepening of their business cooperation for voice and data products.

	For the three months ended March 31, 2007
Loss from discontinued operations	
Revenue	2,190
Expenses.....	(2,224)
Profit (loss) before tax	(34)
Attributable income tax expense.....	-
Profit (loss) from discontinued operations	(34)
Cash flows from discontinued operations	
Net cash flows from operating activities	(358)
Net cash flows from investing activities.....	(7)
Net cash flows from financing activities	-
Net decrease in cash and cash equivalents	(365)
Net assets as at March 31, 2007	
Non-current assets	96
Current assets	3,339
Non-current liabilities	-
Current liabilities	(2,615)
Net assets as at March 31, 2007.....	820

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(Unaudited)

19. COMMITMENTS AND CONTINGENCIES

In our previous interconnection case before the Council of State, the auditor advised the Council to annul the BIPT decision of 11 June 2002 as the decision was not sufficiently motivated. We expect the Council to follow the advice of the auditor. We have introduced our comments on this advice. No final judgment by the Council of State is to be expected by the first quarter of 2008

On July 20, 2006, Telenet NV entered into an arrangement to finance the construction of a new building for a maximum amount of €30,000. At the end of the construction period the company will start paying quarterly lease payments, based on fixed capital repayments, in order to repay the total amount financed plus applicable interest charges. On March 31, 2007 the total amount capitalized for construction in progress was €2,671 and an equivalent amount is presented as short-term borrowings pursuant to the terms of the above mentioned finance agreement. At the end of the construction period a sale and lease back will be accounted for whereby the lease back is a finance lease. The lease period will last for 15 years starting at the end of the construction period and the Company has a bargain purchase option at the end of the lease.

20. RELATED PARTIES

There are no other significant related parties than those disclosed in our consolidated financial statements of 2006 and these related party transactions did not change significantly compared to those disclosed in the consolidated financial statements of 2006.

21. SUBSEQUENT EVENTS

Liberty Global, Inc. nominates new members in Board of Directors

LGI has submitted a request to nominate seven additional Directors, bringing their total number of representatives to nine of the 17 members in the Board of Directors of Telenet Group Holding at the occasion of the General Shareholder Meeting on May 31, 2007. The seven newly proposed LGI Directors are: Niall Curran, Bernie Dvorak, Diederik Karsten, Manuel Kohnstamm, Gene Musselman, Ruth Pirie and Jim Ryan.

Interkabel

Discussions between Telenet and Interkabel on an agreement for iDTV and video-on-demand services have diverged. These discussions have been complicated by the differences in interpretation of the precise scope of long-term cable usage rights for point-to-point services, which Interkabel contributed to capital of Telenet in 1996 in exchange for shares. Attempts at an amicable solution have failed so far. From recent statements and market indications, Telenet has learned that Interkabel and the PICs are considering to launch certain interactive (point-to-point) applications within the scope of the Cable Usage Rights transferred to Telenet under the 1996 Contribution Deed. Telenet considers this in breach of the Contribution Deed and therefore instituted legal action before the courts of Brussels to protect its rights. Telenet remains committed to working towards a constructive solution, consistent with its rights.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following discussion and analysis is based on the condensed consolidated Interim Financial Statements of Telenet Group Holding as of and for the three months ended March 31, 2007 and 2006 and the audited consolidated financial statements of Telenet Group Holding as of the period ended December 31, 2006 prepared in accordance with EU GAAP. We have included selected financial information on Telenet Group Holding as of and for the relevant periods. You should read the condensed consolidated interim financial statements attached hereto, including the notes thereto, together with the following discussion and analysis.

Telenet Group Holding is a holding company that does not conduct any business operations of its own. Substantially all the assets of Telenet Group Holding consist of shares of its subsidiary Telenet Communications and intercompany loans made to Telenet Communications in connection with the acquisition of our network from the mixed intercommunales ("MICs") in August 2002 (the "MixtICS Acquisition") and with the refinancing that took place on December 22, 2003 (the "Refinancing"). These intercompany loans bear interest at a rate that is similar to the rate at which debt incurred by Telenet Group Holding bears interest. Except for the impact of presenting as equity detachable warrants issued by Telenet Group Holding, the financial position and results of operations of Telenet Group Holding is substantially the same as the financial position and results of operations of Telenet Communications for the relevant periods.

