THE MULTIPLE FACETS OF GROWTH

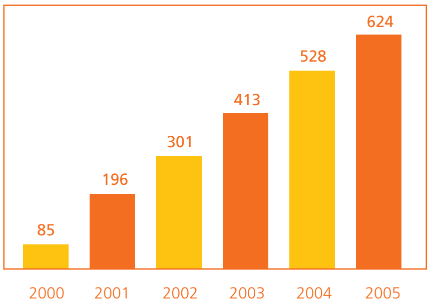
Telenet opens your world

telenet

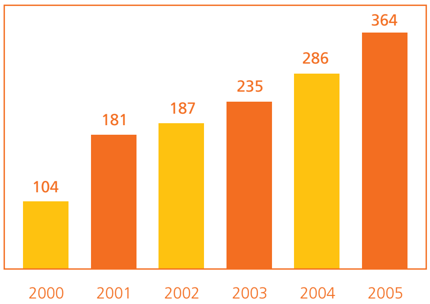
Annual Report 2005

Telenet in a nutshell

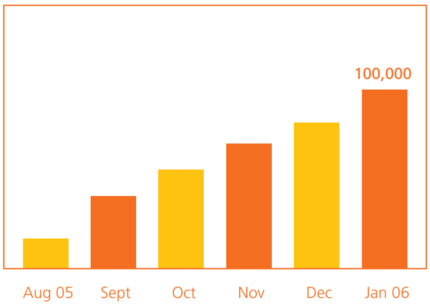
Internet customers (000s)



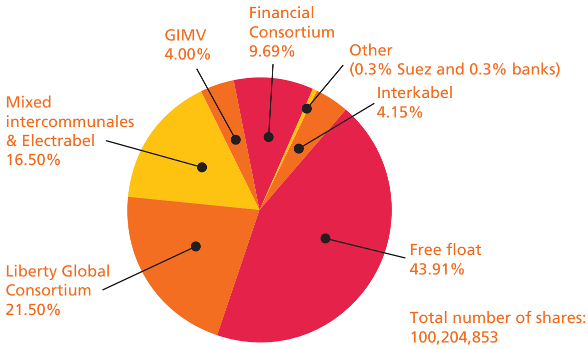
Telephony customers (000s)



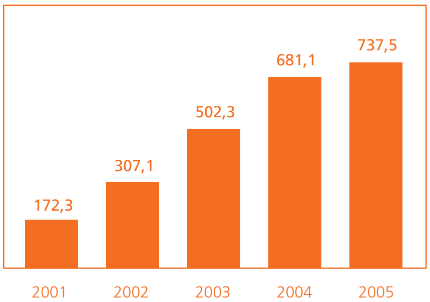
Total iDTV boxes sold



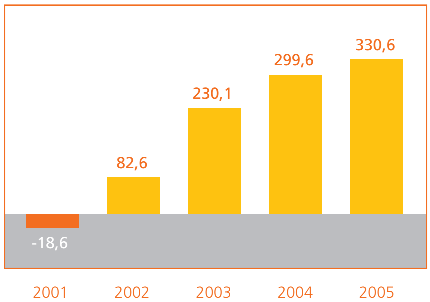
Shareholders January 2006



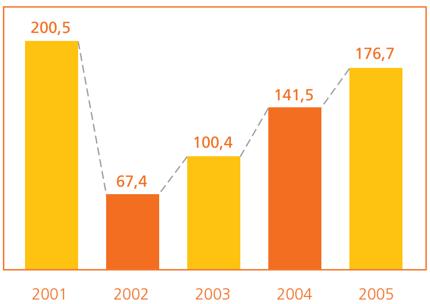
Revenue (in million euro)



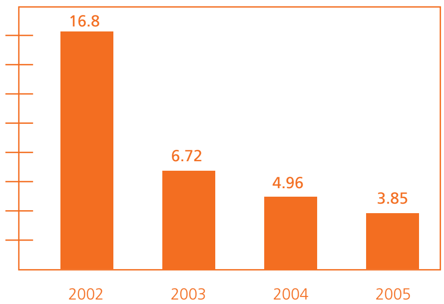
EBITDA (in million euro - US GAAP)



Capital Expenditure (in million euro - US GAAP)



Total debt / EBITDA ratio



> Telenet has 1,468 employees

> Telenet uses 13 subcontractors who jointly employ 750 employees

> Telenet works with 3,000 suppliers, over 300 media partners and 600 distributors

> Telenet contacts 13,000 customers every day

> Telenet has almost 200,000 unique visitors to its websites

> Telenet has a turnover of 738 million euro

> Telenet has 624,000 Internet customers, 364,000 telephony customers, 1,589,000 cable TV customers, 75,000 digital television customers and 176,000 'Triple Play' customers

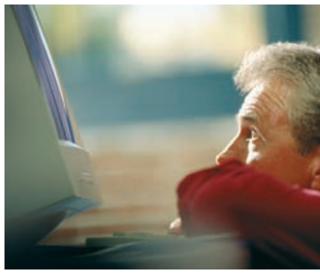
> Telenet Solutions serves 893 large customers, 27,087 SMEs, 174,402 self-employed businesspeople and professionals

> Telenet has 1,000 WiFi Hotspots

> Telenet offered 6,000 hours of courses; over 9,000 people attended our training courses

> Telenet is responsible for 7 social sponsorship projects



CONTENTS

Mission - Vision - Strategy

Our mission

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

Our vision

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

Our strategy

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

Letter from the Chairman and the Chief Executive Officer

A year of teamwork and growth

2005 was a satisfying and positive operational year for Telenet. In addition, financial and commercial results were in line with our forecasts. Our strategy, as explained during our stock market flotation, has been developed successfully.

Telenet succeeded in achieving strong growth in turnover, EBITDA and EBIT. The number of customers rose significantly. We made substantial investments in our growth, customer service and the development of new services. The net loss before exceptional charges on debt repayments reduced further. At the end of the year, we made substantial progress towards achieving break-even profitability.

In early 2006, we reached the important milestone of 1 million Internet and telephony subscribers. These subscribers are important foundations for developing our business further in the future. Our telephony business grew faster than the market. In Internet, we kept our market share virtually constant through the year. The strong service offering by Telenet for households, including our FreePhone, FreePhone Anytime, FreeSurf and ExpressNet products contributed to our expansion in this market.

The major challenge in 2005 was the introduction of Telenet Digital TV, our interactive digital television service. The launch, which was executed simultaneously across our whole network, was an enormous operational endeavour. The transition to this new era went hand in hand with the introduction of a unique, innovative service and the challenge of shifting a number of analogue channels to our digital offering. During January 2006, we surpassed another milestone with the sale of the 100,000th Digibox for the reception of Telenet Digital TV. We were delighted with this progress.

Telenet Solutions was the result of the merger between Telenet Business and Codenet. The resulting operation is based in our offices in Diegem. The team was reinforced and the product portfolio supplemented for larger companies, government and SMEs.

Digital television added a completely new business activity for Telenet Solutions. Despite serious price erosion due to fierce competition, Telenet Solutions enjoyed accelerating growth towards the end of 2005.

Our wireless Internet service (WiFi) grew in two areas: first, the number of hotspots almost tripled; and subsequently, the use of wireless Internet also increased threefold. Internationally, we signed a number of agreements to allow foreign users to have extensive access to our wireless digital highway.

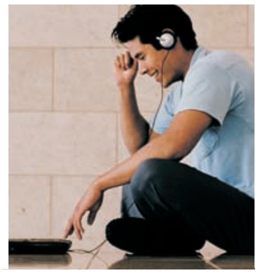
Following the acquisition of CANAL+, we maintained their services under the same brand name until the launch of Telenet Digital TV. In September, we launched Prime. Prime consists of 8 TV channels with premium sport and film content. Prices were lowered substantially to stimulate the demand, an approach that yielded results by the end of 2005.

Our ability to innovate serves our customers well. Customer turnover was stable and in some service areas, actually fell. We are committed to maximum customer satisfaction, which is the best defence against intense competition.

On 14 February 2006, we announced our agreement with Mobistar, the second-largest mobile operator in Belgium to establish a new mobile virtual network operator (MVNO). This MVNO will use the Telenet brand name and make use of the Mobistar network to offer mobile services. Telenet-branded mobile services are scheduled to be available later in 2006.

Frank Donck

Duco Sickinghe


Telenet floated on the Brussels stock market in October 2005. This was an opportunity for us to reduce our indebtedness and interest charges substantially. The Directors believe that initial falls in the stock price do not reflect the intrinsic strength of the company. The Board of Directors and the management have set themselves the task of showing the real potential of Telenet to our shareholders. Telenet is a strong company, with a carefully considered strategy that serves customers optimally every day, and will continue to do so. We are focused in generating shareholder value.

Once again, we are very grateful to our employees who have made exceptional efforts to achieve the company's results. We would also like to thank their partners and family for understanding the demands on their loved-ones.

Thanks to our suppliers, we were able to increase our expertise substantially, and were able to call on their knowledge and skill. We hope that we will be able to increase the number of major collaborations again in the coming year.

There was excellent cooperation between the Board of Directors and the management. There were intensive discussions about the policy to be implemented and the associated choices. The committees of the Board of Directors such as the Strategy, Audit and HRO committees met regularly. You will be able to read all the details about this in the Corporate Governance section.

We are looking forward to an exciting and demanding 2006.

Duco Sickinghe
Chief Executive Officer

Frank Donck
Chairman of the Board of Directors

BOARD OF DIRECTORS

The Board met 17 times in 2005: 9 ordinary and 8 extraordinary meetings, mainly in relation to the company's IPO.

Within the Board of Directors, an audit committee, a human resources and organisation (HRO) committee, a strategic committee and appointments committee have been established.

The audit committee advises on the auditing of financial information produced by the company and its subsidiaries. The committee has five members, and met six times in 2005.

1 André Sarens
2 James S. O'Neill
3 Alex Brabers
4 Frank Donck
5 Duco Sickinghe
6 Yvan Dupon
7 Charles Bracken
8 Rumold Lambrechts, Advisor
9 Julien De Wilde (*)
10 Jo Geebelen, Advisor
11 Paul Van de Casteele
12 Jef Roos (**)
13 Guido De Keersmaecker (**)
14 Freddy Willockx
15 Friso van Oranje (*)
16 Serge Grysolle
17 Michel Delloye (*)

Not pictured:
Paul De fauw, Advisor
Michel Allé (**)
Patrick Moenaert
Saul Goodman
Marcel Bartholomeussen
Guy Peeters, Advisor

(*) Independent Directors Telenet Group Holding
(**) Independent Directors Telenet Communications

The HRO committee makes proposals to the Board of Directors in connection with Telenet's personnel policy. It met four times in 2005.

The appointments committee devises objective and professional appointments procedures for members of the Board of Directors. It met for the first time in 2006.

Finally, the strategic committee meets regularly with the CEO about the general strategy of Telenet, and met twice in 2005, mainly to discuss Telenet's long-term business plan.

8 9 10 11 12 13 14 15 16 17

Report by the Management

Innovating, growing, keeping customers satisfied

RESULTS MEET OBJECTIVES

At the beginning of 2005, our objectives looked extremely ambitious. By the end of the year, Telenet proved it has the necessary energy and determination to achieve excellent operational and financial results. The increasing loyalty of our customers was the most satisfying reward for that performance.

In 2005, more Internet and telephony orders were taken than in Telenet's entire history. It was the year when interactive digital television (iDTV) was launched. In the business market, we are reinforcing the role that we aim to play in this market. The stronger growth generated in the second half of 2005 is the best evidence of that.

Competition is becoming fiercer every year. However, every year, teams within our company show the creativity to improve our products and services even further.

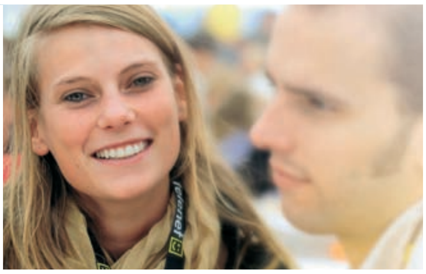
Financial results surpassed our internal targets. Revenues grew to over 738 million euro. That means that Telenet has grown its annual revenues by over 600 million euro in just five years. The operating result grew by 9% to 338 million euro (EU GAAP). Our net loss improved considerably - after correction for one-off charges in connection with debt repayments - to 37.2 million euro. Telenet's operational model continues to develop healthily. Our strategy of investing actively in our future means that the net return will develop fully in later years.

"Our investments have largely been used to finance our growth."

> The stock market flotation allowed us to further reduce our indebtedness.

Capital expenditures amounting to 184 million euro (EU GAAP) were largely devoted to ensuring our growth. The rest was used to further optimise our network and our systems. Free cash flow remained positive. In a year of substantial investment and rising expenditure, that was a satisfactory development.

Due to the stock market flotation, we were able to further reduce our indebtedness. During 2005, we repaid 350 million euro of borrowing using the IPO proceeds and cash on our balance sheet. This has reduced our interest charges substantially, bringing about considerable improvements in the company's profitability. Our indebtedness improved substantially, to less than 4 times.



Management Team

1 **Peter Michiels** - Vice President Networks Development & Operations

2 **Dirk Van Dessel** - Senior Vice President Informations System & PMO

3 **Nico Reeskens** - Senior Vice President Wireless Division

4 **Dirk Momont** - Director Sales Telenet Solutions

5 **Nico Weymaere** - Vice President Customer Operations Telenet Solutions

6 **Dirk Peeters** - Director Marketing Telenet Solutions

7 **Duco Sickinghe** - Chief Executive Officer (*)

8 **Dirk Speybroeck** - Director HFC Build & Operations

9 **Joris Walraet** - Director Quality & Process Management

10 **Tony Jossa** - Senior Vice President HR & Organisation (*)

11 **Philippe Lemmens** - Executive Vice President Residential Market Division (*)

12 **Paul Van Cotthem** - Senior Vice President Residential Marketing & Sales

13 **Leo Steenbergen** - Executive Vice President Chief Financial Officer (*)

14 **Jan Vorstermans** - Executive Vice President Technology & Infrastructure (*)

15 **Etienne Blomme** - Secretaris-generaal

16 **Jo Van Gorp** - Executive Vice President & General Counsel (*)

17 **Claire Martin** - Vice President Corporate Business Affairs (*)

18 **Ronny Verhelst** - Senior Vice President Media Partnerships

19 **Patrick Vincent** - Vice President Customer Care & Delivery

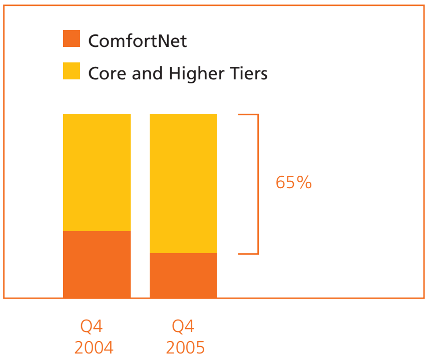
20 **Jan de Grave** - Manager Interne & Externe Communicatie

21 **Hugo Lemmens** - Executive Vice President Telenet Solutions (*)

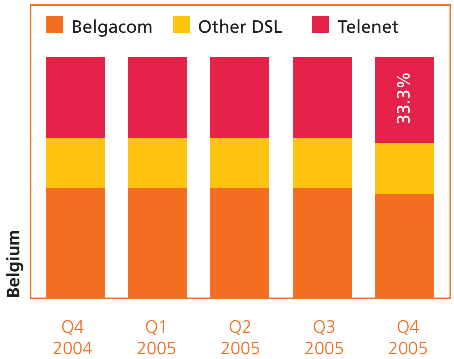
(*) Also member of the Executive Team

THE RESIDENTIAL MARKET

Evolution of the broadband sales mix



Broadband Development and Telenet Market share



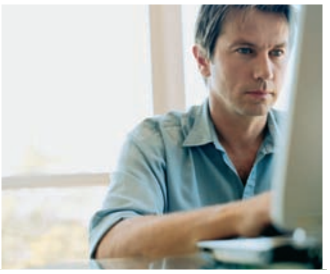
Telenet's position in the broadband Internet market held up well in 2005, and market share remained constant.

New competitors entered the market, but our Internet products are competitively priced and very fast. We also pay a great deal of attention to providing good service to our customers. As the Internet becomes more important in our lives, as a means of communication and recreation - as well as a tool for work, service assumes greater importance. Our recent announcement that we will be doubling the speed of our Internet connections underscores the market leadership that we wish to continue to exercise.

An important observation is that demand for higher-performance products rose sharply in the course of the year, in relation to basic broadband Internet services. This trend also confirms our strategy to allow our customers to choose from a broad and varied range of services.

FreeSurf, our entry-level product for 'always online' Internet, in combination with our FreePhone telephony product, was a resounding success. This product is intended for users who are new to the Internet, but want to enjoy the convenience of an always-on connection.

In 2005, the number of e-mails handled by Telenet increased by 1 billion messages. The ability to protect our customers against junk e-mails (spam) and viruses was more popular than ever. Telenet's free antivirus protection on customers'

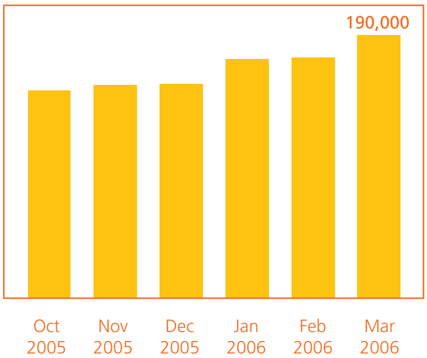


mailboxes intercepted viruses over 15 million times. The quantity of 'spam' also fell significantly.

In 2005, we carved out a healthy position in the Flemish residential market for fixed telephony, despite an increase in 'only-mobile' households. This is the third year in a row that our market share rose by 3%. In 2005, it reached 21%. In absolute figures, the growth was spectacular with 78,000 net new connections. The introduction of our new telephony tariffs, FreePhone at the end of 2004 and FreePhone Anytime in early 2005, laid the foundations for this success. The success of these new tariff plans is due to the fixed amount per month that the customer pays in exchange for unlimited calls. This proved very popular.

Customer turnover (churn) also fell sharply. The growth in sales and the reduction of churn more than compensated the fall in average revenue per customer (ARPU). The reduction in telephony ARPU is largely attributable by migration to FreePhone.

Average number of visitors to the portal per day



> Telenet's free antivirus protection on customers' mailboxes intercepted more than 15 million viruses.

> Telenet Digital TV integrates 'state- of-the-art' technology.

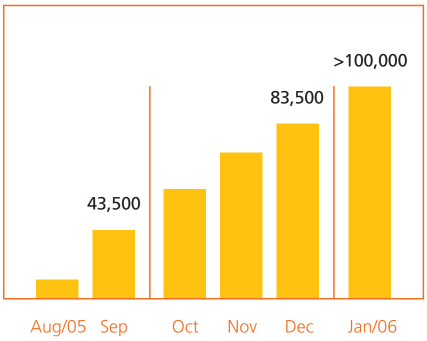
The introduction of iDTV was the major achievement of our past year. iDTV is a highly advanced service from a technological viewpoint. Telenet showed that it was able to integrate state-of-the-art technologies into an excellent, customer-friendly and innovative offering.

Many different technologies need to work in harmony together. The year confirmed that we made the right choices as far as technological standards are concerned. Telenet took on the onerous role of finalizing the whole integration process itself. In addition, completely new processes were established: logistics processes, as well as new customer service processes.

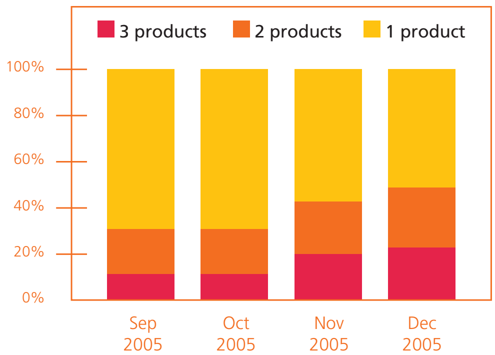
The added value of our platform relies to a large extent on the content that we are able to offer. Therefore, cooperation with broadcasters and other content suppliers is an important element of our overall offering.

The intensive cooperation with some partners on the development of 'Video on Demand' and other interactive services have also borne fruit. The uptakes of 'à la carte' and interactive services have exceeded our highest expectations. We are delighted with the broadly-based support from the media world, which enabled positive cooperation to be established. This is a unique example worldwide of a vertical collaboration leading to new applications for the consumer.

Total iDTV Boxes Sold



Triple Play penetration for new iDTV customers



The loss of the rights to football matches in the Belgian National Football League had a limited impact on our customer base. We are also noticing that sports viewers of the former CANAL+, now Prime, greatly appreciate our modernised and varied international sports content. The new and varied film offering on Prime has contributed to many existing customers remaining loyal to us, and many new customers appreciating this product.

Triple Play

With the introduction of Telenet Digital TV, we are able to expand our ‘triple play’ customer base significantly. In 2005, we recorded growth in our ‘triple play’ customer base of 30%. The growth of ‘double’ and ‘triple’ customers had a positive influence on Telenet’s profitability, because our initial investments could be spread over several services.

“Prime viewers appreciate our international sports offering.”

> The growth of the division increased considerably in the second half of the year.

TELENET SOLUTIONS:
the division for businesses, SMEs, independents and government authorities.

From our site in Brussels, we continued to work energetically on our services for the business market. The growth of this division increased considerably in the second half of the year and the contribution of Telenet Solutions to Telenet's free cash flow was highly satisfactory.

We experienced intense price erosion in the corporate market, but Telenet Solutions was able to limit the impact of this on its turnover in the corporate segment, and, in addition, we acquired many new customers in Belgium and Luxembourg.

Our product portfolio offers very innovative products such as CLIC, a VPN solution enabling companies to implement a simple network and communications architecture.

Our focus on particular vertical markets has led to a better understanding of our customers needs and wishes, and how to fulfil them. In the carrier market, we also achieved strong growth. Telenet Solutions is universally acknowledged as providing good service to fellow telecom operators in Belgium and abroad.

Our strategy of further expanding our position in the SME segment is now starting to be put into practice. We have a wide range of xDSL and Coax-products. In this field, specific packages have been developed that are eminently suitable for small or medium-sized enterprises. Our distribution network and capability to provide added value was greatly expanded through a number of important partnerships with Value Added Resellers (VARs).

The investments that we made in product innovation, processes, systems and in the reinforcement of our customer teams have led to a substantial growth in the monthly order volumes.

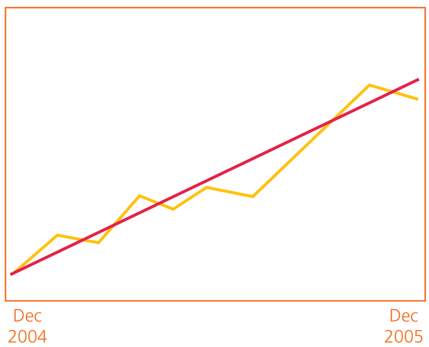
Telenet Solutions and its partners offer their solutions throughout Belgium and Luxembourg.

WIRELESS DATA

2005 was a year in which our public wireless Internet network was greatly expanded. We offer genuine coverage for mobile users with over 1,000 hotspots by the end of January 2006. We wish to thank our hotspot partners who offer us access to a wide audience.

There are also many international travellers who use our WiFi service locally. Usage of our hotspots tripled in 2005. Now the time is ripe to further expand our mobile voice and data services.

Hours usage hotspots



STRATEGY FOR 2006

> Triple play and growth in the number of connections are the basis for sustained profitability.

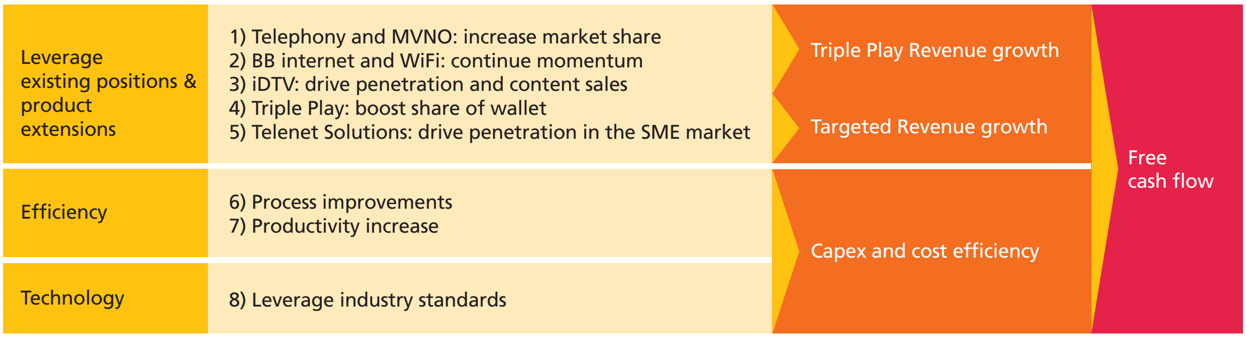
In 2006, we will be continuing our growth strategy. In the short term, the growth in revenue will go hand in hand with pressure on our EBITDA margin and high operating investment due to the growth in our customer base, mainly for iDTV. The synergies that we derive from our triple-play offering and the growth in the number of connections form the source of sustainable profitability in the future.

From home to individual

In recent years, Telenet has devoted itself to the development of services and connections to homes or offices. In the next few years, we will devote our energies to providing services to individuals. We have already started on this with the development of the 'Corporate Data Model'. This model is being applied throughout the company and means that the customer is recognized as an individual within our service provision and our internal reporting.

Fixed and mobile telephony

We expect to be able to continue the success of 2005 in 2006. With the introduction of mobile telephony, we strive to increase our 'share of wallet', or the amount that a customer pays to one operator for telecommunications services. The convergence of fixed and mobile telephony will continue to take shape.



Strategy for driving growth in free cash flow

Internet

In 2006, speed will once again be the major asset of Telenet. Our 'twice the speed for the same price' campaign is designed to demonstrate that we are aiming for the best price/performance ratio. This strategy, we believe, is the best guarantee of healthy development in sales.

iDTV

For Telenet Digital TV, 2006 is an important year. We are relying on rapid market penetration of digital TV in Flanders. We believe that the business model we have chosen for digital television has lowered the threshold for our current and future customers. We will enter into more partnerships with suppliers who create content, and with others who want to offer services on our platform.

Telenet Solutions

For the business market, our attention will be focused on continuing expansion of a number of market segments, including the SME market. By supplementing our product portfolio, we can use a multi-play approach for SMEs. This means that we can offer several services per customer.

Wireless Data

We believe in the 'always online' principle, and want to follow our customers beyond the cable. In 2006 too, we will extend our 'footprint' with high-performance hotspot technology and, in addition, we will further stimulate the use of hotspots, in cooperation with our hotspot partners.

Efficiency and technology

We aim to compensate the effect of price erosion in the marketplace by expanding our processes and productivity and by making use of technological industry standards.

"Good partnerships are providing still more content for Telenet Digital TV."

FINANCIAL REPORT

> Telenet raised over 280 million euro in new capital from its flotation.

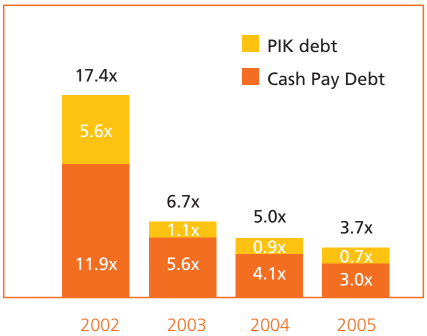
Stock market flotation (IPO)

2005 was not just the year of iDTV, but also of our stock market flotation. Telenet chose to raise new capital on the Brussels stock market. Additionally a number of the original Telenet shareholders, including the GIMV and local authorities could realize part of their long-term capital investments.

Telenet raised over 280 million euro in new capital from the flotation. Although the initial share price did not perform in line with our expectations, the IPO considerably improved our financial structure, enabling us to repay various loans early. We have one of the lowest debt levels among cable companies in Europe, and have comparable financial leverage to the leading cable companies in the USA. Debt prepayments executed in 2005 resulting from the IPO are saving Telenet more than 35 million euro per year in interest.

