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TNET.BR - Full Year 2013 Telenet Group Holding NV Earnings Conference Call

EVENT DATE/TIME: FEBRUARY 13, 2014 / 2:00PM GMT

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PRESENTATION

Operator

Good day and welcome to the Telenet investor and analysts Q4 2013 results conference call. Today's conference is being recorded. And at this time, I'd like to turn the call over to our host today, Mr. Vincent Bruyneel, SVP, Strategy, Investor Relations and Corporate Communications. Please go ahead sir.

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

Thank you. Ladies and gentlemen, a very good afternoon or morning to you and welcome again to our investor and analysts call for the full year of 2013. I trust you all received our earnings release this morning 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, as usual 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 John Porter, our CEO, who will provide an executive overview of our full-year highlights. After that, I will provide you with some further details on our operational results. Birgit Conix, our CFO, will guide you through last year's fourth quarter financial results.

Afterwards we will all be pleased to receive questions.

John Porter - *Telenet Group Holding NV - CEO*

Thank you Vincent. Let me start our earnings call with a quick overview of our operational and financial achievements in the final quarter of last year. Thanks to the introduction of our two simple triple-play bundles in the third quarter, we had for the second consecutive quarter a very strong inflow of almost 36,000 triple-play subscribers.

This is the best result since early 2009 when we benefited from the effect of the Interkabel acquisition. We continued to see that almost half of our new customer inflow in the fourth quarter was immediately on triple-play which delivers better economics on the subscriber acquisition level.

Before the launch of Whop and Whoppa, this was around 35%. Thanks to our focus on triple-play and the launch of our new VoIP app, our fixed telephony net additions improved 80% year on year and were the second best result in the entire history of the Company.

Broadband also saw an improvement compared to last year as we added over 23,000 subscribers despite a higher total market penetration.

Digital TV grew by over 27,000 subscribers, our best result in 2013. We also continued to notice a sharp drop in our basic cable TV churn which reached its lowest level since the launch of digital TV by our competitors in 2005.

In Q4, we lost less than 1,000 subscribers while a year ago, this was almost 11 times higher. And finally, on mobile, we added another 38,000 subscribers in postpaid mainly in Flanders and Brussels bringing the total now just over EUR0.75 million.

Amidst the increased and heavy competition and our focus on more cost-effective acquisitions, we believe this continues to be a solid number.

From a financial point of view, our full-year top line was up 10% driven by mobile and more triple-play. And adjusted EBITDA grew by 8% yielding a margin of over 51%. We feel this is a great result compared to our European cable peers, and puts us in the top-end corner of organic growth rates.

Our revenue growth in the final quarter was impacted by less standalone handset sales than anticipated and year-end promotions. But these are of a nonrecurring nature.

Our EBITDA margin remains well above 50% level despite a significantly higher share of mobile revenue thanks to our continued focus on cost efficiencies and process improvements in fixed.

Our free cash flow was lower than last year as we incurred more cash interest expenses and cash CapEx predominantly because we implemented a new working capital policy in Q4. Birgit will provide you with more color on this.

On the next slide you can see that with these results we met our full-year outlook for 2013 on all parameters except free cash flow. This was due to the new working capital policies I just said. But as you will see in our outlook for 2014 later on, we are projecting solid free cash flow growth for this year. Thanks to a further optimization of our subscriber acquisition costs following a higher intake of triple-play, we were able to generate EBITDA that exceeded our outlook range.

2013 has been quite eventful in terms of product launches and new customer initiatives to improve and at the same time simplify our product offering. Our ambition is to provide consumers with the fastest and most reliable fixed connectivity and access to great entertainment.

With our key focus being triple-play, we accelerated our share of multiple services per household as consumers clearly see the benefits of bringing everything together. We did that for both the residential and the business customers.

As we are repositioning our Company more towards delivering better entertainment solutions next to a leading connection, we launched Rex and Rio. This is basically a complete new way to consume all the content our customers want.

At a fixed monthly fee, people get unlimited access to an extensive library of thousands of local and international TV series and movies, and this for the whole family.

On the next slide, you can see how Telenet is differentiating through real service convergence. Three innovative services are now included in both our residential and business bundles for free.

We launched the first real convergence voice product Triiing connecting the fixed line to the smartphone. This VoIP app allows fixed telephony customers to use their smartphone to place calls over WiFi at attractive flat-fee rates in Belgium and abroad.

In just a quarter, we more than doubled the number of users from 55,000 in September to over 130,000 in December of last year.

Our own over the top YeloTV is now used by almost 400,000 people or almost 15% of our digital TV customer base. In Q4, Rex and Rio were also launched on YeloTV which makes it now the largest OTT platform in Flanders.

And finally, combined with our extensive WiFi network, including around 1 million homespots and hotspots, we want to offer our customers true and unique mobile and fixed convergence services.

With that, I'll hand it back to Vincent, who will take you through our operational results for the fourth quarter.

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

Thanks John. Let's continue on the next slide. We achieved yet again very solid triple-play additions in the fourth quarter. Since summer, we focused entirely on delivering a great convergent experience to our fixed customers by offering them a revamped simplified triple-play offer consisting of only two products now, Whop and Whoppa.

These products combine super-fast Internet of up to 120 Mbps, plus the fixed telephony, and digital TV. But as John said, we go further than the traditional offering.

Every bundle also includes our VoIP app, multi-screen YeloTV, and access to all the homespots and hotspots in the country. By doing this, we are not only talking about price convergence, but also real service convergence, putting Telenet in a unique position in the Flanders and Brussels market.

