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## PRESENTATION

### Operator

Good day, and welcome to the Telenet investor and analyst Q3 2012 results conference call. Today's conference is being recorded. At this time I would like to turn the conference over to Mr. Vincent Bruyneel. Please go ahead sir.

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### Vincent Bruyneel - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate*

Thank you. Ladies and gentlemen, a very good afternoon or morning to you and welcome to our investor and analyst call for the third quarter and first nine months of 2012. My name is Vincent Bruyneel. I'm head of Strategy and Investor Relations at Telenet.

I trust you all received our earnings release last night and were able to access our website to obtain our PowerPoint presentation that will be used for this conference call and to join the webcast. Before we start, I'm obliged to advise you that certain statements in this conference call are forward-looking statements.

These may include statements regarding the intent, belief, or current expectations associated with the evolution of a number of variables that may influence the future growth of our business. For more details on these factors, we refer to the Safe Harbor disclaimer at the beginning of our presentation.



Let me now hand you over to Duco Sickinghe, our CEO, who will provide an overview of the third quarter highlights, and Renaat Berckmoes, our CFO, will provide you more details on the financials. Afterwards we'll all be pleased to receive questions.

**Duco Sickinghe** - *Telenet Group Holding NV - CEO*

Vincent, thank you very much. Ladies and gentlemen, good afternoon and welcome on this call. I'd like to turn to sheet number 6 of our presentation on the web. And the two main highlights of today are obviously the growth in digital TV subscribers, which shows an accelerated digitalization.

We had 64,100 net new subscribers, and basically translate into 72% of our cable customers now on digital. For mobile, very strong growth for the first nine months of the year. Year-on-year, 43%, due to a higher than anticipated demand for our new King and Kong formulas, 65,500 new -- net new mobile postpaid customers on only -- on the back of only two months of launching this new plan. We now have a customer-base of 340,000 customers.

On sheet 7, you see some of the statistics we typically refer to in our business. First of all, triple-play customers, as you will later see, this was a strong quarter for triple-play net new additions, 10% at 22,800 new customers, net new customers, and that is actually the best result for any quarter since Q4 2009.

It also means that now have 39% of our customer-base on triple-play, which I think is a very good measure of progress we have booked in the last quarter.

Our ARPU per customer relationship is at 9% for the first nine months which I think is very healthy. That is due to the take-up of digital TV, Fibernet, and obviously also some contribution from Sporting Telenet and some remnants from selective price increases. Based on the Q3 quarter, the increase was 8% year-on-year.

On sheet 8, you get a view of our top-line. Although I'd like to leave the details to Renaat, you can see that we progressed 8%. All of this is very much in line with what we upgraded our guidance to earlier.

Excluding the sale of handsets and set-top boxes, the underlying revenue growth was 7%, and in Q3 the number was 6%, and that all, I'd say, in anticipation of -- on the base of which we upgraded our guidance a couple of weeks ago.

The EBITDA grew by 9%, very nice result for the first nine months. EBITDA margin, 53.8%, also very good result and just for the quarter our EBITDA margin was raised to 55.1% which is the highest we have ever achieved for a quarter. And I'd like to note that that is pretty impressive given the fact that in Q3 we launched a huge King and Kong campaign, and typically new product launches eat well into the EBITDA margin demonstrating the productivity gains we have reached at our Company.

On page 9, you see a description of our accelerated capital expenditure due to the growth we have experienced over last couple of quarters; 76% of our CapEx spend is success-based, meaning that it's clearly related to the growth of new customers. We spend that money on the acquisition of set-top boxes and pay for customer installation.

So I think that's money, as usually, well-spent. Free cash flow, Renaat is going to comment on that. We're actually quite okay with the free cash flow development.

There were some temporary negative influences from working capital which we believe will be reversed in Q4, and we also had the Belgium soccer payments which we already paid out to the League, but we're still awaiting, as usual I'd say, payments by our partners like the [Wu Cable] and other broadcasters.

And it also reflects the higher cash interest expenses which we have incurred.

Let me turn to the operational picture of our business. Broadband subscribers, first nine months of the year up by 57,000, which is actually a very nice number compared to the previous year if you consider that we have only completed 59 months and last year we did a little more, but that was over 12 months.

Likewise, for digital TV 181,000, very good results. Fixed telephony, we'll come back to that later, but that was a very strong result predicted for Q3. And we'll come back to it later as well, mobile telephony subscribers had a strong increase compared to our historical performance.

On page 12, the measures of our triple-play strategy are reflected here. The multiple-play penetration is now up 69%, that is already a delta of 5 percentage points for the first nine months, whereas in all of last year we did 6 percentage points. So I think this is on a relative base again showing that 2012 turns out to be an extraordinarily strong operational year for Telenet.

Triple-play on the right hand side also very nice increases, 59,000 in the first nine months of the year. Compared to last year, I think very good result. Last year we did in the whole year 64,000.

The services per unique subscriber are now well above the two services per subscriber at 2.08, 6% growth. The ARPU as mentioned before is at 9%, all of which I think are good trends.

Page 13, customer mix, result of all of the previous sheets actually summarized very nicely. You can see that our single-play was a year ago still at 38% of our customer-base and has shrunken to 31%. On the right-hand side, you can see the potential that we believe we still have.

On the ARPU today of EUR46, there is still a 60% upside potential if we can convert our remaining customers to triple-play. Lower-left, again highlight of triple-play. I'm going to come back to that in a minute, and ARPU, we've addressed before.

On sheet 14, you see on the lower side of the sheet an overview of the family of services that we provide to our customer-base and on the upper-half of the sheet, you see very nicely how significant the increase in tripe-play net additions was this last quarter. In 2010, we did 9,000, in 2011, 16,000, and this year we did 23,000, comparable to our Q1 of this year whereas Q1 is seasonally always a lot stronger than the summer quarter, so I think all in all very good result.

If we look at a single product basis, sheet 15, you see that our subscriber base for Internet has grown 6% year-on-year to 1.363 million and that translates into net additions of 24,000.

Now to just remind you, last quarter was 13,000 and for those of you who remember we noted that we had some backlog to deal with. So we dealt with that backlog; as you can see, the summer quarter, and I think the summer quarter in itself was also very robust and that resulted in 24,000 net adds.

On the right-hand side, important to note is that our churn went down from a year ago, 8.5% to 7.5%. Now that's a full 1 percent point reduction which I think is very significant in our business, certainly given the competition we have experienced over the last couple of months.

Page 16, fixed telephony, I mean tremendous result. It's interesting to note that in the quarter where we have extraordinary mobile results, our fixed line telephony keeps on progressing, 29,000 net new additions. You can see that for the previous quarters, it's a very significant increase, and also for fixed telephony, churn is actually reducing from 7.7% to 7.2%.