The IPO also brought about changes in our financial reporting. Telenet was previously using 2 accounting standards: Belgian and US GAAP (generally accepted accounting principles). As of the beginning of 2006, for the reporting of 2005 results, Telenet has switched to IFRS (International Financial Reporting Standards) as applied in the EU (EU GAAP) for companies listed on the stock market.

Rate of net indebtedness



Good results

We started reporting our financial results using EU GAAP for the first time at the close of the year ended 31 December 2005. The consequences for Telenet of the switch from US GAAP to EU GAAP are limited. There is no difference in revenue recognition and the differences in our costs and capital expenditures are small.

Revenue

Revenue rose by 8% from 681.1 million euro in 2004 to 737.5 million euro in 2005, mainly due to strong growth in the number of subscribers of our residential broadband Internet and telephony services, which compensated for the price pressure on these individual services. The growth in revenue from the Internet formed the main contribution, accounting for two-thirds of the total increase in revenue this year. The number of telephony connections grew faster proportionally in 2005. Nevertheless, the growth in the number of Internet connections, on a broader base of connections, represented 47% of the net total growth in connections for all Telenet products in 2005.

An important observation concerns the acceleration in growth towards the end of 2005, with turnover that rose 10.4% in Q4 2005, compared with the same quarter in 2004. This trend can not only be explained by the sale of digital receivers and the increasing new turnover from our iDTV services, but also by contributions from our telephony and Internet products.

Costs

Total costs rose by 5 per cent between 2004 and 2005. This compares with an 8 per cent increase in revenue. The cost of services provided rose by 7 per cent. That is the consequence of the tighter gross margins that we are using. The increase in costs for purchasing content for Telenet Digital TV and the fall in ARPU for our Internet and telephony services, underlie this rise in costs. Our sales, general and administration costs (SG&A) benefited from the absence of integration costs in 2004 for the acquisitions of CANAL+ and Codenet, as well as from the increased efficiency of our operations.
Our SG&A costs for 2005 include the costs of launching iDTV. Although the first phase of the launch has been completed, we anticipate that our plans to grow iDTV rapidly in 2006 will put further pressure on our efforts to keep our SG&A costs for the coming year under control.

> "Turnover rose by 8 per cent during 2005, and by 10.4 per cent in the final quarter."

> Our operating profit rose by more than 26% in comparison to 2004.

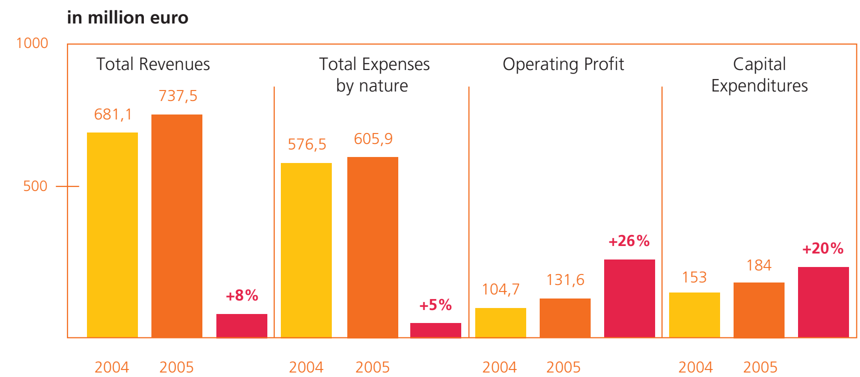
Telenet Digital TV

An important factor in the increase in our personnel costs in 2005 was the hiring of new staff to manage the growing iDTV business. Factors in the increasing costs for operating the network and services included the addition of the cost of the digital receivers for the iDTV roll out, depreciation on inventory, higher call centre costs due to the record level of sales activity in 2005. The increase in marketing costs is related to our record sales and the launch of iDTV.

EBITDA

Consolidated EBITDA, or earnings before interest, taxes, depreciation and amortization (including amortization of broadcasting rights), rose by 9%, from 309.0 million euro in 2004 to 337.9 million euro in 2005. We recorded an EBITDA margin of 46% in 2005, compared with 45% in 2004.

Our operating profit continues to rise fast: In 2005, it rose 26% compared with 2004 to 131.6 million euro. These results reflect the continued growth in revenue, a further increase in margins, combined with stable amortization and depreciation on our activities in the financial year.



For the full year 2005, the net loss was 76.7 million euro, compared with 61.7 million euro in 2004, including the one-off effect of debt repayments. If we do not count the one-off charges for debt repayment of 39.5 million euro, our net loss in 2005 was 37.2 million euro. Our net loss per share both before and after dilution was 0.86 euro, compared with 0.71 euro in 2004.

Cash-flow and funds

The total of liquid funds of the Group rose by 65.2 million euro to 210.4 million euro at the end of 2005. The cash flow from operating activities declined from 234.3 million euro in 2004 to 212.6 million euro in 2005, or to 235.3 million euro, if the interest components that are linked to debt retirement are not taken into consideration. Corporate investments rose from 152.7 million euro in 2004 to 184.0 million euro in 2005.

A large proportion of our capital expenditures were related to growth in customer numbers. We estimate that 81% of our business investments in 2005 were directly and indirectly related to growth. The difference includes the fixed investment costs such as replacement investments. The smaller share of expenditure related directly to customer growth in 2005 reflects the improved unit costs that we have achieved for customer equipment.

At the end of 2005, we had 210.4 million euro in cash on our balance sheet, and we still have the option to draw additional funds via our bank loan. At present, we have access to 200 million euro in a confirmed and as yet unused credit line and another 150 million euro that is available subject to a number of additional conditions. With the net proceeds of our capital increase during the IPO, we have repaid a total of almost 240 million of borrowing; this will have a substantial positive influence on our financial charges in future.

The Investor Relations team: Nico Daminet, Bruno Laforce and Renaat Berckmoes.

> 81 per cent of direct and indirect business investments went on growth.

SOCIAL REPORT AND INTERNAL COLLABORATION

Our organisation

> Telenet has 1,468 employees. Last year, 150 new colleagues joined the company.

As a relatively recently-formed company, Telenet has developed its own culture and identity. Many new employees have joined in recent years. We have ensured that our norms and values remain firmly rooted in everything that our employees do. Telenet pays a great deal of attention to the training of its employees. We can look back with pride on their development. In total, 200 employees changed function or obtained a promotion. Despite the often challenging working conditions within a dynamic environment like Telenet, sick leave was just below 4 per cent in 2005.

Our employees attended a total of 8,200 days of training in 2005. That corresponds to one working week per person, an increase of 13% on 2004.

Of particular note was the attention paid to training connected with the introduction of interactive digital television.

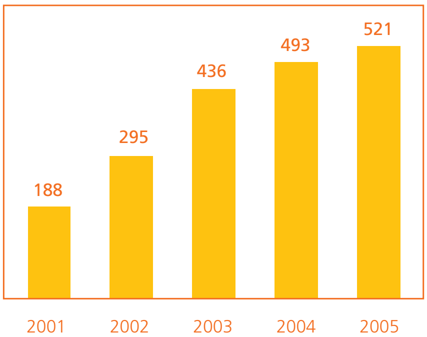
Within the company, informal contacts were strongly encouraged. The climate in our industry is changing very fast. Our managers must be able to give well-informed leadership. That is why Telenet regularly organises well-attended information sessions and network meetings.

Internal communication is important. Telenet organises forums for its Management, usually off-site, where there are extensive exchanges of ideas concerning the strategy to be pursued and where policies are outlined.

We regularly seek the opinions of our employees via surveys or the intranet. We invite them to submit ideas to improve processes or the working environment.

We bring our employees together at regular intervals. Occasionally, we involve their families too. It is a modest way to say thank you for their commitment in 2005.

Turnover per employee - in euro (000)



> The passion to make the difference for customers.

Corporate culture

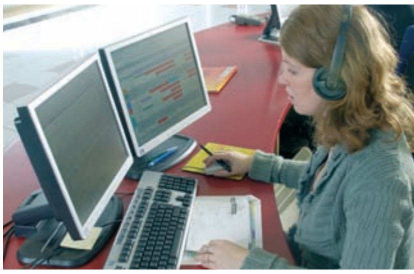
Employees of Telenet are proud to refer to themselves as 'Telenetters' a title that embodies a passion: the passion to make the difference for customers. The challenge for Telenet is twofold. We want to maintain our spirit as a start-up, which gives the company the feeling of being a family. At the same time, we are evolving to become a process-driven organisation.

We are in-touch with each-others roles and we use informal opportunities such as a chat over coffee with colleagues to enhance information exchange . We are not hierarchical but rather, practical. Telenet is a modern, results-driven young company.

In this process, the Human Resources department is the partner that understands and plans where Telenet is going, and converts that into requirements, concrete solutions and processes. Telenet has introduced the 'Six Sigma' methodology, which helps our employees to deal with processes properly. That guarantees better service provision, to more customers, in a world of triple play. And when we say triple play, that implies triple skills.

These are our values:
- Our customers are key.
- We work in a respectful and trusting manner.
- We are results and quality-driven, and are constantly seeking to improve.
- We aim to innovate in everything that we do.

We also aim to innovate in our way of thinking and working. We want to know more about our customers, shareholders and target groups. Once we have that knowledge, we can perform even better.

A company for growth

Telenet is bursting at the seams as a consequence of our growth. Besides our head office in Mechelen, our colleagues at Telenet Solutions are located in Diegem, near Brussels. We have another 13 business locations. At our site in Mechelen, we have been using temporary office buildings for over a year. So further building expansion will be necessary.

In June, we organised an architectural competition for the extension to our head office in Mechelen. Six leading firms of architects took part. Of the six proposals, we selected the design by the Antwerp firm of Poponcini & Lootens. The selection panel was unanimous. A decisive element was the integration of the building into the residential district where Telenet is based. Both the proportions and the materials of the complex fit into the neighbourhood. The building is open, transparent and designed at a human level. Telenet always aims to be a good neighbour, which is why the plans were submitted to local residents and, as far as possible, their comments were taken into account.

The design pays great deal of attention to communication, quiet areas, places for working alone versus places for working in a team. Natural light is used as much as possible due to the installation of patios and gives our employees a sense of light and the prevailing weather conditions. To the extent possible, wireless systems will be used for our work. In its working environment too, Telenet is always looking to the future. The construction work started in early February 2006. We are expecting to move into our new offices in the course of 2007.

> "Besides Mechelen and Brussels (Diegem), Telenet operates at another 13 locations."

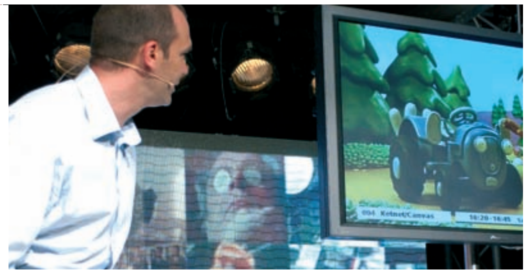
> Telenet is building. We started in February 2006. We are due to move into our new offices in the course of 2007.

Safety and prevention

The expansion of Telenet means that we had to carry out a major expansion of our safety programme. Today, Telenet has its head office building in Mechelen, a site in Diegem and a number of technical sites spread across Flanders, and the safety of those buildings has to be guaranteed.

The new building in Mechelen is a good reason to review safety procedures and ensure that buildings remain safe.

The welfare of our employees is a constant concern. We carried out a survey among our workforce about risk and stress factors. We also asked their opinion about ergonomics in the workplace. The opinions and suggestions for improvements were examined and, wherever possible, implemented. Telenet backs the non-smoking policy and actively informs its employees about the risks of smoking. We organise sessions to help people quit smoking. All these initiatives are intended to lead to Telenet continuing to guarantee a pleasant working environment for its employees.



TECHNOLOGY FOR THE FUTURE

The network is the access gateway to the world for Telenet's customers. We are continuing to invest steadily in our network, in quality, speed and reliability. Our investments are also the foundations on which our future services will be built. They are also the foundation for the doubling of Internet speed that we are offering to residential customers and businesses in 2006.

In 2005, work continued on the ExpressNet project. The existing return channel capacity between 15 and 25 MHz was modified to 15 to 65 MHz, i.e. quintupled. This return channel capacity is necessary for all interactive services; whether this concerns VoIP, iDTV or the Internet. Effectively, this is the technical implementation of triple play. Our investments in ExpressNet will triple in 2006, and Phase 1 of this project will be completed. This will enable us to offer our customers a more symmetric service, with more upstream as well as downstream capacity. An enhanced modulation will guarantee better use of bandwidth.

We have upgraded our network backbone. All our services, whether telephony, Internet or iDTV, use that IP backbone.
We introduced VoIP (voice over IP) telephony only in 2004, but it is already being used by some 175,000 households. We anticipate that this technology will be utilised even more widely, for various applications and devices.

> "The speed of our Internet connections is being doubled."

> Our network: your gateway to the world.

Telenet is also collaborating on the future technology. We use the Euro-DOCSIS standard and are now active with others on standardisation of version 3.0. Telenet employees are members of working groups of ECL, the European 'Cablelabs'. Euro-DOCSIS is a key element in our technology. We can use it to further expand the capability of our broadband cable technology.

At the beginning of 2005, Telenet set up a platform of Flemish cable research centres, known as 'CIck'. CIck stands for 'Convergentie Initiatief Kabel', or in English, Cable Convergence Initiative. The platform is implementing a phased plan to guarantee Flanders a world-class broadband infrastructure by 2010. That infrastructure will make use of open standards. The project is being supported financially by the IBBT, the Interdisciplinary Institute for Broadband Technology. This initiative strengthens Telenet's strategic position as a triple play provider.

For our digital television transmissions, we opted two years ago for technology based on open standards, including the Multimedia Home Platform (MHP). Recently, a number of American cable companies opted for MHP-based platforms, decisions which vindicate our technological choice.

We believe in the convergence of mobile services, both for telephony and for data. Our MVNO (Mobile Virtual Network Operator) agreement with Mobistar fits into this context, and we are investing in Voice over WLAN (Wireless Local Area Network).

We are investigating new network technologies to expand our market. For mobile TV, we are examining the possibilities of DVB-H (Digital Video Broadband for Handheld), which is the most powerful industry standard for mobile TV. DVB-T (Digital Video Broadband for Terrestrial) is being analysed as an industry standard for terrestrial TV.

Telenet is collaborating on the 'MADUF' research project. MADUF stands for 'Maximise DVB Usage In Flanders'. The partners are VRT, the major telecom operators, the manufacturers Siemens, Scientific Atlanta and Option and the Flemish universities in Leuven, Ghent and Brussels, coordinated by the IBBT. It is examining which problems should be solved for the introduction of mobile digital television in Flanders.

To control the cost and speed of the many new developments, Telenet will also set up a new internal information system in 2006. An initial roll-out is planned at Telenet Solutions. Residential activities will follow later. It is crucially important that the new system is able to support fast new Telenet services. In addition, the new information architecture must ensure that costs are cut. That applies both to information management and the development of new applications that support Telenet services.

TELENET AND INNOVATION

Telenet has been introducing quite a number of new products. That is because it always aims to innovate, and has the ability to do so. That puts the company ahead of competitors, sometimes by years.

That innovation policy is based on three key areas. Telenet's technological platforms all use open standards. Each platform can serve to help build or extend another. This all cuts costs, enabling Telenet to respond easily to new technological or market conditions.

The second key area is the speed with which Telenet is moving towards standardization, in cooperation with European industry. The Next Generation Euro-DOCSIS standardization work is a fine example of this.

And the third key area is the research and development at Telenet itself. The company does this both internally and externally. Many technologies are first tested and evaluated on a small scale internally. Once they are considered sufficiently mature and stable, they are rolled-out.

"Telenet continues to innovate with a large number of partners, in line with tradition."

OUR CUSTOMERS

Our customers are satisfied with our professionalism, our friendliness, our willing-ness to help them.

For Telenet, the customer comes first. Throughout the year, customer satisfaction for telephony was very high. The trend for interactive television is positive. For the Internet, customer satisfaction was under pressure at the end of 2005, due to the price war in the marketplace. Telenet is resisting that price war with quality: with the doubling of Internet speed at the beginning of 2006, Telenet remains synonymous with super-fast surfing.

A year that was full of challenges was also a challenging year for Telenet's Call Centre. In 2005 we handled almost 4 million enquiries. After the launch of iDTV, there was a peak in customer communication, as predicted. The Call Centre was upgraded to be able to answer calls within 30 seconds. Telenet customers are now helped by specialised advisers who can give them both technical and administrative support. The number of requests that could be answered immediately rose considerably as a result.

In April, we introduced a better measuring instrument so that our customers can give their feedback about service provision immediately after contacting Telenet. Those measurements showed that our customers require even more availability from our Call Centre. At the same time, they are very satisfied with our professionalism, our friendliness and willingness to help them.

Telenet is continuing to reduce usage of external service providers for its customer service. During the summer months, we ran a pilot project in which we advised our customers more actively about the offering that best matched their needs. This approach was rolled out in the whole Call Centre in December.

In the past year, we reinforced the 'retention team". This team contacts our customers before their Telenet contract is due to expire. In this way, we were able to encourage them to renew their contract with Telenet.

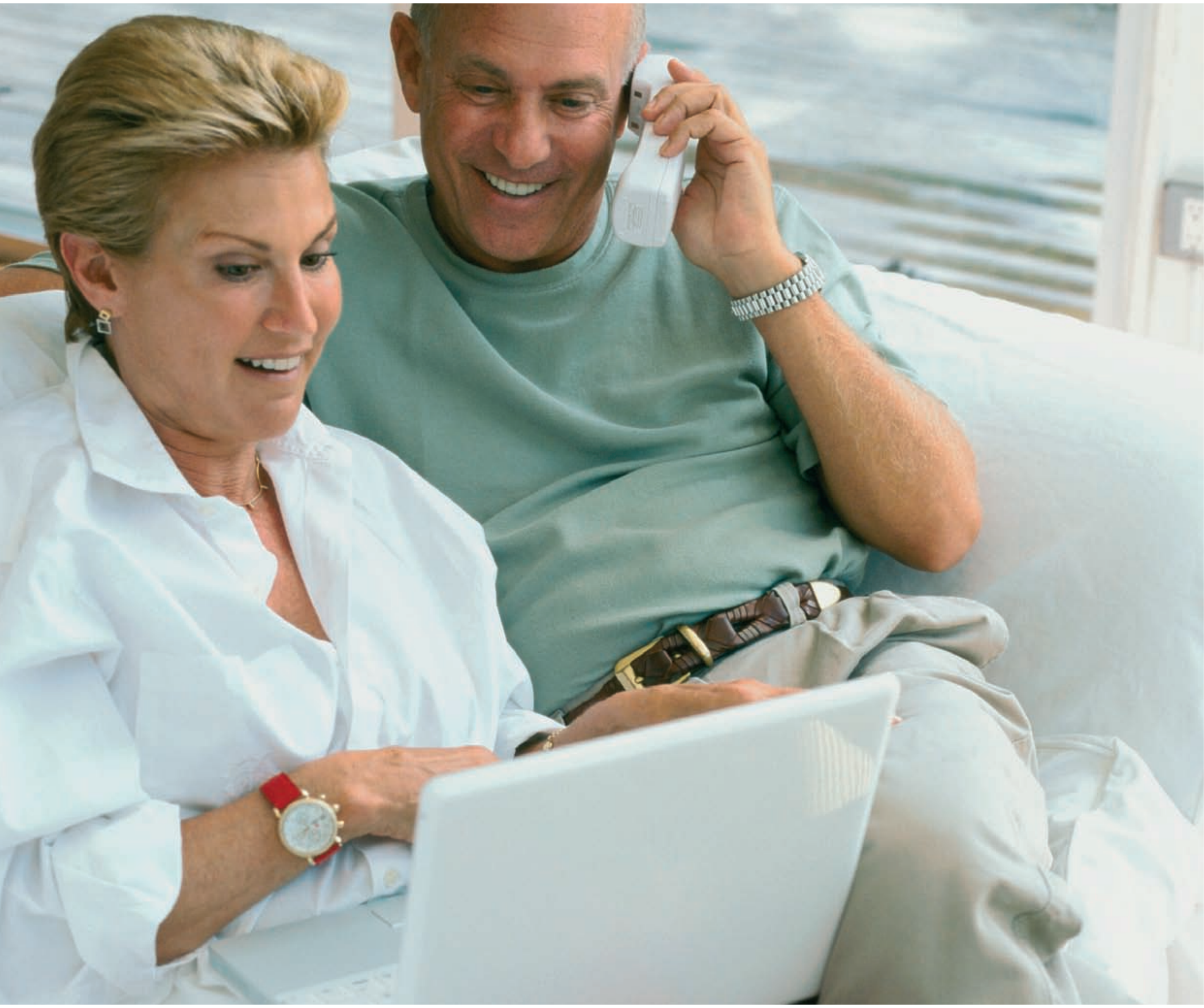
The success of iDTV meant that our installers were constantly operating at full capacity. The number of installers was increased from 450 to 700. That meant that 250 extra technicians were trained for the launch of Telenet Digital TV on 3 September. We carried out more than 460,000 installations in 2005, including a ‘home-moves’ service. Our technicians carry out an average of 1,800 installations a day.

> In 2005 we carried out more than 460,000 installations. That’s 1,800 per day.

The introduction of electronic billing for our customers was an important step. For 190,000 Telenet customers, the era of paper is history. That saves Telenet money. Above all, it is an additional service to our customers who can now manage their Telenet account online jointly with us.

In 2006, our customers will be served even better, via self service on our website. Customers will have immediate access to information and convenient aids on the web. This cuts their waiting time to zero. And the customer is in control. Telenet will also be introducing attractive and user-friendly self-service solutions for installing our products in 2006.

Telenet in your home



TELNET IN YOUR HOME

2005 was a good year on the residential market for Telenet. We worked hard. And it paid off:

- For broadband Internet, 2005 was a record year with 95,000 net new connections.
- For telephony, the number of customers rose 27% on 2004.
- 2005 was the year of Telenet Digital TV. The launch on 3 September was a success, and sales started well.

Telenet also excelled in brand awareness in 2005. Customer trust in Telenet is and remains high: we are close to our customers and their families. Our advertising campaigns in 2005 really reached our audiences. The public not only remembered them but also liked them. We are increasingly evolving towards a more segmented approach: different messages and a different product offering for different types of customer.

In 2006, we were able to market bundled services due to the new Telecommunications Act in Belgium. Our most loyal customers have proven to be those customers who buy several services from Telenet. It was striking how many customers were prepared to recommend Telenet to friends and family, which was 1 out of every 6 customers.

An independent study by advertising agency think | BBDO, revealed Telenet to be the most reliable brand in the telecommunications category.

As in past years, in the brand competition, Telenet won the award for Best Internet Service Provider again in 2005. 32,409 people completed a survey via www.msn.be evaluating over 500 brands in 38 product and service categories.

In the Internet Service Provider category, Telenet achieved the highest score of any Internet Service Provider in the country, with 45.9% of the votes.
We are delighted that Telenet has already moved into third place in Wallonia!

Internet

As far as Internet was concerned, the mission was: to maintain our market leadership and remain the reference-point for broadband. We more than fulfilled that mission, with 624,000 residential and small business subscribers by the end of 2005.

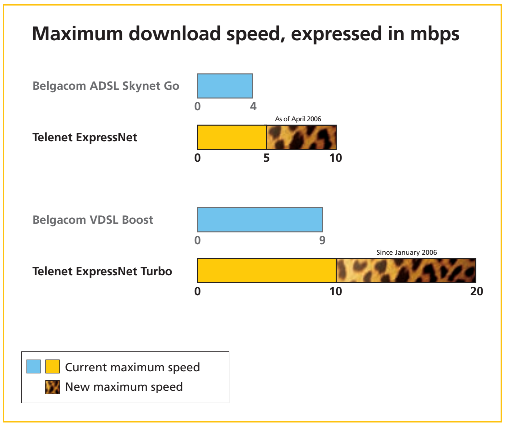
Our employees faced the challenge of achieving this with a new type of client: customers who are prepared to wait and see what happens with new technology. So it was decided to increase convenience for customers. Telenet guides people onto the web: by connecting them free, setting up their PC to surf the web, and giving them free training. In 2005, we gave over 6,000 hours of introductory courses for the Internet.

We also launched FreeSurf, an entry-level package for FreePhone subscribers. For 1 euro extra, they could use their fixed line for surfing. This is a convenient connection that is always-on, and with which you can surf at dial-up speed. At the end of 2005, we had 12,000 active FreeSurfers.

Besides convenience, security is also a running theme for our Internet department. Telenet offers the free Telenet Security Pack. This is a security package combining anti-virus and anti-spam with the possibility of using parental controls over unsuitable content.

Telenet has a user-friendly tool to help Internet customers manage their budget: the Telemeter. Using the Telemeter, customers can track how much volume they have already used. If they want, they can order additional volume. The Telemeter was developed in-house by Telenet and is a world first.

The 'Telemeter'

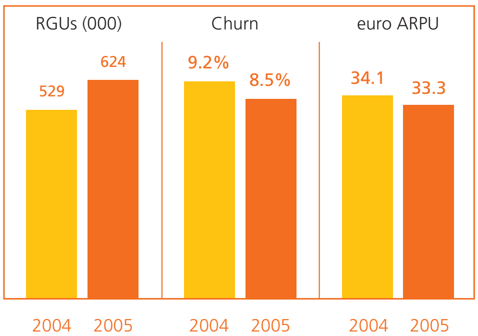


Telenet is and remains by far the fastest on the Internet in Belgium. During 2005, our network was optimised, which means that our Internet services can now run at double speed. In January 2006 we launched our first new service: ExpressNet Turbo for the home market went from 10 Mbps to 20 Mbps, by far the fastest product on the Belgian residential market. That's not just good news for teenagers and techno geeks. With the rise of digital photography, the speed of the connection is important for the general public.

Our portal site, breedband.telenet.be, was fully updated during 2005. Telenet customers will find more information, more lifestyle sections and more possibilities there, such as a forum for blogs (web diaries) and a platform where customers can manage their digital photos. The Telenet portal has a number of partnerships, including those with Google and eBay, which are proving popular with surfers. The readers of T-Zine, the digital newsletter of De Tijd, voted our site in the top three for "site of the year". What users appreciate most is the diversity of the site and the wide range of games and competitions. Many users have made our home page the page that they load when they open their browser.

With the take-over of Pixagogo, a former division of Hypertrust, in early 2006, the photo platform will offer even more services. Pixagogo specialises in solutions for online storage of digital photos. Visitors to the portal can securely and easily store and share digital photos with family and friends.

Internet Key Stats



> Our Internet services run at double speed. That is good news for digital photography. Our customers can share photos with their family and friends.

> With our telephony packages, customers can make unlimited phone calls, even on working days at peak hours.

Telephony

In telephony, we exceeded the target that we had set ourselves for 2005. We can look back on a record year with 27% growth. At the end of 2005, we had 364,000 residential and small business subscribers, or 78,000 more than in 2004.

The key factor in that success was the FreePhone tariff. At the end of 2004, we launched this tariff for carefree unlimited phone calls during off-peak hours and at weekends. We simplified the telephone tariffs for families using Telenet for their calls and freed them from complicated tariff plans. FreePhone convinced customers of the value of fixed telephony. Telenet set the pace in the market and the competition followed. In June 2005, we went a step further. With the FreePhone Anytime subscription, customers can make unlimited phone calls, even on working days at peak hours.

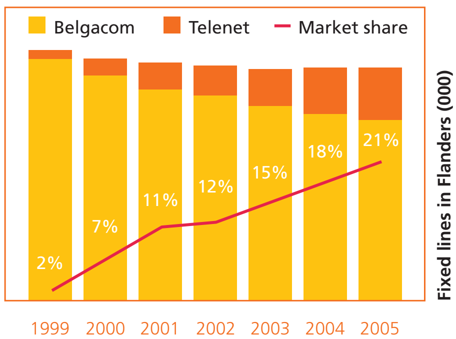
Telephony was not just a commercial success in 2005, customer satisfaction rose too. In the residential market we introduced telephony over Internet Protocol (Voice over IP – VoIP) as early as 2004. By the end of 2005, almost half of our residential customers were calling via IP.