As you can see on slide 11, over 950,000 customers or 46% of the total customer base already subscribes to three or more products now, a 5 percentage points increase from a year ago. Throughout the entire year, we added almost 95,000 net new triple-play subscribers and managed to enhance the share of wallet that each customer is spending with us.

Here you can see that the ARPU increased by 4% to EUR47.6 for the year. We not only see top line benefit in converting more people to multi-play reflected by further ARPU growth, but also loyalty is an important driver for us to continue this strategy.

A triple-play customer is churning 7 1/2 times less than a single-play customer to give you an example. And for quad-play, customer churn is even below 1% on an annualized basis.

Let's now take a closer look at the different product performances starting with broadband Internet. In Q4, we were able to attract almost 23,000 net new subscribers to our high-speed broadband products, a strong improvement from previous quarter.

For the entire year, we added over 77,000 net new broadband subs, only marginally down from the 82,000 we added in 2012 despite a higher total market penetration. Churn remains very stable and further declined to just over 7%, one of the lowest levels in our industry.

One of the core differentiating elements and strengths of our broadband service is the high quality and leading speeds we are offering across our entire network. The average speed of our entire broadband customer base is now around 65 megabit per seconds, which represents one of the most advanced customer bases in the European landscape.

With our recent significant product upgrades, Telenet starts where competition ends now. Most of our competitors operate on the VDSL network which only offers true speeds of around 30 Mbps or lower.

One of the positive surprises of 2013 was the revitalization of the fixed telephony line. Thanks to the introduction of our new triple-play bundles and our VoIP app, we saw a strong acceleration of new telephony subscribers since summer.

In the fourth quarter, we added almost 36,000 new subs which was our second best result in the entire history of the Company. For the full year, almost 100,000 customers found their way to our fixed lines.

The fact that people continue to value it is demonstrated by further improvement of the churn which came down to 6.4% in Q4 on an annualized basis. A year ago, this was still above 9% levels.

Moving over to mobile on the next slide, we attracted another good set of postpaid subs of 38,000 in the fourth quarter, mainly achieved in Flanders and Brussels. This result is fully in line with our expectations as all mobile competitors did react to the King and Kong offering, and we [rebalanced] our acquisition strategy resulting in more profitable subscribers as you may have noticed from our margin evolution.

In addition, we believe that the ongoing network improvements by our MVNO partner should also have a positive effect on our churn going forward. At the end of last year, we exceeded the milestone of EUR0.75 million postpaid subs.

The revenue generated by our mobile business grew even faster as we attracted more high-value customers than before. Our focus on customer value in mobile resulted in a further improvement of our mobile ARPU.

For the full year 2013, the mobile ARPU including interconnection reached EUR30.4 representing a 7% increase as compared to the prior year. In Q4, the ARPU contracted to EUR28.5 and was primarily driven by the harmonization of our mobile tariffs for both new and existing customers as previously we applied the mobile discounts to our fixed business.

On slide 15, we give you an overview of the various sources of further potential, operational and financial growth in mobile. As today, only 40% of mobile traffic is being processed over our homespots or hotspots. We believe that with new initiatives such as seamless handover between cellular and WiFi we will launch this year, there is significant opportunity to offload more data usage.

And in terms of subscribers, we should be able to persuade more fixed customers to our mobile services driven by the simple rate plans and fixed mobile conversion services. On top of that, we expect that the number of SIMs per household will further increase enlarging the overall market potential.

In the course of Q2, we're planning to introduce 4G and are pleased to announce that Apple just approved Telenet as LTE service provider on Apple devices in Belgium.

Moving over to digital TV now, we added almost 25,000 new subscribers to the digital platform in Q4 reaching an 80% digitization rate. We see that the migration from analog to digital is happening somewhat slower than last year. But 2012 was also marked by our analog channel reshuffle program in which analog customers were able to convert to digital at a great promotion.

Nevertheless thanks to our temporary promotion in December in 2013, we were able to improve the sales trend in the fourth quarter.

Last quarter we told you about the launch of our two new SVOD offers, Rex and Rio, that give consumers access to a very wide selection of series and movies at a fixed monthly price. Rex focuses, for example, on local Flemish and kids' content while Rio is the ideal solution for content lovers giving them access to the latest blockbuster movies and high-quality (inaudible) series such as from HBO.

We're pleased to see that in only three months time, the products already attracted 67,000 subscribers. Many existing prime customers already traded up to this SVOD package and although it is still early days, it looks promising that the vast majority is subscribing to the high-end Rio bundle.

We also see that consumers liked the product and really use it. On average a Rio customer is watching 28 titles per month. In December, we also made Rex and Rio available on our YeloTV OTT platform, so customers can now also watch it on their laptop, tablet, or smartphone.

On the next slide, we're particularly pleased to see that churn on basic cable TV continues to improve significantly. In the final quarter of 2013, we recorded only 900 net losses, the lowest level since the introduction of competing TV platforms in 2005.

This is significantly lower than the churn rates that we used to see in prior years where we typically were losing between 15,000 and 20,000 subscribers per quarter. We believe that our continuous investments in customer loyalty and improved customer experience and the introduction of CI+ contributed to this result.

Our business segment, Telenet for Business, generated stable revenue of EUR91 million for the full year and around EUR23 million for the final quarter. On the one hand, we continued to perform well by more data products such as IP VPN and Fiber (sic - see slide 19 "iFiber"), higher mobile revenues, and carrier services, but on the other hand we suffered from lower nonrecurring installation and security revenues as last year included some new big deals that were getting delivered in that time period.