This actually is the best third quarter we've ever done, and it's the second best quarter in the life of our Company with these kind of net additions. So penetration reaching now 33% at the end of September 2012, compared to 30.4% a year earlier.

Turn to page 17, mobile, many things to say about mobile, but I think we should look here at the facts. Net additions of 66,000. I don't know if many of you remember, but last year when we reported our -- it was actually this year when we reported our Q4 results, the full-year results of 2011, I did say that with the 7,000 net adds, we better had reached the bottom if we want to make some progress in mobile. And that we had resolved to do a lot better job in mobile this year.



And we showed some progress in Q1 and Q2, and obviously Q3 is a very, very nice quarter and helps drive our overall residential telephony revenues by a very strong percentage as you can see on the right-hand side. We did get more demand. I mean we were dreaming of good results with King and Kong, but this clearly outclassed and outperformed our expectations.

And it's interesting to note that these are all postpaid customers and some of you have asked whether this is still due to the subsidization of handsets, but virtually all of these customers are SIM-only customers. So there's no -- or very little handset subsidy involved, so I think that's pretty good.

16% of our cable TV customers now have opted for at least one SIM card, which I think leaves us, as you will later see, with huge potential going forward.

I'd like to then go to next page, 18, where you see the specs. We have three packages, pay-as-you-go, which is something we always had and that's for people who really want to have a, I'd say, prepaid solution. And on the right-hand side, you see King and Kong, and they are very attractively positioned.

We upgraded the specs in the course of October, and that is part of our marketing policy, and it's not that we have now launched a product that we would stand still afterwards. We will continuously innovate our products, move specs or move in other ways so we can surprise our customers in a positive fashion. It's good and important to note that all these improvements will be retroactively applied to the complete mobile customer-base without our customers having to undertake any action.

On page 19, you see you've got a summary upper-left of Telenet mobile penetration, 16%. Again, that takes into account that every household would only take one SIM card, whereas obviously going forward, all the projections, there's a much higher potential for a number of SIM cards per household.

On the right-hand side, we also recently announced our iKing and iKong which are obviously variations to a theme using the iPhone 5. We have sold some, but we'd love to sell some more as soon as get more stock.

As you know that's a worldwide concern, but Apple has provided us with some stock, but our demand is clearly outpacing the supply of this product. We hope that Apple will be able to supply us more product towards the Christmas season.

On October 1, the new telecom law went into effect, and that clearly had a positive effect on our sales since that date. So we have had a good run-rate in August-September, but it's clear that our business accelerated in October. That may be a short-lived effect, but we continue to see very robust sales numbers in this fourth quarter.

The page 20 shows you some of the foundations we have worked on for years to get our mobile where it is right now. At the very bottom, the core network upgrade, we migrated to a new HLR system couple of months ago, Alcatel Lucent, which really has improved the performance of our mobile service.

We have a strong partnership with Mobistar and I'm really pleased that sure we take some market share from Mobistar, but we do offer them a return and a whole lot of customers in our wholesale contract. And I think that everybody is pretty pleased with that.

Our partnership with Mobistar will give us also access to LTE as soon as it becomes available, so that I think is also very significant. I've just addressed the iPhone 5, and at the very top you see that at a time we acquired the [Bell] Company stores and we have been converting them into smart-shops and they color increasingly yellow, and they become increasingly important in distribution as well as delivery of our mobile and fixed products.

Page 21, I'd like to remind you of a key component of our whole fixed and mobile strategy is based on Wi-Fi. And Wi-Fi takes two forms in our network. First of all, it's wire-free. Wire-free stands for the public hotspots of which we have about 1,200 across Belgium, and then we have now 650,000 homespots, basically people at home who have opened up our security layer, their Internet modem, so visitors or people who are nearby those homes or office spots can really make free use of an Internet connection.



Now, obviously, this is for our fixed-line customers with laptops and iPads a great service, but it's also becoming a hugely important service for all the smartphone people on our network. If you look at the lower half of that sheet 21, you see very interesting data.

We have measured the behavior of the usage of our phone traffic on our network and what we see is that actually the vast majority of smartphones is now handled over the homespot, a significant percentage over our hotspots, and yes, 6% handled over 2 and 3G.

And that really confirms the solidity and I'd say the stability of our mobile strategy going forward. The actual usage will play out on much different networks than 2 or 3G and even 4G. Wi-Fi is to date, I think, very performing and clearly a preferred platform for our customers.

And I think that over time more and more people will get used to it. Obviously if that happens, that would not have a negative effect on the profitability of our mobile business.

Page 22, accelerated digitalization fueled by a very good, I think, TV campaign. We had 64,000 net additions; 72% of our customer-base is now digital. It is actually the best Q3 to-date in the lifetime of our Company and we really converted a lot of our remaining analog customers in the first nine months of this year. So I think very good result.

The usage of our digital TV platform is intense and is progressing nicely. We had 19 million video-on-demand transactions in the last quarter. That seems to be a flat trend, but I'd like to note it was the summer season; during the summer there's always a little bit less usage.

But there is also another factor that's playing in there, and that's the fact that we have added in the last two quarters quite a few new customers who I suspect are what we call laggards, people who move quite late to digital, and may do that much more with a view to have access to channels that would otherwise have been lost on analog, or just for the sake of a better quality picture.

And those laggard customers are not necessarily the ones that will make aggressive use of video-on-demand, although I should say that most customers do pick up this service after six to nine months being on the digital platform.

On the right-hand side, you see the results of Sporting Telenet, which since last year and since we added all the remaining matches to our service offering has progressed by 12% year-on-year, which I think is a very nice level of progress, it's about 70,000 since we started offering the Belgian soccer rights, which I believe is a very satisfactory result and matches our expectations.

On page 24, YeloTV, preparing for the next big TV experience. All across the world we see a few things happening. We see that there is increasingly competition from the Internet, with over-the-top solutions.

People have very user-friendly interactive services and get access to video, which typically is not the local TV broadcasters. So at Telenet and with our brand Company Liberty, we have been working on new interfaces that would mimic, I would say, a very young environment for people who used to work on watching TV, video on the Internet, and mimic that on our set-top box, and the result is YeloTV.

YeloTV is actually the same concept as Horizon that most of you may know from Liberty, our parent shareholder. But we took from them the design and layout of the interfaces, and then because we have a different operating system on our set-top boxes, we redeveloped that here locally with some Flemish technology partners and we made it into a product that looks remarkably same as Horizon, has a few small changes.