We also implemented a new voice-mail system based on a platform from LogicaCMG. This new platform was intended to accommodate the growth in voice-mailboxes and enable new services to be offered such as unified messaging, which lets customers receive voicemail messages as sound files in e-mail.

In the future, the boundaries between fixed and mobile communication will become increasingly blurred. It is the convergence of services; the merging of all communication via one point or one device. Telenet wants to be the telecommunications partner of families. We back the concept of 'one telephone'. In future, intelligent telephones will choose for themselves how to route the call most efficiently and cheaply. Via cable, mobile phone or WiFi. Telenet is preparing for the future That is why we have entered into a cooperation agreement with mobile operator Mobistar and we are investing in wireless Internet.

Growing Market Share



> Soon, intelligent phones will even choose the best and cheapest channel for themselves: cable, mobile, WiFi, etc.

> The reordening of our channels - required to introduce digital television - was demanding on our teams and our customers!

Television

Cable TV

In 2005, we continued to look after our 1,600,000 cable television subscribers. Technical service provision performed strongly throughout the year. The mosaic screen and our comprehensive communication kept our customers informed about the imminent improvements and changes to our network.

With a view to the future of interactive digital television, Telenet had to rearrange the position of a number of television channels offered on our services in 2005. Telenet provided active support for its customers to re-tune their TV sets. We distributed a door-to-door leaflet in which we announced the changes. We explained what our television customers could expect. The Telenet Infotruck visited a large number Flemish towns and villages. We opened special infolines and set up a dedicated website. Technicians visited hospitals and care homes, to assist the staff with the switch.

The re-arrangement of the channels was necessary for the introduction of digital television for the 1.6 million cable subscribers. There was insufficient space on the cable for a high-quality digital service. So, as an innovative company, Telenet took the lead in the switch to digital.

To make new channels and interactive applications possible, 8 channels were transferred from the analogue to the digital offering. Transmitting a channel in analogue format takes up more bandwidth than a digital channel. It was difficult to choose which channels should be switched to the digital offering. We considered carefully

which channels had larger or smaller audiences, which channels Telenet was legally bound to broadcast and which foreign channels were being broadcast in which languages, as well as examining the ongoing contracts with broadcasters. We knew that whatever mix we chose, there would be some dissatisfied customers.

At Telenet's expense, we developed the Cabletuner, which benefits consumers who do not want to switch to Telenet Digital TV. With this decoder, the consumer can pay a deposit of 50 euro (25 euro for those on low incomes) to view the channels that have been moved.

FROM ANALOGUE TO DIGITAL IN LESS THAN ONE DAY.

2005 was the year when Telenet's television service went digital. 3 September 2005 was the crucial date. In one night, the whole Telenet network was switched over. That went smoothly and was a major achievement. This was made possible because Telenet started preparing the switch back in April. Preparation was meticulous, and the most thorough quality control preceded the change-over.

The switch is strong evidence of the innovative capacity of Telenet as a company, and its engineers and technical teams. Ronald Allary was there. He took care of the 27 header stations of the Telenet cable. A header station is a distribution cabinet. From there, all the fibre optics run to smaller distribution cabinets along the public highway. From those nodes, the cables run to the 1,600,000 homes and businesses.

Ronald Allary:

“The whole cable network was switched from analogue to digital in less than one day. On the night from 2 to 3 September, we started at 3 in the morning, and the network was converted by 1 in the afternoon! Due to our thorough preparation, we were able to control everything remotely. So we could switch everything over particularly fast. Afterwards, each member of the team, there were 10 of us, went to all 27 header stations to check everything out: the adjustment of the level of the digital channels, operation on the digital receiver, the streaming of the Video on Demand, and many other parameters. Everything worked straightaway, in less than a day, really fast, and really well!”

“Telenet has over 1,000,000 Internet and telephony customers and has sold over 100,000 Digiboxes.”

> Digital television means more quality and freedom: watch what you want, when you want.

Digibox

Digicorder

iDTV

3 September was D-day for interactive digital TV in Belgium. It has certainly proved a big hit. The technological feat of switching from analogue to digital was done smoothly in a single night. This proves once again our employees' ability to innovate.

Telenet Digital TV brings together Telenet's vision and mission: to support people and businesses by playing a leading role at the convergence of television, the Internet and telephony. iDTV gives people access to this new world. A lot of what interactive digital television can do was, until recently, only possible via the Internet. But not all households are connected to the Internet. Nevertheless, virtually all of them have television. Interactive digital television can close the digital gap. It is also extremely user-friendly.

Telenet Digital TV is accessible to everyone: for all viewers, for all broadcasters, organisations and government. Telenet has opted for the Multimedia Home Platform (MHP), because this is the only open standard to be promoted by TV stations. An open standard not only costs less, but it makes it possible for third parties to develop their own applications on the platform.

Digital television means freedom for viewers: they can watch what they want, when they want. It is not the TV set that determines how the evening will look. With Telenet Digital TV, our viewers do it for themselves.

In September 2005, the public was curious to get to know this new way of watching TV.

My television profile for next to nothing…

Telenet Digital TV is included in the existing subscription. The customer does not pay Telenet anything extra for it. But they need a Digibox or, if they want to record easily, a Digicorder.

With the exception of a number of new interactive options, all programmes are transmitted in digital quality.

By the beginning of 2006, over 100,000 customers had bought a Digibox. This unexpected success is firm evidence that our digital television product is being well-received in the consumer market.

We offered 80 channels at the end of 2005. Alongside a comprehensive range of channels in the basic package, there is also a wide choice of thematic channels (see pages 44-45). We have signed exclusive contracts with BBC1 and BBC2, with TMF and MTV and with regional stations. We have set ourselves apart from the competition with this strong, varied offering.

Choose sport, culture, news, films, music, lifestyle, etc…

Telenet offers variety and choice. Customers can create their own personal television profile. They can choose the package that suits them or the family best. They can choose from a comprehensive offering of thematic packages, with documentaries, news, channels with the best children's programmes and cartoons, lifestyle, entertainment and adult programming. Music lovers can listen to a wide range of radio stations in digital quality.

Never miss a programme again!

Telenet also added an à la carte component to iDTV in 2005. Using this innovative technology, viewers can retrieve programmes that they missed or have previously viewed.

The collaboration with VRT resulted in the very popular 'Net Gemist' (just missed) service. On payment, the Telenet Digital TV viewer can watch a programme up to seven days after broadcast.

Telenet also gives its customers total control over their budget. For this purpose, it developed a special system for budget management. Parents can set the viewing budget of their children. Telenet also provides facilities for protecting children: parents can allow or refuse their children access to a particular channel via a PIN code.

They can watch the 'à la carte' programmes under a subscription or on a pay-per-view basis. By the end of 2005, our total 'à la carte' offering including films, amounted to 1,400 hours.

Telenet Digital TV has a broad and varied offer. The ´à la carte´ TV and film offer, with almost 1,400 hours, is definitely competitive. And don't miss ´Net Gemist´.

BASIC OFFER

(Digital channels included in Telenet cable subscription)

REGIONAL CHANNEL

INFO CHANNEL

+ **12 Flemish radio channels:**
Radio 1, Radio 2, Donna, Studio Brussel, Klara, Klara Continuo, Donna Hitbits, Nieuws+, RVI, Sporza, Q-music and 4FM

+ **10 music channels:**
Total Hits, The Alternative, Dancefloor Fillers, Magnificent 70's, Just Chillout, Reggae Vibrations, Harder than Hell, Biggest Rock Anthems Ever, The Main Event and Jazz Classics.

PRIME FILM 1

PRIME SPORT 2

INFO & LIFESTYLE 3

- 45 digital TV channels
- 22 digital radio channels
- Digital picture & sound quality
- Handy digital TV guide (Electronic programme guide)
- News and commentary programmes on demand
- Interactive television

The greatest advantages of Telenet Digital TV:

1. **Don’t pay extra:**
   Telenet Digital TV is included in the Telenet cable subscription. So customers don´t have to pay a single euro more. All they need is a Digibox or a Digicorder.
2. **Handy:**
   Customers can watch what they want, when they want. (With ´Just Missed´ from the VRT, for example, customers can watch the News whenever it fits their schedule.)
3. **More and better:**
   45 TV channels and 22 digital radio and music channels. All Flanders’ favourite programmes in digital image and sound quality.
4. **Easy:**
   With the handy digital TV guide, customers know immediately what is on TV.
5. **Comfortable:**
   Rent films while sitting in a favourite armchair, with Film à la carte: the video library in your own home. Customers pay per selected film.
6. **Interactive:**
   Participate actively in your favourite quiz or music programme.
7. **Simple:**
   Telenet Digital TV works on customers’ existing TV set. All they need is a Digibox or a Digicorder.

EXTRA CHOICE

KIDS & MUSIC 4

SPORT 5

EROTICA 6

PASSION 7

X-PASSION

OR

GAY-PASSION

Be tv 8

FranceXtra 9

music choice 10

30 non-stop music channels

e.g.
Classical Orchestral,
Ultimate Urban,
World Carnival,
Killer 80’s,
Country Stars,
Schlager
and Turk Muzigi

CHANNELS A LA CARTE

REGIONAL CHANNEL

net gemist

FILM

MUSIC

KIDS

STUDIO 100

PASSION

> With Telenet Digital TV, you are in control: not only over the budget, but also over who in your family gets access.

Television by Telenet: also a video library ...

With the 'à la carte' offering, Telenet TV customers can select from a wide range of films, and watch them immediately from the comfort of their armchair. A film remains available to the viewer for 24 hours. They can pause the film, continue watching later, or watch it all over again. Customers can order many box office hits at home, often only a short time after release.

... there is also an infoline, a phone directory, a train guide and a job guide.

In 2005, Telenet started the first initiatives based on the 'walled garden' principle. A walled garden gives the Telenet Digital TV viewer access to a website specially adapted for television. In this way, Telenet Digital TV is contributing to bridging the digital divide. It is aimed mainly at people who do not have access to the Internet. Now they can search the Yellow Pages, check departure and arrival hours of trains, consult the Flemish Infoline and Vacature magazine's site to find a job, all using their TV set.

We have bridged the digital divide further. In the future, customers will receive free e-mail addresses, and will be able to send and receive e-mail, via their TV.

Telenet offers the government its iDTV platform for increasingly accessible information for citizens. A local authority or government can use the platform to bring government information easily into people's living room via e-government applications.

What's on TV today?

Telenet television includes the Electronic Programme Guide, the EPG. This helps viewers to know what can be watched on TV at any given time.

The remote control was thoroughly tested on younger and older user groups.

It offers viewers a complete summary of all the programmes on all TV stations for the next two weeks. Using the EPG, viewers can plan their evening by setting reminders. The viewer is reminded a few minutes in advance that the chosen programme is about to start. Recording with the Digicorder also makes use of the EPG. The viewer selects the programme they wish to record from the EPG, and then press the 'record' button. Problems with programming video recordings are definitely a thing of the past.

Say it with your television.

In the first month after the launch of iDTV, digital Telenet viewers could participate in interactive programmes and express their opinion. They could also vote with Eurosong for Kids, The Block, Huizenjacht, X-factor, Expeditie Robinson, Eurosong, SAM and De Grootste Belg.

Nothing can disturb us...

With Telenet Digital TV, it is possible to pause a programme being viewed for a few moments or longer. For example if someone phones or the doorbell rings. The press of a button will hold the programme until the viewer is ready to continue.

Awards

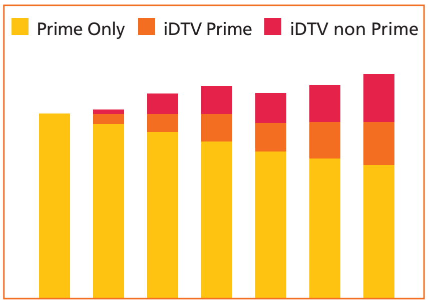
In April 2005, a high-tech application for Telenet Digital TV won an international award for an E-government application. It was developed by Zappware for the Flemish government, and transmitted on Telenet's digital interactive platform. Using this application, people can consult government information and public services without needing a PC or an Internet connection.

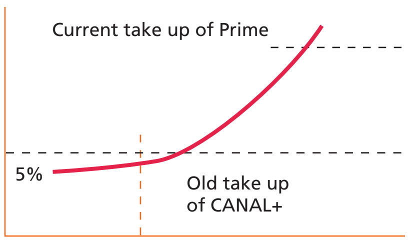
The manual that Telenet Digital TV supplies with the Digibox won an award last year for the best European manual. This was awarded by the Society for Technical Communication. Twenty-three international jury members from eight countries judged tens of samples of user documentation submitted from all over Europe. The quick-start guide, the Telenet Digital TV manual and the leaflets for the keyboard and remote control also received an award: 'Excellence' and 'Best of Show'. Telenet developed the entire documentation package with The Human Interface Group, the largest consultancy in its field in Belgium.

PRIME

> Prime offers more TV channels for a lower price.

Growth in Premium customer base





Sports, film and entertainment

Telenet relaunched its premium pay TV (formerly CANAL+) as ´Prime´. Prime offers more TV channels for a lower price. The brand also benefited from a striking brand image.

Prime includes 6 film channels, each with their own personality. For example, Prime One offers top films, children's films and exclusive series for young and old. Prime Action provides for thrills, action, horror and fantasy, 24 hours a day. Prime Fezztival brings unique film masterpieces every day and Prime Movies delivers top films all day long.

We have acquired the rights to the following championships: Premier League, Bundesliga, Primera Division, Ligue 1, Portugese SuperLiga, Scottish Premier League, Brazilian championship, Champions League, Holland Casino Eredivisie, giving us a compelling sports line-up that offsets the loss of the Belgian soccer.

Telenet was able to launch two new sports channels: Prime Sport and the broader Prime Sport 2. Along with an extensive soccer offer on Prime, viewers can also see games from the NBA and the Superbowl. The sports offer is further supplemented by ESPN Classic (great moments in sports history); Motors TV (for those who love cars, motorcycles and boats); Extreme Sport (adventurous sports and lifestyle) and NASN (American sports).

© Films de l'Elyse

© Fox

© VMMA

PCTV

PCTV is the first user-friendly e-library on the Internet for the general public. Telenet customers can choose from a wide range of feature films in DVD quality on their PC. PCTV has since grown into a fully-fledged television and radio platform with tens of music and thematic channels.

Since September, customers of Telenet broadband have also been able to watch programmes from Studio 100, i-concerts, Prime and VT4 on their PC. The PCTV initiative fits in with our vision that customers should decide what they want to watch, where, and when. The project won the prestigious 'Inside Internet Best Business Award'. On 16 January 2006, version 2.0 was rolled-out, in which extra functionality was made available to users.

© VT4

© Universal

> "PCTV is a television and radio platform on the computer with tens of music and thematic channels. It has won the Inside Internet Best Business Award."

Telenet opens your world

Alain Boone (45) lives with wife Els and son Jonas (15) in Erembodegem. His kinesitherapy/osteopathy practice is based in Denderleeuw. Both addresses have Telenet phone and Internet connections and Telenet Digital TV is planned.

Boone: "I use Internet mainly for e-mail and research. Els is an agency nurse, and she uses mail to communicate with colleagues. Our son is using the web more and more for school.

We are a busy family and Telenet gives us the advantage of surfing and phoning at the same time, as well as finding and downloading information fast. With digital television, I soon won't have to miss any programmes or films any more when I get home late from work. It is true that Telenet opens up your world."

In the **Van Laer** household in Duffel, a lot of chatting, mailing, surfing and phoning goes on. Dad Staf (49) decided to connect to the Internet with Telenet back in 2001.

"I have four daughters, aged from 13 to 24. When the eldest started university, an Internet connection became essential. She had to download and print some courses from the web. I am a Latin and Greek teacher, and I find a lot of information about ancient cultures and Antiquity on the web.

My third daughter is sight-impaired, and she can communicate with family and friends via chat and mail. It has certainly opened up her world. And our youngest is a keen chatter.

Since last year, we have also been FreePhone subscribers. That is hardly a luxury when you have four daughters!"

David Gybels lives with wife Inge, daughter Britt (16) and son Jonathan (10) in Kontich.

"We take everything from Telenet", says David. "Both in Kontich and at the seaside: telephone, Internet and Telenet Digital TV. We are heavy Internet users: our son is a gamer, Britt uses Internet for school, to chat and mail. My wife and I use e-mail. We have had very good experiences with the Telenet contact center; the people there do their very best to help you.

We signed up for Telenet Digital TV straightaway too. We are selective TV viewers and we can watch the programmes that we select whenever we want."

Sylvain Devriendt (73) and his wife Yvette from Wilrijk have been interactive TV viewers since the very beginning.

"The quality of the picture is much better and less tiring on the eyes. At our age, that is important. Now we can watch our favourite programmes and fit them around our busy social life. I get up very early, and then watch programmes via 'Just Missed'.

We have also discovered new programmes. I like the scientific programmes on Discovery Science and the European sporting competitions. My wife likes watching lifestyle programmes."

> Telenet Solutions is technology-neutral and chooses the best solution for customers in Belgium and Luxembourg.

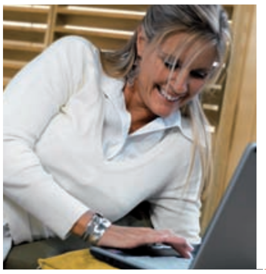
TELENET SOLUTIONS

Companies and organisations have specific communications requirements. Telenet Solutions has expertise in voice, data and Internet solutions. Due to its dense network of partners, Telenet Solutions can offer a comprehensive service: from telephone exchanges to local area networks and systems integration.

Telenet Solutions positions itself as an alternative provider in Belgium and Luxembourg. The division provides its communications services to large companies, SMEs and government administrations. The entity operates from the Telenet Solutions site in Brussels (Diegem).

Telenet Solutions sets itself apart in the marketplace through its quality, customer focus and open collaboration with customers. The Telenet Solutions helpdesk is manned every day, around the clock, and the staff speak the customer's language. The division focuses on the future and on long-term solutions, such as the innovative WiFi technology.

Telenet Solutions is technology-neutral and chooses the best solution for the customer. That may be fibre optic, coax, DSL or wireless, or a combination of these. Thanks to that neutrality, Telenet Solutions can provide its services in Belgium and Luxembourg.



Office Line is for businesses and Government authorities. Connect Line is for schools, hospitals and libraries. These Internet services are among the best in Europe for business networks in SMEs and local government institutions. They have a maximum downstream speed of up to 10 Megabits per second and a maximum upstream speed of up to 512 kilobits per second. Since then, the download speed doubled at the end of January 2006 to 20 Megabits.

Telenet Solutions also launched DVOB (Digital Voice over Broadband). DVOB is already planned for integration into Internet telephony. Customers are connected directly with the Telenet digital network via a DSL connection. Via this DSL connection, the existing (ISDN) exchange is connected directly to Telenet's telephony infrastructure. The ISDN traffic between the exchange and the Telenet Telephony network, is transported using PVCs (Private Virtual Circuits). We manage the whole connection at all times from our Network Operations Centre.

We harmonised our access network, which means that we can offer our services to any business in Belgium and Luxembourg.

Since the second quarter of 2005, we have experienced consistent growth in the corporate segment, despite the severe price pressure. Telenet Solutions has positioned itself as a formidable competitor, with an offering that includes important coaxial, DSL and fibre optic products for voice, data and Internet services. Turnover for 2005 was 69 million euro. That is 3 per cent up on last year.

> "Office Line is for companies, SMEs and government. Connect Line is for schools, hospitals and libraries."

Large companies and organisations

Steven Decanniere
Pioneer

The European headquarters of electronics giant **Pioneer** in Melsele works with Telenet to ensure its business-critical connections.

Steven Decanniere, Central IT Operations Manager: "In 2003, Pioneer centralised its European IT in Melsele. That made a business continuity plan essential. All our business data is duplicated and now runs synchronously between Melsele and a housing centre in Brussels. For that purpose, we have a reliable Telenet high speed connection between Melsele and Brussels.
We also use a Telenet connection to remain constantly accessible to our large customers. They can order spare parts via the web and request instruction booklets. Telenet provides us with more bandwidth at a lower price. In addition, the service level is very high.
Pioneer must be able to rely on its connections 100%: our business depends on it. That is why we opted for the quality, availability and speed of Telenet."

Piet De Porre
Vlaamse Maatschappij voor Watervoorziening

In the public sector, the **Flemish Water Utility Company** (VMW) was acquired as a new customer. It is the largest integrated water utility in Flanders.

"We are a decentralised organisation, and in total we have around thirty sites", says ir. Piet De Porre, Head of IT at the VMW. "In order to serve our customers efficiently, we need a good connection between our servers in Brussels and the local service centres. We opted for a virtual network connection from Telenet Solutions because Telenet Solutions offered us the best guarantees of quick response times. In addition, we now have a single provider for all our main connections. Telenet Solutions also pleasantly surprised us by proposing a dual, separate fibre optic connection for our head office. Our continuity is now guaranteed. In addition, we migrated our IP VPN seamlessly within a month."

Pioneer

Vlaamse Maatschappij voor Watervoorziening

Bart Saerens
Mercuri Urval

Specialist recruitment, selection and coaching firm **Mercuri Urval**, has entrusted the umbilical cord connecting it with its head office to Telenet Solutions.

The 50 experts in recruitment, selection and coaching at Mercuri Urval work from 6 offices in Belgium and, increasingly, from home.

IT Manager Bart Saerens: "A company like Mercuri Urval lives by communication. We make appointments with job applicants and manage their data, and we have discussions with customers. We cannot afford a crash. In Telenet Solutions, we finally found a partner who understands that, and provides the quality that we need. Telenet Solutions provides the Internet connection with head office in Sweden. That is the umbilical cord that connects us to all our mission-critical applications. Within Belgium, we work with a Telenet Solutions VPN, and our people can also work at home. For telephony, we work with Telenet Solutions too. At Telenet Solutions, you don't have to be a huge company for them to listen to you."

Luuk Lodewijks
Hamburg-Mannheimer

Insurance company **Hamburg-Mannheimer** saves on its phone bill.

Insurance company Hamburg-Mannheimer has almost 4,000 agents in Belgium. A number of them operate from 25 branch offices, spread throughout the country.

Says Manager Luuk Lodewijks: "We demand a lot from our telecom partner. Telephony and data traffic are crucial for us. Our sales staff at the branches call constantly, and increasingly to mobiles. They have to consult each other and report. Our phone bill is pretty high. By switching our branches to VoIP from Telenet, we saved between 10 and 20% of those call charges. And we did not have to make any expensive investments to achieve that. We have a backup line too, and a clear service level agreement. We realize that Telenet is working towards the future, just like us."

Jürgen Heyman
Econocom

Partner in outsourcing
Telenet Solutions has broadened its collaboration with complementary partners. Since June, we have been working with **Econocom** for a combined offering in ICT outsourcing.

IT service provider Econocom operates the installed base of IT and communications equipment for companies. In June, Econocom Belgium and Telenet Solutions signed a cooperation agreement. Jürgen Heyman, Regional Director: "We want the same thing: one solution for the customer that outsources the operation of its IT and communications equipment. Our customers have one telephone number that they can call for everything concerning their ICT. The services of Telenet Solutions in communications for businesses complement our own IT services particularly well. We can also see the result of our collaboration: Belgian companies have reacted positively to the combined offering."

Mercuri Urval

Hamburg-Mannheimer Consulting
Een onderneming van de ERGO verzekeringsgroep

econocom
MASTERING IT RESOURCES

Small businesses and the self-employed

2005 was the year when Telenet Solutions' distribution strategy for SMEs was expanded. Besides direct sales to larger companies and organisations, Telenet Solutions is now working for smaller firms and organisations, together with professional partners. In 2005 a large number of partnership agreements were signed.

We opted for partners with a strong position in markets where Telenet Solutions is less familiar as a brand. Our partner Comstor, for example, has a strong position with dealers in Brussels and Wallonia.

The Digital Voice over Broadband (DVoB) offering for SMEs is sold mainly via that distribution channel. DVoB is an economical ISDN telephony-solution for SMEs and for geographically disparate sites of large companies, using DSL technology.

We shall be expanding the offering for SMEs further in 2006. Customers of our Office Line and Connect Line Internet services have enjoyed a doubling of speed since January 2006, benefiting from investments in the Telenet network in 2005.

At the beginning of 2006, we launched the Xpert line, an ultrafast secure ADSL or SDSL Internet connection with unlimited number of users and data volume. This is a first DSL product where we have been opening up and serving the market in a technology-neutral way, in Flanders, Wallonia, Brussels and Luxembourg.

We will continue to develop niche markets including WiFi which, we believe, will be important components for future fixed-to-mobile convergence products and services. WiFi will play an important role in our recent partnership with Mobistar. The contract with Mobistar for an MVNO partnership (Mobile Virtual Network Operator) opens up new opportunities for the service offering of Telenet Solutions in the business market. Solutions for mobile workers, from office to home and on the road, will offer growth prospects to businesses.

"DVob, WiFi, Office Line, Connect Line, Xpert Line: tailor-made solutions for companies and SMEs"

Thuur Tonnaer
Comstor

Comstor distributes solutions for convergence, security and mobility. Comstor customers are resellers of telecom services for businesses.

Thuur Tonnaer, Managing Director Comstor comments: "We distribute Cisco technology, together with DSL solutions throughout Belgium. XpertLine from Telenet Solutions is made available to firms whose router we manage. Telenet is a partner with a vision of the future that is introducing new services: from IP telephony to convergence. They are the type of partner that suits Comstor's strategy."

Alex Van Overloop
Hostbasket

Hostbasket is the largest independent hosting specialist in Belgium with over 15,000 sites and 500 dedicated servers and has over 30,000 domain names registered.

"We are working very closely with Telenet Solutions", says Managing Director Alex Van Overloop. "Telenet sells our hosting service and we sell Telenet lines to businesses. We ourselves are customers of Telenet Solutions. For our hosting activities in Lochristi, we use a gigabit line from Telenet Solutions. Telenet Solutions carries out the upgrade when we need more capacity for our hosting. Our collaboration offers substantial prospects for the future. Together with Telenet Solutions and Mobistar, we can now offer an excellent package for mobile sharing of mail and schedules. This is ideal for anyone who spends a lot of time on the road. Telenet Solutions opens doors for us in Wallonia too."

comstor
networking together®

HOSTBASKET.COM

> Antwerp and Ghent, and their public welfare centres, have opted for Telenet Solutions.

In the market for large customers and organisations, we intend, in 2006, to become the specialist supplier to the financial services and insurance sector and for distribution.

In the health care sector, collaboration with Agfa Digital Imaging offers new opportunities. To transmit medical images within a hospital, a very high capacity, reliable connection is necessary. Telenet Solutions offers both the reliable network and the high quality for transport that is necessary for medical images. Together with Agfa Digital Imaging, we aim to tap this market potential. An additional market with a large requirement for image quality and capacity is driven by the needs of media companies.

Nimava België is a distributor and dealer in telecommunications hardware by Samsung, Ericsson and Philips, with its headquarters nearby in Leuven.

Sales Manager Pascal Cabbeke handles relations with the network of dealers: "We aim to support our dealers and give them the tools to be competitive. We don't just do that with hardware, but also with services, so that they can offer a total package. We ensure that our dealers can deliver connectivity to their end-customers with Telenet quality, and we take care of all the contracts for them."

Nimava België BVBA

At the beginning of 2006, Telenet Solutions signed a number of large local government contracts. The cities of Antwerp and Ghent and their social welfare centre services chose Telenet Solutions for their fibre optic infrastructure, landlines and data connections. In the context of the Telenet initiative 'Flanders Interactive Local', in which new Telenet Digital TV applications are being tested jointly with local authorities (provinces, cities, local authorities, social welfare centres, etc.), work is now ongoing with the local authority in Kortrijk on a number of pilot projects.

The growing demand for Internet telephony (VoIP) is increasingly apparent. Telenet Solutions is already using the hardware for this today and this will ensure that in 2006, business customers can migrate to VoIP. Telenet Solutions is currently studying value-added services that it wants to offer on VoIP.