Balance Sheet Information

(Euro in millions)	As of March 31, 2007	As of December 31, 2006
	(Unaudited)	(Audited)
Cash and cash equivalents	93.6	58.8
Current assets, excluding cash and cash equivalents	129.7	130.0
Property and equipment, net	981.8	973.4
Total assets	2,610.8	2,592.1
Trade payables	176.7	180.5
Total cash pay debt	1,168.5	1,185.7
Total debt	1,387.3	1,390.6
Shareholders' equity	738.7	721.7

Subsequent Events

Please see note 21 of our condensed consolidated Interim Financial Statements for information regarding changes in the composition of our Board of Directors and the situation with Interkabel.

Results of Operation

The following tables set forth certain summary operating information as of and for the periods indicated:

As of and for the three months ended,	March 31, 2007	March 31, 2006	% Change
Homes passed – Telenet Network (in thousands)	1,719	1,703	1%
Homes passed – Partner Network (in thousands)	818	811	1%
Homes passed – Telenet Brussels Network ⁽¹⁾ (in thousands)	187	-	-
RGUs (in thousands)			
Television			
Basic analog TV ⁽²⁾	1,454	1,481	-2%
Basic digital TV ⁽²⁾	281	115	143%
Total basic TV ⁽²⁾	1,735	1,597	9%
Premium – Telenet & Telenet Brussels Network ⁽³⁾	16	39	-59%
Premium – Partner & Other Networks ⁽³⁾	26	35	-24%
iDTV – Telenet Network ⁽³⁾	276	115	139%
Total Premium TV ⁽³⁾	318	189	69%
Internet			
Residential Broadband Internet ⁽⁴⁾⁽⁵⁾	777	626	24%
Business Broadband Internet	27	24	13%
Total Broadband Internet ⁽⁴⁾⁽⁵⁾	804	650	24%
Telephony			
Residential Telephony ⁽⁵⁾	474	375	26%
Business Telephony	8	6	28%
Total Telephony	482	381	26%
Mobile Telephony (active SIM cards).....	28	-	-
Total, excluding basic Mobile Telephony	3,338	2,816	19%
Unique Customer Information (on Telenet Network)			
RGUs per unique customers ⁽⁶⁾	1.52	1.44	6%
Total unique customers (in thousands)	1,603	1,597	0%
ARPU ⁽⁷⁾ for the three months ended.....	28.7	25.3	11%

- (1) Consists of homes passed by network acquired pursuant to UPC Belgium acquisition on December 31, 2006 in Brussels and in Leuven.
- (2) Our basic analog TV services comprises 1.6 million analog TV customers in the Telenet Network area and 126,330 basic analog and 4,843 basic digital TV customers on the Telenet Brussels Network.
- (3) Our premium cable services on the Telenet and Telenet Brussels Network comprise our Prime premium service customers (former Canal+) in our Network area and include 6,273 premium service subscribers on the UPC Belgium network. Our iDTV service comprises premium enabled customers as those who have purchased a digital set top box and registered a smartcard for use in conjunction with digital services other than our basic digital cable service, which is only offered to customers in the Telenet Network area.
- (4) Our residential broadband internet RGUs include households and small businesses with up to four employees (“SoHos”) that receive our broadband internet through a coaxial connection. On March 31, 2007 our residential broadband internet RGUs included 44,155 residential broadband internet RGUs in the newly acquired UPC Belgium area. FreeSurf narrowband internet subscribers are not included in our RGU statistics.
- (5) Our residential telephony RGUs include households and small businesses with up to four employees (“SoHos”) that receive our telephony services through a coaxial connection.
- (6) Revenue Generating Unit (RGU) is separately a Basic Cable Subscriber, Broadband Internet Subscriber or Fixed

Telephony Subscriber. A home may contain one or more RGUs.