Some things have been left out, some things have been added in, but it's very performing. We are [demoing] it now to the press and to our broadcast partners and look forward to how we can bring video more into the homes. I think the critical importance of this new platform is that it allows the traditional broadcasters which are local at say Flemish fiction to reach more digital device in the household.

What we've observed in watching our customers is that many younger members of the household will watch video vide their iPad, iPhone, or whatever other digital device in their bedroom, but will therefore not have access to traditional Flemish TV. This platform actually ensures that traditional channels will be available to all digital devices in the household. Thereby we believe it will increase the number of eyeballs, and therefore I think that's good for all the broadcasters because their core business is to get as many eyeballs to their channels as possible.



This platform will make that very easy and obviously the platform offers a number of other things. It has very good in-home communications between set-top boxes and other digital devices, and as you can see on this sheet, it says Mijn Media, it offers all kind of features to manage your own media that may be plugged in from PC or other devices.

In any event, we are very happy. We're going to roll this out in early next year, as of January, and the great advantage is that we can download this to over half of our installed base, and that is a huge advantage because that prevents us from replacing those boxes. And if you make a quick calculation that would save us about EUR80 million in CapEx if we otherwise had to replace those boxes.

In addition to that, it will make us infinitely more competitive compared to our colleagues from other distributors, and therefore I think will enhance the customer proposition of Telenet.

On page 25, you see the evolution of analog TV. Analog TV has decreased by 18,000 which is more in-line with the earlier quarters; in fact, it's even better than the quarter last year this time. We did have a lot more losses in Q2, but that was the result of our analog channel reduction. And again, we think that this is very regular and forecast trend that we see in our business and we are very happy with that.

Page 26 gives you a snapshot of part of our B2B business. This is really the business of the larger accounts, people we service with fiber solutions and dedicated networks. And the overall revenue is stable, which is remarkable because there's a lot of price erosion in that market, and there's also some legacy voice minutes that are disappearing with the arrival of voice-over-IP solutions.

So I think that the progress was largely also due to the security related revenues. And overall, I think, a good result.

Now, I'd like to note that this picture does not reflect the good results of our B2B team. We decided a couple of years ago to focus on selling coax-related products to the B2B community, have been very successful. But that growth is not recorded here, but is recorded actually under the residential business, because it's considered coax and therefore is to-date reported here in line with reporting of our parent shareholder, Liberty.

On page 27, we wanted to give you a snapshot and update. We have been speaking to you for many years about your various projects to upgrade to our network. The most recent program, multi-year program is called Pulsar, and it basically concentrates mostly on splitting the nodes in our network. When I joined Telenet about 10 years ago, 11 years ago, we had about 2,100, 2,200 customers homes passed per node. That was in 2010 already brought down to 1,400. Today, we are massively down from that number at 750 per node, and we expect in our design over next couple of years to bring it down to 500 homes per node. I think that we have taken all the measures to have very high performing Internet services and to that also digital TV.

The big advantage of cable is that when you use digital TV, you don't have any interference on your Internet servers which I think is a great user experience, because you don't want to have reduced services while watching TV. And also when multiple people in the home or in your neighborhood are watching, we have now provided ample capacity to service our customers to the highest standards in the market.

We've put on page 28 the timeline for resale cable. There's nothing new to report. We have the case for the merit that will proceed into next year. So that's going to be the final one on whether we really are going to have to open up cable, yes or no. We believe that the case for the merit will allow the court to look at more leisure pace a lot of the important arguments that we have brought to the court. I think that we are highly confident that given due time and all the arguments reviewed and new arguments brought to the table the court will decide differently.

Secondly, I'd like to note that the best defense Telenet can wage against wholesale is just by performing all our services to the best of our potential. And I think the whole Company has done extremely good job of last six to nine months to pull together and make sure that whatever we do we really try to service customers to the best of our knowledge and potential. And that in the end will provide the strength.

I'd also like to note that the rapid rate of innovation that we're now demonstrating at our Company will be another I'd say natural protection against people who would come to our cable system.

I'd like to turn over to Renaat who will take you into the financial details.



**Renaat Berckmoes** - *Telenet Group Holding NV - CFO*

Good morning and good afternoon to all of you.

Flipping to page 30 where you see the breakdown of the revenues and the revenue growth, I think it's fair to say that also Telenet can look back on the very solid financial results for the third quarter. Our revenues have been growing by 8% if you include handset sales over the first nine months of this year compared to the same period last year.

And as you can see on the right hand side of the graph, we are not predominantly a broadband Company, but our revenue mix is nicely spread over TV, accounting for about a third of our revenue stream, broadband, another third of our revenue stream, and fixed line and mobile telephony accounting for 22% of our revenues.

Important is that the 15% of digital TV growth is already almost as big as our basic TV subscription, so that is the translation of the successful growing subscriber-base in Q2 and Q3 on digital TV, as well as the mobile -- the fast growing mobile revenues are reflected in the strong performance of our telephony business.

That's also visualized on page 31, where you see the major growth contributors of our revenue growth. And I think we will see here on Q3, the last time that premium cable TV will show up as the largest growth contributor in terms of revenues, because I think as from Q4 onwards telephony, including our mobile business, will take over as the fastest growing business unit within the Group.

If you look at our expenses, we see that the bulk of the expense growth which is well under control within a growth of 3% is basically in network and operational costs, which reflect the growing subscriber base, higher copyrights and programming cost, as our digital TV bases is still growing at double-digit rates.

And of course, the increasing cost related to handset sales, as on the back of also strong mobile subscription sales, we keep on selling mobile handsets.

I have to point your attention to the somewhat lower growth or the even shrinking costs for depreciations and amortizations, because of course last year we impaired -- we took a substantial impairment on our DTT business of EUR28.5 million.

If you exclude it, you would see that the depreciations and amortizations are up by almost 11%, mainly reflecting the costs of the soccer rights which are capitalized at the incurrence of the contract and amortized as we broadcast the soccer matches over the course of the season.

On page 33, you see our quite impressive EBITDA result with an EBITDA margin of 55.1% and a third quarter EBITDA of over EUR200 million. We broke again the record in terms of quarterly EBITDA as well as EBITDA margin.

Both have translated into a 9% year-on-year EBITDA growth. And to the extent that you have questions whether it's possible to sell mobile products and going hand-in-hand with an increasing EBITDA margin, you see proof of the fact that it is possible in our Q3 numbers.

If we flip to the net finance expense, as you could expect finance expenses have gone up compared to the same periods of last year, both in terms of finance expense as in cash interest expenses. We took a hit again on our hedging portfolio as interest rates have gone down again in the third quarter. And in the meantime, as you can see on the left-hand graph, the loss on derivatives in this year versus last year is even bigger than it was last year.

