Telenet Group Holding NV
and Subsidiaries

Report for the
Three months ended March 31, 2006

11.5% Senior Discount Notes due 2014

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

Telenet Group Holding NV (the "Company") is a company organized under the laws of Belgium. References to the "Senior Discount Notes" are to the 11.5% Senior Discount Notes due 2014 and references to the "Senior Notes" are to the 9.0% Senior Notes due 2013 issued by Telenet Communications NV. References to the "Notes" are to both the Senior Notes and Senior Discount Notes. Both the Senior Discount Notes and Senior Notes were issued on December 22, 2003.

Unless otherwise stated herein:

- "EU" refers to the European Union;
- "Flanders" means the Flemish region of Belgium, excluding Brussels;
- "United States" or the "US" refers to the United States of America;
- "EU GAAP" refers to International Financial Reporting Standards as adopted by the European Union;
- "$," "US$" or "US dollars" refers to the lawful currency of the United States;
- "€" or "euro" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
- "we," "us," "our" and "Telenet" refer to Telenet Group Holding NV, together with its consolidated subsidiaries, except where the context otherwise requires;
- "Telenet Group Holding" refers to Telenet Group Holding NV, except where the context otherwise requires;
- “IPO” refers to the initial public offering of shares of Telenet Group Holding on October 11, 2005 by way of a Primary Offering of 13,333,333 new shares, a Secondary Offering of 33,609,938 existing shares and an Employee Offering of 14,269 new shares; and
- "Shares" refers to all shares of Telenet Group Holding.

In addition, "Telenet Communications" refers to Telenet Communications NV, "Telenet Bidco" refers to Telenet Bidco NV, "Telenet Holding" refers to Telenet Holding NV, "Telenet Operaties" refers to Telenet Operaties NV, "Telenet Vlaanderen" refers to Telenet Vlaanderen NV, "MixtICS" refers to MixtICS NV, "Telenet Solutions" refers to Telenet Solutions NV and its subsidiaries, "Phone-Plus" refers to Phone-Plus SPRL and "PayTVCo" refers to PayTVCo NV. Telenet Operaties NV changed its name to Telenet NV on January 1, 2005. In July 2005, PayTVCo and MixtICS merged into Telenet NV, with effect from January 1, 2005. On December 30, 2005, Telenet Solutions merged into Telenet NV, with effect from January 1, 2006. On January 31, 2006, Telenet Holding was liquidated.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The unaudited condensed consolidated interim financial statements of Telenet Group Holding as of and for quarters ended March 31, 2005 and 2006 and the audited annual financial statements as of the year ended December 31, 2005 have in each case been prepared in accordance with EU GAAP.

The financial information included in this report is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the modification or exclusion of certain financial measures, including EBITDA, EBITDA margin, subscriber acquisition costs, average revenue per subscriber and the presentation of certain other information not included herein.

EBITDA, EBITDA margin, average revenue per subscriber, cash interest expense, net cash pay debt and certain other items included herein are non-GAAP measures and you should not consider such items as an alternative to the applicable GAAP measures. In particular, you should not consider EBITDA as a measurement of our financial performance or liquidity, as an alternative to net income, operating income or any other performance measures derived in accordance with EU GAAP, or as an alternative to cash flow from operating activities as a measure of our activity.

EBITDA is equivalent to operating profit plus depreciation of tangible fixed assets and amortization (including amortization of broadcasting rights) and impairment of goodwill and other intangible assets. EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these and other limitations of EBITDA measures by relying primarily on our EU GAAP results and using EBITDA measures only supplementally.

Subscriber and Related Data

In conducting our business, we distinguish between "subscribers" and unique "customers." Each service provided corresponds to one revenue generating unit ("RGU"), or subscriber. A unique customer may represent multiple RGUs to us. For example, a unique customer who receives from us basic cable television, broadband internet and telephony services (regardless of their number of telephony access lines) would be counted as three RGUs, or, three subscribers.

The way in which we calculate our penetration rates differs for our basic cable television service compared to our premium cable television, internet and telephony services based in part on the network infrastructure over which we are able to provide the relevant service. For basic and premium cable television, our penetration rate is calculated based on the number of RGUs receiving that service at the end of the relevant period as a percentage of the number of homes and businesses, as applicable, passed by the network we own (the "Telenet Network") at the end of the relevant period. We also calculate the penetration rate for the premium cable television service that we provide over the network on which the pure intercommunales (municipal utility companies in Flanders) have granted us usage rights (the "Partner Network" and, together with the Telenet Network, the "Combined Network"), which is based on the number of RGUs receiving premium cable television from us at the end of the relevant period as a percentage of the number of homes and businesses passed by the Partner Network at the end of the relevant period.

Our penetration rate for residential internet and telephony service is calculated based on the number of RGUs receiving the relevant service at the end of the relevant period as a percentage of the number of homes and businesses passed by the Combined Network at the end of the relevant period.

Churn is calculated based on the total number of RGUs disconnected during a relevant period divided by the average number of RGUs for the period. Our churn statistics do not include customers who move within the areas of the Combined Network where we provide the relevant service and who elect to receive the same service from us that they previously received at their prior location. In addition, we exclude migrators between different service tiers from our churn statistics.

We have estimated the number of homes passed by the Combined Network and its component parts in the data reported throughout this report. This information is based in part on network maintenance costs and records. In addition, in limited circumstances the subscriber data included herein are derived from management estimates, including penetration rates and market shares. With the exception of homes passed, we have indicated where such estimated data has been used in this report. The subscriber data included herein is not part of our financial statements and has not been audited or otherwise reviewed by our independent auditors or other outside auditor, consultant or expert.

Industry Data

Certain economic and industry data used throughout this report are derived from EU, Belgian government and various other industry data sources. We have accurately extracted this third-party data from published sources and, as far as we are aware and to the extent we can ascertain from information published by these sources, there are no omissions that would render such information in this report materially misleading. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We have not independently verified such data.

Much of this information, including the market share of our competitors in Flanders and incremental changes in relative market shares, is reported only on a nationwide basis in Belgium, and we have derived estimated statistics for the Flanders region based in part on assumptions regarding the relevant population distribution among Flanders, Brussels and Wallonia and certain other factors. In addition, elsewhere in this report, statements regarding our industry, our position in the industry, and other cable operators are based solely on our experience, our internal studies and estimates, studies done by third parties at our request and our own investigation of market conditions, which we believe to be reliable. We cannot assure you, however, that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information has been verified by any independent sources.

Other Data

This report includes information with respect to the products and services that we and certain of our competitors offer. This information, including applicable tariffs and service descriptions, is subject to rapid change as providers introduce new products and services and modify their pricing strategies. As with all other information included in this report, neither the delivery of this report nor any sale made hereunder at any time after the date hereof shall, under any circumstances, create any implication that this information or the other information set forth herein is correct as of any time subsequent to the date of this report.

On September 20, 2005, an extraordinary general shareholders' meeting of Telenet Group Holding approved a three-for-one stock split of the company's Shares. Except where otherwise noted and for certain historical information, for ease of reference we have adjusted the number of Shares reported in this report to reflect this split.

Certain numerical figures included in this report have been subject to rounding adjustments; accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Numbers used in this report follow the US convention, whereby a comma separates the thousands and other greater increments and a full-stop separates decimals.

Value Added Tax (VAT) charged on the products and services that we offer is currently 21%, except with respect to certain digital television services, for which VAT is assessed at a rate of 12%.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

We urge you to read the sections of our 2005 annual report entitled Item 3, “Key information–Risk factors," Item 4, “Information on the company–Business overview” and Item 5, Operating and financial review and prospects–Operating results" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this document may not occur.

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PART II – OTHER INFORMATION

PART I – FINANCIAL INFORMATION

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

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

	Notes	March 31, 2006 (Unaudited)	December 31, 2005
ASSETS			
NON-CURRENT ASSETS:			
Property and equipment	3	947,530	943,919
Goodwill	4	1,001,172	1,012,544
Other intangible assets	5	271,161	278,347
Other assets		1,374	860
Total non-current assets		2,221,237	2,235,670
CURRENT ASSETS:			
Trade receivables	6	93,284	98,677
Other current assets	7	31,181	26,668
Cash and cash equivalents	8	94,850	210,359
Total current assets		219,315	335,704
TOTAL ASSETS		2,440,552	2,571,374
EQUITY AND LIABILITIES			
EQUITY:			
Contributed Capital		2,532,504	2,532,504
Other reserves		3,978	3,860
Hedging reserves	10	(324)	1,078
Retained loss		(1,823,295)	(1,828,344)
Total equity		712,863	709,098
NON-CURRENT LIABILITIES:			
Long-term debt, less current portion	9	1,289,014	1,288,785
Derivative financial instruments	10	23,367	20,364
Unearned revenue	13	12,389	11,537
Other liabilities		24,413	23,755
Total non-current liabilities		1,349,183	1,344,441
CURRENT LIABILITIES:			
Current portion of long-term debt	9	25,569	156,129
Accounts payable		164,961	174,701
Accrued expenses and other current liabilities	12	74,432	74,129
Unearned revenue	13	113,544	112,876
Total current liabilities		378,506	517,835
Total liabilities		1,727,689	1,862,276
TOTAL EQUITY AND LIABILITIES		2,440,552	2,571,374

See notes to the condensed consolidated financial statements.