- (7) Average monthly revenue (ARPU) per unique customer is calculated as follows: average total monthly recurring revenue (including revenue earned from carriage fees and excluding interconnection revenue and installation fees) for the indicated period, divided by the average of the opening and closing unique customers for the period.

The following table sets forth certain summary financial information⁽¹⁾ for the periods indicated:

<u>(Euro in millions, except percentages and per share amounts)</u>	<u>For the three months ended March 31,</u>	
	<u>2007</u>	<u>2006</u>
Revenue Continuing Operations		
Basic cable television	54.9	49.8
Premium cable television	14.0	11.0
Distributors / other.....	9.7	8.4
Residential broadband internet.....	78.5	63.9
Residential telephony	48.4	44.5
Business services.....	21.4	18.6
Subtotal Continuing Operations.....	226.8	196.2
Revenue Discontinued Operations		
Residential telephony	-	2.2
Total.....	226.8	198.4
Expenses		
Costs of services provided	(134.4)	(120.4)
Gross Profit.....	92.4	75.8
Selling, general and administrative costs.....	(42.3)	(39.0)
Operating profit	50.1	36.7
Finance costs, net	(24.0)	(19.8)
Net profit (loss) before income taxes.....	26.1	16.9
Income tax expense	(15.3)	(11.8)
Net income.....	10.8	5.1
EBITDA ⁽²⁾	106.3	88.7
EBITDA margin	47%	45%
Weighted average shares outstanding	101,309,084	100,267,730
Basic net earnings per share	0.11	0.05
Diluted net earnings per share	0.10	0.05
Expenses by Nature		
Employee benefits	31.3	28.1
Depreciation.....	42.7	40.1
Amortization	11.7	10.6
Amortization of broadcasting rights.....	1.8	1.3
Network operating and service costs.....	66.9	60.6
Advertising, sales and marketing	14.3	14.1
Other costs	8.0	6.8
Total Expenses.....	176.7	161.7

(1) The financial results for the three months ended March 31, 2007 include the financial results of UPC Belgium, acquired on December 31, 2006.

(2) EBITDA is defined as Operating Profit + Depreciation and Impairment + Amortization + Amortization of Broadcasting Rights.

Three months ended March 31, 2007 compared to the three months ended March 31, 2006 and year ended December 31, 2006

The financial information for the three months periods ended March 31, 2007 and March 31, 2006 included in the discussion set forth below is derived from Telenet Group Holding's condensed consolidated Interim Financial Statements for the three months ended March 31, 2006 and 2007 and from the audited consolidated financial statements for the period ended December 31, 2006.

Revenue

Revenue of continued operations, including UPC Belgium contributions in the 2007 result, increased by €30.6 million, or 16%, to €226.8 million for the three months ended March 31, 2007 from €196.2 million for the three months ended March 31, 2006. Excluding the acquisition of UPC Belgium, revenue grew by €21.6 million or 11%. The principal drivers of our revenue growth were subscriber growth in our residential broadband internet and telephony businesses, sales of set top boxes for our iDTV service and to a lesser degree in our business services operations.

Cable Television

Our aggregate cable television revenue was €78.6 million for the three months ended March 31, 2007, an increase of €9.4 million compared to the three months ended March 31, 2006.

We generated €54.9 million of basic cable television revenue for the three months ended March 31, 2007, compared with €49.8 million for the three months ended March 31, 2006, an increase of 10%. This increase is mainly a consequence of the UPC Belgium Acquisition, without which our basic cable television revenue would have remained steady. The steadiness of this revenue reflects the sustained high penetration of our basic cable services and stable basic cable television tariffs.

Our premium cable television business, which combines both the Prime premium service and the iDTV service we launched in September 2005, contributed €4.0 million to our aggregate cable revenue for the three months ended March 31, 2007, compared to €1.0 million for the same period in the prior year. This increase is resulting from the combination of strong subscriber growth and steady ARPUs of €3.4 per month in our iDTV business.

Our cable television revenue also includes carriage fee revenue from the distribution of certain content on our network and set top box revenue. Set top box revenue was the principal factor resulting in a €1.3 million increase in distributor and other revenue to €9.7 million for the three months ended March 31, 2007, from €8.4 million for the three months ended March 31, 2006.