TELENET WIRELESS DATA

The use of wireless Internet at Telenet hotspots tripled in 2005. Telenet decided in the last year to invest in future-oriented technology for wireless, and during the fourth quarter, it started to install the new technology in the network. Telenet's vision: 'follow the customer beyond the cable' has consequences. We want to build a hotspot network where Telenet subscribers can surf wirelessly while they are travelling around, just as transparently as they can at home.

A number of 'roaming' contracts were signed and implemented with international partners such as iPass and T-systems. These contracts will give international customers of these operators access to our network. The decision by these famous companies to work with Telenet is another confirmation of the quality we provide.

Telenet opted for Cisco's AireSpace as the underlying, future-oriented technology, and thus immediately has a platform that will prove its worth in the longer term. However, we are still working on continuous improvements to wireless network quality. Telenet manages its hotspots in the same way as the fixed network is managed: with continuous quality monitoring by the network control centre.

"We follow the customer, even beyond cable."

Telenet Wireless Data

> At 'Auto 5' customers can surf the Internet wirelessly while their car is being fitted with new tyres.

Starting 2005 as a challenger, by year-end, we had clearly become the market leader. By the early months of 2006, we had entered into contracts for over 1,000 hotspots.

In 2005, we also broadened the partnerships that began in 2004. 120 Q8 service stations and the 38 largest Belgian Railways stations were equipped with wireless Internet. Through our collaboration with Q8 and Carestel, in 2005 we were able to activate a number of hotspots in the Grand Duchy of Luxembourg. In Wallonia too, we made several of breakthroughs. Wireless Internet was introduced into the Law Courts building in Liège. We took over some fifty locations in the south of the country from French company All Telecom, ranging from hotels to campsites.

In 2005, we signed new contracts with Palm Breweries, which gave us some fifty hotspots in seminar infrastructures and brasseries. Auto 5 customers can surf wirelessly while their car is being fitted with a new set of tyres. The conference hall at Fortis in Brussels went wireless, as did a number of large Chambers of Commerce in Flanders.

At the end of November, Telenet opened three wireless Internet cafes at Zaventem airport in Brussels. A contract had been signed previously with Deurne airport in Antwerp.

In collaboration with Telenet Solutions, 50 schools went 'wireless" on the Internet. We believe this is an investment in the future.

Telenet also signed international contracts with large players like iPass (USA) and T-systems (Germany), WeRoam (Switzerland) and more recently Boingo (USA). Their subscribers can surf transparently and securely at Telenet hotspots at no extra cost.

The i-City project, in which Hasselt and Leuven will become major hotspot zones, is under way. Most of the work is on the building of the network and system components. The public launch happened in March 2006.

In the current year, we will also encourage WiFi usage. Our aim is to triple it. The contract with Mobistar, where Mobistar customers can make use of Telenet hotspots has a lot of potential.

Q8's network comprises over 500 service stations in Belgium and Luxembourg. This gives them one of the largest networks of service stations in the country.

Marleen Denoo, Retail Marketing Manager of Kuwait Petroleum Belgium: "We are always on the lookout for new services to offer our customers. Q8 and Telenet want the same thing - to respond as fast as possible to what our customers want - now and in the future. So at present, around 120 Belgian Q8 stations are equipped with hotspots. The added value for our customers is clear: apart from filling up, they can shop at the station, get a coffee and a sandwich, and since 2005, they have also been able to look at their e-mail, retrieve information from the Internet and stay in contact. For 2006, we are expanding our hotspot network in Belgium even further, and adding some stations in Luxembourg."

For 2006, a number of technical research projects are planned. These include mobile applications (WiMAX: Worldwide Interoperability for Microwave Access); mobile TV (DVB-H: Digital Video Broadcasting – Handheld) and the convergence of fixed to mobile.

"There are Telenet hotspots at Zaventem and Deurne airports, in 120 Q8 service stations, in schools, at Carestel, in Palm Breweries cafés, etc."

Corporate social responsibility

Accessibility for all

Telenet offers innovative and accessible services for communication, information and recreation. Telenet also fulfils a social role: we contribute to the development of people and businesses. Therefore, we actively support the following values: mobility, sustainability, partnership and security.

Our company sets up projects that will improve the mobility of employees, employers and consumers. Telenet has an environmental responsibility too: we try to implement recycling wherever possible. We have also set up projects to allow powerful PCs to be re-used by groups in society who can benefit at varying levels. Telenet also supplies PCs to a number of schools. In 2005, Telenet sponsored Koen Wauters' team's participation in the Dakar rally. On that occasion, we worked with Plan International and Close the Gap, who specialise in the recycling of PCs for third world countries, and we donated 75 PCs to a project in Senegal.

Security is a key area for the Telenet Internet, and for Telenet Digital TV. Our Internet customers like using the anti-spam and anti-virus services that Telenet provides to them free-of-charge. For Telenet Digital TV, Telenet introduced controls and security measures for families and children. That applies both to spending limits and the content itself. Parents can tie the budget that children can use for the iDTV applications (video-on-demand, games, interactivity) to a PIN number that freezes the budget.

Within a family, parents can render some programmes or applications unusable and inaccessible to children by means of a PIN number.

Groups for whom the digital divide is an obstacle to using the worldwide web are given practical help by Telenet. The company gave over 6,000 hours of introductory courses to the young and old in 2005, where societal need was perceived. We gave our active support to the KBC project that introduces senior citizens to home banking. We are collaborating on government initiatives to

As an innovative company, Telenet is convinced that education must offer opportunities to everyone, to each teacher and to every student, to make innovation a reality. That is the reason why Telenet actively supports the distribution of information technology in educational institutions. The project has been named AAL: Anytime Anywhere Learning. For more information surf to www.AAL.be.

But there is more: Telenet also supports active computer use at school and at home. All teachers from nursery, primary and secondary schools (not only those responsible for IT), can consult a website that contains more information about the use of computers at school and at home. For more information surf to www.CST.be.

"We actively support the values of mobility, sustainability, partnership and safety."

> Our Tsunami 1212 campaign and another in support of victims of the Pakistan earthquake, touched the hearts of every Telenetter.

reduce barriers to PC and Internet usage. Promotion campaigns such as: 'Internet for all' will launch shortly, while 'Safer chat' for children and the Government campaign against 'Peeceephobia' all receive support from Telenet.

Our sponsoring contribution is based on five key social areas: corporate social responsibility, sports sponsorship, culture, youth entertainment and business. Within these elements of society, Telenet selects a number of projects that support our values. Those values are trust, family, helpfulness and quality of life.

Telenet works with 'Simon & Odil': a safe Internet area for sick children and their parents.

We support 'Link in de Kabel', a project for young people who have dropped out socially and economically, and donate free telecommunications services to children via 'Make a wish'. We go further than this, with support for the 'Expose' theatre project for school children. Expose wants to move beyond role stereotypes for women and men in business life.

We, and our employees, participate in large campaigns in support of the less-fortunate. We made our call centre available to the Tsunami 1212 initiative, and our employees and the company participated actively in the campaign by Studio Brussel for the victims of the earthquake in Pakistan.

The worlds of television, information and communications technology are converging. Business is always on the lookout for employees with the technologies of these three worlds at their fingertips. With the support of Telenet and other businesses, the Karel de Grote Hogeschool in Antwerp received approval for setting up a new bachelor's course in 'Multimedia and Communications Technology'.

Telenet Fund

Telenet recently set up a Fund to provide structural support to social projects contributing to bridging the digital communications and information divide, both at local and international level.
Special attention is paid to families with children and projects where technology can improve the life of sick, disabled or disadvantaged children or their family.

An independent Board of Directors manages the fund. It is open to private donations. The public and our customers can be involved in the selection of projects.

Projects include provision of Internet for children with chronic illnesses, a local digital community in a socially-disadvantaged area, telephone support lines for counselling on domestic violence and videotelephony to make home nursing possible.

Tessa Vermeiren, director Weekend Knack and Nest at Roularta Media Group, has accepted the post of Chairwoman of the Fund's Board of Directors.

Financial Report

Numbers that count

Consolidated Annual Report of the Board of Directors for 2005 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, 2005, in accordance with Article 119 of the Belgian Companies Code.

In this report the Board of Directors also reports on all relevant corporate governance events that took place during the year 2005 concerning the share capital, the shareholders, the Board of Directors and the management of the company Telenet Group Holding NV in accordance with the Belgian Corporate Governance Code ("Lippens Code").

1. DISCUSSION OF THE CONSOLIDATED ACCOUNTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the years ended December 31 € million (EU GAAP)	2004	2005	% chg
REVENUES	681,125	737,492	8.3%
COSTS AND EXPENSES			
Costs of services provided	(430,652)	(458,981)	6.5%
GROSS PROFIT	**250,473**	**278,511**	**11.2%**
Selling, general and administrative costs	(145,820)	(146,936)	0.8%
OPERATING INCOME	**104,653**	**131,574**	**25.7%**
Finance costs, net	(161,840)	(193,189)	19.4%
NET LOSS BEFORE INCOME TAXES	(57,187)	(61,614)	7.7%
INCOME TAX EXPENSE	(4,521)	(15,053)	333%
NET LOSS	**(61,707)**	**(76,667)**	**24.2%**
BASIC AND DILUTED NET LOSS PER SHARE:			
Weighted-average shares outstanding	86,527,257	89,503,387	3.4%
Net loss per share	(0.71)	(0.86)	21.1%

We increased our revenues in 2005 by €56.4 million, an 8% rise to €737.5 million compared with 2004, benefiting from significant growth in Internet and telephony revenues. An environment of decreasing ARPU's was more than offset by subscriber growth. Our total costs rose 5% compared to 2004, reflecting our improved operating leverage, as well as the absence of integration costs in 2004.

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization, including amortization of broadcasting rights), increased by 9%, from €309.0 million in 2004 to €337.9 million in 2005. We recorded an EBITDA margin of 46% in 2005, compared to 45% in 2004. Our operating profit grew rapidly by 26% compared to 2004 to €131.6 million in 2005, thanks to steady depreciation and amortization in our business, amid continued top line growth and further increasing margins.

For the full year 2005, net loss was €76.7 million, compared to €61.7 million for 2004, including the impact of one-time costs related to debt redemptions. Excluding these debt extinguishment costs of €39.5 million, our net loss was €37.2 million in 2005.

REVENUES BY SERVICE

For the years ended December 31 Revenues (€ million)	2004	2005	% change
Basic cable television	197.4	198.6	1%
Premium cable television	58.8	51.8	(12%)
Distributors / other	8.8	17.2	95%
Residential broadband Internet	192.3	231.1	20%
Residential telephony	157.2	170.3	8%
Business services	66.7	68.5	3%
Total Revenues	**681.1**	**737.5**	**8%**

Our revenues in 2005 remained well balanced, with analog cable television, residential broadband Internet and residential telephony all representing significant shares of our total revenues. Our premium cable television revenues decreased in 2005 compared to 2004 as we re-positioned our premium cable services to broaden their appeal. We earn revenues from our cable television subscribers from a combination of subscriber revenues, which represent a significant proportion of total cable television revenues, and from usage fees related to our premium cable television services. Subscriptions for our basic cable service are paid annually in advance, while those relating to the premium services are paid on a monthly basis. Set top box revenues, which are non-recurring and which result from sales of iDTV set top boxes either directly to new iDTV customers or to retailers, are reported within "Distributors / other". The remaining portion of "Distributors / other" relates to carriage fees which we earn for carrying television signals on our network. Finally, we include copyright revenues as part of our basic cable television revenues. These contribute towards payments which we are required to make to the agencies and broadcasters that collect copyright payments on behalf of artists and other rights holders.

Our broadband Internet services generated the fastest growth in revenues, thanks to the steady ARPU's of this service and strong subscriber growth. Our revenues for this service are predominantly in the form of subscription revenues for the different tiers of service that we offer, from ComfortNet, our entry level broadband Internet service, to ExpressNet Turbo, which is our highest specification broadband Internet offering.

Our telephony services generated the fastest annual rate of growth in revenues in 2005, benefiting from the momentum generated by the recently introduced FreePhone and FreePhone Anytime tariffs. Telephony revenues are a mixture of fixed monthly subscription revenues and variable usage revenues. Our telephony revenues also include interconnection revenues earned by both our residential and business telephony offerings, which vary according to the volume and duration of calls made to telephony subscribers on our network.

A small portion of the revenues for our telephony and Internet services are derived from installation services, which generate non-recurring revenues, and from value added services, which generate recurring revenues. To the extent that subscribers benefit from discounts that may be offered as introductory promotions, only the net revenues received are recorded.

Business services revenues comprise the sale of voice, data and Internet services to corporate, carrier and small and medium-sized enterprises (SMEs). Our business services are offered using a range of technologies, including fibre, DSL, coaxial cable and wireless access methods. Services provided through coaxial and wireless access technologies are usually charged according to fixed tariff schedules, whereas services charged to larger customers incorporate a greater degree of negotiated terms and pricing.

Costs and Expenses

Total costs and expenses increased by 5% from 2004 to 2005, compared to our 8% increase in revenues, a reflection of the leverage of our fixed cost base. Our costs of services provided increased by 7%, a result of the tightening gross margins we have experienced through the increase in content costs for our iDTV service and the reductions in ARPU on our Internet and telephony services. However, our selling, general and administrative (SG&A) expenses benefited both from the absence of integration costs incurred in 2004 following the acquisitions of PayTVCo and of Telenet Solutions, and increased efficiency in our operations. For 2005 our SG&A expenses included the costs associated with the launch of iDTV. Although the initial phase of the launch is completed, we anticipate that our plans to deliver rapid growth in iDTV during 2006 will maintain pressure on our efforts to manage SG&A expenses in the coming year.

TOTAL COSTS AND EXPENSES

For the years ended December 31 (€ million)	2004	2005	% change
Costs of services provided	430.7	459.0	7%
Selling, general and administrative	145.8	146.9	1%
Total costs and expenses	**576.5**	**605.9**	**5%**

Included in our costs of services provided are copyright fees we pay to public broadcasters, content fees paid for premium programming, interconnect charges incurred as a result of calls made by our telephony customers terminating on the networks of other telephony providers, the peering and connectivity costs associated with the operation of an Internet service and a range of customer care and network operating costs. The majority of these costs vary according to the level of usage activity or the number of subscribers. However, certain items, in particular charges for our premium content, are subject to a minimum fixed charge irrespective of the actual usage involved.

Selling, general and administrative costs represent the balance of our costs and expenses and include our sales and marketing costs and the fixed overhead costs of running our business. In the short term, our overhead costs are relatively fixed, while our sales and marketing costs vary according to the extent we decide to initiate marketing campaigns and to the extent to which these campaigns generate sales activity which in turn generates sales commission charges and call centre costs associated with the sales process.

Following the adoption of EU GAAP, we also present expenses by nature, the details and discussion of which are presented as follows:

EXPENSES BY NATURE

For the years ended December 31, (€ million)	2004	2005	% change
Employee benefits	107.5	110.3	3%
Depreciation	159.3	159.1	-
Amortization	35.6	39.1	10%
Amortization of broadcasting rights	9.4	8.1	(13%)
Network operating and service costs	178.9	208.4	16%
Advertising, sales and marketing	44.2	49.4	12%
Other costs	41.5	31.6	(24%)
Total costs and expenses	**576.5**	**605.9**	**5%**

Our depreciation costs relate to 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".

A significant factor affecting the evolution of our employee costs in 2005 was the addition of employees to manage the growing iDTV business. Factors affecting the increase in network operating and service costs included the addition of set top box costs used for our iDTV rollout, increased payments of copyright fees compared to 2004, inventory write downs, higher call centre costs reflecting the record level of sales activity in 2005 and increases in building facilities, consultants and temporary staff costs. The increase in marketing costs is related to our record sales results and the iDTV launch. The item "Other costs" includes non-payroll overhead costs, other buildings costs and internal IT costs.

Earnings Before Interest Tax, Depreciation and Amortization (EBITDA)

Our EBITDA increased by 9%, from €309.0 million in 2004 to €337.9 million in 2005.

Operating Profit (EBIT)

Our operating profit increased by 26%, from €104.7 million in 2004 to €131.6 million in 2005. This result reflects the benefit of our 8% revenue growth and lower increase in costs, particularly depreciation and amortization, which increased by 1% between 2004 and 2005.

Net Financial Costs

Our net financial costs increased by 19%, from €161.8 million in 2004 to €193.2 million in 2005. However, our 2005 financial costs include €39.2 million in costs related to the repayment and cancellation of one of the tranches of our Senior Credit Facility, and the exercises of the clawback redemptions on our Senior Discount Notes and Senior Notes.

Net Loss

Including the impact of costs we incurred in prepaying our Senior Credit Facility and redeeming certain of our bonds, our net income decreased in 2005 to €76.7 million, compared to €61.7 million in 2004. However, excluding these one-time costs, our net loss improved by 40%, to €37.2 million. Based on the average shares outstanding for the relevant periods, our basic net loss per share, before and after dilution, was €0.86 for 2005, compared to €0.71 for 2004.

Cash flow

Total cash from operations decreased by 9%, from €234.3 million in 2004 to €212.6 million in 2005. Excluding the impact of the interest component related to the Senior Discount Note redemptions, total cash from operations would have been €235.3 million in 2005. Capital expenditure for the year increased from €152.7 million for 2004 to €184.0 million in 2005, primarily driven by subscriber growth. The company closed 2005 with a positive cash balance of €210.4 million, including €136.1 million of proceeds from our IPO which we subsequently applied to the redemption of €124.8 million of principal of the Telenet Communications Senior Notes.

For the years ended December 31 (€ million) – EU GAAP	2004	2005	% change
Cash flows from operations	234.3	212.6	(9%)
Cash from / (used in) investing activities	(152.7)	(184.0)	-
Cash from / (used in) financing activities	(107.5)	36.6	-
Net change in cash and cash equivalents	**(25.8)**	**65.2**	-

Capital Expenditure

Our total capital expenditures grew by €31.3 million, from €152.7 million to €184.0 million. A significant portion of our capital expenditure was related to subscriber growth. We estimate that 62% of our 2005 capital expenditures were directly growth-related (compared to 68% in 2004), and an additional 19% were indirectly growth-related. The balance represented fixed capital expenditures such as network investments and replacements. The lower proportion of growth-related expenditures in 2005 reflects improved unit costs we obtained on customer equipment in 2005 and the purchase of iDTV set top boxes by subscribers as opposed to by Telenet, as is the case for Internet and telephony customers. However, Telenet still incurs installation and return path costs related to iDTV customers.

Liquidity

At the end of 2005, we had €210.4 million in cash on our balance sheet and we retain significant access to additional liquidity through our Senior Credit Facility. We currently have access to a €200 million in committed undrawn facilities and a further €150 million available subject to certain additional conditions. Using the net primary proceeds of our IPO, we applied €128.9 million of cash on November 23, 2005 towards a partial redemption of our Senior Discount Notes and on January 9, 2006 applied a further €136.1 million towards a partial redemption of the Telenet Communications Senior Notes. In addition, on November 21 and 22, 2005, we applied €9.3 million of cash towards redemptions of the Senior Notes and Senior Discount Notes pursuant to a change of control offer we had previously initiated.

Risk factors

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

- the competition that we face in the Internet, telephony and television markets in which we provide services, including new sources of competition from providers of iDTV services in what had principally been an analog cable television market;
- our high leverage and significant debt service obligations, including the restrictive covenants included in our senior credit facility and the indentures governing our outstanding notes. As of December 31, 2005, we had net total debt of €1,261 million on a consolidated basis;
- the fact that we have not made a net profit since the Telenet group was formed in 1996 and that we expect to continue to report losses on an annual basis for the foreseeable future; and
- the control over our operations that our principal shareholders retain following the offering 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, including iDTV; our ability to obtain necessary network and other equipment; failure to maintain and upgrade the networks that we own or use or the occurrence of events that damage those networks; the failure to ensure sufficient access to premium content; foreign exchange rate exposure; and adverse regulatory, legislative, tax or other judicial developments. Additional risks and uncertainties not currently known to us or that we now deem immaterial may also harm us.

2. INFORMATION ABOUT SUBSEQUENT EVENTS (FOLLOWING CLOSING OF THE FISCAL YEAR)

Redemption of Senior Notes Following Initial Public Offering

On January 9, 2006, we applied the remaining net proceeds of our IPO towards a partial redemption of the Senior Notes of Telenet Communications. The principal amount redeemed was €124.8 million, in addition to which we paid a prepayment premium of €11.2 million and accrued interest of €0.7 million. After the IPO redemption and the change of control offer redemptions which were settled in November 2005, the outstanding balance of the Senior Notes was €368.4 million.

Acquisition of assets of Hypertrust

On February 2, 2006, we announced the acquisition of the assets and rights of Hypertrust, a Belgian provider of on-line digital photography services. Hypertrust's technology, which was previously marketed under the Pixagogo and Photoblog brand names, will allow Telenet broadband Internet and iDTV customers to easily store, manage and share digital photographs.

BIPT consultation regarding interconnection termination rates

On February 7, 2006, 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") issued a consultation statement on the market for fixed voice termination in which it proposed that we, as well as other non-incumbent providers of fixed line telephony, should adopt a mandated path reducing the higher interconnection rate which we currently charge for calls terminated on our network to the lower rate that is charged by Belgacom over a three year period. Although we have always projected a decrease in the interconnection termination rates that we will receive as our telephony customer base grows, we expect that our future interconnection termination revenue would decrease at a faster rate than we have projected if the BIPT's consultation is adopted. We believe that the BIPT's basis for its position is not consistent with EU regulation and are contesting their proposal.

Announcement of Mobile Services Agreement with Mobistar

On February 14, 2006, we announced a series of agreements with Mobistar, Belgium's second largest mobile telephony operator, to establish a new mobile virtual network operator (MVNO). The MVNO will carry Telenet's branding and use capacity on Mobistar's network. We anticipate that Telenet mobile services will become available later this year.

Submission by Belgacom of Interconnect Case to the Belgian Supreme Court

On February 24, 2006, Belgacom submitted its commercial case against Telenet regarding our interconnection termination rates to the Belgian Supreme Court (Hof van Cassatie / Cour de Cassation). This followed a decision on March 17, 2005, when the Court of Appeals of Antwerp dismissed Belgacom's claim. The Belgian Supreme Court only has the authority to review whether or not there has been a mistake of law or breach of certain formal procedural requirements in the case. We expect that it may take up to three years before a final judgement is rendered, since the Supreme Court can refer the case back to the Court of Appeal.

Internal reorganisation

In order to align our corporate structure with the operational functioning of the group, we merged Telenet Solutions into Telenet NV on December 31, 2005 with effect from January 1, 2006. On January 31, 2006, we liquidated Telenet Holding NV, since it no longer fulfilled any function in our group structure.

3. INFORMATION ON RESEARCH AND DEVELOPMENT ACTIVITIES

Telenet still invests an important part of its revenues in research and development. In the past business year these activities concerned mainly the preparation of the future Internet business (e.g. ExpressNet) and the development of the digital television platform (iDTV). Also a lot of resources were allocated to research and development of new products to support Internet, telephony, cable TV and iDTV services and services to business customers.

4. USE OF FINANCIAL INSTRUMENTS

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

5. CORPORATE GOVERNANCE

In its meeting of December 12, 2005, the Board of Directors of the company Telenet Group Holding NV adopted a Corporate Governance Charter in accordance with the Lippens Code, which became effective as from January 1, 2006. The Charter can be consulted on the website of the company (http://investors.telenet.be).

1. CAPITAL AND SHAREHOLDERS

1.1. Capital and shares

The share capital of the company amounts to €1,647,364,634.04 and is represented by 100,204,853 shares, without par value. All shares are ordinary shares, listed on Eurolist (by Euronext Brussels), with the exception of 30 Golden Shares and 2,164,911 Liquidation Dispreference Shares to which certain specific rights or obligations are attached, as described in the Articles of Association and the Corporate Governance Charter.

1.2. Evolution of the share capital

In 2005 the following capital increases took place on August 24, 2005 the capital was increased by €157.14 as a result of the exercise of warrants whereby 109,998 new shares (329,994 shares after stock split) were issued. Within the framework of the IPO the following capital increases took place. On October 14, 2005, as a result of a public offering of new shares, €280 million was raised, whereof €219,199,994.52 was registered as capital increase by issue of 13,333,333 shares. The remainder was registered as an issue premium. On November 9, 2005 the capital was again increased by €234,582.36 through issue of 14,269 shares as a consequence of an offering to employees. An amount of €15,125.14 was registered as an issue premium.

1.3. Shareholders

On October 14, 2005 the shareholder structure of the company changed substantially as a result of certain shareholders having sold the majority of their shares in the IPO of the company Telenet Group Holding NV. Liberty Global exercised (through its affiliates) its preferential subscription right with respect to the capital increase and thereby maintained the participation of the Liberty Global group at 21.50%.

After the IPO and in accordance with Belgian legislation regarding the notification of important shareholdings, on October 24 and November 28, 2005 the company received a transparency declaration, both jointly made by all parties to the Syndicate Agreement (see definition under 1.4.).

On the basis thereof, the shareholder structure of the company as at the end of the fiscal year 2005 was as follows:

Shareholders	%
Liberty Global Group[(1)]	21.50
GIMV-group[(2)]	4.00
Financial Consortium[(3)]	9.69
Interkabel[(4)]	4.15
Mixed Intercommunales and Electrabel[(5)]	16.25
Other (free float)	44.41
Total	**100.00**

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

1.4. Relations 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 provides, 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 share-holder's and Board meetings. The Syndicate Agreement is valid until 2026 with the exception of voting rights which only are valid until 2015. Further information can be obtained in the Corporate Governance Charter.

The company or its subsidiaries have further, directly or indirectly, among others, the following relationships with shareholders:

- KBC Bank (part of the same group as KBC Private Equity NV (member of the Financial Consortium) is part of a banking consortium that has granted a credit facility to some subsidiaries of the company;
- agreement among the parties to the Syndicate Agreement pursuant to which the company may be obli-gated, under certain circumstances, to consummate an initial or secondary public offering (Amended and Restated Registration Rights Agreement);
- cooperation agreements pursuant to which Interkabel and its shareholders (pure intercommunales) can provide local construction, sales, telephony installation and maintenance services to subsidiaries of the company;
- cooperation agreement among the Flemish government, Telenet, Interkabel and certain Flemish broadcast-ers pursuant to which the parties agree to develop an iDTV offering based on an MHP or similar standard which meets the Telenet specifications;
- agreements between Telenet and the pure intercommmunales which are shareholders of Interkabel to pro-vide the Prime (pay television) service over their network;
- agreements with Electrabel or its affiliates regarding the transfer of employees to Telenet in the framework of the acquisition by Telenet of MixtICS and regarding the provisioning of services to Telenet;
- agreements with Interkabel and its shareholders (the pure intercommunales) with respect to the use by Telenet of their network (guaranteed by a mortgage) and payments for the upgrade of the network which is used by Telenet for providing telephony and Internet services;
- agreement with an affiliate of Electrabel for rendering specialized information system services to Telenet NV;
- agreement for the supply of telecommunication services by Telenet NV to the Electrabel-group;
- agreements with Electrabel or its affiliates for the supply of electric power to Telenet which contain certain minimum use requirements;
- the headquarter offices (including the one under construction) at Mechelen are being leased from, among others, KBC Bank, an affiliate of KBC Private Equity, member of the Financial Consortium, whereby Telenet has an option to acquire all rights relating to the land and building. A Liberty Global Inc. entity holds an identical option with respect to the already existing building;
- certain agreements with entities that are part of the Liberty Global Group regarding the distribution of TV channels by Telenet;

- agreements with entities of the KBC-group, of which also KBC Private Equity is part, and affiliates relating to the installation and lease of dark fiber and the supply of Internet, data and voice business services by Telenet;
- several agreements regarding the hedging of financial risks by using financial instruments, entered into with KBC-Bank, an affiliate of KBC Private Equity;
- certain rights (building rights, rights of usage, leases) granted to and obtained from some pure intercommunales and Electrabel or its affiliates related to switch buildings, head end stations and other parts of the network;
- fiber optic framework agreement and dark fiber leases with Electrabel or its affiliates.

1.5. Authorised capital

The Board was authorised 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.

1.6. General meeting of shareholders

The annual meeting of shareholders takes place, according to the Articles of Association, on the last Thursday of the month of May at 3 p.m. Since this day is a legal holiday in 2006, the annual shareholders' meeting will take place on the following day, being Friday May 26, at 3 p.m.