Important to note is that this revenue only reflects revenue generated on non-coax products including fiber and leased DSL lines.

Telenet for Business is, however, much bigger as it also sells coax products especially to the SME segments which is currently reported under our residential segment. If we were to reallocate revenue generated by coax products and B2B, our growth rate would have been 9% for the full year representing total revenue of around EUR370 million. Despite the difficult economic and very competitive B2B markets we're operating in, we believe this is a great result.

A very performing network is one of the cornerstones of Telenet. That's why we have started already back in 2010 with an ambitious upgrade plan to triple the capacity in five year's time called Pulsar to bring fiber much closer to our customers. We do that by deploying more fiber across Flanders and Brussels and by multiplying the number of optical nodes.

Initially we had 1,400 homes connected to an optical node and today we're pleased to see that this is already getting close to our target of 500. But more importantly only 290 active broadband users are sharing the optical node which is the service that benefits most of this upgrade.

On top of Pulsar, we will be rolling out other cable technology to make sure that we keep our HFC network on top of the league.

In the coming years, we'll further optimize and expand our bandwidth capacity to offer more digital services and higher speed to our customers, replace core components in our network which will allow for a more optimal use of our interactive spectrum, and bring fiber closer to the doorstep.

In parallel, we of course will be implementing the next level of EuroDocsis 3.1 which altogether will enable download speeds of 1 gigabit per second in the medium term. All these investments will, of course, happen within our long-term CapEx projection and without any spikes in our absolute network spending.

Before handing over to Birgit for the financials, I would like to provide a quick update on where we are on cable wholesale regulation. In December, the regulators announced the final details of the reference offering including the retail-minus framework. For standalone digital TV, this is now set at minus 30% and for double-play bundled digital TV plus broadband, this is minus 23%, both an improvement versus the initial framework presented to us earlier.

Beginning of January, Mobistar submitted a request to become cable wholesale customer. In parallel, the legal procedure on the merit is still ongoing and the first trial briefs were exchanged and we expect the court to start hearings in a couple of weeks from now. The appeal decision will probably be announced by Q3 this year and could entail the annulment of the entire wholesale proposition as exists today.

The court we believe will need to take into account the changing landscape where more competing platforms successfully entered our markets and the fact that analog TV which was the basis for regulation is now having a market share below 15% in our footprint.

With these comments, I would like to hand over to Birgit who will provide some more details on the fourth quarter financials.

Birgit Conix - *Telenet Group Holding NV - CFO*

Thank you, Vincent. The solid operational results just presented by Vincent translate into a very healthy financial growth for both the full year and the fourth quarter. Telenet had another fantastic year. For the full-year 2013, we achieved revenues of EUR1.6 billion, up 10% versus 2012 and in line with our outlook of 10% to 11% revenue growth.

All of our revenue growth in the period was organic and primarily driven by the growing contribution of our mobile business, continued RGU growth in fixed services, and the benefit from price increases implemented in February 2013. In the fourth quarter, our revenue was EUR417 million up 6% versus last year.

As expected, our top line growth decelerated in comparison to prior quarters as the fourth-quarter 2012 already reflected higher revenue from the successful launch of our King and Kong mobile products launched in the third quarter of 2012. In addition, we also generated lower revenue from the sale of standalone handsets on which we generally earn a lower margin.

Looking at the drivers of our revenue growth on the next slide, you can clearly see the strong growth in our telephony revenue. Out of the EUR136 million growth you see on the graph, EUR134 million came from our mobile business. Also our fixed business continued to perform well due to solid RGU growth and the benefit of selective price increases.

Two side comments to be made on this slide are the following. Firstly on this chart we see the growth of our mobile offering King and Kong reflected for the full year while our two other offerings on smart simplicity were launched in 2013 only. Whop and Whoppa, our triple-play offering, was launched mid-2013, and Rex and Rio, our entertainment offering was launched in September 2013 with the associated revenue growth not yet reflected for the full year.

Secondly in 2013, we gave discounts to our existing cable subscribers when they took along a Telenet mobile subscription. These mobile discounts were proportionately allocated to all products held by the customer impacting the revenues of our fixed business.

As we harmonize mobile prices to be the same for all new subscribers, going forward our fixed business will no longer be affected by bundled discounts related to future mobile subscriber growth. Excluding the negative impact of mobile bundle discounts, our fixed business showed an underlying 2.5% top line growth for the full year.

This brings me to our adjusted EBITDA on slide 26. For the full year, our adjusted EBITDA was EUR843 million, up 8% versus 2012 and came in at the upper end of our full-year outlook of between 7% to 8%.

You can see that our EBITDA margin contracted with 90 basis points to 51.3%. This is a result of our deliberate strategy in mobile which has a lower margin as compared to the rest of our portfolio. The reason why we could contain the margin contraction to only 1% is the combination of our multiple-play growth, a continued focus on more cost-effective mobile subscriber acquisitions, and general control of our overhead expenses.

In the fourth quarter, we generated adjusted EBITDA of EUR206 million, representing a growth of 9% versus the fourth quarter of last year. On the right-hand side graph, you can see the cyclical pattern of our margins with a typical lower margin in the last quarter.

The fourth quarter's adjusted EBITDA margin shows a decrease due to seasonally higher advertising sales and marketing expenses. To be noted here is that our fourth quarter margin improved year on year as we spend significantly less on handset sales and subsidies in the fourth quarter compared to 2012.

On the next slide, you can see the evolution of our net income. Our net income was up substantially from EUR33 million in 2012 to EUR116 million in 2013. Our net income was influenced by certain nonrecurring items.