Residential Broadband Internet

Revenue generated by our residential broadband internet business continued to grow, by 23%, to €78.5 million for the three months ended March 31, 2007 from €63.9 million for the three months ended March 31, 2006. Approximately 73% of this revenue growth represents the organic growth of our residential broadband internet subscribers between March 31, 2006 and March 31, 2007, combined with the steady ARPUs generated by these subscribers. The remaining 27% is attributable to the UPC Belgium acquisition.

Residential Telephony

Residential telephony revenue (including interconnection revenue for both residential subscribers and business customers) increased for the three months ended March 31, 2007 by 9%, to €48.4 million for the three months ended March 31, 2007, from €44.5 million for the three months ended March 31, 2006. This increase was primarily due to the 26% net subscriber growth for the period ended March 31, 2007 compared to March 31, 2006, the benefit of which was partially offset by a decline in the ARPUs reflecting the ongoing take up of our Freephone tariff plans and of bundled offers, which applied to new subscribers and which have also been adopted by a significant portion of our existing telephony subscribers. The discount embedded in a bundled offer has been attributed on a pro rata basis of the stand-alone subscription fees to broadband internet, telephony and iDTV revenue, as applicable.

Business Services

Business services revenue increased by 15%, to €21.4 million for the three months ended March 31, 2007, from €18.6 million for the three months ended March 31, 2006. This increase represents a faster growth rate than the overall market, and was partly attributable to higher customer installation revenue and the revenue from the high profile contract wins during the second half of 2006. In an environment that is highly sensitive to price and imposes more demanding service requirements, we seek to offer a combination of qualities, including high levels of service, a full product portfolio and geographic coverage.

Costs and Expenses

Costs of Services Provided

Costs of services provided increased by €4.0 million, or 12%, to €34.4 million for the three months ended March 31, 2007, from €20.4 million for the three months ended March 31, 2006. As a percentage of revenue, costs of services provided decreased to 59% for the three months ended March 31, 2007, from 61% for the three months ended March 31, 2006. The decrease in costs of services provided as a percentage of revenue, reflects the implementation of several efficiency enhancing programs, offsetting the impact of the strong subscriber growth in residential telephony and iDTV services, which resulted in higher call center activity, network operating costs, programming and personnel and customer service costs.

Gross Profit

Our gross profit for the three months ended March 31, 2007 increased by 22% to €92.4 million, compared to €75.8 million for the three months ended March 31, 2006. Our gross margin increased to 41% for the three months ended March 31, 2007, from 39% for the three months ended March 31, 2006.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses increased by €3.3 million, or 8%, to €42.3 million for the three months ended March 31, 2007, from €39.0 million for the three months ended March 31, 2006. As a percentage of revenue, SG&A expenses were 19% for the three months ended March 31, 2007 and 20% for the three months ended March 31, 2006.

The principal factors contributing to the increase of our SG&A expenses were the high level of sales activity across all residential product lines, reflected both in higher personnel costs and in higher advertising and marketing costs. Notwithstanding the growth of the overall growth of our business and the continued rapid growth of our iDTV subscriber base, our SG&A expenses declined slightly as a percentage of total revenue.

Operating Profit

Operating profit increased by 37%, to €50.1 million for the three months ended March 31, 2007, from €36.7 million for the three months ended March 31, 2006, as a result of the factors described above. Our operating profit margins increased to 22% for the three months ended March 31, 2007, from 19% for the three months ended March 31, 2006.

EBITDA

Our EBITDA increased by €17.6 million, or 20%, to €106.3 million for the three months ended March 31, 2007, from €88.7 million for the three months ended March 31, 2006. Our EBITDA margin increased to 47% for the three months ended March 31, 2007, from 45% for the three months ended March 31, 2006. Excluding the UPC Belgium Acquisition, our EBITDA increased by 15% to €101.6 million for the three months ended March 31, 2007.