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

	Notes	For the three months ended March 31, 2006	For the three months ended March 31, 2005
		(Unaudited)	
Revenues	13	197,552	177,274
Costs of services provided	14	(121,221)	(106,084)
Gross profit		76,331	71,190
Selling, general and administrative	14	(39,623)	(35,322)
Operating profit		36,708	35,868
Finance costs, net	15	(19,818)	(56,798)
Net Profit (Loss) before income tax		16,890	(20,930)
Income tax expense	11	(11,840)	(3,155)
Net Profit (Loss)		5,049	(24,085)
Net earnings (loss) per share:	16		
Basic		0.05	(0.28)
Diluted		0.05	(0.28)

See notes to the condensed consolidated financial statements.

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

	Notes	Number of Shares	Share Capital	Other Reserves	Hedging Reserves	Retained Loss	Total
January 1, 2005		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	10	-	-	-	11,054	-	11,054
Net loss for the period		-	-	-	-	(24,085)	(24,085)
Total recognized loss for the period		-	-	-	11,054	(24,085)	(13,031)
Recognition of share-based compensation		-	-	591	-	-	591
March 31, 2005 (unaudited)		86,527,257	2,268,124	1,731	(15,573)	(1,775,762)	478,520
Unrealized net gain (loss) on derivative contracts recognized directly in equity	10	-	-	-	16,651	-	16,651
Net loss for the period		-	-	-	-	(52,582)	(52,582)
Total recognized loss for the period		-	-	-	16,651	(52,582)	(35,931)
Recognition of share-based compensation		-	-	1,605	-	-	1,605
Ordinary shares issued upon exercise of the Bank Warrants		329,994	-	-	-	-	-
Proceeds received upon exercise of the Class B options		-	-	524	-	-	524
Issuance of share capital through IPO, net of offering costs		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
Unrealized net gain (loss) on derivative contracts recognized directly in equity	10	-	-	-	(1,402)	-	(1,402)
Net loss for the period		-	-	-	-	5,049	5,049
Total recognized loss for the period		-	-	-	(1,402)	5,049	3,647
Recognition of share-based compensation		-	-	118	-	-	118
March 31, 2006 (unaudited)		100,204,853	2,532,504	3,978	(324)	(1,823,295)	712,863

See notes to the condensed consolidated financial statements.

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

	For the three months March 31, 2006	2005
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	5,049	(24,085)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, amortization and impairment	51,995	49,313
Income taxes	11,840	3,155
Provision for liabilities and charges	3,095	(671)
Increase in allowance for bad debt	732	675
Amortization of financing cost	1,848	1,584
Write-off of financing cost on extinguishment of debt	-	6,799
Interest income	(2,336)	(1,016)
Interest expense	22,093	39,013
(Gain)/loss on derivative instruments, net	(1,214)	(787)
Unrealized foreign exchange (gain)/loss, net	(573)	11,205
Share based compensation	118	591
(Gain)/loss on disposal of fixed assets	(33)	-
Changes in operating assets and liabilities:		
Accounts receivable	4,661	(8,992)
Other assets	(1,826)	979
Unearned revenue	1,520	1,566
Accounts payable	(9,788)	(25,034)
Accrued expenses and other current liabilities	223	7,057
Cash generated from operations	87,405	61,352
Interest paid	(12,343)	(18,096)
Payments of redemption premiums	(11,230)	-
Taxes paid	-	-
Net cash generated from operating activities	63,832	43,256
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(43,654)	(28,742)
Proceeds on disposal of property and equipment	33	-
Purchases of intangibles	(4,759)	(2,934)
Acquisition of Hypertrust	(550)	-
Net cash used in investing activities	(48,930)	(31,676)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term borrowings	(129,719)	(214,769)
Proceeds from long-term borrowings	-	105,000
Repayments of finance leases	(692)	(274)
Net cash provided by (used in) financing activities	(130,411)	(110,043)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(115,509)	(98,463)
CASH AND CASH EQUIVALENTS:		
Beginning of period	210,359	145,188
End of period	94,850	46,725
NON CASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of network user rights in exchange for debt	-	1,311

See notes to the condensed consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying condensed consolidated interim financial statements (the "Interim Financial Statements") present the operations of Telenet Group Holding NV ("Telenet Group Holding") and its subsidiaries (hereafter collectively referred to as the "Company"). Through its broadband network the Company offers cable television, including premium television services, broadband internet and telephony services to residential subscribers in Flanders 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.

The accompanying Interim Financial Statements are unaudited. In the opinion of management, these Interim Financial Statements include all adjustments which are necessary to present fairly the financial position and the results of operations for the interim periods. The Interim Financial Statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2005. Results for the three months ended March 31, 2006 are not necessarily indicative of future results.

These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on May 24, 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements of the Company have been prepared in accordance with IAS 34, *Interim Financial Reporting*.

Prior to December 31, 2005, the Company's consolidated financial statements were prepared in accordance with Accounting Principles Generally Accepted in the United States of America ("U.S. GAAP") which differs in some areas from International Financial Reporting Standards as adopted by the EU ("IFRSs as adopted by the EU"). In preparing the Company's Interim Financial Statements, management has amended certain measurement and presentation methods applied in the U.S GAAP financial statements to comply with IAS 34. The comparative figures in respect of 2005 were restated to reflect these adjustments. The disclosures required by IFRS 1 – *First-time Adoption of International Financial Reporting Standards*, concerning the transition from U.S. GAAP to IFRSs as adopted by the EU as of December 31, 2004 are included in Note 26 of the audited consolidated financial statements as of December 31, 2005 and the disclosures related to March 31, 2005 are included as an annex in the Company's 2005 annual report.

The accounting policies adopted are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2005.

Management's Use of Estimates

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

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

3. PROPERTY AND EQUIPMENT

	Land, buildings and leasehold improvements	Network	Construction in progress	Furniture, equipment and vehicles	Total
Cost					
At January 1, 2005	38,242	1,325,072	32,238	26,117	1,421,669
Additions	5,547	-	119,789	17,196	142,532
Transfers	2,677	126,679	(129,356)	-	-
Disposals	-	-	-	(2,145)	(2,145)
At December 31, 2005	46,466	1,451,751	22,671	41,168	1,562,056
Additions	5,805	705	36,587	627	43,724
Transfers	323	37,314	(37,912)	275	-
Disposals	-	-	-	(100)	(100)
At March 31, 2006 **(unaudited)**	52,594	1,489,770	21,346	41,970	1,605,680
Accumulated Depreciation					
At January 1, 2005	3,835	442,701	-	14,357	460,893
Depreciation charge for the year	2,020	149,986	-	7,077	159,083
Eliminated on Disposal	-	-	-	(1,839)	(1,839)
At December 31, 2005	5,855	592,687	-	19,595	618,137
Depreciation charge for the year	403	37,977	-	1,733	40,113
Eliminated on Disposal	-	-	-	(100)	(100)
At March 31, 2006 **(unaudited)**	6,258	630,664	-	21,288	658,150
Carrying Amount					
At March 31, 2006 **(unaudited)**	46,336	859,106	21,346	20,742	947,530
At December 31, 2005	40,611	859,064	22,671	21,573	943,919
Carrying Amount of Finance Leases included in Property and Equipment					
At March 31, 2006 **(unaudited)**	18,083	5,629	-	442	24,154
At December 31, 2005	18,256	5,790	-	468	24,514

4. GOODWILL AND INTANGIBLE ASSETS

A reconciliation of the changes in goodwill is depicted below:

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

	March 31, 2006 (Unaudited)	December 31, 2005
Beginning balance	1,012,544	1,027,461
Use of net operating losses acquired in business combinations (Note 11)	(11,852)	(14,917)
Acquisition	480	-
	1,001,172	1,012,544