If you look on the next page to net income, you will see that our net income on the face of it has almost tripled from EUR11 million last year to EUR31 million in the first nine months of this year. But if you net out all the exceptionals and one-off impacts as well as the losses of derivatives, you will see that our net income on the right-hand side of the graph is actually stable to around EUR100 million, same in the first nine months of last year and in this year.



So what we gain in terms of profitability, we have actually spend also as higher interest expenses. Hence we have leveled up the balance sheet between the third quarter of last year and this year.

On page 36, you see our accrued and cash CapEx expenses which have grown by 22%. The bulk of the growth as you can see is in set-top box and customer install CapEx, the two red boxes, the red and the orange box on the left-hand side of the graph, which have grown faster than our network and maintenance expense.

If you look at the distribution of our CapEx, you see that 76% is scalable CapEx, success-driven CapEx, and more than half of our CapEx is now subscriber CapEx and set-top box CapEx. And this really reflects the strong performance of our iDTV business over the last two quarters.

I have to say in all fairness that both the fixed line and the mobile business has been humming well. And to the extent that you have questions on the profitability of the mobile business, as already mentioned yesterday also during the press conference, although mobile is coming in with a substantially lower EBITDA margin than our fixed line businesses, it requires hardly any extra CapEx as we already upgraded and buildout our core infrastructure which connects the customer's SIM cards to our switch, our billing and rating platforms, from which then we connect to the Mobistar antennas.

And that growth, if you look at it from a free cash flow perspective, is maybe not as strong as the one of broadband or even fixed line telephony, but not that far off the one of digital TV. So in terms of free cash flow performance, it bides well for future free cash flow growth of the Company.

And that brings me to free cash flow on page 37, where at first -- on the first side, you would say we see a decrease in the free cash flow of EUR137 million -- almost EUR138 million in the first nine months last year to EUR117 million in the first nine months of this year.

As I explained before or Duco explained this is mainly the reflection of a EUR20 million negative impact of working capital, the reflection of the strong sales and set-top box CapEx related to that in iDTV. We expect to make it up in the fourth quarter and so we will end the year with stable free cash flow compared to last year, so we will end up in the ballpark range of EUR240 million of free cash flow.

On page 38, you see the leverage. It has gone up slightly from 3 times EBITDA to 3.5 times EBITDA as we have paid out EUR3.25 per share, as part of the capital reduction on -- at the end of August.

The EUR700 million newly issued debt is still on the balance sheet. That's why it has no impact on the net debt over EBITDA ratio.

On the right-hand side, you see that our credit portfolio is nicely split between loans and bonds and therefore it has contributed also to the diversification of our debt investor-base, actually, providing for a good mix between banks, CLOs, funds, and bond investors.

The amortization schedule which you find on page 39 shows you that even the additional debt to EUR700 million that we just raised are nicely added to the backend of the curve and that we keep on extending the average maturity of our debt.

Now, actually, already beyond nine-and-half-years, which means that whatever happens on the financial markets in the near future we will be pretty safe. That brings me to the outlook for 2012 on page 41.

As you can imagine, since we only revised it on the 20th of September, we keep or we stick to the guidance we have given on the 20th of September. So we expect 7% to 8% revenue growth, stable margin, so 7% to 8% EBITDA growth, and capital expenditures, mainly the result of the highly successful second and third quarter for iDTV of 24% to 25%. As a result, free cash flow will remain stable.

I will remind you again of about few future drivers of potential growth for the business. We are only at 82% of broadband penetration at the end of Q2 in 2012 in Belgium, but still a long way to go if you compare to the Scandinavian and the Netherlands, surrounding countries like France. TV subscribers still, about a third to be converted from analog to digital, and if you look at the revenue mix, you see what revenue growth potential that embeds.



And finally of course, only 16% of our customer-base has to-date taken a mobile product. So here clearly as well as in B2B there is still room -- ample room I would say for future growth.

With this, I would like to hand it over for Q-and-A to the operator.

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## QUESTIONS AND ANSWERS

### Operator

Thank you. (Operator Instructions) Henrik Nyblom, Nomura.

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### Henrik Nyblom - Nomura - Analyst

I know probably this is not the time to discuss any outlook for 2013, but given that Liberty is in a bit of a privileged position versus everyone else, maybe you could try and help us understand based on the strong momentum that you've seen so far in mobile, given the much stronger take-up on digital TV as well whether consensus for next year is something where you feel reasonably comfortable with -- which today I guess suggests if you deliver mid-end or 2012 guidance of 7.5% revenue growth, you suggest only 5.2% growth for 2013. Any help to point us in the right direction would be useful. Thank you.

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### Duco Sickinghe - Telenet Group Holding NV - CEO

Henrik, Duco. Good afternoon. As you probably suspect we cannot comment on 2013 yet, but we can provide maybe some insights. I mean, what you basically see is that we generated about 60,000 new mobile customer subs in about two months, August, September.

If you extrapolate that into Q4, taking into account new telecoms law, then you can probably see that we can significantly add more customers in Q4 than we have done in Q3. And I think that the change in mobile performance actually has not been reflected in the current analyst consensus. I think that's natural obviously because people have already seen today, but I can only say that we have seen strong performance. We continue to see very good performance.

So you would expect us to do more in Q4 based on the fact that we only started King and Kong on August 1, in the last quarter.

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### Henrik Nyblom - Nomura - Analyst

Okay. Thank you.

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### Operator

Frank Knowles, New Street Research.

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### Frank Knowles - New Street Research - Analyst

I had two questions actually, one, just on mobile. Can you give an idea with the big new intake of customers this quarter what that's actually done to ARPU levels? If you could comment on maybe what ARPU you're getting on average from mobile customers now and whether you would expect that to -- what trends you would expect for that going forward and what usage you're seeing.



And secondly, just on the soccer rights, you mentioned you were happy with adding the 70,000 or so customers for that. Does that imply you don't think they're going to grow much more, or would you expect that number to grow as the season progresses this season? Thank you?

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**Vincent Bruyneel** - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate*

Hi Frank, Vincent here. In terms of the ARPU of new customers that we're seeing the inflow from is indeed higher than the, say the established base that we have, and that's predominantly due to the fact that we have still a lot of walk-and-talk zero subscribers which was the product that we've launched at the beginning when we were active in the mobile, and of course those subscribers are typically having an ARPU which is in the -- let's say the low single-digit side.

So of course as we now have launched rate plans at that EUR15 or EUR20, indeed if you don't have any products or indeed in the other occasion, EUR50 or EUR75 prospectively, you can imagine that the ARPU of new customers is indeed higher, so that's going to have a positive impact also on the ARPU on the total installed-base for mobile.