On the one hand, there was a benefit of EUR56 million coming from a non-cash gain on our interest rate derivative and a EUR17 million (sic - see slide 26 "EUR15.7 million") one-off positive impact due to the reversal of set-top box related import duties. On the other hand, our net income was pressured by impairment and restructuring charges for an amount of EUR88 million in total.

This reflects an impairment charge of EUR53 million, and this results from our assessment that we will not be able to utilize the spectrum rights going forward. In addition, we incurred a restructuring charge of EUR35 million, reflecting our decision to discontinue our DTT product Teletenne. Excluding all these aforementioned elements, our net income would have been EUR133 million.

Let's now have a look at our CapEx spending on slide 28. Accrued CapEx for the full year reached EUR372 million, up 5% year on year, and representing around 23% of our revenue. Our accrued CapEx for the period was affected by the extension of the exclusive broadcasting rights for the Premier League as these rights have been capitalized under IFRS in the first quarter and will be amortized as the three seasons progress.

On the other hand, our accrued CapEx was positively impacted by the reversal of set-top box import duties as discussed on the second quarter call. Excluding capitalized content costs and the reversal of set-top box import duties, our accrued CapEx was up only 4% year on year and represented about 22% of our revenue in line with our outlook.

Looking at the different CapEx drivers on the left-hand chart, we recorded both lower set-top box related CapEx and lower customer install CapEx, reflecting on the one hand lower digital TV migrations and on the other hand, lower RGU growth and increased efficiencies in our customer installation processes.

As you see on the right-hand chart, about 71% of our accrued CapEx for the full year was growth-related, and we will make sure that our future investments drive incremental returns. These investments include amongst other, continued investments in our network such as the Pulsar node splitting project to make sure we keep a strategic network advantage versus competition, and to be able to cater to the growing needs of our customers such as the lifestyle.

Let's move on to our free cash flow slide on slide 29. For the full year, we generated EUR212 million free cash flow. Our lower free cash flow performance versus last year was the result of both higher cash interest expenses of EUR47 million following the issuance of EUR700 million senior secured notes in 2012 and higher cash capital expenditures.

In addition, we implemented a change in our working capital policy in the fourth quarter which had a one-time negative impact of around EUR30 million. A more effective management of our working capital going forward and solid adjusted EBITDA growth will translate into robust free cash flow growth for 2014 as John will highlight in a few minutes.

To conclude my financial overview, let me spend a few words on our net leverage and debt profile. Relative to the prior quarter, our net leverage remains stable at four times at the end of December. Our net leverage ratio remains well below the covenant of six times and the incurrence test at five times.

Looking at our debt profile on the right-hand chart, you will see the well-spread maturities and long tenure we have. Our first maturity is only due in 2016 and represents EUR100 million as the revolving facility of EUR158 million with availability up to December 2016 is currently fully undrawn.

With that, let me hand back to John who will take -- who will walk you through our full-year outlook.

John Porter - *Telenet Group Holding NV - CEO*

Thank you, Birgit. The future strategy of Telenet will be composed of three key elements as you can see on the next slide. It's going to be based on further growth in triple-play, mobile, and content, and entertainment. In 2014, we will basically consolidate and leverage on the seeds that we have planted last year with the complete revamp of our residential and B2B portfolio.

For our fixed, triple-play services remains crucial. They will continue to deliver the best speeds and the highest reliability to our customers. We are excited about what future cable technology will do to our network as we have a clear ambition to shape the most advanced HFC network in Europe. A combination of Docsis 3.1, more fiber, and a complete redesign of our network architecture will contribute to this ambition, of course all within the long term CapEx guidelines of declining CapEx to sales ratios.

On mobile, our mantra remains simple and transparent rate plans that deliver good value for money. Next quarter you will see us activating 4G services to our customers and new technologies will further improve the service convergence between fixed and mobile.

On entertainment, we have made our first steps in offering our customers a new and unique way of consuming content. Our aim is to become the aggregator of the best local and international content that is available and relevant to our customers on all screens, both in and outside the home.

On slide 32, you can see where the quantitative opportunities are. We remain committed to convert as many of our single and double-play customers to triple-play and as you can see, we still have 54% of them left to upgrade. Today, only 16% of our cable household is subscribing to Telenet mobile and also there we see plenty of opportunities to persuade more customers to take our mobile products.

And finally on the entertainment side, we believe that with our unique and unlimited SVOD packages we will be able to increase the number of DTV customers subscribing to such content bundle.

As you can see on the next slide, we believe that we have all the elements in place to continue to deliver great shareholder value in the future. This will be delivered through a combination of increasing customer ARPU by upselling more products, investing in our network, improved customer loyalty, and effective balance sheet management.

We are particularly excited about our efforts to create a truly new customer experience by assessing and improving all of the different touch points the customer might have with us because we believe that a happy customer is a loyal customer.

Traditionally, on the occasion of our full-year results, we're pleased to announce our outlook for this year. For 2014, we expect solid top line growth of 6% to 7%, driven by continued growth in both our fixed, mobile, and content businesses.

EBITDA growth for the full year is seen at 5% to 6%, reflecting a higher share of lower margin mobile revenue in our overall revenue mix. At the same time, we will continue to carefully monitor our overall cost levels.

CapEx to sales is expected to further decrease from approximately 23% of revenue in 2013 to between 20% and 21% of revenue in 2014, excluding the impact for the potential extension of the Belgium football broadcasting rights.