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).

2. BOARD OF DIRECTORS

2.1. Composition

The Board of Directors of the company is composed of 16 members. With the exception of the Managing Director (CEO) all Directors are non-executive Directors.

At the Board meeting of January 27, 2005 Paul Van de Casteele was appointed by the Board after being nominated by the Mixed Intercommunales. This appointment was ratified by the shareholders at the meeting of May 26, 2005. At the same meeting the appointment by the Board of David B. Koff, James S. O'Neill, Freddy Willockx, Serge Grysolle, Paul Van de Casteele and the re-appointment of Duco Sickinghe was ratified by the shareholders.

During the fiscal year, Mr. Koff resigned as Director as of July 1, 2005. He was succeeded by Mr. Charles Bracken, appointed by the Board after being nominated by Callahan Belgium Group (now Liberty Global group) as of July 1, 2005. The general meeting of shareholders ratified this appointment on September 20, 2005.

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

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

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

In accordance with the Articles of Association, the Mixed intercommunales and Electrabel-group and Interkabel have made use of their right to have the Directors appointed upon their nomination in the Board and the committees assisted by two permanent advisors each. The meetings are attended by Rumold Lambrechts and Guy Peeters for the Mixed intercommunales and Electrabel-group and Jo Geebelen and Paul De fauw for Interkabel. The Liberty Global Consortium-group has made use of the right provided for in the Articles of Association, to have two observers attend the Board of Directors' meetings and this role has been performed by David Brochet and (until the IPO) by Cassey Davis.

Name & function	Nominated by	Dir. TGH	Dir. Commun.	Audit committee	HRO - committee	Strat. committee	Nomination committee
Frank Donck Executive Director 3D NV	Financial Consortium	Chairman	•				
Duco Sickinghe Chief Executive Officer & Managing Director Telenet		•	•				
Alex Brabers Vice President GIMV, Manager ICT	GIMV	•	•	Chairman		•	•
André Sarens Advisor to the Electrabel management	Mixed Intercommunales	•	•	•			
Charles H. Bracken (from 30 June) Co-Chief Financial Officer, Principal Financial Officer Liberty Global Inc.	Liberty Global Consortium	•	•	• (from 15/9)			
David Koff (up to 30 June) Sr. Vice President European Division Liberty Media International	Liberty Global Consortium	•	•		• (up to 30/6)		
Freddy Willockx Mayor of Sint-Niklaas	Mixed Intercommunales	•	•				•
Friso van Oranje Director of Companies	Independent Director	•				•	•
James S. O'Neill President Chello Media BV, Chief Strategy Officer Liberty Global Inc.	Liberty Global Consortium	•	•		• (from 30/6)	•	•
Julien De Wilde Chief Executive Officer Bekaert	Independent Director	•				Chairman	Chairman
Marcel Bartholomeeussen Chairman Interkabel	Interkabel	•	•				
Michel Delloye (Cytifinance) Director of Companies	Independent Director	•		•			•
Patrick Moenaert Mayor of Bruges	Mixed Intercommunales	•	•				
Paul Van de Casteele Mayor of Hamme	Mixed Intercommunales	•	•				
Saul Goodman Senior Managing Director Evercore Partners	Liberty Global Consortium	•	•	• (up to 15/9)			
Serge Grysolle Lawyer, Alderman of Aalst	Mixed Intercommunales	•	•			•	
Yvan Dupon Director of Companies	Electrabel nv	•	•		•	•	
Guido De Keersmaecker (Abaxon BVBA) Director of Companies	Independent Director		•		Chairman		
Jef Roos (JROOS bvba) Chancellor of the Catholic University of Leuven	Independent Director		•		•		
Michel Allé Chief Financial Officer SNCB Holding - Belgian Railways	Independent Director		•	•			

Name	Number of meetings attended				Remuneration
	Board of Directors (17)	Audit committee (6)	HRO committee (4)	Strategic committee (2)	2005
Frank Donck	17				34,000
Duco Sickinghe	15				-
Alex Brabers	16	6		2	32,000
André Sarens	17	6			34,000
Charles H. Bracken (from 30 June)	8	0/1			14,000
David Koff (up to 30 June)	3/5		0/1		12,000
Freddy Willockx	14				32,000
Friso van Oranje	12			2	42,000
James S. O'Neill	10		0/3	2	26,000
Julien De Wilde	10			2	40,000
Marcel Bartholomeeussen	1				12,000
Michel Delloye (Cytifinance)	16	6			46,000
Patrick Moenaert	15				30,000
Paul Van de Casteele	15				30,000
Saul Goodman	9	3/5			28,000
Serge Grysolle	14			2	28,000
Yvan Dupon	13		4	2	30,000
Guido De Keersmaecker (Abaxon BVBA)	15		4		44,000
Jef Roos (JROOS bvba)	12		4		32,000
Michel Allé	11	6			32,000

As of the end of the fiscal year 2005, the Board and the different Board committees of Telenet Group Holding NV and Telenet Communications NV are composed as detailed on the previous page and above.

2.2. Functioning of the Board

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

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

In 2005, 17 Board meetings took place of which 9 were planned meetings and 8 ad hoc meetings, principally with respect to the IPO of the company.

In accordance with its task description, the Board determines the strategy of the company and supervises the organization and execution thereof.

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

2.3. The Board committees

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

2.3.1. 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.

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

During the fiscal year 2005 the committee convened six times to review and discuss the quarterly, semi-annual and annual financial statements before each publication. The committee further addressed specific financial items occurring during the year or brought up by the statutory auditor (including the transition to IFRS as adopted by the EU). In addition, the committee oversaw the correct disclosure of information in the IPO. Finally, the audit committee, together with the internal audit function (which is partially outsourced) followed up on the internal audit processes.

The Corporate Governance Code recommends that the audit committee reviews the specific arrangements by which staff of the company may raise concerns about possible improprieties in financial reporting or other matters in confidence, and that arrangements are made whereby staff can inform the chairman of the audit committee directly. The audit committee is considering examining this in 2006 to work out a proper arrangement in this regard.

2.3.2. The HRO-committee

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

The committee is composed exclusively of non-executive Directors and has four members. Two of the members, of whom one chairs the committee, are independent Directors of Telenet Communications NV. This composition does not conform to the recommendation of the Corporate Governance Code because less than a majority of the members are independent Director of the company. This is explained, among other things, by the objective of the Syndicate Agreement being the balanced composition of the committees (see under 2.3.1.). 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 2005, the HRO-committee met four times, in the presence of the chairman of the Board of Directors.

Among other matters, the committee addressed the change in the number of employees, the share purchase plan for employees within the framework of the IPO, long-term incentive plans, the organization and remuneration of management and the remuneration policy for Directors.

2.3.3. The nomination committee

The nomination committee was effectively established and composed at the Board meeting of February 24, 2006. It consists entirely of non-executive Directors (six), of whom three are independent Directors, among whom the chairman also was chosen. The composition does not conform to the recommendation of the Corporate Governance Code but stems from the objective of the Syndicate Agreement to have a balanced composition of the Board committees (see under 2.3.1.).

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 candidates.

2.3.4. The strategic committee

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

The committee is chaired by an independent Director and is further composed of one other independent Director and four Directors.

The strategic committee convened twice in 2005, particularly to discuss the strategic aspects of the long-term business plan Long Range Plan (LRP) and potential acquisitions.

2.4. Application of legal rules regarding conflicts of interest

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

Board of Directors July 27, 2005

On the Board meeting of July 27, 2005, Messrs. Shane O'Neill and Saul Goodman, being closely related to the Liberty Global Consortium, left the meeting in the wake of the discussion concerning a potential acquisition of a company in the telecommunications sector by Telenet since it was not excluded that the Liberty Global group would also be implied in this transaction. These Directors were not present at the meeting that effectively resolved on this issue (July 29, 2005). The transaction did finally not take place.

Board of Directors August 19, 2005

At the meeting of August 19, the Board discussed the transfer, pro rata to certain shareholders, of call-options on company shares ("Penny Warrant Shares") the company holds on the basis of a shareholders agreement. Messrs. Frank Donck and Alex Brabers, to the extent necessary and applicable, complied with the procedure of Article 523 of the Companies Code. The minutes mention in this regard the following:

> "Prior to the deliberation on the aforementioned item on the agenda, Mr. Frank Donck and Mr. Alex Brabers, Directors, informed the meeting of the fact that they each, as far as needed and applicable in accordance with Article 523 of the Belgian Company Code, possibly have an interest of a financial nature that could conflict with the resolutions which the Board of Directors will take in connection with the aforementioned item on the agenda.
>
> Mr. Donck explained that KBC Private Equity NV, in the framework of the contemplated transfer of the Call Option (as defined hereinafter) will be granted the right to acquire a pro rata share (as determined in accordance with Article 11.8.4(f)(ii) of the Agreement[6] (as defined hereinafter) of the Penny Warrant Shares[7] described in Article 11.8.1 of the Agreement at an exercise price of €75 and that he has an indirect interest in shares in this company (and affiliated companies) and that he is a Director in affiliated companies. This could possibly constitute an interest, which in accordance with Article 523 of the Belgian Company Code, could conflict with the resolutions to be taken by the Board of Directors under the aforementioned item on the agenda. Conclusively, Mr. Donck noted that he will inform the Statutory Auditor of the Company of the above in accordance with Article 523 of the Belgian Company Code.
>
> Mr. Brabers subsequently explained that Adviesbeheer GIMV Information Communication & Technology NV, in the framework of the contemplated transfer of the Call Option (as defined hereinafter) will be granted the right to acquire a pro rata share (as determined in accordance with Article 11.8.4(f)(ii) of the Agreement (as defined hereinafter)) of the Penny Warrant Shares described in Article 11.8.1 of the Agreement at an exercise price of €75 and that, in his capacity as a key employee of GIMV, he has options on shares in this company. This could possibly constitute an interest, which in accordance with Article 523 of the Belgian Company Code, could conflict with the resolutions to be taken by the Board of Directors under the aforementioned item on the agenda. Conclusively, Mr. Brabers noted that he will inform the Statutory Auditor of the Company of the above in accordance with Article 523 of the Belgian Company Code."

The Directors subsequently left the meeting. The Board resolved as follows:

> "The meeting took note of the fact that (i) the Company is currently not authorized by the general shareholders' meeting of the Company in accordance with Article 620 §1,1° of the Belgian Company Code to undertake a purchase of its own shares, and that (ii) even if the authorization referred to under (i) were granted, the Company currently does not have the distributable profits prescribed by Article 620 §1,3° of the Belgian Company Code to effect such purchase of its own shares and will most probably not have such distributable profits prior to the end of the exercise period of the relevant call option, i.e. November 30, 2006.
>
> In light of the foregoing, the meeting further determined that the Company is currently in the impossibility to exercise the Call Option itself in the sense of Article 11.8.4(f)(ii) of the Agreement.
>
> The meeting moreover determined that an exercise of the Call Option after a possible initial public offering, if any, of the shares in the Company would normally result into an obligation of the Company to offer the purchase of own shares at the same conditions to all shareholders, in accordance with Article 620 §1,5° of the Belgian Company Code.

(6) this concerns the New Shareholders' Agreement of December 22, 2003, which was the governing agreement between shareholders of the company at that time
(7) shares issued on December 19, 2003 as a consequence of the exercise of warrants called "Penny warrants"

The meeting determined that if the Company elects to exercise the Call Option and it does not wish to do so directly, it must transfer the aforementioned option pursuant to Article 11.8.4 (f) (ii) of the Agreement to the parties that hold shares in the Company that were issued and existing on August 9, 2002, in accordance with the provisions of the aforementioned Article of the Agreement, on the proportion of the shares that a holder currently owns (with the exception of shares issued after August 9, 2002) against the total number of shares issued and existing on August 9, 2002. The Agreement does not expressly provide for a consideration for this transfer. […]

The meeting subsequently deliberated on the interest of the Company in the election to exercise this option. In this respect, the meeting considered the context of the creation of the aforementioned Article 11.8, the value of the option for the Company, the asymmetrical, if any, treatment of the shareholders (the shareholding of the Company has to a limited extent been amended since August 9, 2002) and the loss of the theoretical benefit for the group of shareholders as a whole of a purchase (and subsequent cancellation) of own shares that could result into an increase of the intrinsic value per share.

The Company also considered whether the election of the Company to exercise the Call Option constitutes a transaction subject to Article 524 of the Belgian Company Code, which applies a de minimis threshold of 1% of the consolidated net equity (Belgian GAAP) of the Company.

After deliberation, and upon motion duly made as conducted, it was unanimously (with the exception of Mr. Frank Donck and Mr. Alex Brabers, who abstained from the discussion and deliberation on this item on the agenda and left the meeting):

Resolved that the Company, in application of Article 11.8.4(f)(ii) of the Agreement, transfers the Call Option unconditionally, irrevocably and as soon as possible (but in any event prior to an IPO) to the relevant parties in accordance with the provisions of Article 11.8.4 (f) (ii) of the Agreement in order to subsequently permit these parties to decide whether or not to exercise the Call Option. In this respect, two Directors, acting jointly and with individual power of substitution, be and hereby are authorized to follow-up and close this matter from an administrative point of view and to ensure that this transaction is described correctly in the prospectus that is being prepared in the framework of the listing of the Company as further discussed during this meeting."

Board of Directors of September 15, 2005

In its meeting of September 15, 2005, the Board decided upon the determination of the structure and the remuneration of the syndicate of banks with respect to the IPO. For this decision the procedure of Article 523 Companies Code was complied with:

"Prior to discussing the composition of the structure of the syndicate banks, Mr. Frank Donck informed the other Directors, in accordance with Article 523 of the Belgian Company Code, that he may be interested in the meaning of the aforementioned Article 523 in his capacity of direct or indirect shareholder of KBC Group NV and certain of its affiliates. Mr. Frank Donck then left the room so that the other Directors could deliberate and vote on this point of the agenda.

The Board approves the Syndicate structure and fees as presented in Annex C attached."

The mentioned annex describes the structure of the syndicate that advised the company with respect to the IPO as mentioned in the prospectus of October 10, 2005 existing of J.P. Morgan Securities Ltd., Lehman Brothers International, Merrill Lynch International, KBC Securities NV and Goldman Sachs International as Joint Global Coordinators and J.P. Morgan Securities Ltd., Lehman Brothers International, Merrill Lynch International and KBC Securities NV as Joint Bookrunners.

The fee structure, as clearly described in the prospectus, consists of a base fee of 1% of the gross proceeds of the shares of the public offer and an additional discretionary fee of maximum 2%.

At the same meeting the Board deliberated and resolved, still within the framework of an IPO, upon the approval of the prospectus, the underwriting agreement and in particular the division of the costs and liabilities of the IPO resulting therefrom, between the company and the selling shareholders. With respect to this item the procedure of Article 524 Companies Code, to the extent applicable, was complied with since the resolutions concerned relationships between the company and affiliated companies (with the exception of subsidiaries). In accordance with Article 524 Companies Code, these resolutions were preliminarily subject to the judgment by a committee composed of the three independent Directors of the company, assisted by ABN Amro as independent expert. At the same time the procedure of Article 523 Companies Code was observed:

"In accordance and compliance with Article 523 Companies Code, Mr. Duco Sickinghe did not participate to the discussion and resolution on this agenda item. To the extent the mentioned Article would also apply to them, Messrs. Frank Donck and Alex Brabers, in accordance with the procedure, also abstained from the discussion and resolution on this agenda item."

During this meeting the Board took notice of the report of the committee of independent Directors dd. September 15, 2005 which concluded:

"The Committee of independent Directors, assisted by an independent expert appointed by it, resolves unanimously that the division of costs and liabilities, as reflected in the Terms of Reference of July 27, 2005, and in the presented draft-prospectus and draft Underwriting Agreement, is not of a nature to cause the company, taking into account its actual policy, a clearly wrongful detriment (as meant by Article 524, §2, 2nd par. Companies Code), considering the business benefit the company derives from the IPO."

The Board then resolved :

"In light of this report and following discussion thereof, the Board of Directors resolved to approve the prospectus, the underwriting agreement and more particularly the proposed division of costs and liabilities."

With respect to the division of costs of the IPO it was resolved that the company and the selling shareholders bear each for itself the fee due to the syndicate on the proceeds of the offered shares. The selling shareholders bear the fees and disbursements of their own legal and other advisors and their own own out-of-pocket expenses in connection with the offering. The prospectus estimated the total cost for the company at 16 million euro.

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

"We have reviewed the financial data contained in the advice of the Committee of Independent Directors and in the minutes of the Board of Directors. We have checked this data against the underlying information sources. On the basis of this review no elements have come up which would indicate that the financial data mentioned in the advice of the Committee of Independent Directors and the minutes of the Board of Directors of September 15, 2005 are not correct."

Board of Directors of September 20, 2005

At the meeting of September 20, 2005, the discussion and approval of the set of agreements between certain shareholders to which the company is also a party (see higher under 1.4. and the Corporate Governance Charter), was tabled. The minutes read as follows:

"Prior to the deliberation on the first item on the agenda, Mr. Frank Donck, Mr. Alex Brabers, and Mr. Saul Goodman, Directors, informed the meeting of the fact that they each, as far as needed in accordance with Article 523 of the Belgian Company Code, possibly have an interest of a financial nature that could conflict with the resolutions which the Board of Directors will take in connection with the aforementioned item on the agenda.

Mr. Donck explained that KBC Private Equity NV will become a party to the Syndicate Agreement, the Amended and Restated Registration Rights Agreement, the Amended and Restated Option 2002-2003 Agreement, the IPO Framework Agreement and the IPO Deposit Framework Agreement (all as defined hereinafter) and that he has an indirect interest in shares of this company (and of affiliated companies) and that he is a Director in affiliated companies. This could possibly constitute an interest, which in accordance with Article 523 of the Belgian Company Code, could conflict with the resolutions to be taken by the Board of Directors under the aforementioned item on the agenda.

Mr. Brabers further explained that Adviesbeheer GIMV Information Communication & Technology NV will become a party to the Syndicate Agreement, the Amended and Restated Registration Rights Agreement, the Amended and Restated Option 2002-2003 Agreement, the IPO Framework Agreement and the IPO Deposit Framework Agreement (all as defined hereinafter) and that he, as officer of GIMV, has options on shares of this company. This could possibly constitute an interest, which in accordance with Article 523 of the Belgian Company Code, could conflict with the resolutions to be taken by the Board of Directors under the aforementioned item on the agenda.

Mr. Goodman further explained that Evercore Capital Partners Cayman L.P., Evercore Capital Partners (NQ) Cayman L.P., Evercore Capital Offshore Partners Cayman L.P. and Evercore Co-Investment Partnership Cayman L.P. (jointly referred to as "Evercore") will become a party to the Syndicate Agreement, the Amended and Restated Registration Rights Agreement, the IPO Framework Agreement and the IPO Deposit Framework Agreement (all as defined hereinafter) and that he has an interest in Evercore and, through this interest in Evercore, also has an indirect interest in InvestCo Belgian Cable 1 S.à.r.l. and InvestCo Belgian Cable 2 S.à.r.l. This could possibly constitute an interest, which in accordance with Article 523 of the Belgian Company Code, could conflict with the resolutions to be taken by the Board of Directors under the aforementioned item on the agenda."

Subsequently the Board resolved as follows:

"Upon the deliberation on this first item on the agenda, the Board of Directors is of the opinion that the entering into the Contracts (as defined hereinafter) in the framework of the IPO is in the interest of the Company since, respectively, the Syndicate Agreement, the Amended and Restated Registration Rights Agreement and the Amended and Restated Option 2002-2003 Agreement will replace the current New Shareholders' Agreement, the current Option 2002-2003 Agreement and the current Registration Rights Agreement and since the aforementioned agreements, together with the IPO Framework Agreement and the IPO Deposit Framework Agreement (both as defined hereinafter), are intrinsically connected to the IPO and the capital increase of the Company tied thereto. Such capital increase is in the interest of the Company, since additional financial means may become available to the Telenet group as a result therefrom.

After taking the above declarations of the Directors concerned into consideration, it was unanimously (with the exception of Mr. Donck, Mr. Brabers and Mr. Goodman, who abstained from the discussion and deliberation on this item on the agenda and who had left the meeting prior to the discussion on this item on the agenda) resolved: (i) that the terms and conditions of the agreements referred to hereinafter (the "Contracts") and the transactions contemplated thereby (the "Transactions") be and hereby are approved, in the form as submitted to the Board of Directors, or as amended in accordance with, and subject to, the provisions sub paragraph (b) below: (A) the Syndicate Agreement; (B) the Amended and Restated Registration Rights Agreement; (C) the Amended and Restated Option 2002-2003 Agreement; (D) the IPO Framework Agreement; (E) the IPO Deposit Framework Agreement; and (F) all other agreements or undertakings that shall, can or must be entered into as referred to or provided for in the aforementioned agreements."

Regarding the interest for the company of the IPO and the related capital increase, a special Board report of September 2, 2005 already stated:

"In the context of the Primary Offering, it is contemplated to reduce Telenet's indebtedness to a level that is desirable for a company listed on Euronext Brussels and comparable to other listed companies. In addition, the Primary Offering would offer Telenet the possibility to reduce its weighted average capital cost through the replacement of more expensive forms of debt financing by capital, on the one hand, and less expensive debt financing, on the other hand. Finally, any proceeds from the Primary Offering may be used, or may constitute a reserve with a view to using it, for acquisition opportunities."

Board of Directors of October 9, 2005

At the Board meeting of October 9, 2005, Mr. Duco Sickinghe abstained from the discussion and resolution relating to the determination of the offering price of a share in the IPO, since he was a selling shareholder himself. The minutes relate:

> "In accordance with Article 523 of the Companies Code Mr. Duco Sickinghe abstained from the discussion of this agenda item. (…) The IPO Committee and the representatives of the bookrunners reported extensively to the Board of Directors on the results of the book-building process. The IPO committee recommended unanimously to the Board to execute the IPO at a price at the lower end of the price range, i.e. €21. (…) The Board deliberated upon the proposed price of the offering and resolved to approve an offering price of €21 per share."

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

Following the IPO, Telenet has adopted a code of conduct related to inside information and the dealing of financial instruments addressing Directors, senior staff and other personnel that could dispose of inside information. The code of conduct explains what constitutes improper conduct and what the possible sanctions are. Transactions are not allowed to be executed during certain closed periods and need to be reported as soon as possible to the compliance officer.

3. DAILY MANAGEMENT

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

The Managing Director is responsible for the daily management of the company.

He is assisted by the executive management ("Executive team"), of which he is part, and that does not constitute a management committee within the meaning of article 524 bis of the Companies Code. The Executive Team meets in principle weekly.

At the date of this report, the Executive Team of the company is composed as follows:

Name	Function	Age
Duco Sickinghe	Chief Executive Officer	47
Leo Steenbergen	Chief Financial Officer	52
Hugo Lemmens	Executive VP Telenet Solutions	48
Jan Vorstermans	Executive VP Technology and infrastructure	45
Philippe Lemmens	Executive VP Residential markets	41
Jo Van Gorp	Executive VP – General counsel	41
Tony Jossa	Senior VP – Human Resources & Organization	50
Claire Martin	VP – Corporate Business Affairs	37

The Managing Director is authorized to legally bind the company within the bounds of daily management. In addition, specific representation powers have been granted to certain persons.

4. REMUNERATION OF DIRECTORS AND EXECUTIVE MANAGEMENT

4.1. Remuneration of Directors

The general meeting of shareholders of the company has approved in 2005 a new remuneration system for Directors, consisting of a fixed and a variable part. As from January 1, independent Directors receive an annual lump sum amount of €24,000 each. The other Directors each receive a lump sum amount of €12,000. For each 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.

In 2005 the Board remuneration amounted to €470,000 for the company and to €108,000 for Telenet Communications NV (see table for individual remuneration). The Board of Directors resolved that only two out of the eight special ad hoc Board meetings would be remunerated because of the high frequency and the often short duration of these meetings. Directors further receive a price reduction or other benefits in kind with respect to Telenet products they order. The Corporate Governance Code recommends that non-executive Directors do not receive any benefits in kind. It is however considered to be important that Directors are familiar with and have a good view on the products and services.

4.2. Remuneration of the Executive Team

In 2005, the Managing Director (CEO) was granted the following remuneration: (i) a fixed remuneration of €650,000 (gross salary without employer's contributions), (ii) a variable remuneration of €162,500, (iii) paid premiums for group insurance in the amount of €29,455, (iv) benefits in kind of a value of €19,920,84. In total this constitutes a remuneration package of €861,875.84.

The Managing Director owns options to acquire 960,000 class A profit certificates, all of which have vested now having an exercise period until June 15, 2009. The Managing Director has voluntarily undertaken not to exercise in any case any options until October 11, 2006.

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

In 2005, the company paid a total amount of remunerations of €2,320,958.18 to the other members of the Executive Team as currently composed (Managing Director not included).

This amount is composed of the following elements (for all members jointly): (i) a fixed salary of €1,500,191, (ii) a variable salary of €614,642.33, (iii) paid premiums for group insurance in the amount of €105,495, (iv) benefits in kind of value of €100,629.85. All amounts are gross without employer's social security contributions.

The members of the Executive Team (Managing Director not included) own in aggregate 670,500 class A and class B options.

In total 952,500 class A and class B options were granted to 32 other employees, the majority persons in 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 occurs progressively at certain moments until February 2009 at the latest. The options can be exercised per three whereby the exercise price for 1,500,000 options (class A) amounts to €20 per three options and for 1,083,000 options (class B) amounts to €25 per three options.

5. AUDIT OF THE COMPANY

5.1. External audit by statutory auditors

The general meeting of shareholders of May 26, 2005 appointed PricewaterhouseCoopers Bedrijfsrevisoren BCVBA represented by Bernard Gabriëls and BDO Bedrijfsrevisoren BCVBA represented by Luc Annick and Hans Wilmots, as statutory auditors for a period of 3 years.

The auditors act as a college with respect to the audit of the stand-alone annual accounts of the company. PwC only is responsible for the audit of the consolidated annual accounts. BDO is responsible for all special assignments as determined by the Companies Code (i.e. when a separate auditor's report is required).

An amount of €16,720 was due for special legal assignments executed by BDO in the course of 2005. It mainly concerned statutory assignments with respect to capital increases within the framework of the IPO and the exercise of options on profit certificates to be issued.

For special statutory assignments fees were due in 2005 to PwC amounting to €1,500.

For special assignments, other than already mentioned, executed by PwC in 2005, fees were due in the amount of €570,939. This related mainly to consultation with respect to the IPO and the implementation of IFRS.

In addition, the company incurred €74,680 in fees to PwC Tax Consultants for tax advice.

To the extent the two last amounts were higher than the remuneration due for the statutory audit, they were pre-approved by the respective audit committees of the company and its subsidiaries.

5.2. Internal audit

Deloitte was entrusted by the company with the concrete execution of the internal audit function of the company and its subsidiaries. The internal audit activities are carried out on the basis of a plan annually approved and monitored by the Audit Committee. These internal audit activities cover a wide range of topics including internal control compliance reviews, operational effectiveness reviews and ad hoc missions.