Finance Costs

Net Interest Expense

Net interest expense decreased to €26.1 million for the three months ended March 31, 2007 from €26.9 million

for the three months ended March 31, 2006. This decrease is primarily due to the reduction in our total debt following the debt prepayments under the Senior Credit Facility and Senior Notes between January and May 2006 and the lower margins we paid on our Senior Credit Facility as a result of the decreased leverage we attained and the refinancing of our Senior Credit Facility in May 2006. These effects were to a large extent offset by our increased net debt balance following the UPC Belgium Acquisition and the steady increase of 3-month EURIBOR interest rate payable on the Senior Credit Facility.

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 gain of €2.1 million for the three months ended March 31, 2007 compared to a gain of €7.1 million for the three months ended March 31, 2006. 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.

As a percentage of revenue, net finance costs were 11% for the three months ended March 31, 2007 and 10% for the three months ended March 31, 2006.

Income tax expense

Income tax expenses amounted to €15.3 million for the three months ended March 31, 2007 and €1.8 million for the three months ended March 31, 2006. Although we have significant tax loss carry forwards in our group, these deferred taxes were recorded under goodwill at the time of the acquisition of Telenet Holding NV by Telenet Bidco in 2001. The vast majority of the reported deferred taxes did not have any cash consequences. See note 11 to the condensed consolidated Interim Financial Statements.

Net Income

Including all the factors described above, our net income increased by 112% or €5.7 million, to €0.8 million for the three months ended March 31, 2007, from net income of €5.1 million for the three months ended March 31, 2006.

As of December 31, 2006, Telenet Group Holding and its subsidiaries had combined cumulative tax loss carry forwards of €698.9 million, which we believe can be offset against current and future taxable income of the group.

Net Income per Share

Our basic net income per share improved to €0.11 for the three months ended March 31, 2007 compared to a net income per share of €0.05 for the three months ended March 31, 2006 as a result of the factors described above.

Our diluted net income per share increased to €0.10 for the three months ended March 31, 2007, compared to a net income per share of €0.05 for the three months ended March 31, 2006 as a result of the factors described above.

Liquidity and Capital Resources

Historical Cash Flows

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

(Euro in millions)	For the three months ended March 31,	
	2007	2006
Cash flows provided by operating activities	94.4	75.1
Cash flows used in investing activities.....	(48.8)	(48.9)
Cash flows used in financing activities	(10.9)	(141.6)
Net increase (decrease) in cash and cash equivalents	34.7	(115.5)

Cash Flows Provided by Operating Activities

Net cash provided by operating activities increased to €94.4 million for the three months ended March 31, 2007 from €75.1 million for the three months ended March 31, 2006. This increase mainly reflects the higher EBITDA in the first three months of 2007, offset by slightly higher interest expenses, as compared to the comparable period of the prior year.

Cash Flows Used in Investing Activities

Net cash used in investing activities remained stable at €48.8 million for the three months ended March 31, 2007 compared to €48.9 million for the three months ended March 31, 2006, reflecting similar levels of capital expenditures in both periods.

Cash Flows Used in Financing Activities

Net cash used in financing activities was €10.9 million for the three months ended March 31, 2007 and €141.6 million for the three months ended March 31, 2006. These uses of cash primarily reflect the redemption of €124.8 million of the Senior Notes of Telenet Communications in January 2006 and capital repayments under the Annuity Fee Agreement with the Pure Intercommunales in the first quarters of 2007 and 2006. On March 31, 2007 Telenet fulfilled a first scheduled repayment of €1.0 million under Tranche A of the Senior Credit Facility.

Capital Expenditure

Our business is highly capital intensive. Capital expenditure on fixed assets was €44.0 million for the three months ended March 31, 2007 and €43.7 million for the three months ended March 31, 2006, including €7.1 million spent on land and the construction of our office extension. During each of these periods, a significant portion of our purchases of fixed assets was related to capital expenditures for customer premise equipment and related installation costs for new subscribers and to capital expenditures on network capacity, which was also related to subscriber growth.