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

5. OTHER INTANGIBLE ASSETS

	Network user rights	Trade name	Software	Customer lists	Other	Total
Cost						
At January 1, 2005	136,856	121,000	70,720	67,991	27,756	424,323
Additions	1,311	-	34,632	-	8,859	44,802
Disposals	-	-	-	-	(23,962)	(23,962)
At December 31, 2005	138,167	121,000	105,352	67,991	12,653	445,163
Additions	-	-	3,634	-	1,062	4,696
Disposals	-	-	-	-	(707)	(707)
At March 31, 2006 (unaudited)	138,167	121,000	108,986	67,991	13,008	449,152
Accumulated Amortization						
At January 1, 2005	28,685	30,250	48,589	16,498	19,525	143,547
Charge for the year	10,343	8,067	13,720	6,532	8,569	47,231
Disposals	-	-	-	-	(23,962)	(23,962)
At December 31, 2005	39,028	38,317	62,309	23,030	4,132	166,816
Charge for the year	2,571	2,017	4,284	1,633	1,377	11,882
Disposals	-	-	-	-	(707)	(707)
At March 31, 2006 (unaudited)	41,599	40,334	66,593	24,663	4,802	177,991
Carrying Amount						
At March 31, 2006 (unaudited)	96,568	80,666	42,393	43,328	8,206	271,161
At December 31, 2005	99,139	82,683	43,043	44,961	8,521	278,347

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

6. TRADE RECEIVABLES

	March 31, 2006 (Unaudited)	December 31, 2005
Trade receivables	113,110	117,771
Less: provision for impairment of receivables	(19,826)	(19,094)
Trade receivables, net	93,284	98,677

7. OTHER CURRENT ASSETS

	March 31, 2006 (Unaudited)	December 31, 2005
Prepaid taxes and VAT	1,045	1,190
Inventory	15,744	8,212
Receivable from Electrabel	937	7,965
Miscellaneous receivable	3,705	3,705
Prepaid content	3,306	2,270
Prepayments	6,291	3,111
Other	153	215
	31,181	26,668

8. CASH AND CASH EQUIVALENTS

	March 31, 2006 (Unaudited)	December 31, 2005
Cash at bank and on hand	20,589	11,422
Commercial paper	44,891	159,664
Certificates of deposits	29,370	39,273
	94,850	210,359

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

9. DEBT AND OTHER FINANCING

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

	March 31, 2006 (Unaudited)	December 31, 2005
Senior Credit Facility:		
Tranche A	218,879	219,013
Tranche B	11,121	11,127
Tranche D	325	333
Tranche E	405,000	405,196
Senior Notes	377,980	509,504
Senior Discount Notes [(1)]	221,450	220,954
Clientele Fee	43,632	42,379
Annuity Fee	48,876	53,822
Finance lease obligations	26,780	27,236
	1,354,043	1,489,564
Less: deferred financing fees	(39,460)	(44,650)
	1,314,583	1,444,914
Less: current portion	(25,569)	(156,129)
Total long-term debt	1,289,014	1,288,785

(1) Accreted balance of the Senior Discount Notes, converted to Euros on March 31, 2006 and December 31, 2005 at the accounting rate of \$1.2104 to €1.00 and \$1.1797 to €1.00, respectively.

Senior Notes

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

10. 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.

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

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

Discount Notes as of the Full Accretion Date, and (ii) the estimated early redemption amount.

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

	March 31, 2006	**December 31, 2005**
	(Unaudited)	
Forward purchase contracts		
Notional amount in U.S. dollars	362,700	362,700
Weighted average contract price (U.S. dollars per Euro)	1.1930	1.1930
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 March 31, 2006 and December 31, 2005 were as follows:

	March 31, 2006	**December 31, 2005**
	(Unaudited)	
Option contracts		
Notional amount in U.S. dollars	15,000	17,500
Weighted average strike price (U.S. dollars per Euro)	1.17	1.17
Maturity	From April to September 2006	From January to July 2006

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 and 2006, interest rate swaps for a total notional amount of €341,756 and €53,896 respectively, 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.

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

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

	March 31, 2006	December 31, 2005
	(Unaudited)	
Interest rate swaps		
Notional amount	178,896	180,762
Average pay interest rate	4.58%	4.78%
Average receive interest rate	2.5%	2.4%
Maturity	From 2008 to 2011	From 2008 to 2011
Caps		
Notional amount	57,390	59,504
Average cap interest rate	4.4%	4.4%
Maturity	From 2009 to 2017	From 2009 to 2017
Collars		
Notional amount	450,000	450,000
Average floor interest rate	2.5%	2.5%
Average cap interest rate	5.4%	5.4%
Maturity	From 2009 to 2011	From 2009 to 2011

Summary

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

	Fair Value	Hedging Reserves	Earnings
January 1, 2006	(22,672)	1,078	(28,705)
Change in fair value of foreign exchange forward contracts	(4,930)	(7,798)	2,868
Change in fair value of foreign exchange forward contracts reclassified into earnings	-	5,465	(5,465)
Change in fair value of foreign exchange option contracts	(88)	-	(88)
Change in fair value of interest rate derivatives qualifying for hedge accounting	2,204	471	1,734
Change in fair value of interest rate derivatives not qualifying for hedge accounting	2,626	362	2,263
Amortization of the change in fair value of interest rate derivatives frozen upon discontinuance of hedge accounting.	-	98	(98)
March 31, 2006 (Unaudited)	(22,860)	(324)	(27,491)

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

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

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 non-performance 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:

	March 31, 2006		**December 31, 2005**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	(Unaudited)			
Long-term debt (including short-term maturities)	(1,354,043)	(1,427,476)	(1,471,734)	(1,558,466)
Foreign exchange forward	(15,834)	(15,834)	(10,904)	(10,904)
Foreign exchange options	(60)	(60)	27	27
Interest rate swaps	(5,077)	(5,077)	(7,994)	(7,994)
Caps	(498)	(498)	(718)	(718)
Collars	(1,391)	(1,391)	(3,083)	(3,083)
Total derivative instruments	(22,860)	(22,860)	(22,672)	(22,672)
Total	(1,376,903)	(1,450,336)	(1,494,406)	(1,581,138)

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.

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

11. DEFERRED TAXES

Two subsidiaries acquired in a previous business combination made taxable profits of €29,503, €7,750 and €37,135 during the three months ended March 31, 2006 and 2005 and the year ended December 31, 2005, respectively and utilized tax loss carryforwards 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 and a reduction of goodwill of €11,852, €3,092 and €14,917 as of and for the three months ended March 31, 2006 and 2005 and as of and the year ended December 31, 2005, respectively.

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILTIES

	March 31, 2006	December 31, 2005
	(Unaudited)	
Customer deposits	24,373	25,451
Compensation and employee benefits	27,414	30,574
Financial instruments	64	2,465
VAT and withholding taxes	8,495	1,616
Copyright fees	11,696	11,753
Other current liabilities	2,390	2,270
	74,432	74,129

13. REVENUES

The Company's revenues comprise:

	For the three months ended March 31,	
	2006	2005
	(Unaudited)	
Cable television:		
- Basic Subscribers [(1)]	49,792	49,972
- Premium Subscribers [(1)]	11,160	13,834
- Distributors/Other	8,258	1,954
Residential:		
- Internet	63,896	53,577
- Telephony	46,669	41,163
Business	17,777	16,774
Total	197,552	177,274

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

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

The Company also has unearned revenues as follows:

	March 31, 2006	December 31, 2005
	(Unaudited)	
Cable television:		
- Basic Subscribers [(1)]	100,862	107,861
- Premium Subscribers [(1)]	3,210	3,756
- Distributors/Other	10,434	777
Residential:		
- Internet	7,850	8,079
- Telephony	2,192	2,062
Business	1,385	1,878
Total	125,933	124,413
Current portion	113,544	112,876
Long-term portion	12,389	11,537

Unearned revenues are generally fees prepaid by the customers and 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.

14. EXPENSES BY NATURE

	For the three months ended March 31	
	2006	2005
	(Unaudited)	
Employee benefits:		
- Wages, salaries, commissions and social security costs	22,869	21,013
- Share options granted to directors and employees	119	593
- Other employee benefit costs	5,122	4,248
Employee benefits	28,110	25,854
Depreciation	40,113	36,423
Amortization	10,611	9,677
Amortization of broadcasting rights	1,271	3,213
Network operating and service costs	58,395	46,299
Advertising, sales and marketing	14,071	11,229
Other costs	8,273	8,709
Total costs and expenses	160,844	141,406

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

15. FINANCE COSTS

	For the three months ended March 31	
	2006	**2005**
	(Unaudited)	
Interest expense	23,941	40,597
Interest income	2,336	1,016
Interest expense, net	21,605	39,581
Net foreign exchange transaction (gains)/losses on financing transactions	(573)	11,205
(Gains)/losses on derivative financial instruments (Note 10)	(1,214)	(787)
Loss on extinguishment of debt	0	6,799
Finance costs, net	19,818	56,798

16. NET EARNINGS (LOSS) PER SHARE

Basic

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

	For the three months ended March 31	
	2006	**2005**
	(Unaudited)	
Profit (loss) attributable to the equity holders of the Company	5,049	(24,085)
Weighted average number of ordinay shares	100,204,853	86,527,257
Weighted average number of Class B Profit Certificates	62,877	-
Weighted average number of shares in issue	100,267,730	86,527,257
Basic earnings (loss) per share in €	0.05	(0.28)

Diluted

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 three months ended March 31, 2005, the Company had six categories of dilutive potential ordinary shares: Class A and Class B Options, stock options under the 1999 and 1998 Plans, the Bank Warrants and the Subordinated Debt Warrants. Of these, only the Class A and Class B Options and the Subordinated Debt Warrants are still outstanding during the three months ended March 31, 2006 as the other instruments were exercised during September 2005. The effects of the dilutive potential ordinary shares were not included in the computation of diluted loss per share for the three months ended March 31, 2005 because they are anti-dilutive.