Mechelen, April 25, 2006

On behalf of the Board of Directors

Telenet Group Holding Consolidated Accounts

CONSOLIDATED BALANCE SHEET

For the years ended December 31 (in thousands of Euro)	Notes	2005	2004
ASSETS			
NON-CURRENT ASSETS:			
Property and equipment	4	943,919	960,776
Goodwill	5	1,012,544	1,027,461
Other intangible assets	6	278,347	280,776
Other assets		860	1,009
Total non-current assets		**2,235,670**	**2,270,022**
CURRENT ASSETS:			
Trade receivables	7	98,677	84,787
Other current assets	8	26,668	20,850
Cash and cash equivalents	9	210,359	145,188
Total current assets		**335,704**	**250,825**
TOTAL ASSETS		**2,571,374**	**2,520,847**
EQUITY AND LIABILITIES			
EQUITY:			
Contributed Capital	10	2,532,504	2,268,124
Other reserves		3,860	1,140
Hedging reserve	12	1,078	(26,627)
Retained loss		(1,828,344)	(1,751,677)
Total equity		**709,098**	**490,960**
NON-CURRENT LIABILITIES:			
Long-term debt, less current portion	11	1,288,785	1,560,755
Derivative financial instruments	12	20,364	72,800
Unearned revenue	17	11,537	7,965
Other liabilities	14	23,755	31,428
Total non-current liabilities		**1,344,441**	**1,672,948**
CURRENT LIABILITIES:			
Current portion of long-term debt	11	156,129	20,009
Accounts payable		174,701	149,477
Accrued expenses and other current liabilities	16	74,129	73,618
Unearned revenue	17	112,876	113,835
Total current liabilities		**517,835**	**356,939**
Total liabilities		**1,862,276**	**2,029,887**
TOTAL EQUITY AND LIABILITIES		**2,571,374**	**2,520,847**

See notes to the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the years ended December 31 (in thousands of Euro)	Notes	2005	2004
Revenues	17	737,492	681,125
Costs of services provided	18	(458,981)	(430,652)
Gross profit		**278,511**	**250,473**
Selling, general and administrative	18	(146,937)	(145,820)
Operating profit		**131,574**	**104,653**
Finance costs, net	19	(193,189)	(161,839)
Net loss before income tax		**(61,614)**	**(57,186)**
Income tax expense	20	(15,053)	(4,521)
Net Loss		**(76,667)**	**(61,707)**
Basic and diluted net loss per share:	**21**		
Weighted-average shares outstanding		89,503,387	86,527,257
Basic and diluted net loss per share		(0.86)	(0.71)

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the year ended December 31	Notes	Number of Shares	Share Capital	Other Reserves	Hedging Reserves	Retained Loss	Total
January 1, 2004		**86,527,257**	**2,268,124**	**-**	**(1,765)**	**(1,689,970)**	**576,389**
Unrealized net gain (loss) on derivative contracts recognized directly in equity	12	-	-	-	(24,862)	-	(24,862)
Net loss for the year		-	-	-	-	(61,707)	(61,707)
Total recognized loss for 2004		**-**	**-**	**-**	**(24,862)**	**(61,707)**	**(86,569)**
Recognition of share-based compensation	10	-	-	1,140	-	-	1,140
December 31, 2004		**86,527,257**	**2,268,124**	**1,140**	**(26,627)**	**(1,751,677)**	**490,960**
Unrealized net gain (loss) on derivative contracts recognized directly in equity	12	-	-	-	27,705	-	27,705
Net loss for the year		-	-	-	-	(76,667)	(76,667)
Total recognized loss for 2005		**-**	**-**	**-**	**27,705**	**(76,667)**	**(48,962)**
Recognition of share-based compensation	10	-	-	2,196	--	-	2,196
Ordinary shares issued upon exercise of the Bank Warrants	10	329,994	-	-	-	-	-
Proceeds received upon exercise of the Class B options	10	-	-	524	-	-	524
Issuance of share capital through IPO, net of offering costs	1	13,347,602	264,380	-	-	-	264,380
December 31, 2005		**100,204,853**	**2,532,504**	**3,860**	**1,078**	**(1,828,344)**	**709,098**

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31 (in thousands of Euro)	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	**(76,667)**	**(61,707)**
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, amortization and impairment	206,314	204,329
Income taxes	15,052	4,521
Provision for liabilities and charges	1,698	616
Increase in allowance for bad debt	3,550	5,365
Amortization of financing cost	9,165	11,269
Write-off of financing cost on extinguishment of debt	11,527	-
Interest income	(3,420)	(4,552)
Interest expense	142,676	162,139
(Gain)/loss on derivative instruments, net	(30,757)	25,494
Unrealized foreign exchange (gain)/loss, net	38,202	(21,241)
Share based compensation	2,196	1,140
(Gain)/loss on disposal of fixed assets	(147)	685
Changes in operating assets and liabilities:		
Accounts receivable	(17,440)	(5,369)
Other assets	(5,513)	5,753
Unearned revenue	2,613	17,654
Accounts payable	26,770	15,126
Accrued expenses and other current liabilities	10,964	(11,498)
Cash generated from operations	**336,783**	**349,724**
Interest paid	(123,984)	(115,420)
Taxes paid	(177)	-
Net cash generated from operating activities	**212,622**	**234,304**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(141,088)	(128,836)
Proceeds on disposal of property and equipment	453	-
Purchases of intangibles	(41,925)	(23,828)
Acquisition of Telenet Holding shares	(1,444)	-
Net cash used in investing activities	**(184,004)**	**(152,664)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term borrowings	(317,660)	(106,512)
Proceeds from long-term borrowings	105,000	-
Payments of redemption premiums	(13,341)	-
Repayments of finance leases	(853)	(966)
Proceeds from the issuance of capital, net of offering costs	264,380	-
Proceeds received upon exercise of the Class B options	524	-
Payments for debt issuance costs	(1,497)	-
Net cash provided by (used in) financing activities	**36,553**	**(107,478)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**65,171**	**(25,838)**
CASH AND CASH EQUIVALENTS:		
Beginning of period	145,188	171,026
End of period	210,359	145,188
NON CASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of network user rights in exchange for debt	1,311	16,515

See notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2005
(in thousands of Euro, except per share amounts, unless otherwise stated)

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, 2006.

Initial Public Offering

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

Stock Split

On September 20, 2005, the Company's shareholders approved a share split pursuant to which three new shares were issued in respect of each share outstanding on that date. The stock split became effective on the closing date of the IPO and, as of such date, the total number of Telenet Group Holding Shares was 86,857,251 immediately prior to the IPO. In addition, certain amendments were made to the outstanding employee plans, option agreements and warrants to give effect to such share split in the same three-for-one proportion. All share and per-share information included in these consolidated financial statements have been adjusted to retroactively reflect the stock split for all periods presented.

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.

First-time Adoption of IFRS as adopted by the EU

Publication of the December 31, 2005 consolidated financial statements under IFRSs as adopted by the EU requires that the comparative information for the year ended December 31, 2004 as well as the opening balance sheet as of January 1, 2004 be prepared in accordance with IFRSs as adopted by the EU. The disclosures required by IFRS 1 – First-time Adoption of International Financial Reporting Standards, concerning the transition from Accounting Principles Generally Accepted in the United States of America ("U.S. GAAP") to IFRSs as adopted by the EU are given in Note 26.

Use of the Exemptions from Full Retrospective Application of IFRS as adopted by the EU

As a first-time adopter in 2005, the Company has prepared its opening balance sheet under IFRSs as adopted by the EU as of January 1, 2004 (date of transition to IFRS as adopted by the EU) and has elected to use the following exemptions provided by IFRS 1 for the implementation of IFRSs as adopted by the EU at the date of transition.

- Business Combinations

Business combinations that occurred before the date of transition to IFRSs as adopted by the EU have not been restated retrospectively in accordance with IFRS 3 – Business Combinations. Assets acquired and liabilities incurred have thus been maintained, at the date of acquisition, at the value determined under U.S. GAAP. Goodwill arising on acquisitions before the date of transition to IFRSs as adopted by the EU has been retained at the previous U.S. GAAP amount and was tested for impairment at that date.

- Share-based Payment

The Company utilized the share-based payment exemption and, therefore, applied IFRS 2 – Share-based Payment only to warrants granted after November 7, 2002 that had not yet vested at January 1, 2005. Warrants granted on or before November 7, 2002 were not modified subsequent to this date and, as a result, these warrants have not been recognized in the financial statements.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Telenet Group Holding and all of the entities that it directly or indirectly controls. Control is achieved where Telenet Group Holding has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany accounts and transactions among consolidated entities have been eliminated.

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 revenues and expenses during the reporting period. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Property and Equipment

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

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

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

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

Depreciation charges in 2005 included the impact of one-time write-off costs and accelerated depreciation rates associated with certain network components which we acquired in connection with the ExpressNet upstream upgrade (ExpressNet depreciated over 8 years and M-Tec amplifiers depreciated over 5 years).

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

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

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.

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).

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.

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).

Financial Instruments

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

Cash and Cash Equivalents

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

Trade Receivables

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

Financial Liabilities and Equity Instruments

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

Trade payables

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

Bank borrowings

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

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

Equity instruments

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

Warrants

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

Fair Values

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

Revenue Recognition

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

Installation fees are recognized immediately only when they represent a separately identifiable service that is delivered for which the related costs are expensed as incurred and reliably measurable. Accordingly, telephony and Internet installation fees are recognized immediately whereas cable television activation fees are deferred and recognized over the estimated customer relationship period of 10 years.

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

Operating Expenses

Operating expenses consist of interconnection costs, network operating and maintenance and repair costs and cable programming costs, including employee costs and related depreciation and amortization charges. The Company capitalizes most of its installation cost, including labor cost. Copyright and license fees paid to the holders of these rights and their agents are the primary component of the Company's cable programming costs. Other direct costs include costs that the Company incurs in connection with providing its residential and business services, such as interconnection charges as well as bad debt expense. Network costs consist of costs associated with operating, maintaining and repairing the Company's broadband network and customer care costs necessary to maintain its customer base.

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.

Leases

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

Income Taxes

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

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

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

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

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

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 and include the plans assumed from Electrabel SA ("Electrabel") during 2004 (see Note 15).

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

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

Other Employee Benefit Obligations

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

Share-based Payments

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

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

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2006 or later periods but which the Company has not early adopted, as follows:

- IAS 19 (Amendment), Employee Benefits (effective from January 1, 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The Company will apply this amendment from annual periods beginning January 1, 2006.
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from January 1, 2006). The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the Company's operations, as the Company does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as of December 31, 2005 and 2004.

- IAS 39 (Amendment), The Fair Value Option (effective from January 1, 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Company believes that this amendment should not have a significant impact on the classification of financial instruments, as the Company should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Company will apply this amendment from annual periods beginning January 1, 2006.
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from January 1, 2006). This amendment requires certain issued financial guarantees to be initially recognized at their fair value and subsequently measured at the higher of: (a) the unamortized balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management considered this amendment to IAS 39 and concluded that it is not relevant to the Company.
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from January 1, 2006). These amendments are not relevant to the Company's operations.
- IFRS 6, Exploration for and Evaluation of Mineral Resources (effective from January 1, 2006). IFRS 6 is not relevant to the Company's operations.
- IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from January 1, 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Company has not yet completed its assessment of the impact of IFRS 7 and the amendment to IAS 1 to the level of disclosures currently provided. The Company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning January 1, 2007.
- IFRIC 4, Determining whether an Arrangement contains a Lease (effective from January 1, 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the Company's operations but does not believe that it will have a material effect on the Company's financial statements.
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from January 1, 2006). IFRIC 5 is not relevant to the Company's operations.
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from January 1, 2006). Management is currently assessing the impact of IFRIC 6 on the Company's operations but does not believe that it will have a material effect on the Company's financial statements.
- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective from January 1, 2007). IFRIC 7 is not relevant to the Company's operations.
- IFRIC 8, Scope of IFRS 2 (effective from January 1, 2007). IFRIC 8 clarifies that IFRS 2 applies to share-based payment transactions in which the entity cannot specifically identify some or all of the goods or services received. Management is currently assessing the impact of IFRIC 8 on the Company's operations but does not believe that it will have a material effect on the Company's financial statements.
- IFRIC 9, Reassessment of Embedded Derivatives (effective from January 1, 2007). The Interpretation clarifies whether an entity should reassess whether an embedded derivative needs to be separated from the host contract. IFRIC 9 concludes that reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract. Management is currently assessing the impact of IFRIC 9 on the Company's operations but does not believe that it will have a material effect on the Company's financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Company's accounting policies

Goodwill

The Company performed its annual review for impairment during the third quarter of 2005 and 2004. 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 12.6 per cent based on current market assessments of the time value of money and the risks specific to the Company. Cash flows beyond the five-year period have been extrapolated using a steady 2 per cent growth rate. This growth rate does not exceed the long-term average growth rate for the industry. Management believes that any reasonably possible changes in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

Key sources of estimation uncertainty

Deferred Income Taxes

As of December 31, 2005, Telenet Group Holding and its subsidiaries had available combined cumulative tax loss carry-forwards of €672,617 (2004: €1,056,185). Under current Belgian tax laws, these loss carry-forwards have an indefinite life and may be used to offset the future taxable income of Telenet Group Holding and its subsidiaries. Two subsidiaries acquired in a previous business combination made taxable profits of €37,135 (2004: €11,060) during the year and utilized tax loss carryforwards which had not been previously recognized as deferred tax assets resulting in a deferred tax expense of €14,917 (2004: €4,443).

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

4. PROPERTY AND EQUIPMENT

	Land, buildings and leasehold improvements	Network	Network construction in progress	Furniture, equipment and vehicles	Total
COST					
At January 1, 2004	**35,499**	**1,228,242**	**9,732**	**21,099**	**1,294,572**
Additions	1,365	17,195	105,168	5,108	128,836
Transfers	1,378	81,284	(82,662)	-	-
Disposals	-	(1,649)	-	(90)	(1,739)
At December 31, 2004	**38,242**	**1,325,072**	**32,238**	**26,117**	**1,421,669**
Additions	5,547	-	119,789	17,196	142,532
Transfers	2,677	126,679	(129,356)	-	-
Disposals	-	-	-	(2,145)	(2,145)
At December 31, 2005	**46,466**	**1,451,751**	**22,671**	**41,168**	**1,562,056**
ACCUMULATED DEPRECIATION					
At January 1, 2004	**2,783**	**293,926**	**-**	**6,425**	**303,134**
Depreciation charge for the year	1,052	150,247	-	8,022	159,321
Eliminated on Disposal	-	(1,472)	-	(90)	(1,562)
At December 31, 2004	**3,835**	**442,701**	**-**	**14,357**	**460,893**
Depreciation charge for the year	2,020	149,986	-	7,077	159,083
Eliminated on Disposal	-	-	-	(1,839)	(1,839)
At December 31, 2005	**5,855**	**592,687**	**-**	**19,595**	**618,137**
CARRYING AMOUNT					
At December 31, 2005	40,611	859,064	22,671	21,573	943,919
At December 31, 2004	34,407	882,371	32,238	11,760	960,776
CARRYING AMOUNT OF FINANCE LEASES INCLUDED IN PROPERTY AND EQUIPMENT					
At December 31, 2005	18,256	5,790	-	468	24,514
At December 31, 2004	18,950	6,254	-	573	25,777

5. GOODWILL

A reconciliation of the changes in goodwill is depicted below:

For the years ended December 31	2005	2004
Beginning balance	1,027,461	1,031,904
Use of net operating losses acquired in business combinations (Note 13)	(14,917)	(4,443)
	1,012,544	**1,027,461**

6. OTHER INTANGIBLE ASSETS

	Network user rights	Trade name	Software	Customer lists	Other	Total
COST						
At January 1, 2004	**120,334**	**121,000**	**58,657**	**67,473**	**29,258**	**396,722**
Additions	16,522	-	12,063	518	4,074	33,177
Disposals	-	-	-	-	(5,577)	(5,577)
At December 31, 2004	**136,856**	**121,000**	**70,720**	**67,991**	**27,756**	**424,323**
Additions	1,311	-	34,632	-	8,859	44,802
Disposals	-	-	-	-	(23,962)	(23,962)
At December 31, 2005	**138,167**	**121,000**	**105,352**	**67,991**	**12,653**	**445,163**
ACCUMULATED AMORTIZATION						
At January 1, 2004	**19,000**	**22,183**	**37,661**	**9,958**	**14,806**	**103,608**
Charge for the year	9,685	8,067	10,928	6,540	9,788	45,008
Disposals	-	-	-	-	(5,069)	(5,069)
At December 31, 2004	**28,685**	**30,250**	**48,589**	**16,498**	**19,525**	**143,547**
Charge for the year	10,343	8,067	13,720	6,532	8,570	47,232
Disposals	-	-	-	-	(23,962)	(23,962)
At December 31, 2005	**39,028**	**38,317**	**62,309**	**23,030**	**4,132**	**166,816**
CARRYING AMOUNT						
At December 31, 2005	**99,139**	**82,683**	**43,043**	**44,961**	**8,521**	**278,347**
At December 31, 2004	**108,171**	**90,750**	**22,131**	**51,493**	**8,231**	**280,776**

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.

Primarily in connection with the acquisitions of Telenet Holding NV ("Telenet Holding") in March 2001 and the Canal+ acquisition in December 2003, certain identifiable intangible assets, including customer lists, broadcasting rights, supply contracts and the "Telenet" trade name, were recorded separate from goodwill. Customer lists reflect €53,000 relating to the estimated value of the customers with access to the Combined Network at the time of the acquisition of Telenet Holding and €14,991 relating to the estimated value of the subscriber base of Canal+ upon acquisition. Supply contracts were assigned a value of €2,125 based on the estimated value of the agreements Canal+ had with major content providers at the time of the acquisition. Broadcasting rights were valued at €12,435 at the time of the Canal+ acquisition and additions are recorded when the value of the contract is reasonably determinable upon signing. The trade name recognized in intangible assets relates to the "Telenet" trade name acquired in the 2001 acquisition of Telenet Holding. Fair market valuations of acquired intangible assets were performed for these and other acquisitions made by the Company. The identified intangible assets are amortized on a straight line basis over 3 to 20 years.

7. TRADE RECEIVABLES

For the years ended December 31	2005	2004
Trade receivables	117,771	100,331
Less: provision for impairment of receivables	(19,094)	(15,544)
Trade receivables, net	**98,677**	**84,787**

The Company recognised a loss of €4,520 and €7,941 for the impairment of its trade receivables during the years ended December 31, 2005 and 2004, respectively. The loss has been included in cost of services provided in the profits and loss statement. There is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers.

8. OTHER CURRENT ASSETS

For the years ended December 31	2005	2004
Prepaid taxes and VAT	1,190	4,168
Inventory	8,212	-
Receivable from Electrabel	7,965	8,039
Miscellaneous receivable	3,705	3,582
Prepaid content	2,270	2,125
Prepayments	3,111	2,889
Other	215	47
	26,668	**20,850**

9. CASH AND CASH EQUIVALENTS

For the years ended December 31	2005	2004
Cash at bank and on hand	11,422	13,082
Commercial paper	159,664	-
Certificates of deposits	39,273	132,106
	210,359	**145,188**

The Company holds commercial paper with a weighted average interest rate of 2.31% (2004: 2.1%) and an average maturity of 32 days (2004: 61 days). The certificates of deposits have a weighted average interest rate of 2.3% (2004: 2.1%) and an average maturity of 9 days (2004: 13 days)

10. SHAREHOLDERS' EQUITY

Following the end of the Employee Offering on October 21, 2005 and the expiry of the Over Allotment Period relating to the Secondary Offering on November 9, 2005, the shareholders are as follows.

Name of shareholder	Number of shares	Percentage of shares
Liberty Global Consortium(1)	21,542,474	21.5%
Mixed Intercommunales(2)	16,187,545	16.1%
GIMV(3)	4,003,794	4.0%
Financial Consortium(4)	9,711,089	9.7%
Pure Intercommunales/Interkabel Vlaanderen CVBA(5)	4,163,190	4.2%
Electrabel	91,909	0.1%
Suez Connect(6)	360,000	0.4%
Other(7)	258,226	0.2%
Free Float (arising from Primary and Secondary Offerings)	43,886,626	43.8%
Total	**100,204,853**	**100.0%**

(1) the Liberty Global Consortium includes two entities controlled by Belgian Cable Investors ("BCI"), InvestCo Belgian Cable 1 S.à R.L. and InvestCo Belgian Cable 2 S.à R.L and Chellomedia Investments BV. BCI is ultimately controlled by Liberty Global, Inc., Evercore Capital Partners Cayman L.P., Evercore Capital Partners (NQ) Cayman L.P., Evercore Capital Offshore Partners Cayman L.P. and Evercore Co-Investment Partnership Cayman L.P. are also members of the consortium (collectively, "Evercore"). Additional members of the consortium are CDP Capital Communications Belgique Inc., a private investment subsidiary of the Caisse de dépôt et placement du Quebec ("CDPQ") and MLPE

(2) the ten MICs are Intercommunale Maatschappij voor Gas en Electriciteit van het Westen, Intercommunale Maatschappij voor Energievoorziening Antwerpen, Intercommunale Vereniging voor Energieleveringen in Midden Vlaanderen, Intercommunale Maatschappij voor Televisiedistributie, Intercommunale Vereniging voor de Energiedistributie in de Kempen en het Antwerpse, IVERLEK, Intercommunale Maatschappij voor Televisiedistributie in het Gebied van Kempen en Polder, Intercommunale Maatschappij voor Televisiedistributie op de Linker Schelde Oever, Intercommunale Maatschappij voor Televisiedistributie in Oost-Vlaanderen and Intercommunale Maatschappij voor Televisiedistributie in West-Vlaanderen

(3) GIMV owns these Shares together with its affiliates Adviesbeheer GIMV Information & Communication Technology NV, V.I.M NV and Gimfin NV

(4) the "Financial Consortium" is composed of the following regional financial institutions: Finstrad NV, Gevaert NV, Ibel NV, KBC Private Equity NV and Sofinim NV. In its role as an arranger under the Senior Credit Facility, KBC Bank NV directly holds 47,154 Shares

(5) the four PICs are Provinciale Intercommunale Electriciteitsmaatschappij van Limburg, Intercommunale voor Teledistributie van het Gewest Antwerpen, West-Vlaamse Energie- en Teledistributiemaatschappij and Provinciale Brabantse Energiemaatschappij. The PICs hold their Shares through Interkabel Vlaanderen CVBA ("Interkabel"), which is an entity controlled by the PICs

(6) on December 9, 2003, pursuant to the acquisition of Telenet Solutions and its subsidiaries, 360,000 Shares of Telenet Group Holding were issued to Suez Connect SA

(7) includes the 14,269 shares that were issued under the Employee Offering

Telenet Group Holding currently has the following shares outstanding, all of which are treated as one class in the loss per share calculation:

- 98,039,912 ordinary Shares;
- 2,164,911 dispreference shares that are held by Interkabel and the Liberty Global Consortium, which have the same rights as the ordinary Shares except that they are subject to an €8.02 liquidation dispreference, such that in any liquidation of Telenet Group Holding the dispreference shares would only participate in the portion of the proceeds of the liquidation that exceeded €8.02 per Share. Dispreference shares may be converted into ordinary Shares at a rate of 1.04 to 1; and
- 30 Golden Shares held by the mixed intercommunales, which have the same rights as the ordinary Shares and which also give their holders the right to appoint representatives to the Regulatory Board, which oversees the public interest guarantees related to our offering of digital television.

In December 2004, Cable Partners Europe sold a majority controlling interest in its subsidiary CAHB to an entity controlled by Liberty Media International. Prior to this transaction, CAHB was the controlling shareholder of the Cable Partners Consortium, which represented 21.4% of the Shares. Following the transaction, CAHB was renamed Belgian Cable Investors LLC and the CAHB subsidiaries Callahan Associates Belgium 1 S.à R.L. and Callahan Associates Belgium 2 S.à R.L. were renamed InvestCo Belgian Cable 1 S.à R.L. and InvestCo Belgian Cable 2 S.à R.L. respectively. Together with the other shareholders in InvestCo Belgian Cable 1 S.à R.L. and InvestCo Belgian Cable 2 S.à R.L., and with the interest in Telenet Group Holding owned directly by Chellomedia Investments BV and several affiliates of Evercore Partners, Inc. (together, "InvestCo Belgian Cable"), Belgian Cable Investors LLC controls 21.5% of the Shares as majority shareholder of the Liberty Global Consortium.

Employee Stock Based Compensation

1999 and 1998 Plans

On November 23, 1999 (the "1999 Plan") and November 25, 1998 (the "1998 Plan"), Telenet Holding granted options to certain employees to purchase 77,500 and 42,250 of its shares, respectively, at an exercise price of €24.79 per share for these purposes. Options were fully vested in January 2003 for the 1999 Plan and March 2002 for the 1998 Plan, and can be exercised annually through 2009 and 2008, respectively, in the months March, June, September and December, with the exception of the last exercise period that runs from November 1 to November 30.

In October 2001, the holders of options were granted the contractual right pursuant to which they were entitled to sell 55% of the Telenet Holding shares, which they obtained upon the exercise of the options, to CAI Belgium at the fair value of such shares at the time of exercise of the put option. Also in October 2001, following the restructuring of the Company, Telenet Holding, on behalf of Telenet Group Holding, granted to the option holders an additional contractual rights to convert shares, which they obtain upon the exercise of options to purchase Telenet Holding shares, to Telenet Group Holding shares. The exchange ratio will reflect the fair market valuation of Telenet Holding and Telenet Group Holding at the time of the exchange. These contractual rights can be exercised within a period of one month after the exercise of the options and will expire upon the maturity of the 1998 and 1999 plans.

On September 29, 2005, in anticipation of the Offering, the Company requested the holders of the remaining 44,390 options under the 1999 and 1998 Plans to exercise their outstanding options and offered to either sell the Telenet Holding shares they received from the exercise of the options to Telenet Bidco for cash or to convert them into shares of Telenet Group Holding. All the option holders exercised their remaining Telenet Holding options and sold their Telenet Holding Shares to Telenet Bidco for €50 per share plus an additional amount contingent upon the closing share price for the Company on the first day of trading on Euronext. The Company paid the option holders €1,120 in September 2005 and an additional amount of €324 in October 2005 for the contingent consideration.

2003 Plan

In September 2003, Telenet Group Holding adopted the 2003 Plan to grant warrants to acquire up to 500,000 shares of the Company. This plan was cancelled in December 2004 prior to any options being granted.

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 against payment of €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 A Option at the date of grant. The remaining non vested Class A and Class B Options will vest over the remaining original vesting periods.

All Plans

A summary of the activity of the Company's stock options for the years ended December 31, 2005 and 2004 is as follows:

Outstanding Options:	Number of Options	Weighted Average Exercise Price
Balance, January 1, 2004	44,390	24.79
Class A Options granted	1,500,000	6.67
Balance December 31, 2004	**1,544,390**	**7.19**
Class B Options granted	1,083,000	8.33
1998 Plan & 1999 Plan Options exercised	(44,390)	24.79
Class B Options exercised	(62,877)	8.33
Balance December 31, 2005	**2,520,123**	**7.34**

The following table summarizes information about stock options outstanding and exercisable as of December 31, 2005:

	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price (in Euros)
Class A Options	1,500,000	1,395,807	42 months	6.67
Class B Options	1,083,000	461,892	48 months	8.33

Warrants

Subordinated Debt Warrants

The Company has 3,426,000 subordinated debt warrants outstanding (the "Subordinated Debt Warrants"). Of these, 2,960,000 warrants relate to warrants that had previously been issued to the Cable Partners Consortium,GIMV, the Financial Consortium and the MICs and whose terms where restated and amended in conjunction with the December 2003 issuance of the Senior Notes and the Senior Discounts Notes, and the modification of the Senior Credit Facility (the "Refinancing"). The remaining 466,000 Subordinated Debt Warrants were issued toGIMV and the Financial Consortium in connection with the Refinancing in 2003.

Each Subordinated Debt Warrant entitles the holder thereof to three shares of Telenet Group Holding upon payment of an exercise price of €40. Alternatively, holders may opt for a "cashless" exercise of the Subordinated

Debt Warrants. In such a case, they will be entitled to acquire a reduced number of shares of Telenet Group Holding , using the value of their warrants (measured by the market value of the shares of Telenet Group Holding at the time of exercise less the exercise price of the warrants) to acquire shares of Telenet Group Holding at their market value. The warrants can be exercised at any time during the exercise period ending on August 9, 2009.