Available Liquidity

We maintain cash and cash equivalents to fund the day-to-day cash requirements of our business. We hold cash primarily in Euros. We held €3.6 million of cash and cash equivalents as of March 31, 2007, as compared to €58.5 million as of December 31, 2006. On March 31, 2007 we made our first scheduled payment of €1.0 million under Tranche A of the Senior Credit Facility.

As of March 31, 2007, €100.0 million of Tranche B of the Senior Credit Facility, which is a €200.0 million revolving credit facility, was available to us subject to our being in compliance with certain financial covenants and other conditions. On December 29, 2006, €100.0 million of Tranche B was drawn. On April 30, 2007, Telenet Bidco has executed a voluntary prepayment of €50.0 million under Tranche B of the Senior Credit Facility.

An additional liquidity facility of €200 million, or, if utilised for the acquisition of certain Belgian cable assets, up to €350.0 million remains available to us under Tranche C of the Senior Credit Facility, subject to certain conditions being fulfilled.

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. Our ability to service our debt (including payments on the Notes) and to fund our ongoing operations will depend on our ability to generate cash. Although we anticipate generating positive cash flow after deducting interest and taxes, we cannot assure you that we will continue to generate net positive cash flow.

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

Contingent Liabilities and Commitments

For a discussion of our contingent liabilities and commitments, some of which are significant, see note 18 to our Condensed Consolidated Interim Financial Statements and the Company's 2006 Annual Report. Following past litigation concerning our copyright fees and the subsequent settlement, as of March 31, 2007, we retained an accrual of approximately €13.4 million.

Off-Balance Sheet Arrangements

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

Lack of Tax Consolidation

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

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily between the U.S. dollar and the Euro, and use financial instruments to manage our exposure to interest rate and foreign exchange rate fluctuations.

Interest Rate and Related Risk

Borrowings under the Senior Credit Facility and the original lease of our headquarters building bear interest at variable rates. We are therefore exposed to changes in interest rates. In order to mitigate this exposure, we have entered into interest rate swap agreements, caps and interest rate collars. Pursuant to interest rate swap agreements, at specified intervals, we pay a fixed interest rate and receive a variable interest rate calculated by reference to an agreed-upon notional principal amount. As a result of numerous changes we have made to our senior credit facilities in recent years, we had excess hedging amounts until December 29, 2006. In anticipation of the purchase of UPC Belgium, on December 29, 2006, we drew down €100.0 million on our Senior Credit Facility to fund a portion of this acquisition. As a result of this drawdown, we were under-hedged compared to our floating rate debt by €85.3 million on March 31, 2007.

In conjunction with entering into our new Senior Credit Facility in May 2006, the Company discontinued cash flow hedge accounting for all outstanding interest rate derivatives. Consequently, cumulative losses that were previously recorded through hedging reserves were reversed into profit or loss. Interest rate derivatives still outstanding as of December 31, 2006 were accounted for at fair value through profit or loss. On June 30, 2006, the Company defined new hedge relationships for all of its interest rate derivatives related to the floating rate debt under the Senior Credit Facility. On December 31, 2006, the Company defined new hedge relationships for part of its interest rate derivatives for which no hedge relationship was defined prior to the additional drawdown of December 29, 2006.

In the beginning of this year, the Company stopped applying hedge accounting for its Senior Credit Facility which resulted in a full release of hedge reserves relating to the interest rate derivatives for which cash flow hedge relationships were disrupted, amounting to €148. As a consequence, the interest rate derivatives were accounted for at fair value through profit or loss. The fair value of these interest rate derivatives amounted to a liability of €3,290 as of March 31, 2007.