For the three months ended March 31, 2006, the calculation is performed for the Class A and Class B Options and the Subordinated Debt Warrants to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

	For the three months ended March 31	
	2006	**2005**
	(Unaudited)	
Profit (loss) attributable to the equity holders of the Company	5,049	(24,085)
Weighted average number of shares in issue	100,267,730	86,527,257
Adjustment for:		
- Class A Options	876,189	-
- Class B Options	441,014	-
- Subordinated Debt Warrants	1,925,115	-
Weighted average number of shares for diluted earnings (loss) per share	103,510,048	86,527,257
Diluted earnings (loss) per share in €	0.05	(0.28)

17. 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 judgment 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.

18. 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. The MICs, Electrabel and Suez are no longer related parties as a result of the changes in ownership at the time of the initial public offering on the Brussels Euronext stock exchange in October 2005. Other related parties included in the tables below relate to entities that are significantly influenced by key management of the Company.

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

Related Party Transactions

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

	March 31, 2006	**December 31, 2005**
	(Unaudited)	
Assets		
Purchases of property and equipment – Other related parties	-	6
Accounts receivable – Liberty	583	-
Other receivables – Other related parties	457	1,486
Liabilities		
Accounts payable – Liberty Media	17	23
Accrued expenses – Other related parties	64	974
Current portion of long-term debt – Other related parties	879	808
Unearned revenues – Other related parties	13	-
Long-term debt – Other related parties	18,837	19,110
Derivative financial instruments – Other related parties	6,124	6,255

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

Income Statement

	For the three months ended March 31	
	2006	**2005**
	(Unaudited)	
Operating		
Leases and other operating expenses – Electrabel and Suez	-	1,347
Carriage and content, net result – Liberty	(18)	(15)
Other operating income – Electrabel and Suez	-	(373)
Other operating expense – Electrabel and Suez	-	337
Interconnect, net result – Other related parties	2,945	2,494
Other operating expenses – Other related parties	762	725
Finance costs		
Finance income (loss) – Other related parties	(2,116)	2,797

19. SUBSIDIARIES

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 merger of Telenet Solutions NV with Telenet NV with effect from January 1, 2006. On January 31, 2006, Telenet Holding NV was liquidated since it no longer fulfilled any function in the group structure.

20. SUBSEQUENT EVENTS

On May 12, 2006, Telenet refinanced its Senior Credit Facility with a new €1,000,000 senior credit facility (the "New Credit Facility"). The New Credit Facility provides Telenet with improved pricing and more flexible covenants as compared to the Senior Credit Facility, and €400,000 in additional liquidity by way of €200,000 of undrawn committed facilities and €200,000 in undrawn and uncommitted facilities. As part of this refinancing, Telenet reduced its total outstanding senior debt by €35,000, from €635,000 to €600,000 under the New Credit Facility.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following discussion and analysis is based on the unaudited condensed consolidated interim financial statements of Telenet Group Holding as of and for the three months ended March 31, 2006 and 2005 and the audited consolidated financial statements of Telenet Group Holding as of the period ended December 31, 2005 prepared in accordance with EU GAAP. We have included selected financial information on Telenet Group Holding as of and for the relevant periods. You should read the unaudited condensed consolidated interim financial statements attached hereto, including the notes thereto, together with the following discussion and analysis.

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

The following discussion and analysis of our financial condition and results of operations contains forward-looking statements. Our actual results could differ materially from those that we discuss in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this report, particularly under "Information Regarding Forward-Looking Statements."

The annualized information in the table below is provided for informational purposes only and is not necessarily indicative of the actual results that may be achieved for the entire 2006 fiscal year. Actual results for the 2006 fiscal year may be affected by a number of factors, many of which are beyond our control.

Annualized Information Based on First Quarter 2006 Results	**Euro millions**
Net cash pay debt[(1)]	1,026.1
Annualized EBITDA[(2)]	354.8
Pro forma annualized cash interest expense[(1)(3)]	72.4
Ratio of net cash pay debt to Annualized EBITDA	2.9x
Ratio of net debt to Annualized EBITDA	3.4x
Ratio of Annualized EBITDA to *pro forma* annualized cash interest expense[(3)]	4.9x

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(1) Cash interest expense excludes non-cash items such as amortization of debt discounts and debt issuance costs and excludes expenses such as currency hedging costs and other borrowing expenses, such as withholding tax and commitment fees. Cash pay debt includes third party debt on which cash interest is payable from the date of issuance, and excludes the Senior Discount Notes on which interest is accruing on a discounted basis and for which cash interest is not payable until June 15, 2009. *Pro forma* cash interest expense is calculated assuming that actual cash pay debt balances were outstanding for an annual period at rates in effect or assumed to be in effect at March 31, 2006 and excludes the impact of notional €128.9 million of interest rate swaps, whereby EURIBOR is received and a blended 2.97% fixed interest rate (as at March 31, 2006) is paid. (See Item 3 – "Quantitative and Qualitative disclosures about market risk")

(2) Annualized EBITDA is calculated by multiplying our EBITDA of €88.7 million for the three months ended March 31, 2006 by four. This is a measure commonly used by other companies in our industry.

(3) Excludes impact of refinancing of our Senior Credit Facility on May 12, 2006 pursuant to which we reduced our interest margins and repaid a portion of our outstanding senior debt, resulting in an expected annualized interest cost saving of approximately €7 million. See "Subsequent Events".

Balance Sheet Information

(Euro in millions)	As of December 31, 2005	As of March 31, 2006
	(Audited)	(Unaudited)
Cash and cash equivalents	210.4	94.9
Current assets, excluding cash and cash equivalents	125.3	124.5
Property and equipment, net	943.9	947.5
Total assets	2,571.4	2,440.6
Trade payables	174.7	165.0
Total cash pay debt	1,250.9	1,120.9
Shareholders' equity	709.1	712.9

Subsequent Events

Updates to our iDTV Service

In April 2006, we introduced our Flexview service for subscribers of our iDTV service who use a DigiCorder set top box. Flexview is a software feature developed in-house that provides enhanced levels of functionality through a user-friendly interface designed to support features enabling recording, storage and retrieval of content available through our iDTV service. In early May 2006, we announced that we had sold 150,000 set top boxes for use with our iDTV service.

New Senior Credit Facility

On May 12, 2006, Telenet refinanced its Senior Credit Facility with a new €1,000 million senior credit facility (the "New Credit Facility"). The New Credit Facility provides Telenet with improved pricing and more flexible covenants as compared to the Senior Credit Facility, and €400 million in additional liquidity by way of €200 million of undrawn committed facilities and €200 million in undrawn and uncommitted facilities. As part of this refinancing, Telenet reduced its total outstanding senior debt by €35 million, from €635 million to €600 million under the New Credit Facility. The refinancing is expected to result in annualized interest cost savings of approximately €7 million, not including the impact of the write off of debt financing costs associated with the refinancing.

Results of Operation

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

For the period ended	March 31, 2005	March 31, 2006	% Change
	(Unaudited)		
Homes passed – Telenet Network (in thousands)	1,683	1,703	1%
Homes passed – Partner Network (in thousands)	801	811	1%
RGUs[1] (in thousands)			
Cable television			
Basic (excluding iDTV) [2]	1,585	1,481	-7%
Premium/Premium Enabled – Telenet Network [3]	93	154	65%
Premium – Partner Network[3]	44	35	-20%
Premium/Premium Enabled – Combined Network	137	189	38%
Residential broadband internet[4]	537	626	16%
Residential telephony[4][5]	303	375	24%
Business services[6]	27	30	14%
Total, excluding basic iDTV RGUs	2,588	2,701	4%
Total, including basic iDTV RGUs	2,588	2,816	9%
Unique customers (in thousands)			
Telenet Network	1,585	1,597	1%
Partner Network[7]	208	244	17%
Combined Network[7]	1,793	1,841	3%
RGUs per unique customers			
Telenet Network	1.37	1.44	5%
Partner Network[7]	1.34	1.36	1%
Combined Network[7]	1.37	1.43	4%
Penetration			
Basic cable television (CATV)[8]	94.2%	93.8%	-
Premium/premium enabled CATV / Telenet Network	5.5%	9.5%	-
Premium cable television / Partner Network[9]	5.5%	4.3%	-
Residential broadband internet[10]	22.5%	25.9%	-
Residential telephony[10]	12.4%	15.2%	-
Churn[16]			
Basic cable television	4.4%	5.7%	-
Premium/premium enabled cable television[17]	15.7%	19.4%	-
Residential broadband internet[18]	9.5%	8.8%	-
Residential telephony[18]	14.1%	10.6%	-
ARPU (in Euro)[11]			
Basic cable television[12]	10.5	10.3	-1%
Premium / Premium enabled cable television[13]	33.5	21.0	-37%
iDTV[14]	-	12.5	-
Residential broadband internet	32.7	33.2	2%
Residential telephony[15]	34.9	31.6	-10%
Average monthly revenue per unique customer (in Euro)			
Telenet Network	24.3	25.3	4%
Partner Network [7]	42.2	42.2	-
Combined Network[7]	26.4	27.5	4%

(1) We distinguish between "unique customers" and subscribers. Each service subscribed to is counted as one revenue generating unit ("RGU") or subscriber. A unique customer is one subscribing to one or more of our services. A unique customer subscribing to our basic cable television, broadband internet and telephony services (regardless of their number of telephony access lines) would be counted as three RGUs. RGUs are presented as of the relevant period end date.