Finally, we expect our free cash flow to improve relative to 2013, when our free cash flow performance was impacted amongst others by a change in our working capital policy. Solid adjusted EBITDA growth and a more effective management of our working capital should translate into robust free cash flow growth, while it also reflects a EUR10 million payment of cash tax expenses.

For 2014, we expect our free cash flow to grow between EUR230 million and EUR240 million, assuming that the tax payment on our 2013 tax return won't occur until 2015 and a flat evolution of our cash interest expenses.

Before concluding this call, I'd like to remind you that we remain committed to maintain our leverage ratio at the upper end of the range of 3.5 times to 4.5 times annualized EBITDA. In the future, the Board may decide to bring the upper end of our leverage target to 5 times.

This approach provides for an optimal balance between growth and shareholder returns on the one hand, and attractive access to capital markets on the other. We aim to achieve this leverage target through opportunistic M&A or investments to support future business growth. In the absence of such acquisitions, excess cash will be returned to shareholders via dividends, share buybacks, or a combination thereof.

And to conclude, I'd like to confirm that the Board of Directors has authorized a EUR50 million share buyback program effective today. Over the coming months, it will evaluate additional shareholder disbursements if no M&A would materialize.

With that, I'll hand it back to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you sir. (Operator Instructions) Michael Bishop, Barclays.

Michael Bishop - *Barclays - Analyst*

A couple of questions please. The first one is on the mobile strategy in 2014. Clearly over 2013, you sort of had high growth and then in the fourth quarter you were sort of managing slightly more efficient growth strategy. So could you just talk about what the broader plan is for 2014, especially the 4G launch?

And the second question is given the buyback announcement today, potentially it feels like you are holding back and giving yourself a bit more time around a shareholder return decision. So could you comment on whether there is any M&A opportunities that you foresee potentially coming in the next year?

John Porter - *Telenet Group Holding NV - CEO*

Sure. On the mobile strategy I think we certainly see opportunities through the year for a better supported mobile acquisition periods. Certainly the 4G launch considering that currently the Apple certification has only been extended to Mobistar and to Telenet, it is a unique opportunity to put our foot on the accelerator.

In addition to that, of course we have the traditional selling periods, pre-summer and pre-Christmas. So we will be opportunistic.

However, we have learned over the past few months that the returns on heavy promotion handset subsidies and rate manipulation have not really delivered the way they did it when we first entered the market. We are with our current sort of more disciplined strategy still getting about 30% of the net adds in our footprint.

So we're pretty happy with that that we are over-indexing on the acquisition front, but on a much more profitable basis.

On the disbursement, I think it is what we said in the release essentially. There is no imminent corporate activity, but there is certainly a lot of moving parts. We remain probably acquisitive consolidators, particularly should opportunities arise with the adjacent cable networks in Belgium.

So it is not limited to that. Certainly the outcome of the football rights and certain other initiatives in the entertainment space may require some capital, but not sure exactly how much.

So the Board has decided that it would be prudent to review the disbursement policy in the coming months when some of these issues are more clear. But the policy of the Board relative to excess cash on the balance sheet has not changed and we will not have a lazy balance sheet. Should these accretive opportunities not emerge, then we will probably be active again.

Operator

Dimitri Kallianiotis, Citi.

Dimitri Kallianiotis - *Citi - Analyst*

Just following up on your comments regarding the shareholder return, I mean today you've announced a very small share buyback. I wanted to ask you that gives any indication of what you may do assuming you don't do any corporate activity in the sense that we are more tending towards a share buyback rather than a dividend?

And also regarding corporate activity, some of your cable peers, in particular Numericable, have been in the press saying that they already contacted some of the cable operators in the [south] to see any potential for M&A. I just wanted to ask you if you could confirm to us if there's already been talks ongoing or this is just in case something happens.

And my last question was just regarding the growth in fixed telephony and the slide that Vincent was presenting where we saw very strong growth, I wanted to ask you how sustainable is that because I mean in the past broadband net adds always used to be higher than the fixed telephony net adds and now it's been the opposite. I just wanted to ask you if it is something just temporary or if you believe that we could continue to have strong growth in fixed telephony subscriber numbers in the coming years.

John Porter - *Telenet Group Holding NV - CEO*

I'll answer the first one and then I'll hand the second one over to Vince. First of all, yes, I mean you're correct that it's difficult for us given the average volumes to execute efficiently the stock buyback in a short period of time. I mean it will take time on the EUR50 million given the current volumes.

That being said, I think in terms of some form of capital return, dividend history is the best guide. We don't -- we have been very, I think, aligned with our majority shareholder in terms of managing the balance sheet and I think once -- like I said, there are a lot of moving parts none of which today are substantial, but of course when you announce a dividend or a capital return you have to be quite specific.

So we need to see a couple of these things land and then we'll have a much clear idea of what our strategy is going to be vis-a-vis a re-cap and a dividend. That's something that we -- the Board has committed to review periodically this year.

On the M&A front, nice to hear that Numericable is talking about their interest. I mean this is Belgium. You can't walk into a restaurant without running into somebody else who's in the cable business.

So of course everybody talks to everybody and we have a pretty good idea of what's going on. I've said before if there was a formal process for any of the assets within Belgium, we would certainly be at the table. And it's something that we believe there is no transaction like buying the cable system next door in terms of synergies and its accretive value to the business. So yes, we'll be there, we have the capacity to take a look at these things and to act decisively if we see an opportunity. Then Vincent on the --

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

Yes, on the telephony subs [basic], well, the effect that we are seeing is of course the whole repositioning of the residential bundles towards triple-play. So we are seeing now the effect first of all of new customers without having any private firm, Telenet immediately taking triple-play and secondly a lot of customers basically upgrading from single-play, double-play to triple-play.