Interest Rate Sensitivity Testing

The following table summarises our outstanding indebtedness which carries a floating rate of interest, as well as the aggregate installments due under such indebtedness as of March 31, 2007:

<u>Principal Payments</u>	<u>Expected Maturity Date (Amounts expressed in thousands of Euro)</u>						
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Thereafter</u>	<u>Total</u>
Senior Credit Facility							
Tranche A (Euribor +1.00%).....	33,000	52,000	62,000	72,000	370,000	-	589,000
Tranche B (Euribor +1.00%).....	-	-	-	-	100,000	-	100,000
Tranche C (Uncommitted).....	-	-	-	-	-	-	-
Capital Lease on Buildings ⁽³⁾ (Euribor + 0.25%).....	819	1,463	1,965	1,965	2,184	10,350	18,746
Total Principal Payments on Floating Rate Debt	33,819	53,463	63,965	73,965	472,184	10,350	707,746
<u>Interest payments ^{(1) (2)(3)}</u>							
Senior Credit Facility.....	26,466	33,049	29,976	26,646	6,472	-	122,609
Capital Lease Buildings.....	647	808	727	633	535	1,021	4,371
<u>Interest Payment Sensitivity ⁽⁴⁾</u>							
Interest rate increase of 0.25%.....	28,009	34,378	31,267	27,729	6,639	-	128,022
Interest rate increase of 1.00%.....	30,377	38,091	34,903	30,769	6,930	-	141,070

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- (1) Interest payments on the Senior Credit Facility are based on outstanding balances as of March 31, 2007 and do not take into account any possible effects of the margin ratchet provisions that are included in the Tranche A and Tranche B Margin.
 - (2) *Pro forma* interest calculations are based on a 3.914% three-month Euribor as of March 31, 2007, and include net payments due under the outstanding interest rate derivative instruments as of that date.
 - (3) These amounts exclude our €22.7 million short-term borrowings as part of our capital lease related to our headquarters building extension. See also note 18 to our condensed consolidated financial statements.
 - (4) Taking into the account the effects of our interest rate hedges, we have calculated the impact of interest rate increases of 0.25% and 1.00%. The equivalent total net cashflow impact is €5.4 million in the 0.25% interest rate increase example and €18.5 million in the 1.00% interest rate increase example, in both cases over the remaining lifetime of the Senior Credit Facility.

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. At March 31, 2007, we had outstanding fixed rate debt and other obligations of €99.0 million.

Foreign Currency Risk

Our functional currency is the Euro. However, we conduct, and will continue to conduct transactions in currencies other than the Euro, particularly the U.S. dollar. Approximately 5% of our costs of operations (primarily the costs of network hardware equipment and software and premium cable television rights) for the three months ended March 31, 2007 were denominated in U.S. dollars, while all of our revenue was generated in Euros.

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

In order to hedge the foreign exchange exposure resulting from the issuance of the \$558 million Senior Discount Notes by Telenet Group Holding, we initially 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 on December 15, 2008, the end of accretion period of the Senior Discount Notes (the "Full Accretion Date"). Following the partial redemptions of our Senior Discount Notes on November 22, 2005 and November 23, 2005 for a total of \$195,300,000 in fully accreted value, we unwound forward exchange contracts for an equivalent amount.

We are 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 until the maturity of the Senior Discount Notes.

Credit Risk

Credit risk relates to the risk of loss that we would incur as a result of non-performance by counterparties. We maintain credit risk policies with regard to our 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.

PART II – OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

Please refer to our 2006 Annual Report for information on litigation regarding copyrights and interconnect matters.

As of March 31, 2007, the Company retained an accrual of €13.4 million in other liabilities for the amounts that the Company expects to pay as a result of past copyright litigation settlements.

Other than the update to our copyright litigation accrual, there are no further amendments to our disclosures regarding these items.

ANNEX
SUMMARY GUARANTOR FINANCIAL INFORMATION
(in thousands of Euro)
(Unaudited)

The following condensed consolidated financial information presents the financial information of Telenet Group Holding, Telenet Communications, the Subsidiary Guarantors of the 9% Senior Notes due 2013 issued by Telenet Communications (consisting of Telenet Bidco, Telenet NV and Telenet Vlaanderen) and the non-guarantor subsidiaries in the Telenet group (consisting of Merrion Communications) on a non-consolidated basis, accounting for the investments in subsidiaries under the equity method. The financial information may not necessarily be indicative of the financial position or the results of operations had Telenet Group Holding, Telenet Communications, the Subsidiary Guarantors or non-guarantor subsidiaries operated as independent entities as of and for the year ended December 31, 2005. The obligations of Telenet NV under the senior credit facility included within the “Unconsolidated Subsidiary Guarantors” column have been guaranteed by certain Subsidiary Guarantors.