(2) Basic cable television substantially comprises residential customers, but also includes a small proportion of business customers. Our iDTV customers also receive the basic service (in digital as opposed to analog format), but we count them as one premium RGU only rather than one premium and one basic RGU.

(3) Our premium cable services comprise the premium cable service acquired pursuant to the Canal+ Acquisition in 2003 and our iDTV customers following the launch of this service in September 2005. We define premium enabled customers as those who have purchased a digital set top box and registered a smartcard for use in conjunction with digital services other than our basic digital cable service. Our iDTV service is only offered to customers in the Telenet Network area, whereas the former Canal+ service is offered to all customers in the Combined Network area.

(4) Our residential broadband internet and telephony RGUs include households and small businesses with up to four employees ("SoHos") that receive our broadband internet and telephony services through a coaxial connection. FreeSurf narrowband internet subscribers are not included in our RGU statistics.

(5) These amounts exclude RGUs who used our carrier pre-selection services. Carrier pre-selection services are no longer actively marketed by Telenet. We also offer carrier pre-selection services under the Phone-Plus brand, as a result of the acquisition of Phone-Plus as part of the Telenet Solutions Acquisition.

(6) Consists of small to medium sized enterprise ("SME") RGUs that receive our broadband internet and telephony services through a coaxial connection. We had approximately 21,000 and 24,000 SME broadband internet subscribers at March 31, 2005 and March 31, 2006, respectively, and 5,000 and 6,000 SME telephony customers at March 31, 2005 and March 31, 2006. Neither SME and corporate RGUs that receive our services using a fiber connection nor those business customers acquired through the Telenet Solutions Acquisition are included in the above RGU statistics.

(7) These statistics exclude subscribers to our premium pay television service in the Partner Network area. We had approximately 44,000 and 35,000 subscribers as of March 31, 2005 and March 31, 2006 respectively.

(8) Number of RGUs at the end of the relevant period as a percentage of the number of homes and businesses, as applicable, passed by the Telenet Network at the end of the relevant period.

(9) Number of RGUs at the end of the relevant period as a percentage of the number of homes and businesses, as applicable, passed at the end of the relevant period by (a) the Telenet Network, in the case of "Premium cable television-Telenet Network"; (b) the Partner Network, in the case of "Premium cable television-Partner Network" or (c) the Combined Network, in the case of "Premium cable television-Combined Network."

(10) Penetration rates are calculated based on the number of RGUs at the end of the relevant period as a percentage of the number of homes and businesses, as applicable, passed by the Combined Network at the end of the relevant period. Includes SMEs that receive our broadband internet and telephony services through a coaxial connection.

(11) Revenue earned for the period divided by three and divided by the average number of RGUs for the period (which average number of RGUs may vary from the number of RGUs presented above at the period end date).

(12) Average monthly revenue per subscriber includes copyright fees and excludes other revenue earned from carriage fees. Basic cable television subscriptions are also paid by both iDTV and non-iDTV premium cable customers.

(13) Premium cable television ARPU is calculated using recurring revenues from both the former Canal+ premium pay television operation we acquired and from our new premium enabled iDTV customers. Basic access revenues from our new premium enabled iDTV subscribers are not included as part of these ARPUs.

(14) Incremental ARPU (in addition to the basic subscription fee) from iDTV subscribers that have their set smart card activated.

(15) Average monthly revenue per subscriber excludes interconnection revenues and installation fees, and revenue generated by RGUs who use our carrier preselection services. See footnote 5.

(16) Total number of RGUs disconnected during the period divided by the average number of RGUs for the period. Churn statistics do not include customers who move within areas of the Combined Network where we provide the relevant service who elect to receive the same service from us that they previously received at their prior location. We exclude migrators between different tiers of a service from churn calculations.

(17) Premium and premium-enabled churn excludes premium subscribers migrating from the former Canal+ premium service to our new iDTV premium service.

(18) Includes SMEs that receive our services through a coaxial connection. Churn calculation excludes subscribers who migrate to our narrowband internet service, FreeSurf. Statistics for FreeSurf are not disclosed.

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

(Euro in millions, except percentages and per share amounts)	For the three months ended March 31, 2005	2006
	(Unaudited)	(Unaudited)
Revenues		
Basic cable television	50.0	49.8
Premium cable television	13.8	11.2
Distributors / other	2.0	8.3
Residential broadband internet	53.6	63.9
Residential telephony	41.2	46.7
Business services	16.8	17.8
Total	177.3	197.6
Expenses		
Costs of services provided	(106.1)	(121.2)
Gross Profit	71.2	76.3
Selling, general and administrative costs	(35.3)	(39.6)
Operating income	35.9	36.7
Finance costs, net	(56.8)	(19.8)
Net Profit (Loss) before income taxes	(20.9)	16.9
Income tax expense	(3.2)	(11.8)
Net profit (loss)	(24.1)	5.0
EBITDA	85.2	88.7
EBITDA margin	48%	45%
Weighted basic average shares outstanding	86,527,25	100,267,73
Weighted diluted average shares outstanding	86,527,25	103,510,04
Basic net profit (loss) per share	(0.28)	0.05
Diluted net profit (loss) per share	(0.28)	0.05
Expenses by Nature		
Employee benefits	25.9	28.1
Depreciation	36.4	40.1
Amortization	9.7	10.6
Amortization of broadcasting rights	3.2	1.3
Network operating and service costs	46.3	58.4
Advertising, sales and marketing	11.2	14.1
Other costs	8.7	8.3
Total Expenses	141.4	160.8

The following table sets forth summary financial information as a percentage of revenues for the periods indicated:

	For the three months ended March 31,	
	2005	2006
	(Unaudited)	(Unaudited)
Revenues		
Basic cable television	28%	25%
Premium cable television	8%	6%
Distributors / other	1%	4%
Residential broadband internet	30%	32%
Residential telephony	23%	24%
Business services	10%	9%
Total	100%	100%
Costs and Expenses		
Costs of services provided	60%	61%
Selling general and administrative expenses	20%	20%
Expenses by Nature		
Employee benefits	15%	14%
Depreciation	21%	20%
Amortization	6%	5%
Amortization of broadcasting rights	2%	1%
Network operating and service costs	26%	30%
Advertising, marketing and dealer commissions	6%	7%
Other costs	5%	4%
Total	80%	81%

Three Months Ended March 31, 2006 Compared to Three Months Ended March 31, 2005 and Year Ended December 31, 2005

The financial information for the three months ended March 31, 2005 and March 31, 2006 included in the discussion set forth below is derived from Telenet Group Holding's unaudited interim consolidated financial statements for the three months ended March 31, 2005 and 2006 and from the audited consolidated financial statements for the period ended December 31, 2005.

Revenues

Revenues increased by €20.3 million, or 11.4%, from €177.3 million for the three months ended March 31, 2005 to €197.6 million for the three months ended March 31, 2006. The principal drivers of our revenue growth were subscriber growth in our residential broadband internet business, sales of set top boxes for our iDTV service and to a lesser degree, growth in our other residential and business services operations.

Cable Television

Our aggregate cable television revenues were €69.3 million for the three months ended March 31, 2006, an increase of €3.5 million compared to the three months ended March 31, 2005.

We generated €49.8 million of basic cable television revenues for the three months ended March 31, 2006, compared with €50.0 million for the three months ended March 31, 2005. The steadiness of these revenues reflects the sustained high penetration of our basic cable services and stable basic cable television tariffs.

Our premium cable television business, which combines both the former Canal+ business which we acquired in December 2003 and the new iDTV service we launched in September 2005, contributed €11.2 million to our aggregate cable revenues for the three months ended March 31, 2006, compared to €13.8 million in the prior year. The decrease arose from a reduction in the ARPU for our premium cable services, which in turn was the consequence of the repositioning of our premium cable services to appeal to a wider potential audience. We anticipate that this decrease in ARPU will slow down as the impact of the migration to our new premium service decreases, and as revenues realized from the growing take up of our interactive digital television services increases. The incremental ARPU (in addition to the basic subscription fee) generated by iDTV subscribers that have their smartcard enabled reached €12.5 in Q1 06.