On soccer, well, as you've also seen, I think, over the last year, we continue to see an up-tick even after we have, let's say, added significant new contracts to this. So it's also fair to assume that we expect that of course new Sporting Telenet customers will be added, of course not at the same pace as we've seen in Q3 now, but I think continuation of good inflow.

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**Frank Knowles** - *New Street Research - Analyst*

Okay. That's great. Just a quick follow up on the mobile ARPU number. I wonder if you could give any more help in terms of trying to split the revenue contribution out from -- I mean you've given sort of gross number in the slides, but with no scale on it. Could you give a rough idea how much of the telephone revenue is mobile versus fixed for the quarter?

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**Vincent Bruyneel** - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate*

No, we can't provide any details there on the mobile, but I think indeed if you look at the mobile progression it's easy to calculate if you're assuming that we have a nice ARPU indeed, let's say now within the mid-EUR20s, and then I think that's easy now to generate also what the total revenue is on mobile.

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**Frank Knowles** - *New Street Research - Analyst*

Thank you.

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**Operator**

Dimitri Kallianiotis, Citi.

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**Dimitri Kallianiotis** - *Citi - Analyst*

I've got two main questions please, both on mobile. The first one is more on the revenue line. We see you've performed extremely well in Q3 and you say that that has even outperformed your expectation. And I wanted to just to get your view, I mean, how do you look at mobile now?

I mean, do you see that the mobile is still a very small fraction in terms of market share compared to fixed? Just if you could share your ambition in mobile or in market share or where do you think it can take the business on medium term basis? And then my second question is just to come back on one of Renaat's point on profitability for mobile.



I think generally speaking, mobile was (inaudible) leader for you. And now I just wanted to know, especially on the new King Kong offers which are predominantly data and things (inaudible) do you know what margins medium-term you think you can make on these products? Thank you very much.

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**Duco Sickinghe** - *Telenet Group Holding NV - CEO*

Dimitri, Duco here. How can I best give you a sense on why we're going forward. We have now done year-to-date 95,000, which is a lot more. I have indicated that we should do a little better in Q4 than we've done in Q3 for a number of reasons. So we should again substantially progress in this quarter.

If you don't think about next year, you can take a conservative or an aggressive view. It's too early to give guidance on that, but we would expect after launch of King and Kong, a short-term [redim] to sustain. Will that be long-term the same [redim], will we get competitive reactions, that's too early to tell, but the position of King and Kong has been done in such a way that it's not that easy to counter-react.

I think, it's also not so aggressively positioned, as we've seen in some other European countries, that it might provoke irrational behavior from our competitors. So I think we have drawn a fine line there.

It's more than sufficiently well-positioned to draw customers from our competitors. It certainly will be a nice option for new people coming into the mobile market.

Some of our last quarter growth is indeed coming from people who did not have a SIM card before, which is interesting and pointing to market growth and we expect to be a big benefactor of that.

But again, you see the trend for Q3, you can extrapolate to Q4. You can take a haircut, but we expect mobile to become very important long-term. Actually say, still today, a small product line. I think that just quarter-on-quarter, year-on-year, very rapid progression, that obviously is going to accelerate next year when the current install base is going to multiply into next year's revenues.

Mobile will be more important over time. There is no doubt about it. And if you look at what I explained during the call, what we have invested in the homespots and the Wi-Fi public hotspots, you see that we have a great complement there. And while the things that we have figured out is that, when people would start to switch to mobile applications like Whatsapp, Viber or Skype, that's actually to our advantage because then they will use less minutes and less SMS, and that means that our gross margin will be positively impacted.

So I think that we are less defensive on going forward towards those usage. And I think therefore our product positioning is ideal.

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**Renaat Berckmoes** - *Telenet Group Holding NV - CFO*

With respect to the profitability of the mobile products King and Kong, as we already indicated a few quarters ago, our mobile business has moved from being EBITDA negative into neutral to positive, and King and Kong are -- both products are generating a positive EBITDA margin, so it only adds to the profitability of our mobile business has a whole.

So in that sense, the EBITDA margin of the total business is gradually going up over time. A variation of elements playing here, the cost structure is slightly changing, marketing -- way of marketing slightly changing. As people at [Free] always used to say, if the price -- if the product is right in specs and pricing, it sells itself, you don't need to spend as much marketing as you would do for a product that is slightly different in terms of pricing and that shows. So I think we are pretty pleased with the performance of the product.



**Vincent Bruyneel** - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate*

I think I'd also like to add there that of course the focus of King and Kong has shifted away from the handset subsidized rate plans that we have in the beginning. So it also means that, the high upfront acquisition cost that we had previously is now also gone. So that's I think also an important element to add there.

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**Dimitri Kallianiotis** - *Citi - Analyst*

Thank you.

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**Operator**

Jeff Wlodarczak, Pivotal Research Group.

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**Jeff Wlodarczak** - *Pivotal Research Group - Analyst*

Just one, last night Liberty Global filed an 8-K where they clarified they may be on the way to 95% ownership level on their tender offer, it's the balance of the shares they don't own, do you have any view on what they might do? Thanks.

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**Duco Sickinghe** - *Telenet Group Holding NV - CEO*

No idea, we have not seen as a Company those types, but we can't comment on what Liberty does or doesn't do in light of the offer.

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**Jeff Wlodarczak** - *Pivotal Research Group - Analyst*

Thanks.

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**Operator**

Marc Hesselink, ABN AMRO.

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**Marc Hesselink** - *ABN AMRO - Analyst*

Yes, I have two questions. Firstly, looking also at mobile, do you also see people signing up for mobile in combination with the triple-play package? So not only people that already are customer, but people that are, for example, coming from Belgacom and signing up for the entire package including mobile, so that you also have a benefit from that side.

And secondly, if you're looking -- you said at the first half update that you had some backlog in -- from the analog reshuffle and that you had to clear up in the third quarter. What are the trends there if -- because the third quarter was also quite strong on the fixed side, how does -- as the trend over the quarter, and what do you expect for the fourth quarter?

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**Vincent Bruyneel** - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate*

Okay, Marc, Vincent here. In terms of up-tick on triple-play for mobile, indeed we see also that mobile customers are taking the fixed products as well and that's of course because we give them an incentive to also take fixed products, because the price on mobile is indeed lower when you combine it or already have fixed products. So that's indeed a help that we're seeing there in terms of fixed performance.