So that's basically the effect that we're seeing. We believe that this trend will continue a little while because we are still having 50% of single-play, double-play customers that we are indeed trying to up-sell to triple-play. So that's going to be a beneficial effect.

And on the other hand of course, yes, all new customers that we will be adding will be on triple-play, so we are no longer focusing on selling broadband standalones. So that's why we believe we need that also going forward. The fixed telephony subscribers will be now broadly in line with our Internet subs or even higher and that's I think for the foreseeable next couple of quarters.

Operator

Paul Sidney, Credit Suisse.

Paul Sidney - *Credit Suisse - Analyst*

Just a couple of questions please. Firstly on football, could you just update us on the response so far of your proposal, the joint venture proposal with Belgium football? And also just a slight follow-on from that, in terms of the economics can you just outline how it could work? I know -- I think there's a potential offer of EUR900 million on the table for a 12-year contract, but will it be upfront, will it be in installments, and how would that work economically?

And just secondly, I was just wondering if you'd had any further interest from any other telcos or other third parties about reselling our cable offer, including Mobistar, which has been very vocal, but any other interests over there the past few weeks from any other operators?

John Porter - *Telenet Group Holding NV - CEO*

No, we haven't received any notice either formally or informally that anyone else is interested in accessing the cable -- the wholesale cable regime. So no signs there.

Mobistar, of course, has initiated, as Vince said, the formal process and we are doing what we need to do to accommodate them. They have a lot of work to do, and there's a fairly -- the regulated timetable is fairly tight. So it remains to be seen whether we'll be able to -- or they will be able to get a service launched that quickly, but we're obviously doing what we need to do on that front.

But no other particular interest. The current situation on football is we have -- we did propose a joint venture with the League that would give us long-term visibility and certainty of supply and also the cost of that supply and also upside potential for the League in the context of the joint venture.

We had stipulated in that arrangement that we would offer this service to all cable operators in the market including Belgacom, VOO, Numericable. And we thought it was a pro-competitive move to go from the current exclusive scenario into a non-exclusive scenario. In an informal review, the case manager auditor determined that a formal review at the BCA, Belgian Competition Authority, was warranted.

We were very surprised at that, but since it is an informal process anything of course can happen. The timetable for the formal process is very unwieldy for both us and the League because we need to get these channels up and going. And the League needs certainty going into its new season in July.

So right now we and the League are looking at alternatives. We continue to believe that a nonexclusive scenario is the best way to optimize income for the League so that we have a reasonable confidence of quality product and we are pushing for a longer term deal so that we can afford to invest in our sports product with a reasonable view on a timetable to get a return.

So I mean it was a bit unfortunate situation, but it's not over till it's over. And given the fact that Flanders 14 or -- is it 14 out of 16, yes, 14 out of 16 teams are in Flanders and Telenet has 80% of the television market in Flanders, we kind of believe that all roads lead to Telenet.

So at the end of the day, we're going to be distributing this product. The way that the economics work is if -- on whatever basis, even if it was the joint venture basis, the League is paid at the beginning of the season, at the end of the season, but only for one year.

And that's the way the cash goes out. And we just advertise it over the full year under US GAAP and under IFRS we guess we capitalize it, but that's the way it works. So that's -- I mean we're very close to a resolution on it and we're pretty confident. We're cautiously optimistic that there will be good strong cable distribution at no increase in price to what we're currently paying today certainly for exclusive product and potentially an improvement.

Paul Sidney - *Credit Suisse - Analyst*

Just a very quick follow-up; so we would need to obviously get some sort of resolution in place prior to July. Is that the case? And if that wasn't the case, would we just automatically go into some sort of auction process?

John Porter - *Telenet Group Holding NV - CEO*

That's one possibility. I'd like to think we'll have a resolution within the next week or two.

Paul Sidney - *Credit Suisse - Analyst*

Oh, great. Okay, that's very helpful. Thank you very much.

Operator

Ottavio Adorisio, Societe Generale.

Ottavio Adorisio - *Societe Generale - Analyst*

I have a couple of questions, but mostly related to your guidance. I would like to have some granularity both on revenues and free cash flow. Starting from the revenues, in fourth quarter your year-on-year organic growth came at 5.8%.

That was entirely driven by mobile revenues whereas the combined growth for all the other revenue segments was flat. However, looking at the mobile revenues in the last three quarter, they were start to flattening. They all came between EUR61 million and EUR63 million.

That looks to me that the results are slowing mobile net adds and the recent pricing reduction. Therefore the -- I would like to know from -- a bit of more granularity where do you expect the growth to pick up from here? It's the mobile you reckon that next quarter could potentially go above this particular range you experienced for the last three quarter or any other segment is going to grow more significant than you've seen in the full-year 2013?

Second on free cash flow, I would appreciate some granularity on cash interest and taxes. Now compared to 2013, your guidance for 2014 implies cash-out ex-operating cost and ex-CapEx to increase to EUR296 million versus EUR230 million, I take mid-range of guidance. So I was just wondering if cash interest, cash tax going up significantly next year or there is something else.

Birgit Conix - *Telenet Group Holding NV - CFO*

Okay, so let me take this question. So on revenue, what you're seeing is like in the fourth quarter we did see a substantial growth also in Internet revenues for instance and obviously also mobile, but also Internet. So that is not an entirely correct assumption.