Our cable television revenues also include carriage fee revenues from the distribution of certain content on our network and set top box revenues. Set top box revenues were the principal factor resulting in an €6.3 million increase in distributor and set top box revenues, from €2.0 million for the three months ended March 31, 2005 to €8.3 million for the three months ended March 31, 2006.

Residential Broadband Internet

Revenues generated by our residential broadband internet business continued to grow, by 19.3%, from €53.6 million for the three months ended March 31, 2005 to €63.9 million for the year three months ended March 31, 2006. Increased residential broadband internet revenues were primarily the result of 16% net growth of residential broadband internet subscribers for the three months ended March 31, 2006, combined with the steady ARPUs generated by these subscribers, which were €32.7 for the three months ended March 31, 2005 and €33.2 for the three months ended March 31, 2006. The increase in our ARPU for this service is a result of reduced promotional discounts which impacted our revenues for the three months ended March 31, 2005.

Residential Telephony

Residential telephony revenue (including interconnection revenue for both residential subscribers and business customers) increased for the three months ended March 31, 2006, by 13.4%, from €41.2 million for the three months ended December 31, 2005 to €46.7 million for the three months ended March 31, 2006. This increase was primarily due to 24% net subscriber growth for the three months ended March 31, 2006, the benefit of which was partially offset by a decline in the ARPUs, from €34.9 for the three months ended March 31, 2005 to €31.6 for the three months ended March 31, 2006. The decrease in ARPUs reflects the introduction of our Freephone tariffs at the end of 2004, which applied to new subscribers and which were also adopted by a significant portion of our existing telephony subscribers.

Management anticipates continued pressure on telephony ARPUs due to the growing take up of telephony services using new technology that offer more competitive pricing. We plan to implement a number of innovative product introductions to remain competitive in this market, in conjunction with temporary promotions.

Business Services

Business services revenues increased by 6.0%, from €16.8 million for the three months ended March 31, 2005 to €17.8 million for the three months ended March 31, 2006. This increase reflects the stabilization and return to growth for this business, following the addition of new products and new customers, while operating in a highly competitive environment which is subject to strong price competition and high churn.

Costs and Expenses

Costs of Services Provided

Costs of services provided increased by €15.1 million, or 14.3%, from €106.1 million for the three months ended March 31, 2005 to €121.2 million for the three months ended March 31, 2006. For the three months ended March 31, 2006, costs of services provided increased primarily as a result of an increase in costs arising from set top box sales related to our iDTV service, which was launched in September 2005, and an increase in maintenance costs. As a percentage of revenues, costs of services provided were 59.8% for the three months ended March 31, 2005 and 61.4% for the three months ended March 31, 2006.

Other factors contributing to the increase in costs of services provided included the general growth in internet and telephony subscriber numbers and the impact of the launch of our iDTV services, which resulted in higher call center activity, network operating costs, programming and personnel and customer service costs.

Gross Profit

Our gross profit increased 7.2%, from €71.2 million for the three months ended March 31, 2005 to €76.3 million for the three months ended March 31, 2006, principally reflecting the growth of our revenues. Our gross margin decreased from 40.1% for the three months ended March 31, 2005 to 38.6% for the three months ended March 31, 2006.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses increased by €4.3 million, or 12.2%, from €35.3 million for the three months ended March 31, 2005 to €39.6 million for the three months ended March 31, 2006. As a percentage of revenues, SG&A expenses were 19.9% for the three months ended March 31, 2005 and 20.1% for the three months ended March 31, 2006.

The principal factors contributing to the increase of our SG&A expenses were the high level of sales activity across all residential product lines, reflected both in higher personnel costs and in higher advertising and marketing costs. Notwithstanding the growth of the overall growth of our business and the launch of iDTV, we were successful in maintaining our SG&A expenses as a steady as a percentage of revenues.

Operating Profit

Operating profit increased by 2%, from €35.9 million for the three months ended March 31, 2005 to €36.7 million for the three months ended March 31, 2006, as a result of the factors described above. Our operating profit margin decreased from 20.2% for the year three months ended March 31, 2005 to 18.6% for the year three months ended March 31, 2006.

EBITDA

Our earnings before interest, tax, depreciation and amortization (EBITDA) increased by €3.5 million, from €85.2 million for the three months ended March 31, 2005 to €88.7 million for the three months ended March 31, 2006. Our EBITDA margin decreased from 48.1% for the three months ended March 31, 2005 to 44.9% for the three months ended March 31, 2006.

Finance Costs

Net Interest Expense

Net interest expense decreased from €39.6 million for the three months ended March 31, 2005 to €21.6 million for the three months ended March 31, 2006, primarily due to the reduction in our total debt following the prepayments and redemptions of approximately €355 million of the outstanding balances of our Senior Credit Facility, Senior Discount Notes and Senior Notes between March 2005 and January 2006 and the lower margins we paid on our Senior Credit Facility as a result of the decreased leverage we attained.

Foreign Exchange Income (Expense)

Net foreign exchange income, which consists of net foreign exchange transaction gains or losses on financing transactions and gains or losses on derivative financial instruments related to financing transactions, generated a €0.6 million gain for the three months ended March 31, 2006 compared to a €10.4 million loss for the three months ended March 31, 2005. This change is primarily a result of fluctuations in the fair value of the forward points on the foreign exchange forward contracts.

Loss on Extinguishment of Debt

During the three months ended March 31, 2005, we incurred €6.8 million in one-time costs related to prepayments under our Senior Credit Facility. We did not incur similar costs during the three months ended March 31, 2006 in relation to the partial redemption of the Senior Notes since this redemption and the associated cost took place in the fourth quarter of 2005. We expect to incur the costs related to the refinancing of our Senior Credit Facility, of up to €25 million, during the second quarter of 2006.

As a percentage of revenues, net finance costs were 32.0% for the three months ended March 31, 2005 and 10.0% for the three months ended March 31, 2006.

Net Profit

Our net result improved by €29.1 million, from a net loss of €24.1 million for the three months ended March 31, 2005 to a net profit of €5.0 million for the three months ended March 31, 2006, as a result of the factors described above. Among the factors which contributed to our net profit in the first quarter was the favourable fluctuation in the value of our currency hedging instruments, the impact of which may be adverse in other periods. In addition, we anticipate that the loss which incurred as a result of the refinancing of our Senior Credit Facility will have a negative impact of up to €25 million on our net result for the second quarter of 2006.

Net Profit per Share

Our basic net profit per share increased from a net loss of €0.28 per share for the three months ended March 31, 2005 to a net profit of €0.05 for the three months ended March 31, 2006 as a result of the factors described above. On a diluted basis, a net loss of €0.28 per share for the three months ended March 31, 2005 improved to a net profit of €0.05 per share for the three months ended March 31, 2006.

As of December 31, 2005, Telenet Group Holding and its subsidiaries had combined cumulative tax loss carry forwards of €764 million, which we believe can be offset against current and future taxable income of the group.

Liquidity and Capital Resources

Historical Cash Flows

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

	For the three months ended March 31	
(Euro in millions)	**2005**	**2006**
Cash flows from (used in) operating activities..................................	43.3	63.8
Cash flows from (used in) investing activities..................................	(31.7)	(48.9)
Cash flows from (used in) by financing activities	(110.0)	(130.4)
Net (increase) decrease in cash and cash equivalents.......................	(98.5)	(115.5)

Cash Flows From (Used in) Operating Activities

Net cash from operating activities increased from €43.3 million for the three months ended March 31, 2005 to €63.8 million for the three months ended March 31, 2006. This increase mainly reflects the higher profitability achieved in the first quarter of 2006 compared to the comparable period of the prior year.

Cash Flows From (Used in) Investing Activities

Net cash used in investing activities increased from €31.7 million for the three months ended March 31, 2005 to €42.6 million for the three months ended March 31, 2006, excluding the impact of land purchases of €5.8 million and certain minor asset acquisitions and disposals which had a net impact of approximately €0.5 million in cost. This increase primarily reflects the increase in gross additions to our iDTV subscriber base and to expenditure on our Expressnet upstream upgrade project.

Cash Flows From (Used in) Financing Activities

Net cash used in financing activities was €110.0 million for the three months ended March 31, 2005 and €130.4 million for the three months ended March 31, 2006. These uses of cash primarily reflect the €105.0 million prepayments related to Tranches A and B of our senior debt in March 2005, the redemption of €124.8 million of the Senior Notes of Telenet Communications in January 2006 and capital repayments under the Annuity Fee Agreement with the Pure Intercommunales in the first quarters of 2005 and 2006.