Bank Warrants

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

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

11. DEBT AND OTHER FINANCING

For the years ended December 31	2005	2004
Senior Credit Facility:		
Tranche A	218,880	314,045
Tranche B	11,120	15,955
Tranche C2	-	110,000
Tranche E	405,000	300,000
Senior Notes	493,175	500,000
Senior Discount Notes (1)	220,861	263,150
Clientele Fee	42,379	43,748
Annuity Fee	53,822	57,281
Finance lease obligations	26,497	27,350
	1,471,735	**1,631,529**
Plus: accrued interest	17,829	13,080
Less: deferred financing fees	(44,650)	(63,845)
	1,444,914	**1,580,764**
Less: current portion	(156,129)	(20,009)
Total long-term debt	**1,288,785**	**1,560,755**

(1) accreted balance of the Senior Discount Notes, converted to Euros on December 31, 2005 and 2004 at the accounting rate of $1.1797 to €1.00 and $1.3621 to €1.00, respectively

Total debt is denominated in Euros with the exception of the Senior Discount Notes which are denominated in U.S. Dollars. Fixed interest rates applied to 48.5% of the total financial debt (2004: 46.8%). The weighted average interest rates at year end was 9.77% on fixed interest rate loans (2004: 9.86%) and 4.83% on floating interest rate loans (2004: 5.34%).

Senior Notes

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

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

Senior Discount Notes

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

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

Because the Company has not completed a registered exchange offer (or caused a shelf registration statement to become effective) with respect to the Senior Discount Notes as of June 30, 2005, it paid liquidated damages of $1,150 (or €973) to holders of the Senior Discount Notes on December 15, 2005. Under the terms of the registration rights agreement, the obligation to pay liquidated damages will continue until the earlier of the date that (i) a registered exchange offer is completed with respect to the Senior Discount Notes, (ii) a shelf registration statement, if requirement under the registration rights agreement, is declared effective by the SEC, or (iii) the period referred to in Rule 144(k) under the Securities Act expires with respect to the Discount Notes.

On October 17, 2005, Telenet Group Holding initiated an offer for up to 35% of the accreted value of its Senior Discount Notes, as calculated under the terms of the indenture governing such Notes, including an adjustment for amounts redeemed under the Change of Control Offer for the Senior Discount Notes, described below, such that not less than 65% of the Senior Discount Notes remains outstanding. Under the terms of the offer, which closed on November 23, 2005, Telenet Group Holding redeemed Senior Discount Notes with an accreted value of $136,171 (€115,233), representing 34.6% of $393,743 (€465,286), the total accreted value of the Senior Discount Notes as of such date, and paid an 11.5% redemption premium of $15,660 (€13,252). In addition, Telenet Group Holding paid $552 (€467) in accrued liquidated damages with respect to the redeemed Senior Discount Notes. The redemption cost associated with this exercise was recorded as an increase in interest cost in the fourth quarter of 2005.

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

Certain of the Company's shareholders entered into an agreement on October 14, 2005 which, among other matters, amended certain governance terms. The Company concluded that these changes resulted in a Change of Control within the definitions of the relevant indentures. Therefore, on October 17, 2005, Telenet Group Holding and Telenet Communications initiated change of control offers for the full accreted value and outstanding principal amount of Senior Discount Notes and Senior Notes, respectively (the "Change of Control Offers"). As per the terms of the indentures governing the Senior Discount Notes and Senior Notes, the Change of Control Offers were made at 101% of accreted value and outstanding principal amount, respectively. The Change of Control Offers expired on November 18, 2005 at which time $2,523 of face value at redemption of the Senior Discount Notes and €6,825 of the Senior Notes were tendered for redemption and settled during November 2005 together with accreted or accrued interest, as appropriate, the 1% redemption premium and the accrued liquidated damages in respect of the Senior Discount Notes. Pursuant to the Change of Control Offers, the total cost of the Senior Discount Notes purchased was $2,559 and the total cost of the Senior Notes purchased was €7,165.

Senior Credit Facility

The Company has a senior secured facility currently providing up to €835,000 in committed financing from a syndicate of lenders and in various tranches (the "Senior Credit Facility"). A further €150,000 in uncommitted senior secured facilities has also been obtained by the Company. Since the date that the Senior Credit Facility was originally signed in July 2002, the Company has amended the terms and structure and made partial prepayments of the Senior Credit Facility in line with its requirements and its evolving credit profile.

In March 2004, the Company prepaid €100,000 of the Senior Credit Facility using proceeds of the Senior Notes issued on December 22, 2003. On March 31, 2005, as part of a series of amendments to its Senior Credit Facility, the Company paid €210,000 to partially reduce the outstanding principal of Tranches A and B and to fully repay the outstanding principal of Tranche C2 of the Senior Credit Facility, while at the same time drawing €105,000 under Tranche E, resulting in a net prepayment of €105,000. The Company cancelled Tranche C2 including its undrawn balance and increased the available committed revolving credit facility under Tranche D from €100,000 to €200,000, resulting in an increase in undrawn committed facilities from €140,000 to €200,000. In addition, the Company obtained an uncommitted acquisition and liquidity facility of €150,000, Tranche C, from the senior lenders and reduced the margins applicable for Tranches A, B, D and E. As a result of these amendments, the Company wrote off €6,799 of debt issuance cost related to the Senior Credit Facility in the first quarter of 2005 and capitalized new debt issuance costs for an amount of €1,497.

As of December 31, 2005, the major terms and conditions of the various committed tranches of the Senior Credit Facility were as follows:

- tranche A: The Tranche A facility provides for an amortizing term loan and guarantee facility expiring in 2009 for an amount of up to €218,880 (2004: €314,045). Amounts under the facility bear interest at Euribor plus a margin of 2.50% as of December 31, 2004 and 3% from January 1, 2005. This margin decreases over time to the extent that the Company's leverage is reduced.
- tranche B: The Tranche B facility provides for an amortizing revolving credit facility, expiring in 2009, of up to €11,121 (2004: €15,955). Amounts under the facility bear interest at Euribor plus a margin of up to 2.50% as of December 31, 2004 and up to 3% from January 1, 2005. This margin decreases over time to the extent that the Company's leverage is reduced.
- tranche C2: 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% (2004: 3.75%). The outstanding principal under this facility was fully repaid on March 31, 2005.
- tranche D: The Tranche D facility provides for a revolving credit facility, expiring in 2009, of €200,000. Amounts under the facility bear interest at Euribor plus a margin of up to 3.50% (2004: 3.50%). This margin decreases over time to the extent that the Company's leverage is reduced. On March 31, 2005 the company increased the Tranche D facility from €100,000 to €200,000. As of December 31, 2005, the undrawn availability was €200,000 (2004: €100,000).
- tranche E: The Tranche E facility provides for a non-amortizing term loan, expiring in 2011, of €405,000. Amounts under the facility bear interest at Euribor plus a margin of 2.50% (2004: 3.25%). On March 31, 2005 the Company increased the Tranche E facility from €300,000 to €405,000 and the Company drew €105,000 under the Tranche E facility to repay €105,000 under the Tranche C2 facility. As of December 31, 2005 and 2004, this facility was fully drawn.

A commitment fee of 0.75% is payable on the undrawn balance of Tranche D. No commitment fees are payable in respect of Tranches A, B and E. The Senior Credit Facility contains representations and warranties, covenants, information requirements, events of default and financial covenants. The availability of the undrawn credit facilities is subject to meeting certain covenant and access tests. The financial covenants, which are tested on a quarterly basis, measure performance against, among others, standards for leverage, debt service coverage, revenues, and earnings before interest, taxes, depreciation, and amortization ("EBITDA"). As part of the 2005 amendment to the Senior Credit Facility, the financial covenants are based on IFRSs as adopted by the EU. Additionally, the agreements contain provisions requiring mandatory loan prepayments under specific circumstances. As of December 31, 2005 and 2004, the Company was in compliance with all of its financial covenants.

Clientele and Annuity Agreements

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

The clientele fee payable under the Clientele Agreement is payable by the Company in return for access to the cable network customer database owned and controlled by the PICs. The clientele fee is payable as long as the Company maintains its usage rights to the cable network, and is adjusted periodically depending on the level of inflation. Such payments allow the PICs to recover part of their historical investment to upgrade the original cable network to allow for two-way communication (the "HFC Upgrade").

Considering this, the present value of the clientele fee payments over the first 20 years (being the life of the longest lived assets that are part of the HFC Upgrade) has been accounted for as network user rights under intangible assets, and is amortized over 10 or 20 years depending on the useful life of the underlying assets that make up the HFC Upgrade.

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

Finance Lease Obligations

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
Within one year	2,159	1,902	1,184	943
In the second to fifth years, inclusive	11,509	10,342	8,223	6,989
Thereafter	22,091	24,993	17,090	19,418
Total minimum lease payments	**35,758**	**37,237**	**26,497**	**27,350**
Less: future finance charges	(9,261)	(9,887)	-	-
Present value of lease obligations	**26,497**	**27,350**	**26,497**	**27,350**
Less: amount due for settlement within 12 months			1,184	943
Amount due for settlement after 12 months			**25,313**	**26,407**

The Company leases certain assets under finance leases including buildings, head-ends and certain vehicles with average lease terms of 12, 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, 2005, the average effective borrowing rate was 3.76% (2004: 3.56%). 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.

Repayment Schedule

Aggregate future principal payments on the total borrowings under all of the Company's debt agreements other than finance leases, are as follows:

For the years ended December 31	2005	2004
On demand or within one year	12,342	5,986
In the second year	51,725	14,773
In the third year	52,166	71,090
In the fourth year	52,485	71,527
In the fifth year	52,199	71,841
After five years	1,224,321	1,368,962
	1,445,237	**1,604,179**

Guarantees

Obligations under the Senior Notes, Senior Discount Notes and the Senior Credit Facility are guaranteed and cross guaranteed by certain subsidiaries of Telenet Group Holding. The obligations are also secured by mortgages and by pledges of certain equity interests, material contracts, and other rights and claims held by certain of Telenet Group Holding's subsidiaries including, on a consolidated basis, property and equipment of €943,919, intangible assets of €278,347, trade receivables of €98,409 and other current assets of €97,894.

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

Foreign Currency Cash Flow Hedges

In order to hedge the foreign exchange exposure resulting from the issuance of U.S. dollar-denominated Senior Discount Notes, the Company purchased a series of foreign exchange forward contracts for a total nominal amount of $558,000, which is the fully accreted value of the Senior Discount Notes as of December 15, 2008 (the "Full Accretion Date").

On November 23, 2005, the Company used the proceeds of the sale of new shares in the primary offering to use its right to redeem 35% of the accreted value of Telenet Group Holding's Senior Discount Notes, representing €117,368 in principal (resulting in a total redemption amount of €131,118 including the repurchase premium, accrued interest, accrued liquidated damages and based on the transaction exchange rate of U.S.$ 1.1817 per euro). The redemption reduced the outstanding accreted value on that date from $396,264 to $257,571. The fully accreted value of the Senior Discount Notes as of the Full Accretion Date decreased to $362,700.

In order to align the total nominal amount of the foreign exchange forward contracts with the outstanding debt on the Full Accretion Date, the Company has unwound a portion of these contracts on the early redemption date. The termination of the contracts resulted in a settlement cost of €4,955.

The hedging instrument in this hedging relationship is the spot value of the foreign exchange forward contracts, as defined by the difference between the spot rate at inception and the closing spot rate. The risk being hedged is the variability of the Euro-equivalent cash flows related to (i) the anticipated fully accreted amount of the Senior Discount Notes as of the Full Accretion Date, and (ii) the estimated early redemption amount.

Hedge effectiveness is assessed periodically, based on the U.S. dollar spot rate, comparing the change in spot value of the foreign exchange forward contracts with the change in anticipated Euro-equivalent cash flows upon the future repayment of the fully accreted value of the Senior Discount Notes. This implies that the impact of ineffectiveness, together with changes in the fair value of the forward points on the foreign exchange forward contracts, will be recorded directly through earnings.

As of December 31, 2005 and December 31, 2004 outstanding foreign exchange forward contracts that qualified as cash flow hedges were as follows:

For the years ended December 31	2005	2004
Forward purchase contracts		
Notional amount in U.S. dollars	362,700	558,000
Weighted average contract price (U.S. dollars per Euro)	1.1930	1.1968
Maturity	December 15, 2008	December 15, 2008

Foreign Exchange Risk Related to Operations

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.

Derivative financial instruments covering operational foreign exchange risk exposure as of December 31, 2005 and December 31, 2004 were as follows:

For the years ended December 31	2005	2004
Option contracts		
Notional amount in U.S. dollars	17,500	8,000
Weighted average strike price (U.S. dollars per Euro)	1.17	1.27
Maturity	From January to July 2006	From January to July 2005

Interest Rate Risk Cash Flow Hedges

The Company has entered into interest rate swaps, caps and collars designed to hedge the interest rate exposure associated with various floating rate debts. The differential between the fixed rate of the swap or the strike of the option and the floating interest rate multiplied by the notional amount of the contract is the gain or loss of the contract. This gain or loss is included in interest expense in the period for which the interest rate exposure was hedged if the hedge is deemed to be effective.

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

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

During 2005, interest rate swaps for a total notional amount of €341,756 were disqualified as hedging instruments since the hedges were assessed to be no longer highly effective. The impact in hedging reserves of these disqualifications is quantified in the summary table.

As of December 31, 2005 and December 31, 2004, the outstanding contracts were as follows:

For the years ended December 31	2005	2004
Interest rate swaps		
Notional amount	180,762	472,312
Average pay interest rate	4.78%	4.3%
Average receive interest rate	2.4%	2.1%
Maturity	From 2008 to 2011	From 2005 to 2011
Caps		
Notional amount	59,504	738,138
Average cap interest rate	4.4%	4.0%
Maturity	From 2009 to 2017	From 2005 to 2017
Collars		
Notional amount	450,000	450,000
Average floor interest rate	2.5%	2.5%
Average cap interest rate	5.4%	5.4%
Maturity	From 2009 to 2011	From 2009 to 2012

Summary

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

	Fair Value	Hedging Reserves	Earnings
January 1, 2004	**(30,778)**	**(1,765)**	**(29,013)**
Change in fair value of foreign exchange forward contracts	(44,660)	(36,881)	(7,779)
Change in fair value of foreign exchange forward contracts reclassified into earnings	-	23,973	(23,973)
Change in fair value of foreign exchange option contracts	94	-	94
Change in fair value of interest rate derivatives prior to hedge inception	12,166	-	12,166
Change in fair value of interest rate derivatives after hedge inception	(17,956)	(11,954)	(6,002)
December 31, 2004	**(81,134)**	**(26,627)**	**(54,507)**
Change in fair value of foreign exchange forward contracts	51,576	62,161	(15,540)
Change in fair value of foreign exchange forward contracts reclassified into earnings	-	(43,403)	43,403
Change in fair value of foreign exchange option contracts	251	-	251
Change in fair value of interest rate derivatives qualifying for hedge accounting	252	(70)	322
Change in fair value of interest rate derivatives not qualifying for hedge accounting	6,383	-	6,383
Amortization of the change in fair value of interest rate derivatives frozen upon discontinuance of hedge accounting.	-	9,017	(9,017)
December 31, 2005	**(22,672)**	**1,078**	**(28,705)**

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

Credit Risk

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

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

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

Fair market value

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

	December 31, 2005		December 31, 2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including short-term maturities)	(1,471,734)	(1,558,466)	(1,631,529)	(1,741,770)
Foreign exchange forward	(10,904)	(10,904)	(62,480)	(62,480)
Foreign exchange options	27	27	(224)	(224)
Interest rate swaps	(7,994)	(7,994)	(14,194)	(14,194)
Caps	(718)	(718)	(623)	(623)
Collars	(3,083)	(3,083)	(3,613)	(3,613)
Total derivative instruments	**(22,672)**	**(22,672)**	**(81,134)**	**(81,134)**
Total	**(1,494,406)**	**(1,581,138)**	**(1,712,663)**	**(1,822,904)**

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.

13. DEFERRED TAXES

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

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

For the years ended December 31	2005	2004
Deferred income tax assets		
Financial instruments	12,251	9,800
Bad debt allowance	5,929	2,156
Other	-	125
Tax loss carry-forwards	307,349	358,997
Total deferred tax assets	**325,529**	**371,078**
Deferred income tax liabilities		
Property and equipment	1,448	5,299
Other	420	-
Total deferred tax liabilities	**1,868**	**5,299**
Net deferred income tax assets	**323,661**	**365,779**
Net deferred income tax recognized in the balance sheet	-	-

As of December 31, 2005, Telenet Group Holding and its subsidiaries had available combined cumulative tax loss carry-forwards of €672,617 (2004: €1,056,185). Under current Belgian tax laws, these loss carry forwards have an indefinite life and may be used to offset the future taxable income of Telenet Group Holding and its subsidiaries. As Telenet Group Holding and virtually all of its subsidiaries have never realized any substantial taxable profits, no deferred taxes have been recognized.

Two subsidiaries acquired in a previous business combination made taxable profits of €37,135 (2004: €11,060) during the year 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 results in a deferred tax expense of €14,917 (2004: €4,443). Available tax loss carry-forwards were reduced by €381,689 during 2005 as a result of taxable profits being recognized on permanent tax differences and adjustments related to the mergers and disallowed expenses.

Deferred income tax liabilities of €14 (2004: €10) have not been recognized for the withholding tax and other taxes that would be payable on the undistributed earnings of certain subsidiaries, because reversal of the related temporary differences is controlled by the Company and it is possible that they will not reverse in the foreseeable future. Undistributed earnings totaled €839 as of December 31, 2005 (2004: €585).

14. OTHER LIABILITIES

For the years ended December 31	2005	2004
Copyright fees	11,131	18,611
Employee benefit obligations	9,868	10,170
Other	2,756	2,647
	23,755	**31,428**

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 €22,884 (2004: €28,818) for settlement of these fees of which €11,753 (2004: €10,207) is considered to be short term and is recorded under accrued expenses and other current liabilities.

15. EMPLOYEE BENEFIT PLANS

As part of the acquisition of MixtICS NV ("MixtICS") in August 2002, the Company entered into a service and transfer agreement with Electrabel. Pursuant to this agreement, Electrabel agreed to provide certain operational services (such as installation, maintenance and call centre services) to the Company from August 9, 2002 to April 1, 2004, on which date the Electrabel employees who provided operational services to the Company were transferred to Telenet NV.

Based on management's best estimate of the obligations assumed for the employee benefit plans upon the transfer of employees which occurred on April 1, 2004, the Company recorded a one time charge of €2,923 in the second quarter of 2004 which was allocated between operating expenses and selling, general and administrative expenses. The assumed employee benefit plans include long term service awards, health care premiums, early retirement plans, death benefits and a defined benefit pension plan among others.

The majority of Telenet's (other) employees participate in defined contribution plans. By law, those plans provide an average minimum guaranteed rate of return over the employee's career equal to 3.75% on employee contributions and 3.25% on employer contributions paid as from January 1, 2004 onwards. Since the actual rates of return have been significantly higher, no provisions have been accounted for. During 2005, an amount of €1,430 was paid by the employer with respect to those plans. The accumulated plan assets amount to €11,759 at December 31, 2005. The Company has also recognized a liability of €1,591 at December 31, 2005 for long term service awards.

The amounts recognized in the balance sheet are as follows:

	Defined Benefit Plans		Postretirement Plans	
	2005	2004	2005	2004
Present value of funded obligations	4,719	2,265	-	-
Fair value of plan assets	(1,878)	(1,462)	-	-
	2,841	**803**	-	-
Present value of unfunded obligations	-	-	3,471	1,855
Unrecognized net actuarial loss	(1,440)	(101)	(490)	-
Net liability in balance sheet	**1,401**	**702**	**2,981**	**1,855**

The amounts recognized in the income statement are as follows:

	Defined Benefit Plans 2005	2004	Postretirement Plans 2005	2004
Service cost	2,186	1,787	984	1,788
Interest cost	206	77	142	67
Expected return on plan assets	(74)	(53)	-	-
Actuarial losses recognized in the year	5	-	-	-
Total	**2,323**	**1,811**	**1,126**	**1,855**

Of the charge for the year, €2,825 (2004: €3,314) is included in costs of services provided in the income statement, €350 (2004: €261) is included in selling, general and administrative and €274 (2004: €91) is included in finance cost.

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

	Defined Benefit Plans 2005	2004	Postretirement Plans 2005	2004
Opening defined benefit obligation	2,265	410	1,855	-
Service cost	2,186	1,787	984	1,788
Interest cost	206	77	142	67
Plan participants contributions	57	40	-	-
Actuarial loss (gain)	326	(23)	490	-
Benefits paid	(321)	(26)	-	-
Closing defined benefit obligation	**4,719**	**2,265**	**3,471**	**1,855**

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

	Defined Benefit Plans 2005	2004	Postretirement Plans 2005	2004
Opening fair value of plan assets	1,462	317	-	-
Actual return on plan assets	74	53	-	-
Company contributions	1,625	1,142	-	-
Plan participants contributions	56	40	-	-
Actuarial (loss) gain	(1,018)	(64)	-	-
Benefits paid	(321)	(26)	-	-
Closing fair value of plan assets	**1,878**	**1,462**	**-**	**-**

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

	Defined Benefit Plans		Postretirement Plans	
	2005	2004	2005	2004
Discount rate at December 31	4.00%	4.87%	4.00%	5.00%
Rate of compensation increase	3.11%	3.13%	-	-
Expected return on plan assets	4.83%	4.92%	-	-
Underlying inflation rate	2.00%	2.00%	2.00%	2.00%
Increase of medical benefits	-	-	3.00%	2.50%

16. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

For the years ended December 31	2005	2004
Customer deposits	25,451	29,261
Compensation and employee benefits	30,574	20,592
Financial instruments	2,465	8,333
VAT and withholding taxes	1,616	2,275
Copyright fees	11,753	10,207
Other current liabilities	2,270	2,950
	74,129	**73,618**

17. REVENUES

The Company's revenues comprise:

For the years ended December 31	2005	2004
Cable television:		
- Basic Subscribers (1)	198,557	197,373
- Premium Subscribers (1)	51,808	58,776
- Distributors/Other	17,211	8,817
Residential:		
- Internet	231,097	192,288
- Telephony	170,293	157,213
Business	**68,526**	**66,658**
Total	**737,492**	**681,125**

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

The Company also has unearned revenues as follows:

For the years ended December 31	2005	2004
Cable television:		
- Basic Subscribers [(1)]	107,861	104,852
- Premium Subscribers [(1)]	3,756	7,293
- Distributors/Other	777	-
Residential:		
- Internet	8,079	6,163
- Telephony	2,062	1,440
Business	**1,878**	**2,052**
Total	**124,413**	**121,800**
Current portion	112,876	113,835
Long-term portion	11,537	7,965

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

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

18. EXPENSES BY NATURE

For the years ended December 31	2005	2004
Employee benefits:		
- Wages, salaries, commissions and social security costs	89,203	86,233
- Share options granted to Directors and employees	2,196	1,140
- Other employee benefit costs	18,854	20,097
Employee benefits	**110,253**	**107,470**
Depreciation	159,083	159,321
Amortization	39,087	35,647
Amortization of broadcasting rights	8,144	9,361
Network operating and service costs	208,386	178,934
Advertising, sales and marketing	49,402	44,226
Other costs	31,563	41,513
Total costs and expenses	**605,918**	**576,472**

The average number of full time equivalents employed by the Company during the year ended December 31, 2005 was 1,503 (2004: 1,257).

19. FINANCE COSTS

For the years ended December 31	2005	2004
Interest expense	142,676	168,397
Interest income	(3,420)	(4,552)
Interest expense, net	**139,256**	**163,845**
Net foreign exchange transaction (gains)/losses on financing transations	40,263	(27,499)
(Gains)/losses on derivative financial instruments (Note 12)	(25,802)	25,494
Loss on extinguishment of debt	39,472	-
Finance costs, net	**193,189**	**161,840**

20. INCOME TAX EXPENSE

For the years ended December 31	2005	2004
Current tax expense	136	78
Deferred tax expense (Note 13)	14,917	4,443
Income tax expense	**15,053**	**4,521**

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

For the years ended December 31	2005	2004
Loss before tax	(61,614)	(57,186)
Income tax expense/(benefit) at the Belgian statutory rate of 33.99%	(20,943)	(19,438)
Expenses not deductible for tax purposes	20,738	9,756
Recognition of previously unrecognized acquired tax losses through goodwill at the historic Belgian statutory rate of 40.17%	14,917	4,443
Utilization of previously unrecognized tax losses	(14,929)	(3,759)
Tax losses for which no deferred income tax asset was recognised	15,270	13,519
Tax expense for the year	**15,053**	**4,521**

21. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares during the period. Diluted loss per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the years ended December 31, 2005 and 2004, the Company had six categories of dilutive potential ordinary shares: Class A and Class B Options, stock options under the 1999 and 1998 Plans, the Bank Warrants and the Subordinated Debt Warrants. Of these, only the Class A and Class B Options and the Subordinated Debt Warrants are still outstanding as of December 31, 2005 as the other instruments were exercised during September 2005. The effects of the dilutive potential ordinary shares were not included in the computation of diluted loss per share for the years ended December 31, 2005 and 2004 because they are anti-dilutive.

22. COMMITMENTS AND CONTINGENCIES

Interconnection Litigation

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

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

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

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

Belgacom appealed this judgement in April 2004. On March 17, 2005, the Court of Appeals of Antwerp dismissed Belgacom's claims. Although Belgacom retains the right to further appeals on technical grounds, we do not expect that the outcome of such further appeals would arise before 2007.

Capital Commitment

Telenet NV entered into an agreement in March 2005 to purchase land in conjunction with the planned construction of additional office space adjacent to the current principal offices in Mechelen. The purchase price of the land has been agreed at €5,805, and was paid in February 2006.

Operating Leases

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

For the years ended December 31	2005	2004
Within one year	7,762	8,082
In the second to fifth years, inclusive	10,849	16,061
Thereafter	1,146	3,082
Total minimum lease payments	**19,758**	**27,225**
Minimum lease payments recognized as an expense in the year	**19,325**	**16,786**

23. RELATED PARTIES

Related Party Identification

The related parties of the Company mainly comprise its shareholders that have the ability to exercise significant influence, namely the Liberty Global Consortium (formerly known as the Cable Partners Consortium), the MICs and Electrabel as a result of its direct and indirect ownership of the Company. Suez was deemed to be a related party as a result of its direct ownership of the Company and its indirect ownership of Electrabel. As a result of the sale of their investment in the Company in December 2004, Cable Partners Europe L.L.C. ("CPE") (formerly known as Callahan Associates International L.L.C.) and Callahan InvestCo Belgium 1 S.à.R.L. ("CIB") are no longer related parties. The MICs, Electrabel and Suez are no longer related parties as a result of the changes in ownership at the time of the IPO in October 2005.

Other related parties included in the tables below relate to entities that are significantly influenced by key management of the Company.

Related Party Transactions

Transactions with CPE include payment of transaction expenses related to the acquisition of MixtICS. In addition, Telenet Operaties and CPE entered into a Strategic Services Agreement dated March 31, 2001 (the "Management Agreement"). Under the Management Agreement, CPE provided strategic advice and assists with the expansion, development and growth of the Company. This agreement was terminated on May 11, 2005.

Transactions with other related parties primarily relate to leasing and derivative contracts held with a financial institution.

The following table summarizes material related party balances:

Balance Sheet For the years ended December 31	2005	2004
Purchases of property and equipment		
Other related parties	6	17
Accounts receivable		
Electrabel and Suez	-	437
Other related parties	-	601
Other receivables		
Electrabel	-	8,039
Other related parties	1,486	86
Accounts payable		
Liberty Media	23	-
Electrabel and Suez	-	4,019
CPE	-	2,753
Accrued expenses		
Electrabel and Suez	-	2,250
Other related parties	974	1,166
Current portion of long term debt		
Other related parties	808	590
Long term debt		
Other related parties	19,110	19,827
Derivative financial instruments		
Other related parties	6,255	10,838

The following table summarizes material related party transactions for the period:

Income Statement For the years ended December 31	2005	2004
Operating		
Leases and other operating expenses – Electrabel and Suez	(4,691)	(8,685)
Leases and other operating expenses – Liberty	(1,961)	-
Management and advisory fees – CPE	-	(5,441)
Service agreement – Electrabel and Suez -	(18,083)	
Other operating income – Electrabel and Suez	1,063	1,784
Interconnect net result – Other related parties	(10,284)	(5,621)
Other operating expenses – Other related parties	(3,501)	(2,624)
Finance costs		
Interest income – Electrabel and Suez	-	2,484
Finance income (loss) – Other related parties	3,387	(8,077)

Key management compensation

For the years ended December 31	2005	2004
Salaries and other short-term employee benefits	3,750	2,999
Post-employment benefits	150	85
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	1,620	1,140
	5,340	**4,223**

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

24. SUBSIDIARIES

Details of the Company and its subsidiaries as of December 31, 2005 are as follows.