So we see for 2014, as John also stated in the outlook, we see -- we will see a more balanced growth in all of our products. And as I mentioned earlier, in 2013 you see the full-year impact of our King and Kong offering, but you do not see yet reflected the full-year impact of the Rex and Rio offering in entertainment or in -- and Whoppa which is our triple-play offering. So that is in respect to your first question.

And then your second question regarding free cash flow guidance, if you look at the guidance we have an EBITDA growth of EUR45 million and this is in the middle range of our guidance, and our free cash flow guidance is EUR25 million higher.

Now where is the EUR20 million difference coming from? As you pointed out, we do have a tax cash payout of EUR10 million in -- or EUR11 million that is in 2014 and then we have another EUR10 million which is a contingency that we have in place for some potential settlements that we are currently negotiating.

Ottavio Adorisio - *Societe Generale - Analyst*

And --

Birgit Conix - *Telenet Group Holding NV - CFO*

I hope this explains the difference.

Ottavio Adorisio - *Societe Generale - Analyst*

Yes, but also your CapEx you're guiding to go -- to be lower next year. So there is the slack, it's even higher than the EUR20 million. So there is something else?

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes, there was -- no, relatively yes, but in absolute terms, yes, there is always a difference in cash CapEx. We don't see -- that is not part of the reason. So the two reasons I just gave you, that then the EUR11 million on tax and then the EUR10 million on these contingencies, that's it for the (multiple speakers) --

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Ottavio Adorisio - *Societe Generale - Analyst*

Yes. And following up on revenues, you -- a little while, you said that there was some growth over some broadband, but also most of the growth -- that particular growth was upset by the fall in distributor revenues and television. Do you reckon that that particular absorption will go away next year, or we'll still have --

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Birgit Conix - *Telenet Group Holding NV - CFO*

(Multiple speakers)

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

Yes, I was actually indeed going to comment on this one as well, because the growth in the fourth quarter of 2013 was also impacted by lower standalone handset sales. So basically the iPhone 5s and 5c launch was less successful as we have seen for example last year with the introduction of the 5.

So we had a shortfall there of EUR3.5 million on handset sales year on year. So that is basically one explanation also why the total growth was somewhat impacted in the quarter. And on top of that, we also had less installation revenue on B2B because we had a couple of major deals delivered in the Q4 of 2012, another EUR1 million. So in total indeed it was another contraction of around EUR4.5 million which is all basically nonrecurring revenues. So we shouldn't see that effect in 2014 happening.

Operator

Tim Boddy, Goldman Sachs.

Tim Boddy - *Goldman Sachs - Analyst*

Staying on the same themes, I wanted to ask about your assumptions of mobile contract, or I guess ultimately mobile net adds, and just whether you're happy to give some sort of broad ranges. Is this the new normal, the sort of 37,000 -- I guess 40,000 a quarter? And then particularly within that, how much of a boost do you think the Apple exclusivity or co-exclusivity with Mobistar could create around the 4G launch?

I guess another way to look at this is trying to understand your EBITDA guidance in the context of what you think is going to happen to the subsidy budget year on year? And then I have a follow-up to the M&A.

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

Yes, on the question basically for the forecast of mobile, we're not going to dive into the particular details of the forecast. All we can say is that the run-rate that we're seeing in the last two quarters are indeed based on a couple of things which we believe are going to improve over the next couple of quarters.

First of all we have seen more churn because of bad network performance from our MVNO partner. That's now improving. Secondly, we indeed will also launch and make LTE 4G available to our customers, and in particular also I think on the iPhone devices. So we believe also that these two elements will contribute to well, on one hand the improvement of the churn and on the other hand also in improvement of the customer intake. So we are expecting slightly improved run-rates there going forward.

Of course, yes, we don't know indeed what the competition is going to do. Will there be some future re-pricing? So that's all to be seen. That's why we remain a bit cautious on stating here what we're going to expect in terms of uptake. But I think we feel confident that we will be able indeed to do better in terms of mobile acquisitions.

In terms of the subsidy plans, we will continue to offer indeed the iPhone in combination with a subsidy plan. That's not going to change going forward because that contract has been extended. Of course the share that's going to be, that all depends indeed on the product launches that Apple will do.

There might be some additional impact from the launch of 4G or the introduction of 4G on the iPhone device, but that's too early to tell what the real impact is going to be on that side.

Tim Boddy - *Goldman Sachs - Analyst*

And then just the M&A follow-up, it was just -- I mean I'm now aware of any particular change in the availability of assets in the market. I guess you are obviously a lot closer to it than I am, but my understanding was that VOO in particular is not necessarily available in the near term, it would be a complex sort of multi-year process of political discussion to have the opportunity to work with that asset. Has something changed or am I off on that?

John Porter - *Telenet Group Holding NV - CEO*

Oh, yes, I mean VOO is always going to be complex transaction if it ever gets done. We can't make any comments on our views on M&A. Suffice to say that our desire -- the Board's desire to keep the powder dry on the capital return is not limited to imminent M&A, but a whole range of issues which should resolve themselves in the next few months. So it's a matter of timing and probably more a matter of when and if. So those that are hanging out for the dividend, don't give up hope.

Operator

Stefaan Genoe, Petercam.

Stefaan Genoe - *Petercam - Analyst*

First on the -- I would like to look at the sequential revenue evolution in residential telephony which is actually down Q4 to Q3. Could you take us through the main reasons for this decline quarter -- and I really talk about quarter on quarter. You mentioned the harmonization of the mobile tariffs and probably also a change in recognition of upfront fees. Yes, can you give some clarification there?

And then a second question, do you believe the 4G rollout of Belgacom base is already hurting your net adds in postpaid?