Capital Expenditure

Our business is highly capital intensive. Capital expenditure on fixed assets was €28.7 million for the three months ended March 31, 2005 and €43.7 million for the three months ended March 31, 2006. During each of these periods, a significant portion of our purchases of fixed assets was related to capital expenditures for customer premise equipment and related installation costs for new subscribers and to capital expenditures on network capacity, which was also related to subscriber growth.

Available Liquidity

We maintain cash and cash equivalents to fund the day-to-day cash requirements of our business. We hold cash primarily in Euros. We held €94.9 million of cash and cash equivalents as of March 31, 2006, as compared to €210.4 million as of December 31, 2005. 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.

As of March 31, 2006, tranche D of the Senior Credit Facility, which is a €200.0 million undrawn revolving credit facility, was available to us subject to our being in compliance with certain financial covenants and other conditions. In addition, an additional €150.0 million was available under tranche C of the Senior Credit Facility, which may be used to support acquisition or liquidity requirements, subject to certain conditions being fulfilled.

The principal risks to our sources of liquidity are operational risks, including risks associated with decreased pricing, reduced subscriber growth, increased marketing costs and other consequences of increasing competition and our iDTV roll-out. Our ability to service our debt (including payments on the Notes) and to fund our ongoing operations will depend on our ability to generate cash. We have not made an annual profit since the Telenet group was formed in 1996 and have a history of negative net cash flows after deducting interest and taxes. Although we generated a net profit for the three months ended March 31, 2006 and anticipate generating positive cash flow after deducting interest and taxes, we cannot assure you that we will continue to make net profits nor continue to generate net positive cash flow.

Telenet Group Holding is a holding company with no source of operating income. It is therefore dependent on capital raising abilities and dividend payments from subsidiaries to generate funds. The terms of the senior credit facility, our other outstanding debt and the indenture governing the Senior Discount Notes and the Senior Notes issued by Telenet Communications contain a number of significant covenants that restrict our ability, and the ability of our subsidiaries to, among other things, pay dividends or make other distributions, make capital expenditure and incur additional debt and grant guarantees. Furthermore, the ability of our subsidiaries to pay dividends and make other payments to us may be restricted by, among other things, other agreements and legal prohibitions on such payments.

The cash portion of our interest expense has increased substantially following the Refinancing. We believe that our cash flow from operations and our existing cash resources, together with available borrowings under the Senior Credit Facility, will be sufficient to fund our currently anticipated working capital needs, capital expenditures and debt service requirements.

Contingent Liabilities and Commitments

For a discussion of our contingent liabilities and commitments, some of which are significant, see note 17 to our Condensed Consolidated Interim Financial Statements. Following the litigation concerning our copyright fees and the subsequent settlement, as of March 31, 2006 we retained an accrual of approximately €20.9 million.

Off-Balance Sheet Arrangements

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

Lack of Tax Consolidation

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

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate and Related Risk

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

Interest Rate and Related Risk

Historically, and following the Refinancing, only borrowings under the Senior Credit Facility and the lease of our headquarters building bear interest at variable rates. We are therefore exposed to changes in interest rates because the Senior Credit Facility represents a large portion of our total borrowings and our debt service obligations under such indebtedness fluctuate as interest rates change. In order to mitigate this exposure, we have entered into interest rate swap agreements, caps and best of cap/swap combination agreements. Pursuant to interest rate swap agreements, at specified intervals, we pay a fixed interest rate and receive a variable interest rate calculated by reference to an agreed-upon notional principal amount. Our hedging strategy was based on a close to 100% coverage of the anticipated outstanding senior bank debt in the period 2002-2005. As a result of lower than anticipated cash flow needs, the restructuring of the senior credit facility in April 2003 and finally a net reduction of the senior debt in December 2003, in March 2004 and in March 2005, the total notional amount of interest derivative instruments effective March 31, 2006 were €10 million lower than the amount of debt carrying variable interest (compared to an excess hedging amount of €440 million on March 31, 2005).

As of March 31, 2006, we had entered into interest rate swap agreements for a notional principal amount of €178.9 million, of which €128.9 were effective, and we paid fixed interest on the Senior Credit Facility at a blended rate of 2.97% (plus the appropriate margin for each tranche), resulting in additional cash interest expense given the fact that such rate was in excess of the variable rate applicable to the respective borrowings. Caps are used to limit our exposure to interest rates rising above a capped rate. As of March 31, 2006, we had entered into cap agreements for a notional principal amount of €46.3 million and an average cap interest rate of 4.0%. As of March 31, 2006, we have entered into interest rate collar agreements for a notional principal amount of €450 million and will pay interest rates ranging from 2.5% to 5.5%, of which the majority replace the previously outstanding best of swap and cap combination.

We have revised our hedging policy and have qualified for hedge accounting in accordance with EU GAAP as from the beginning of July 2004.

Interest Rate Sensitivity Testing

The following table summarises our outstanding indebtedness which carries a floating rate of interest, as well as the aggregate installments due under such indebtedness as of March 31, 2006:

	Expected Maturity Date (Amounts expressed in thousands of Euro)						
Debt Reimbursements	**2006**	**2007**	**2008**	**2009**	**2010**	**Thereafter**	**Total**
Senior Credit Facility							
Tranche A/B (Euribor +1.50%)	5,865	44,827	44,827	44,827	44,827	44,827	230,000
Tranche D (Euribor +2.00%)	-	-	-	-	-	-	-
Tranche E (Euribor +2.50%)	-	-	-	-	-	405,000	405,000
Capital Lease on Buildings (Euribor + 0.25%)	606	1,092	1,463	1,965	1,965	12,534	19,625
Total Debt Service on Floating Rate Debt	6,471	45,919	46,290	46,792	46,792	462,361	654,625
Interest payments (1) (2)	**Expected Maturity Date (Amounts expressed in thousands of Euro)**						
Senior Credit Facility	26,086	33,462	31,282	28,655	26,905	24,231	170,621
Capital Lease Buildings	558	708	662	595	518	1,276	4,318
Interest Payment Sensitivity							
Interest rate increase of 0.25%	27,057	34,717	32,473	29,816	27,894	25,201	177,159
Interest rate increase of 1.00%	29,970	38,485	36,047	33,297	30,863	28,113	196,775

(1) Interest payments on the Senior Credit Facility are based on outstanding balances as of March 31, 2005 and do not take into account any possible effects of the margin ratchet provisions that are included in the Tranche A and Tranche B Margin.

(2) *Pro forma* interest calculations are based on a 2.797% three month Euribor as of March 31, 2006, and include net payments due under the outstanding interest rate derivative instruments as of that date.

(3) Does not take into account the refinancing of our Senior Credit Facility on May 12, 2006. See Item 2, "Subsequent Events"

Taking into the account the effects of our interest rate hedges, we have calculated the impact of interest rate increases of 0.25% and 1.00%. The equivalent total net cashflow impact is €6.5 million in the 0.25% interest rate increase example and €26.2 million in the 1.00% interest rate increase example, in both cases over the remaining lifetime of the senior credit facility.

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. We do not currently have any obligation to prepay fixed rate debt prior to maturity and, accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt. At March 31, 2006, we had outstanding fixed rate debt and other obligations of €589.8 million.

Foreign Currency Risk

Our functional currency is the Euro. However, we conduct, and will continue to conduct, transactions in currencies other than the euro, particularly the U.S. dollar. Less than 5% of our costs of operations (primarily the costs of network hardware equipment and software, premium cable television rights, management expenses under our strategic services agreement with Cable Partners) for the three months ended March 31, 2006 were denominated in U.S. dollars, while all of our revenues were generated in Euros. Following the Canal+ acquisition, we also have significant US dollar obligations with respect to the contracts we are party of for the supply of premium content. Decreases in the value of the Euro relative to the US dollar would increase the cost in Euro of our US dollar denominated costs and expenses, while increases in the value of the Euro relative to the US dollar would have the reverse effect. As at March 31, 2006, the Euro had appreciated by approximately 6% against the US dollar since March 31, 2005.

We have historically covered a portion of our U.S. dollar cash outflows arising on anticipated and committed purchases through the use of foreign exchange derivative instruments. Although we take steps to protect ourselves against the volatility of currency exchange rates, there is a residual risk that currency risks due to volatility in exchange rates could have a material adverse effect on our financial condition and results of operations.

In order to hedge the foreign exchange exposure resulting from the issuance of the $558 million Senior Discount Notes by Telenet Group Holding, we initially entered into a series of foreign exchange forward contracts (FECs) (for the purchase of US dollars in exchange for Euros) for a total nominal amount of $558 million with a maturity on December 15, 2008, the end of accretion period of the Senior Discount Notes (the "Full Accretion Date"). These FECs were entered into with an effective date close to the issuance date of the Senior Discount Notes. The underlying rationale of this hedging strategy is to hedge the maximum accreted nominal amount of the Senior Discount Notes given that our functional currency is the Euro. This also assumes that there will be no optional redemption before the Full Accretion Date. Following the partial redemptions of our Senior Discount Notes on November 22, 2005 and November 23, 2005 for a total of $195,300,000 in fully accreted value, we unwound forward exchange contracts for an equivalent amount.