Company	National Number	Address	% Held	Consolidation Method
Telenet Group Holding NV	477.702.333	Liersesteenweg 4, 2800 Mechelen, Belgium	-	Parent company
Telenet Communciations NV	473.416.814	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet Bidco NV	473.416.418	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet Holding NV	458.837.813	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet NV (formerly Telenet Operaties NV)	439.840.857	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet Vlaanderen NV	458.840.088	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Merrion Communications	6378934T	62, Merrion Square, Dublin 2, Ireland	100%	Fully consolidated
Telenet Solutions NV	447.892.550	De Kleetlaan 5, 1831 Diegem, Belgium	100%	Fully consolidated
Telenet Solutions Luxembourg SA	1.999.223.4426	Rue de Neudorf 595, 2220 Luxembourg, Luxembourg	100%	Fully consolidated
Phone Plus SPRL	465.384.719	Chaussée de Saint-Job 638, 1180 Uccle, Belgium	100%	Fully consolidated

In order to simplify the internal corporate structure of the Company and to align the corporate structure with the operating functioning of the Company, the Company completed the mergers of MixtICS and PayTVCo with Telenet NV during July 2005 with effect from January 1, 2005.

25. SUBSEQUENT EVENTS

Redemption of Senior Notes Following Initial Public Offering

On January 9, 2006, the Company applied the remaining net proceeds of its IPO towards a partial redemption of the Senior Notes. 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. After the IPO redemption and the change of control offer redemptions which were settled in November 2005, the outstanding balance of the Senior Notes was €368,402.

Acquisition of Assets of Hypertrust

On February 2, 2006, the Company announced the acquisition of the assets and rights of Hypertrust, a Belgian provider of on-line digital photography services. Hypertrust's technology, which was previously marketed under the Pixagogo and Photoblog brand names, will allow Telenet broadband Internet and iDTV customers to easily store, manage and share digital photographs.

BIPT Proposal Regarding Interconnection Termination Rates

On February 7, 2006, 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") issued a consultation statement on the market for fixed voice termination in which it proposed that the Company, as well as other non-incumbent providers of fixed line telephony, should adopt a mandated path reducing the higher interconnection rate which we currently charge for calls terminated on our network to the lower rate that is charged by Belgacom over a three year period.

Although the Company has always projected a decrease in the interconnect termination rates that it will receive as its telephony customer base grows, it is expected that its future interconnect termination revenue would decrease at a faster rate than projected if the BIPT's consultation is adopted. The Company believes that the BIPT's basis for its position is not consistent with EU regulation and is contesting their proposal.

Announcement of Mobile Services Venture with Mobistar

On February 14, 2006, the Company announced a series of agreements with Mobistar, Belgium's second largest mobile telephony operator, to establish a new mobile virtual network operator (MVNO). The MVNO will carry Telenet's branding and use capacity on Mobistar's network. We anticipate that Telenet mobile services will become available later this year.

Submission by Belgacom of Interconnect Case to the Belgian Supreme Court

On February 24, 2006, Belgacom submitted its commercial case against Telenet regarding our interconnection termination rates to the Belgian Supreme Court (Hof van Cassatie / Cour de Cassation). This followed a decision on March 17, 2005, when the Court of Appeals of Antwerp dismissed Belgacom's claim. The Belgian Supreme Court only has the authority to review whether or not there has been a mistake of law or breach of certain formal procedural requirements in the case. The Company expects that 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.

Internal Reorganization

In order to align our corporate structure with the operational functioning of the group, we merged Telenet Solutions into Telenet NV on December 31, 2005 with effect from January 1, 2006. On January 31, 2006, we liquidated Telenet Holding NV, since it no longer fulfilled any function in our group structure.

26. FIRST-TIME ADOPTION OF IFRSs AS ADOPTED BY THE EU

The consolidated financial statements have been prepared in accordance with IFRSs as adopted by the EU, as described in Note 2 to the consolidated financial statements. Those principles differ in certain significant respects from U.S. GAAP, the principles previously used by the Company. These differences relate mainly to the items that are described below and are summarized in the following tables. Such differences affect both the determination of net result and shareholders' equity, as well as the classification and format of the consolidated financial statements.

The following is a summary of the effects of the differences between IFRSs as adopted by the EU and U.S. GAAP on the Company's total shareholders' equity as of January 1, 2004 and December 31, 2004 and profit and loss for the year ended December 31, 2004.

Effect of Transition to IFRS as adopted by the EU	U.S. GAAP	Deferred Taxes	Share-based Payments	Copyright Fees	IFRS as adopted by the EU
Equity January 1, 2004	574,088	-	-	2,302	576,390
Net result	(60,518)	(684)	379	(884)	(61,707)
Other changes in equity	(23,344)	-	(379)	-	(23,723)
Equity December 31, 2004	**490,226**	**(684)**	-	**1,418**	**490,960**

Measurement and Recognition Differences Between IFRSs as Adopted by the EU and U.S. GAAP

A. Deferred Taxes

Historically under U.S. GAAP, 100% valuation allowances were recorded against tax losses carried forward by subsidiaries acquired in previous business combinations. The Company started using these tax losses carried forward in 2004 and reduced goodwill using the current tax rate of 33.99%. IFRSs as adopted by the EU requires the Company to utilize the tax rate in effect at the time of the acquisition, or 40.17%, to reduce goodwill while using the current tax rate of 33.99% to establish the deferred tax asset resulting in additional deferred tax expense as these tax loss carryforwards are utilized. This results in a decrease in goodwill and an increase in deferred tax expense of €683 as of and for the year ended December 31, 2004. There was no impact to the opening balance sheet as the Company had not utilized any acquired tax loss carry-forwards as of January 1, 2004.

B. Share-based Payment

The intrinsic value method is used to account for the Company's stock option plans under U.S. GAAP. Accordingly, the excess of the grant date fair value of the Company's ordinary shares over the exercise price of the stock options is recognized as compensation expense over the vesting period of the options. Under IFRSs as adopted by the EU, warrants granted after November 7, 2002 that had not vested before January 1, 2005 are recorded at the fair value of each option granted as estimated on the date of grant using the Black Scholes option pricing model. Warrants granted on or before November 7, 2002 were not modified subsequent to this date and, as a result, the related expense and increase in contributed capital of €2,689 included in the January 1, 2004 U.S. GAAP financial statements was reversed under IFRSs as adopted by the EU.

The total cost calculated for the warrants granted after November 7, 2002 that had not vested before January 1, 2005 is expensed over the vesting period of the respective warrants and the increase in capital is reclassified from additional paid in capital under U.S. GAAP to capital reserves under IFRSs as adopted by the EU. As of and for the year ended December 31, 2004, this results in an increase in capital reserves of €1,140 and decreases in contributed capital of €2,500, deferred stock compensation of €982 and compensation expense of €378. These adjustments did not have tax consequences.

C. Copyright Fees

Under U.S. GAAP, the Company retained an accrual in other liabilities for the gross amounts that the Company expects to pay as a result of settlements with certain of the broadcasters and copyright collection agencies. Under IFRSs as adopted by the EU, the Company is required to record these amounts at the present value of the expenditures expected to be required to settle the obligation. This results is a decrease in accrued copyright fees of €1,417 and €2,301 as of December 31, 2004 and January 1, 2004, respectively, and an increase in interest expense of €884 during the year ended December 31, 2004. These adjustments did not have tax consequences.

Presentation Differences Between IFRSs as Adopted by the EU and U.S. GAAP

D. Depreciation and Amortization Expense

Under U.S. GAAP, the Company reported depreciation and amortization expense as separate line items on the face of the statement of operations. Under IFRSs as adopted by the EU, the Company is required to allocate these expenses to costs of services provided and selling, general and administrative expenses.

E. Broadcasting Rights

Under U.S. GAAP, the Company recorded a current asset for prepaid content and amortized the cost to operating expenses over the related life. Under IFRSs as adopted by the EU, broadcasting rights are capitalized as an intangible asset when the value of the contract is measurable upon signing and are amortized to costs of service provided on a straight-line basis over contractual life. The change in treatment results in a reclassification of certain assets to intangible assets and an accrual for unbilled broadcasting rights on the balance sheet and classification as amortization expense on the income statement under IFRSs as adopted by the EU.

F. Foreign Exchange Gains and Losses

Under U.S. GAAP, the Company reported all foreign exchange gains and losses within other income and loss on the statement of operations. Under IFRSs as adopted by the EU, the Company has allocated all foreign exchange gains and losses related to operations to the costs of services provided and selling, general and administrative expenses.

G. Employee Benefit Plans

Under U.S. GAAP, the Company reported all expenses related to the employee benefit plans within operating income on the statement of operations. Under IFRSs as adopted by the EU, the Company has allocated the expected return on plan assets and the interest cost related to the employee benefit plans to finance costs.

H. Deferred Finance Fees

Under U.S. GAAP, the Company reported the deferred portion of loan origination costs as an asset on the balance sheet. Under IFRSs as adopted by the EU, the Company is required to show these amounts as a reduction of the related debt balance.

I. Classification of Derivative Financial Instruments

Historically, the Company has presented derivative financial instruments as current assets or current liabilities under U.S. GAAP. IFRSs as adopted by the EU requires the Company to classify its derivative financial instruments as current or non-current resulting in a reclassification of long term derivative financial instruments from current assets and liabilities to non-current assets and liabilities.

J. Copyright Fees

Under U.S. GAAP, the Company has reported copyright fees as a long term liability on the balance sheet. Under IFRSs as adopted by the EU, the Company has reclassified the portion of the accrual for copyright fees that is either expected to be paid within one year after the balance sheet date or does not have a stated payment date to short term accruals.

K. Warrants

Under U.S. GAAP, detachable warrants to purchase shares issued in connection with debt issuances were valued by allocating the proceeds of the debt securities issued based on the relative fair values of the warrants and the debt at the time of issuance. Any resulting discount or premium on the debt securities was recognized using the effective interest rate method over the contractual term of the debt and the warrants were recorded as additional paid in capital. These warrants and the related debt instruments were retired prior to the transition to IFRSs as adopted by the EU. Under IFRSs as adopted by the EU, 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. As a result of this difference in valuing the detachable warrants, the Company has recorded the difference between the allocated fair value under U.S. GAAP and the value as determined under IFRSs as adopted by the EU as a reduction in capital and retained losses as of the opening balance sheet.

L. Accrued Interest

Under U.S. GAAP, the Company has reported accrued interest on the accrued expenses and other current liabilities line of the balance sheet. Under IFRSs as adopted by the EU, the Company has reclassified accrued interest to be shown as a component of the related debt.

Explanation of material adjustments to the cash flow statement:
As noted above under item E. Broadcasting Rights, the Company recorded a current asset for prepaid content and amortized the cost to operating expenses over the related life under U.S. GAAP. Under IFRSs as adopted by the EU, broadcasting rights are capitalized as an intangible asset when the value of the contract is measurable upon signing and are amortized to costs of service provided on a straight-line basis over contractual life. As a result of the reclassification of certain assets to intangible assets, expenditures for these rights are included as a cash flow from investing activities under IFRSs as adopted by the EU rather that a cash flow from operating activities under U.S. GAAP. There are no other items that resulted in transfer between categories of cash flows.

For the year ended December 31, 2004	U.S. GAAP	Effect of Transition to IFRSs as adopted by the EU	IFRSs as adopted by the EU
Cash flows from operating activities	223,138	11,166	234,304
Cash flows from investing activities	(141,498)	(11,166)	(152,664)
Cash flows from financing activities	(107,478)	-	(107,478)

Reconciliation from U.S. GAAP to IFRSs as Adopted by the EU:
The following presents the effect of the transition from U.S. GAAP to IFRSs as adopted by the EU on the Company's consolidated statements of income and consolidated balance sheets considering all of the items discussed previously in this note.

RECONCILIATION OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2004:

		Effect of Transition to IFRS as adopted by the EU					
	U.S. GAAP	Measurement and Recognition	Note	Presentation	Note	IFRS as adopted by the EU	
Revenues	681,125	-		-		681,125	Revenues
Operating (excluding depreciation and amortization)	(247,770)	(84)	B	(182,798)	D E F G	(430,652)	Costs of services provided
						250,473	**GROSS PROFIT**
Selling, general and administrative	(133,788)	463	B	(12,495)	D G	(145,820)	Selling, general and administrative
Depreciation	(159,321)	-		159,321	D		
Amortization	(35,647)	-		35,647	D		
OPERATING PROFIT	**104,599**	**379**		**(325)**		**104,653**	**OPERATING PROFIT**
Finance costs, net	(161,280)	(884)	C	325	F G	(161,839)	Finance costs, net
NET LOSS BEFORE INCOME TAXES	**(56,681)**	**(505)**	-	-		**(57,186)**	**NET LOSS BEFORE INCOME TAXES**
Income tax expense	(3,837)	(684)	A	-		(4,521)	Income tax expense
NET LOSS	**(60,518)**	**(1,189)**		-		**(61,707)**	**NET LOSS**
Basic and diluted net loss per share	(0.70)					(0.71)	Basic and diluted net loss per share

RECONCILIATION OF EQUITY AT DECEMBER 31, 2004:

		Effect of Transition to IFRS as adopted by the EU				
	U.S. GAAP	Measurement and Recognition	Note	Presentation	Note	IFRS as adopted by the EU
ASSETS						
NON-CURRENT ASSETS:						
Property and equipment	960,776	-		-		960,776
Goodwill	1,028,145	(684)	A	-		1,027,461
Other intangible assets	274,209	-		6,567	E	280,776
Deferred finance fees	63,845	-		(63,845)	H	-
Other assets	1,009	-		-		1,009
Total non-current assets	**2,327,984**	**(684)**		**(57,278)**		**2,270,022**
CURRENT ASSETS:						
Trade receivables	84,787	-		-		84,787
Other current assets	23,635	-		(2,785)	E	20,850
Cash and cash equivalents	145,188	-		-		145,188
Total current assets	**253,610**	**-**		**(2,785)**		**250,825**
TOTAL	**2,581,594**	**(684)**		**(60,063)**		**2,520,847**
EQUITY AND LIABILITIES						
EQUITY:						
Contributed capital	2,309,899	(2,500)	B	(39,275)	B K	2,268,124
Deferred stock compensation	(982)	982	B	-		-
Other reserves	-	1,140	B	-		1,140
Hedging reserves	(26,627)	-		-		(26,627)
Retained loss	(1,792,064)	1,112	A B C	39,275	B K	(1,751,677)
Total equity	**490,226**	**734**		**-**		**490,960**
NON-CURRENT LIABILITIES:						
Long-term debt	1,624,600	-		(63,845)	H	1,560,755
Other liabilities	51,018	(1,418)	C	62,593	I J	112,193
Total non-current liabilities	**1,675,618**	**(1,418)**		**(1,252)**		**1,672,948**
CURRENT LIABILITIES:						
Current portion of long-term debt	6,929	-		13,080	L	20,009
Accounts payable	145,696	-		3,781	E	149,477
Accrued expenses and other current liabilities	149,290	-		(75,672)	I J L	73,618
Unearned revenue	113,835	-		-		113,835
Total current liabilities	**415,750**	**-**		**(58,811)**		**356,939**
Total liabilities	**2,091,368**	**(1,418)**		**(60,063)**		**2,029,887**
TOTAL	**2,581,594**	**(684)**		**(60,063)**		**2,520,847**

RECONCILIATION OF EQUITY AT JANUARY 1, 2004:

		Effect of Transition to IFRS as adopted by the EU				
	U.S. GAAP	Measurement and Recognition	Note	Presentation	Note	IFRS as adopted by the EU
ASSETS						
NON-CURRENT ASSETS:						
Property and equipment	991,438	-		-		991,438
Goodwill	1,031,904	-		-		1,031,904
Other intangible assets	280,679	-		11,220	E	291,899
Deferred finance fees	75,114	-		(75,114)	H	-
Other assets	1,070	-		-		1,070
Total non-current assets	**2,380,205**	**-**		**(63,894)**		**2,316,311**
CURRENT ASSETS:						
Trade receivables	84,783	-		-		84,783
Other current assets	28,029	-		(1,487)	E	26,542
Cash and cash equivalents	171,026	-		-		171,026
Total current assets	**283,838**	**-**		**(1,487)**		**282,351**
TOTAL	**2,664,043**	**-**		**(65,381)**		**2,598,662**
EQUITY AND LIABILITIES						
EQUITY:						
Contributed capital	2,307,399	-		(39,275)	B K	2,268,124
Deferred stock compensation	-	-		-		-
Other reserves	-	-		-		-
Hedging reserves	(1,765)	-		-		(1,765)
Retained loss	(1,731,546)	2,302	C	39,275	B K	(1,689,969)
Total equity	**574,088**	**2,302**				**576,390**
NON-CURRENT LIABILITIES:						
Long-term debt	1,710,027	-		(75,114)	H	1,634,913
Other liabilities	47,225	(2,302)	C	18,657	I J	63,580
Total non-current liabilities	**1,757,252**	**(2,302)**		**(56,457)**		**1,698,493**
CURRENT LIABILITIES:						
Current portion of long-term debt	5,814	-		13,107	L	18,921
Accounts payable	130,027	-		6,485	E	136,512
Accrued expenses and other current liabilities	97,504	-		(28,516)	E I J L	68,988
Unearned revenue	99,358	-		-		99,358
Total current liabilities	**332,703**	**-**		**(8,924)**		**323,779**
Total liabilities	**2,089,955**	**(2,302)**		**(65,381)**		**2,022,272**
TOTAL	**2,664,043**	**-**		**(65,381)**		**2,598,662**

Report of the Statutory Auditor on the Consolidated Financial Statements

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2005 OF TELENET GROUP HOLDING NV

In accordance with legal and regulatory requirements, we are pleased to report to you on the performance of the audit mandate which you have entrusted to us.

We have audited the accompanying consolidated financial statements set forth on pages 86 to 129 which have been prepared in accordance with IFRSs as adopted by the EU. These financial statements comprise the consolidated balance sheet of Telenet Group Holding NV and its subsidiaries as of 31 December 2005 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. We have also examined the management report on the consolidated financial statements.

It is the responsibility of the company's Board of Directors to prepare the consolidated financial statements and to determine what information is to be included in their management report on the consolidated financial statements. Our responsibility is to examine those documents in accordance with Belgian generally accepted auditing standards, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren".

Unqualified audit opinion on the consolidated financial statements

The aforementioned standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. In accordance with those standards, we considered the group's administrative and accounting organisation, as well as its internal control procedures. We have obtained all explanations and information required for our audit. We examined, on a test basis, evidence supporting the amounts in the consolidated financial statements. We assessed the accounting principles used, the basis of consolidation and significant estimates made by the enterprise, as well as the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accompanying consolidated financial statements set forth on pages 86 to 129 give a true and fair view of the net worth and financial position of the Group as of 31 December 2005 and of its results of operations and cash flows for the year then ended, in accordance with IFRSs as adopted by the EU and with the legal and regulatory requirements applicable to quoted companies in Belgium.

Other certification

We supplement our report with the following certification which does not modify our audit opinion on the consolidated financial statements:

- the management report on the consolidated financial statements deals with the information required by the law and is consistent with the consolidated financial statements. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the Group, its state of affairs, its forecast development or the significant influence of certain events on its future development. Nevertheless, we can confirm that the information provided is not patently in contradiction with the information we have acquired in our role as statutory auditors.

2 May 2006

The Statutory Auditor
PricewaterhouseCoopers Bedrijfsrevisoren bcvba
represented by

Bernard Gabriëls
Bedrijfsrevisor

Telenet Group Holding NV

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

The joint auditors issued an unqualified opinion on the 2005 Telenet Group Holding stand alone financial statements. 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 financial statements, as well as a number of specific paragraphs in respect of the procedures in the context of article 523 and 524 of the Belgian Company Code (conflict of interest reported by members of the Board of Directors).

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

1. ABRIDGED NON-CONSOLIDATED BALANCE SHEET TGH

Figures in 000s of Euro	2005	2004
ASSETS		
FIXED ASSETS	**1,442,003**	**1,430,655**
Start-up costs	20,135	8,787
Financial assets	1,421,868	1,421,868
CURRENT ASSETS	**475,259**	**299,284**
Amounts receivable in more than one year	329,544	292,096
Amounts receivable within one year	2,656	14
Investments	138,052	
Cash at bank and in hand	667	40
Deferred charges and accrued income	4,340	7,134
TOTAL ASSETS	**1,917,262**	**1,729,939**
LIABILITIES		
CAPITAL AND RESERVES	**1,673,352**	**1,415,279**
Capital	1,647,365	1,427,930
Share premium account	60,815	
Reserves	527	3
Loss brought forward	(35,355)	(12,654)
LIABILITIES	**243,910**	**314,660**
Creditors, amounts falling due after more than one year	236,813	263,150
Creditors, amounts falling due within one year	7,097	51,510
TOTAL LIABILITIES	**1.917,262**	**1,729,939**

2. ABRIDGED NON-CONSOLIDATED PROFIT AND LOSS ACCOUNT TGH

Figures in 000s of Euro	2005	2004
Operating income		
Operating charges	(2,363)	(729)
Operating loss	**(2,363)**	**(729)**
Financial result	(2,308)	(1,241)
Extraordinary result	(18,029)	
Loss for the financial year for appropriation	**(22,700)**	**(1,970)**

3. STATEMENT OF THE CAPITAL TGH

Figures in 000s of Euro	2005	Number of shares
ISSUED CAPITAL		
As at the end of the last financial year	**1,427,930**	**28,842,419**
24/08/05 Capital increase warrants		109,998
14/10/05 Capital increase IPO	219,200	13,333,333
09/11/05 Capital increase offer to staff	235	14,269
14/10/05 3-for-1 split		57,904,834
As at the end of the financial year	**1,647,365**	**100,204,853**
COMPOSITION OF THE CAPITAL		
Shares without nominal value	1,647,365	100,204,853

4. SUMMARY OF THE MAIN VALUATION RULES CONCERNING TGH

1. General valuation rules

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

As a general rule, each component of the assets is valued at its acquisition cost, and shown in the balance sheet at that amount, minus any depreciation or write-downs.
The amounts receivable are also shown, in principle, at their nominal value.

2. Abridged specific rules

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.

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.

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.

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.

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.

Profit and loss account

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

Foreign exchange hedging

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

5. ABRIDGED ANNUAL REPORT ON THE STATUTORY NON-CONSOLIDATED ANNUAL ACCOUNTS OF TELENET GROUP HOLDING NV

Discussion of the balance sheet

Start-up costs

The increase in formation expenses to €11.4 million is explained by the capitalisation of the IPO expenses amounting to €15.9 million, to be amortized over 4 years.
The IPO raised €280 million in cash.
This money was used to repay 35% of the Senior Discount Notes and 1.37% of the Senior Notes, and resulted in an extraordinary write-down on the issue expenses paid in advance with regard to SDN in Telenet Group Holding of €2,847,521.87.

Financial assets

The 'Investments' heading, for an amount of €1,421.9 million consists, on the one hand, of the stake held in the subsidiary Telenet Communications NV for €1,419 million or 99.99%, and on the other hand, a 0.35% stake in Telenet Holding NV, for an amount of €2.8 million.

Amounts receivable after more than one year

The item for other amounts receivable in the long term consists of a loan granted to Telenet Communications NV, for an amount of €330 million.

Amounts receivable within one year

The total amount to be repaid for the Senior Discount Notes on the maturity date of 15 December 2008, amounting to USD 362.7 million, is covered by forward contracts. The difference between the forward rate and the closing rate at year-end, results in a residual liability of €2.6 million.

Deferred charges and accrued income

The deferred charges and accrued income consists mainly of carry-over-expenses amounting to €3.8 million, advance payments relating to Directors' liability amounting to €0.3 million and interest earned amounting to €0.2 million.

Capital

In 2005, the following capital increases occurred: on 24 August 2005, the capital was increased by €157.14 by exercise of warrants, in respect of which 109,998 new shares (329,994 shares after the share split) were issued. In the context of the IPO, the following capital increases occurred. On 14 October 2005, as a consequence of a public offering of new shares, €280 million was raised, of which €219,199,994.52 was entered into the accounts as a capital increase in exchange for the issue of 13,333,333 shares. The remaining amount of €60,800,005.48 was entered into the share premium account. On 9 November 2005, the capital was increased again €234,582.36, via the issue of 14,269 shares as a consequence of an offering to employees. An amount of €15,118.12 was entered into the share premium account.

Creditors, amounts falling due after more than one year

On 22 December 2003, the company issued a public non-subordinated bond loan as "Senior discount notes" for €258.2 million or USD 319.7 million. In November 2005, 35% of this loan was repaid, which meant that the outstanding balance at the end of 2005, valued at the closing rate, was reduced to USD 260.6 million or €220.8 million.

Besides that, Telenet Group Holding has an outstanding LT liability towards Telenet Communications of €16 million.

Creditors, amounts falling due within one year

The trade creditors, amounts falling due within one year amount to €4.8 million, and consist mainly of fees connected with the IPO.

The other amounts payable item consists of a short term liability towards Telenet of €2.3 million

Discussion of the profit and loss account

The profit and loss account show a loss of €22,700,218.89 for the last financial year. Total operating costs for the year were €2,363,104.66. The increase in services to €0.6 million and amortization to €1 million are explained by the IPO.

The financial income mainly represents the interest on the loans to Telenet Communications, for €37.5 million.

The costs of servicing debt consist mainly of the interest on the Senior Discount Notes amounting to €34.5 million, and the normal inclusion in the result of the prepaid issue costs on the SDN, amounting to €0.6 million. The other €0.8 million consists of interco interest owed to Telenet Communications.

Other financial charges amount to €4.8 million and consist of the carry-forward included in the result (€1.7 million), an exchange rate difference of €1.5 million realised on the repayment of the SDN, and compensation for not making the SDN publicly tradeable, amounting to €1.5 million.

The repayment of the Senior Discount Notes led to an exceptional charge of €18 million and consists of a redemption penalty of €13.3 million and extraordinary write-offs on prepaid issue costs and carry-forward of €2.8 million and €1.9 million respectively.

We propose to the General Meeting that the loss to be appropriated for the financial year amounting to €22,700,218.89 should be combined with the loss brought forward from the previous financial year of €12,654,232.27, and carried forward to the next financial year. So the loss carried forward on 31 December 2005 amounts to €35,354,451.16.

Research and development activities
Telenet continues to invest a substantial proportion of its turnover in research and development. In the past financial year, these activities focused mainly on the preparation of the future Internet business (including ExpressNet) and the development of the digital television platform (IDTV). Considerable R&D effort has also gone into new products to support our Internet/telephony/cable television/IDTV services and our business services.

Risks and uncertainties
We refer to the consolidated report of the Board of Directors.

Important events after the date of the balance sheet
We refer to the consolidated report of the Board of Directors.

Continuity of the business
The continuity of the business is entirely determined by that of the Telenet Group.

The Telenet Group is still in a growth phase and the current losses are foreseen in the long-term business plan. According to this plan, after a number of years with start-up losses, profitable activities will be developed.

Due to the strong growth in the number of Internet, telephony and premium customers (triple play customers) costs remained under control in 2005, which increased margins from 45% to 46%. The debt reduction programme (partial repayments of SDN, SN and SCF) resulted in a fall in the level of indebtedness (net total debt/annualised EBITDA) from 6.1x eat the end of 2003 to approximately 3.9x at the end of 2005.

Based on the current positive operating results and due to the fall in the forecast interest burden, the Board of Diretors anticipates that the Group will be in a position to have adequate funds to continue to expand its activities and meet its commitments.

Therefore, the Board of Directors is of the opinion that the current valuation rules, as appended to the annual accounts, and which assume the continuity of the business, are correct and justified in the present circumstances.

Directors' conflicts of interest
We refer to the consolidated report of the Board of Directors.

Exceptional activities by the auditors
We refer to the consolidated report of the Board of Directors.

The use of financial instruments in the context of hedging against interest and exchange rate risks at Telenet
We refer to the consolidated report of the Board of Directors.

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