On the backlog, basically the backlog was more on the broadband side, so where we didn't have sufficient installation capacity to get everybody installed, so we gave priority to install digital TV, because that was of course where we were seeing the analog reshuffle, channel reshuffle basically. So that was all in broadband which we nicely now installed in the course of the three quarters. So basically Q4 shouldn't be impacted by any backlog anymore.

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**Marc Hesselink** - ABN AMRO - Analyst

Okay. Thank you.

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**Operator**

Charles Verle, Deutsche Bank.

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**Charles Verle** - Deutsche Bank - Analyst

Another question on mobile. I was just wondering if you could give some colors on the -- your mix of customers between King and Kong, or between existing and non-existing customers regionally? I guess, it's coming lot more from Flanders than Wallonia obviously. And if you've observed any momentum post -- change in momentum post the adjustment in tariffs from Belgacom, which was quite recent, so maybe it's too early to say.

And last question is just a detail, but on your slide 18, on your King and Kong offer, the 500 megabits turning into 1 gigabit and the 1 gigabit turning into 2 gigabit for Kong, is that only with your iPhone offers of iKing and iKong or is that for all King and Kong plans? Thank you very much.

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**Duco Sickinghe** - Telenet Group Holding NV - CEO

Good afternoon, Duco here. We can't give you the split between King and Kong. In terms of marketing, yes, our success is mostly originating from Flanders, but there are no limitations. We are also active with our cable asset in Brussels.

So in Brussels we will have people on or off our footprint taking King and Kong. And the product has been positioned that it can also be purchased by non-Telenet customers. The spec upgrades are valid for all King and Kong packages. So it's not only iPhone. Sheet 18 refers to King and Kong and not necessarily limited to iKing or iKong.

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**Charles Verle** - Deutsche Bank - Analyst

Okay, thank you. And any change in the momentum post Belgacom's adjustment of its mobile tariffs in September?

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**Duco Sickinghe** - Telenet Group Holding NV - CEO

Well, I've said it earlier, I've said that since the telecom law went into -- came into force after October 1, we have rather seen a slight acceleration in our uptake of King and Kong, so I guess that answers that question.

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**Charles Verle** - Deutsche Bank - Analyst

Yes. Thank you.



**Operator**

(Operator Instructions) Will Milner, Arete Research.

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**Will Milner - Arete Research - Analyst**

Firstly, I want to follow the trend in mobile telephony. I just wonder, are there any step-downs in the wholesale cost that you have with Mobistar that could come into play given the much higher customer net adds that you're seeing, or is it the case that the new King and Kong plans actually reflect the terms of the new MVNO deal, the extended MVNO deal you signed with Mobistar?

And then second question is on digital TV, and I just wonder if the customer net adds on Digital TV were in anyway back-end loaded because it looks like if they weren't, there may have been some increase in discounting on the premium TV packages. I wonder if you can just talk around that. Thank you.

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**Duco Sickinghe - Telenet Group Holding NV - CEO**

Duco here. On DTV, there may have been some back-load or back-loading, there may have been some backlog that moved into Q3, much like as we said for Internet, but not that much. So it was also a very strong quarter, and we didn't do any discounting other than our regular prices, not that I am familiar with.

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**Renaat Berckmoes - Telenet Group Holding NV - CFO**

The other thing is indeed in terms of installation because we give priority to DTV installations in Q2; we now gave priority to Internet installations in Q3 because of the backlog there. So that indeed caused a little bit back-loading of DTV subs in Q3, that's right.

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**Duco Sickinghe - Telenet Group Holding NV - CEO**

On the mobile contract, we cannot and we don't necessarily want to give you too much insights in our MVNO contract with Mobistar, but let me say it in one sentence. Our MVNO contract with Mobistar is future-proof. And that I think should address most of the concerns you could have.

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**Will Milner - Arete Research - Analyst**

Okay, thank you.

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**Operator**

Paul Sidney, Credit Suisse.

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**Paul Sidney - Credit Suisse - Analyst**

I've got a couple of questions, please. Firstly, you are seeing very strong demand for broadband speeds of 60 megabits per second and above. I was just wondering what's really driving that?

Are you seeing any changes in behavior, is it any one thing that's really driving that or is it a combination? And just secondly, your --- the Pulsar project ends in 2015, and I was just wondering after that project is complete what level of CapEx to sales do you think we should be assuming, i.e., what's your long-term sustainable CapEx to sales in the absence of that ongoing project? Thank you.



**Duco Sickinghe** - *Telenet Group Holding NV - CEO*

Duco here. What's driving broadband at these higher speeds, I would say that's essentially video usage, and the fact that you have per household multiple devices. So people tend to take more performing products to service multiple PCs and other iPhones.

I mean that is basically the reason. People do see a lot of comfort in these higher speeds, as well as I believe with Telenet, people have always said that increased downstream speeds were not serving a purpose.

But for the last 10, 11 years I've only seen a growth, and be much appreciated by the customer-base. So it's nothing more than comfort and Wi-Fi that is stimulating multiple device in the household and supports therefore a more powerful product. I think that's the main reason. Renaat, do you want to say something about the other question?

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**Renaat Berckmoes** - *Telenet Group Holding NV - CFO*

Can you repeat the question --- the CapEx?

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**Paul Sidney** - *Credit Suisse - Analyst*

Yes.

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**Renaat Berckmoes** - *Telenet Group Holding NV - CFO*

After Pulsar, there will be most likely in other Pulsar project as of course we keep on pushing speeds up and by doing that, to get to that stage, we reduced the number of homes passed. That being said, you could expect the CapEx to sales ratio to come down. I would say in itself based on the fixed line revenues and of course if you add to that the mobile revenue stream, it will come down very fast even without necessarily reducing the CapEx number.

The CapEx number itself has also a downward trend. So what we spend in absolute terms will also go down going forward. As of course we have seen now, also this year's CapEx being influenced by extremely strong sales as we reduced the number of analog channels and we have no plans for next year to go to a similar exercise, so that also has a positive impact on cash -- on CapEx already for next year and the years beyond.

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**Paul Sidney** - *Credit Suisse - Analyst*

Thank you. That's very helpful.

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**Operator**

Sasu Ristimaki, Merrill Lynch.

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**Sasu Ristimaki** - *Merrill Lynch - Analyst*

I just wanted to ask about the ARPU or pricing trends you're seeing for premium cable TV and if you think little bit further out, do you see any kind of price pressures coming from increased competition and particularly OTT services?

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**Duco Sickinghe** - *Telenet Group Holding NV - CEO*

Duco here. Let me see -- I see there are two questions. One was your question, our CATV prices and whether we would have pricing power.

Our CATV prices are regulated. We have to subject them to the government for our government for approval. We will over time always seek to compensate for price index trends. I mean that's our long-term goal.