Beginning in 2009, Telenet Group Holding will be required to make cash interest payments in U.S. dollars on the Senior Discount Notes. We have hedged our initial exposure in respect of the accreted principal amount of the Senior Discount Notes up to and as at the fifth anniversary of their issuance and intend to review at a later stage our hedging strategy with respect to cash interest and principal payments payable under the Senior Discount Notes after such date.

During the last quarter of 2005, we entered into foreign exchange contracts which cover a significant portion of our US dollar obligations in respect of our agreements for the supply of content for our premium cable television service. Our policy is to enter into such foreign exchange hedging arrangements for periods of up to 18 months at any one time, and as we approach the expiration of each foreign exchange contract, we will review our hedging strategy with respect to future US dollar obligations relating to our premium content agreements.

As a consequence of the 100% cash flow hedge on the Senior Discount Notes, we do not have exposure to changes in the US dollar/Euro exchange rate relating to these notes until December 15, 2008. We are considering the further use of derivative instruments to hedge the US dollar cash outflow related to the cash interest payments under the Senior Discount Notes which are payable from June 15, 2009 until the maturity of the Senior Discount Notes.

Credit Risk

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

The largest share of the gross assets subject to credit risk is accounts receivable from residential and small commercial customers. We do not anticipate that the risk of material loss from nonperformance by these customers would be significant. Reserves for uncollectible accounts receivable as a result of nonpayment by these customers is based on historical experience.

In regards to credit risk on financial instruments, we maintain a policy of entering into such transactions only with highly rated European and U.S. financial institutions.

PART II – OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

Copyright Litigation

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.

As of March 31, 2006, the Company retained an accrual of €20.9 million in other liabilities for the amounts that the Company expects to pay as a result of the above settlements.

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.

On January 20, 2004, the President of the Commercial Court in Mechelen rendered a judgement in the case where Belgacom contested the validity of Telenet's interconnection tariffs which was heard on September 23, 2003. The judgement stated that there is no indication that Telenet'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. Telenet 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.

ITEM 5 CAPITALIZATION

The following table sets forth our historical cash and cash equivalents, and our capitalization, as of March 31, 2006. This table should be read in conjunction with our financial statements included elsewhere in this report.

	As at March 31, 2005 (Euro in millions)
Cash and cash equivalents[1]	94.8
Debt:	
Senior credit facility[1][2]	635.0
Senior Notes[3]	368.4
Other long-term obligations[4]	117.5
Total cash pay debt	1,120.9
Senior Discount Notes [5]	221.4
Total debt	1,342.3
Equity:	
Contributed capital	2,532.5
Deferred stock based compensation	4.0
Hedging reserves	(0.3)
Retained loss	(1,823.3)
Total shareholders' equity	712.9
Total capitalization	2,055.2

(1) On May 12, 2006, we refinanced our Senior Credit Facility and repaid €35 million of the outstanding balance of our senior debt using cash on our balance sheet. See Item 2, "Subsequent Developments".

(2) As of March 31, 2006, excludes €200.0 million of unused capacity under the revolving tranche and €150.0 million under the tranche C term loan. Tranche C is an uncommitted loan facility.

(3) On January 9, 2006, we applied €124.8 million of funds raised in our IPO to partially redeem the outstanding balance of the Telenet Communications Senior Notes. Including €0.7 million accrued interest and the €11.2 million prepayment premium, the total redemption payment amounted to €136.8 million.

(4) Includes €26.8 million of capital lease obligations, and €43.6 million and €48.9 million due under the Clientele Agreements and the Annuity Agreement, respectively.

(5) Accreted balance of the Senior Discount Notes, converted to Euros at the accounting rate for March 31, 2006 of US$1.2104 per €1.00.

Other than as described above, there has been no material change in our capitalization since March 31, 2006.

ANNEX
SUMMARY GUARANTOR FINANCIAL INFORMATION

The following unaudited condensed consolidated financial information presents the financial information of Telenet Group Holding, Telenet Communications, the Subsidiary Guarantors of the 9% Senior Notes due 2013 issued by Telenet Communications (consisting of Telenet Bidco, Telenet NV and Telenet Vlaanderen) and the non-guarantor subsidiaries in the Telenet group (consisting of Telenet Solutions Luxembourg SA, Phone Plus SPRL and Merrion Communications) on a non-consolidated basis, accounting for the investments in subsidiaries under the equity method. The financial information may not necessarily be indicative of the financial position or the results of operations had Telenet Group Holding, Telenet Communications, the Subsidiary Guarantors or non-guarantor subsidiaries operated as independent entities as of and for the year ended December 31, 2004. The obligations of Telenet NV under the senior credit facility included within the ‘‘Unconsolidated Subsidiary Guarantors’’ column have been guaranteed by certain Subsidiary Guarantors.

In order to simplify the internal corporate structure of the group and to align the corporate structure with the operational functioning of the group, we completed the mergers of Telenet Solutions NV with Telenet NV with effect from January 1, 2006. Telenet Solutions was previously reported as non-guarantor subsidiaries but is included in Telenet NV with the Subsidiary Guarantors with effect from January 1, 2006 as a result of the merger.

	For the quarter ended March 31, 2006					
(Euro in millions)	**Telenet Group Holding**	**Telenet Communi-cations**	**Unconsoli-dated Subsidiary Guarantors**	**Unconsoli-dated Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Income Statement						
Revenues	-	-	195.2	2.3	-	197.5
Costs of services provided	-	-	(119.5)	(1.7)	-	(121.2)
Gross Profit	-	-	75.7	0.6	-	76.3
Selling, general and administrative	(0.4)	-	(38.6)	(0.6)	-	(39.6)
Operating profit (loss)	(0.4)	-	37.1	-	-	36.7
Finance costs, net	(3.2)	(8.9)	(7.7)	-	-	(19.8)
Finance costs, net - intercompany	9.7	10.7	(20.4)	-	-	-
Equity in subsidiaries	(1.1)	(2.9)	-	-	4.0	-
Total other income (expense)	5.4	(1.1)	(28.1)	-	4.0	(19.8)
Net income (loss) before income taxes	5.0	(1.1)	9.0	-	4.0	16.9
Income tax expense	-	-	(11.9)	-	-	(11.9)
Net loss	5.0	(1.1)	(2.9)	-	4.0	5.0

(Euro in millions)	Telenet Group Holding	Telenet Communi-cations	Unconsoli-dated Subsidiary Guarantors	Unconsoli-dated Non-Guarantor Subsidiaries	Eliminations	Consolidated
	As of March 31, 2006					
Balance Sheet Information						
Assets						
Property and equipment, net.......	-	-	947.5	-	-	947.5
Goodwill, net	-	-	996.7	4.5	-	1,001.2
Intangible assets, net..................	-	-	271.2	-	-	271.2
Other assets	0.6	-	0.7	0.1	-	1.4
Investments in subsidiaries.........	630.5	522.0	6.2	-	(1,158.7)	-
Total non-current assets	631.1	522.0	2,222.3	4.6	(1,158.7)	2,221.3
Accounts receivable....................	-	-	90.6	2.7	-	93.3
Other receivables	0.3	-	30.7	0.2	-	31.2
Cash and cash equivalents	1.7	0.5	91.6	1.0	-	94.8
Intercompany receivables and short term loans	-	-	6.6	0.3	(6.9)	-
Total current assets	2.0	0.5	219.5	4.2	(6.9)	219.3
Total assets	633.1	522.5	2,441.8	8.8	(1,165.6)	2,440.6
Liabilities and Shareholders' Equity						
.................Shareholders' equity	712.9	630.5	522.0	6.2	(1,158.7)	712.9
Long-term debt, less current portion.....................................	216.3	350.6	712.1	-	-	1,289.0
Other noncurrent liabilities.........	15.8	-	44.4	-	-	60.2
Intercompany loans, net	(319.6)	(478.4)	798.4	(0.4)	-	-
.....Total non-current liabilities	(87.5)	(117.8)	1,554.9	(0.4)	-	1,349.2
Current portion of long term debt	0.1	9.6	15.9	-	-	25.6
Accounts payable........................	0.7	-	163.7	0.6	-	165.0
Accrued expenses and other current liabilities	2.3	-	71.7	0.4	-	74.4
Intercompany payables and short term debt.........................	4.6	0.2	0.1	2.0	(6.9)	-
Unearned revenue	-	-	113.5	-	-	113.5
Total current liabilities	7.7	9.8	364.9	3.0	(6.9)	378.5
Total liabilities.....................	(79.8)	(108.0)	1,919.8	2.6	(6.9)	1,727.7
Total liabilities and shareholders' equity	633.1	522.5	2,441.8	8.8	(1,165.6)	2,440.6