(Euro in millions)	For the three months ended March 31, 2007					
	Telenet Group Holding	Telenet Communi- cations	Unconsoli- dated Subsidiary Guarantors	Unconsoli- dated Non- Guarantor Subsidiaries	Eliminations	Consolidated
Income Statement						
Revenues	-	-	217.9	9.0	(0.1)	226.8
Costs of services provided	-	-	(130.1)	(4.4)	0.1	(134.4)
Gross Profit	-	-	87.8	4.6	-	92.4
Selling, general and administrative	(0.8)	(0.1)	(39.2)	(2.3)	0.1	(42.3)
Operating profit (loss)	(0.8)	(0.1)	48.6	2.3	0.1	50.1
Finance costs, net	(5.0)	(8.6)	(10.4)	0.2	(0.2)	(24.0)
Finance costs, net - intercompany	11.0	10.9	(22.1)	-	0.2	-
Equity in subsidiaries	5.6	3.4	1.6	-	(10.6)	-
Total other income (expense)	11.6	5.7	(30.9)	2.5	(10.6)	(24.0)
Net income (loss) before income taxes	10.8	5.6	17.7	0.4	(10.5)	26.1
Income tax expense	-	-	(14.4)	(0.9)	-	(15.3)
Net loss	10.8	5.6	3.3	1.6	(10.5)	10.8

ANNEX
SUMMARY GUARANTOR FINANCIAL INFORMATION
(in thousands of Euro)
(Unaudited)

	As of March 31, 2007					
(Euro in millions)	Telenet Group Holding	Telenet Communi- cations	Unconsoli- dated Subsidiary Guarantors	Unconsoli- dated Non- Guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheet Information						
Assets						
Property and equipment, net.....	-	-	965.5	16.3	-	981.8
Goodwill, net	-	-	959.9	174.5	-	1,134.4
Intangible assets, net.....	-	-	253.0	16.4	-	269.4
Other assets	-	-	1.7	0.1	-	1.8
Investments in subsidiaries.....	621.6	503.4	207.5	-	(1,332.4)	0.1
Total non-current assets	621.6	503.4	2,387.6	207.3	(1,332.4)	2,387.5
Accounts receivable.....	-	-	104.3	1.2	(0.7)	104.8
Other receivables	-	-	24.7	0.2	-	24.9
Cash and cash equivalents	8.1	0.4	84.2	0.9	-	93.6
Intercompany receivables and short term loans	7.6	-	3.8	24.5	(35.9)	-
Total current assets	15.7	0.4	217.0	26.8	(36.6)	223.3
Total assets	637.3	503.8	2,604.6	234.1	(1,369.0)	2,610.8
Liabilities and Shareholders' Equity						
Shareholders' equity.....	738.7	621.5	503.4	207.5	(1,332.4)	738.7
Long-term debt, less current portion.....	220.3	361.6	734.4	-	-	1,316.3
Other noncurrent liabilities.....	32.8	-	39.8	5.9	-	78.5
Intercompany loans, net	(360.2)	(489.2)	849.4	-	-	-
Total non-current liabilities	(107.1)	(127.6)	1,623.6	5.9	-	1,394.8
Short term borrowings	-	-	22.9	-	-	22.9
Current portion of long term debt	0.0	9.6	61.4	-	-	71.0
Accounts payable.....	0.1	-	174.0	3.3	(0.7)	176.7
Accrued expenses and other current liabilities	2.3	-	71.2	8.5	-	82.0
Intercompany payables and short term debt.....	3.3	0.3	31.8	0.5	(35.9)	-
Unearned revenue	-	-	116.3	8.4	-	124.7
Total current liabilities	5.7	9.9	477.6	20.7	(36.6)	477.3
Total liabilities.....	(101.4)	(117.7)	2,101.2	26.6	(36.6)	1,872.1
Total liabilities and shareholders' equity	637.3	503.8	2,604.6	234.1	(1,369.0)	2,610.8