Historically, we have trended a bit I would say lower than inflation. CATV price in Belgium are extremely low compared to other European countries.

So it's not that people pay here -- I'd say middle of the road prices, about EUR50s. We have some slight divergences depending on the region you're living in, in Flanders for historical reasons. But if you take that EUR15 to EUR16 price range and you compare it to other countries you would see it's significantly higher.

So people don't tend to join that quickly because of those modest prices. They do provide there for some upside potential in coming years, but again, we are very disciplined and we limit ourselves to inflation as a measure.

Do we think of over-the-top as a threat? I don't think anybody in our cable industry at large sees over-the-top as a cable court kind of exercise. I mean you would still need to have a very good Internet connection and then the content you can get over-the-top is not really in line what you can get here in the local TV stations, and the local Flemish TV stations, top six, seven, they attract about 80% of the viewers. So it has a great loyalty to it.

The other element, you've seen that we have presented YeloTV in the last few days, and the purpose of YeloTV is really to provide a very, I'd say, nice interface that comes very close to what you have seen with some of the OTT operators. And we believe that YeloTV will provide now traditional TV on a much more expanded basis in the households, and therefore I think there will be much better access to local channels.

And then I think we'll be great. And I don't know how over-the-top is going to play out or maybe broadcasters will develop some initiatives. We will see many things, but I don't think it's going to scare the basic consumer away from our service. They may see it as a compliment. I mean if anything that's what we see on a global basis.

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**Sasu Ristimaki** - *Merrill Lynch - Analyst*

Yes. Okay, great, thank you.

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**Operator**

Mayank Girdhar, Black Diamond.

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**Mayank Girdhar** - *Black Diamond - Analyst*

I just have two questions. One is a general question on competitive environments. It might be early days yet given the telecom act and things like that, but what moves are you seeing from people like Belgacom within the market and other players in response to your King and Kong offers, but also in response to your high-speed Internet broadband service? Are you seeing any changes in the behavior or rollout of new services to challenge that?

And secondly, could you confirm that you're still well ahead of Belgacom and the others in terms of Internet speeds that you offer? You usually have a graph or a table confirming that, but just wanted to know related to the first question that you're not seeing any new incursions of high-speed services from others. Thanks.

**Duco Sickinghe** - *Telenet Group Holding NV - CEO*

Let me answer them in reverse order. We haven't included the table this time, but it's still the case, typically where the competition ends, Telenet starts providing the service. So our low-end aligns with their high-end.

So -- and that still holds. And there are a few services out there that will provide you real insight in what the extra performances are. And on the extra performance basis we are, I'd say, comfortably ahead of the competition.

Your other question is basically do we see change in churn behavior since the start of the telecom law for our fixed high-speed connections and customers? The answer is no. And what other things can we say about competitive behavior? I mean it's very early to tell.

It's interesting to know that Telenet, already before the instruction of the telecom law, this law somewhere said that anybody who wants to leave this could already leave. You don't want to have it generally known that you can hang on to your customers for legal or contractual reasons, so anybody not happy can leave us instantly.

So -- and you saw that in Q3 we did pretty well despite this pledge to our customers that they can leave any time. And I think they really voluntarily choose to stick with Telenet, and since October 1 I haven't seen any notable change there.

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**Renaat Berckmoes** - *Telenet Group Holding NV - CFO*

I think also to add that Belgacom indeed announced this week that we are going to upgrade the network indeed then to offer broadband speeds of around 50 megabit per second because of the factoring kind of principle that we're going to apply. Of course today we are -- and already for a couple of months now, we are already offering a 120 megabits per second. So I think the advantage of cable versus copper is here today and is there to stay.

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**Mayank Girdhar** - *Black Diamond - Analyst*

Thank you for that. It's just -- I guess when the higher end of your competitors are 30 megabits per second you can still argue that VOD doesn't work as well and you can't necessarily use multiple services at the same time. But when it gets to 50 megabits per second I guess, are you guys worried about their recent announcement just because it does start eating into your high speed advantage?

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**Duco Sickinghe** - *Telenet Group Holding NV - CEO*

We don't think that's the case. I'll be very explicit. We've also seen other operators in Europe move to higher speeds, but we don't think that that's going to make a significant dent, in particular, because we keep progressing our Internet specs. And everybody has to do that because as I said earlier, you get to multiple devices in the home.

So as people have multiple device in their home, you probably have to increase your Internet capacity significantly to actually have a similar performance compared to a year ago. So I'm not sure that the increases on the copper networks we see across Europe are going to be much of a threat to the cable industry as a whole.

I think cable is making so much progress in our network and the algorithms like EuroDOCSIS 3.0, and the future generations of modems, most of our PSN are 100 megabits-120 megabits, and you can read already in the press that there are some tests of speeds, which will be on that.

And as I said before during the presentation it really makes a difference, these higher speeds. People have always thought that at some point there was a wave, the telcos have pushed at a particular -- they all of a sudden start to pay attention to volume and said volume is really important.



If you don't provide any throughput to your customer, volume is irrelevant. So at Telenet, we provide ample speed and therefore volume is very nice and you can make use of it.

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**Renaat Berckmoes** - *Telenet Group Holding NV - CFO*

One last element I want to add to Duco's comments is that even with the 50 megabit, you still have to share that capacity between broadband and TV. And so if you assume that people watch TV at least over one, if not two HD channels, that still puts a lot of strain and stress on the broadband capacity that is available.

We expect the upgrade to 50 megabit already coming in much earlier in the year, so it's not that we're taken by surprise. We follow the video [sales] evolution as we follow the cable evolution. So we are pretty confident and well prepared to this kind of trends.

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**Operator**

[Jeff Sennel], Cantor Fitzgerald.

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**Jeff Sennel** - *Cantor Fitzgerald - Analyst*

Well, just a very quick question, just regarding the offer from Liberty. And we understand Telenet has hired the services of an investment bank to help with the independent valuation of the Company. I was just wondering if you could just give us an update. I mean, should we expect to hear anything from -- about this independent valuation any time soon?

And the next follow-up question is, just based on the positive results today, would you expect the independent valuation to come up with a number that's higher than the current offer from Liberty? Thanks very much.

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**Duco Sickinghe** - *Telenet Group Holding NV - CEO*

I can't be very helpful to answer those things because these are questions that need to be -- will be addressed by the Board of Directors, including the independents over next couple of weeks. The prospective is being prepared by Liberty.

They go through the usual process of pulling it all together. That's not a small job. So they need to have time to work diligently through that. They need to get the approval of the [SFMA]. There's going to be a response from the independents.

So my observation is the Board is working through all those matters in the course of next couple of weeks. And then you will learn more about what the next steps are.

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**Jeff Sennel** - *Cantor Fitzgerald - Analyst*

Okay, thanks.

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**Operator**

Peter Testa, One Investments.

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**Peter Testa** - *One Investments - Analyst*

Just a couple of questions please. One is just to try to expand on a earlier question upon the halo effect of the mobile business to other services. I mean, since you're primarily meeting this through your call centers, I was wondering if you could help us get a sense as to how one should perceive the halo effect. For example, having seen very strong fixed telephony numbers, the same time you're talking mobile telephony, is that an example of it? Or somehow if you could help us understand that.

And then related question, if you look at your walk-and-talk customer-base, I was wondering if you could give us any sense of degree to which that customer-base is taking a -- the opportunity to switch, which would necessarily be seen in the net add number, but just to get a sense of that switching please.

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**Duco Sickinghe** - *Telenet Group Holding NV - CEO*

Peter, Duco here. I'd say that the sales of King and Kong are largely on the back of the merit of those products. I would not necessarily conclude that our, let's say, high sales for fixed telephony or other fixed products is related to it.

As we said before, the quarter had started quite well for fixed and mobile was added to that as another sliver. Long-term though, I am a believer that our fixed products will definitely benefit from the sales of King and Kong. I know that because we've seen it in other countries, notably France, where [Eliant] reused our success by mobile and that in turn drove their fixed line sales.

So I think the halo effect will be there for mobile to fixed. But I can't really say that the results of fixed in Q3 are related to that.

The second one, walk-and-talk, what we did when we launched King and Kong, we sent an SMS to all of our current installed base customers and we said, listen, no need to migrate to King or Kong. We are going to de facto adjust your specs. So given the price you pay, it will reflect a similar price performance compared to your specs.

So we immediately took away, I'd say the natural incentive for people to migrate, which we felt would be done because then you [cause all the work] and you need to take care of those people. We said, listen, don't do anything, we will just unilaterally improve your specs and you should be very happy because it's going to be much better than it was before.

So many people have walk-and-talk, don't have a urge to change because we already gave them the benefit of King and Kong in their current plan.

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**Peter Testa** - *One Investments - Analyst*

Just another question, do you think that will change the ARPU from those people ultimately?

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**Duco Sickinghe** - *Telenet Group Holding NV - CEO*

Not necessarily.

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**Peter Testa** - *One Investments - Analyst*

Okay, great. Thanks very much. And congratulations on the launch going very well. Thanks.

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**Duco Sickinghe** - *Telenet Group Holding NV - CEO*

Thank you.

**Operator**

Tom Simonts, KBC Securities.

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**Tom Simonts - KBC Securities - Analyst**

Very little question here. I was wondering whether you could elaborate on exactly where your mobile clients come from in terms of the competitive landscape. Who are the main mobile providers that you take away clients from?

And then secondly, since -- as you said that you've obviously gained some market share on Mobistar, how does that work out in terms of the partnership, MVNO agreement? Is there any way that could potentially threaten the MVNO agreement further down the line? That will be all, thank you.

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**Duco Sickinghe - Telenet Group Holding NV - CEO**

Two things. I mean, I think that when the others come out with their results you will know who won, who lost, et cetera. So I -- obviously, we have good insights to where our customers came from. But I would refrain from sharing that with the market in respect to our colleagues.

But if anything, I could say it follows the market shares that you see today. There's a slight bias towards two operators, more than one, but nothing shocking.

With regard to Mobistar, the relationship I think is very good. I mean, Mobistar has -- I can't speak for Mobistar, but as an observer I can see that France Telecom was very quick to move and offer an MVNO agreement to Free in France.

And the rumor on the street has it that even though Free offers low prices, France Telecom gets to keep a lot of that benefit because they're the provider of all of those services to Free as long as they don't have their own network obviously.

And I think that some of that reasoning has gone into the actions of Mobistar. They have figured out that joining Telenet will give them significant wholesale revenues, and they are significant because you will see our revenues grow today and the next couple of quarters.

So provided the fact that they don't make that much cost given the service, I would consider this to be a good Mobistar business. And we help them win competition. So I haven't received any negative feedback from Mobistar on launch of King and Kong, quite the contrary.

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**Tom Simonts - KBC Securities - Analyst**

Okay. Thank you very much.

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**Operator**

Robert Van Overbeek, Cheuvreux.

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**Robert Van Overbeek - Cheuvreux - Analyst**

I've one question with respect to your recent launch of YeloTV and the options for delayed viewing. With that, I see you've renewed emergence of discussions on proprietary rights of the content. Is that something that can have a -- potentially have a huge impact going forward?

**Duco Sickinghe** - *Telenet Group Holding NV - CEO*

Actually, we see in many countries discussions with [linear broadcasts] about what's the best way to treat a signal. People are generally concerned about the fast-forwarding of commercials.

The Flemish government had taken an initiative, before December the Flemish parliament, that proposal to regulate the PVR so to speak, was sent to the Council of State. We got the result from the Council of State this week, and the Council of State was clearly very negative saying that in no way that could be done because that would really interfere in the free traffic and trade principles that the general, say, market should adhere to.

So we took comfort from that decision of the Council of State. Having said that I think as a very important player in the Flemish TV industry, Telenet will be responsible. We'll work constructively with the broadcasters, and by the way, also its fellow distributors because I think we should all act cohesively.

And there's a general concern out there that if advertising disappears as a source of income for the free-to-air guys, where are they going to get their revenues from, and shouldn't they move to pay TV? And most people think that's not a real option.

So people are looking at concepts that will still be acceptable to the consumer and yet protect the advertisers and therefore the free-to-air broadcasters to a certain extent.

I think that's fair. We're looking at a world where the broadcasters produce a lot of Flemish fiction. And that's relatively more expensive for them to buy American rights, so to speak. So we as a partner here for broadcasters, historically, we should really make sure that we can help them.

Obviously, we should not unnecessarily limit the usage to customer experience. And that is of course very key for us. But as long as the customer experience remains intact, we can help broadcasters to educate customers that TV is not necessarily just for free. It's either funded by paying a subscription or by advertising and there are balanced solutions there that I think were open for business.

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**Operator**

There are no further questions.

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**Vincent Bruyneel** - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate*

Okay. Ladies and gentlemen, thank you for your participation on this call. Should you have any outstanding questions the investor relations team will be more than happy to answer them.

In the mean time we say good bye now, and wish you a great weekend. Thank you.

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**Operator**

That will conclude today's conference call. Thank you for your participation ladies and gentlemen. You may now disconnect.

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