And then perhaps a third question, the impairment of the 3G license, what's the aim now with this license? Are you in negotiation with the regulator? Are there potential penalties, et cetera?

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes, so I will first take the question on the impairment, your last question. So, yes, we indeed impaired the 3G spectrum because the business case of Telenet to deploy the spectrum and to build a standalone network was negative. So since the beginning, we knew that the business case would only be positive under a [RAM] sharing model with one of the three other operators.

And the negotiations that we had during the past two years with the other three operators were negative as none of them could or would provide any RAM sharing. And a rollout of our own antenna [size] is complicated, costly, and also is difficult in this -- I mean currently environmentally it's not very feasible.

So this is the reason why we as a management took the decision to write-off the 3G spectrum. So -- and the negotiations will still take place in the coming weeks or month, but the amount has been impaired in full.

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

On the revenue evolution of residential telephony, there is indeed the biggest result is there the harmonization indeed of the prices. So indeed we had a couple of customers who were paying indeed the higher ARPU, so we were not getting the discounts and that is of course having the impact or causing the impact in Q4.

And on top of that, because of that decision, all discounts that were previously allocated to the fixed business are now allocated to mobile business. So basically going forward, the growth rates of both the sort of fixed and the mobile business will be now representing more the actual underlying trends.

So that's basically the reason what you're seeing here and that's also going to cost -- or have a temporary effect. So going forward we would see then again the solid and the healthy growth of mobile pushing through here in the top line growth.

Tim Boddy - *Goldman Sachs - Analyst*

Okay. And on the 4G, do you believe -- yes.

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

Yes, for telecom basically we haven't seen any particular increase in churn or drop in the sales inflow. The reason for that is also that 4G currently I think the legible devices in Flanders or in Belgium are very limited. I think the biggest available device that we're talking about which is [intelligible] to use the 4G or LTE spectrum that's currently being offered by the Belgium operators, is the iPhone.

But today indeed Belgacom is unable to offer 4G on the iPhone because it has not been authorized by Apple. So that means basically that you're left with maybe 1% or 2% of the total devices that are able to use the 4G network of Belgacom. So that's I think why we don't see that as a big issue and also don't see it reflected in our numbers.

Operator

Marc Hesselink, ABN AMRO.

Marc Hesselink - *ABN AMRO - Analyst*

The first question is also on content. What's your thought on the Channel 4 and Channel 5 that you would be interested in that as well? And more in general also related to sports channel, why you think it's better that you are the one creating that content?

Is that also from a defensive perspective or maybe from you see a lot of synergies between having both those capabilities?

And then secondly I would like to know if the football rights, if you won't win them, what would it do -- you said including -- what's including your guidance? I mean I can imagine that would be quite a hit on the top line and the EBITDA line. So is that, one way or another, included in your guidance?

John Porter - *Telenet Group Holding NV - CEO*

Yes, the assumption of the guidance is that there is a net cash flow from football will be consistent year on year. The structure of the deal that we proposed was non-exclusive and available to all pay TV platforms in Belgium which is why we anticipated that our cash flow year to year would be flat to down and enable us to, at the same time, produce a better sports football offering with more games. Why us? Because we thought of it.

We believe that football in Belgium required a level of innovation and cooperation to create a real virtuous cycle of investment in the product, and at the same time make it an affordable product for both the distributors and their customers. Right now, we have the product exclusively and it is not accretive to our underlying business model except in maybe some esoteric ways.

So by going non-exclusive, we felt like that we have long-term visibility of supply, long-term visibility of costs, and that we will work in partnership with the league to monetize their intellectual property in increasingly creative ways and hence drive more income into the sport.

We thought it was a good idea. We thought it was pro-competitive. And unfortunately, it's probably not feasible.

There -- the alternative is for the League to offer the cable television platforms a non-exclusive essentially a [naked feed] of the football which we could then integrate into our own respective sports offerings.

We're hopeful that we do receive such an offer and if we did, we would certainly and probably be interested. Either way, we're not expecting any upward pressure on free cash flow or our guidance from our investment in sports.

On 4 and 5, the much discussed but unannounced interest of Telenet in entering into the equity of the second largest commercial broadcaster, we feel very strongly -- and the sports initiative was consistent with this -- that a commitment to local content is the best way for Telenet to maintain its USP in the premium and digital entertainment space.

Certainly, we see threats from international content-providers and others who are able to provide high-quality services for a good price based on global scale.

Our point of difference is local. We want to work in partnership with the broadcasters. We want to -- we will commit to local libraries, local Flemish language programming, local Flemish stories, local talents, local creativity and innovation.

If we do that, I think we maintain our unique position in the hearts and minds of the Flemish consumer whom are very parochial in their television viewing habits. I think 50 out of top 50 shows are intentionally originated in Flanders which is very unique in Europe.

So it is -- if there was a change in the equity structure of the waiver, that a parent Company on 4 and 5, we would certainly be interested. There is a little ways to go on that, although Sanoma has announced that they are potentially interested in exiting their one-third of ownership.

There are other alternatives to us in order to further our ambition in local content including the fact that we've already committed to EUR7.5 million producer funding pool for original content and other channels that we already partner with including Studio 100, (inaudible), et cetera, to deliver local, not only language, but cultural experience on our network.

And that's our strategy and tactically it may involve an investment in 4 and 5, but it may not. So it remains to be seen.

Operator

Bart Jooris, Bank Degroof.

Bart Jooris - *Bank Degroof - Analyst*

Basically some follow-up questions mostly. What (inaudible) was last said on the 4 and 5 possible entering into the equity, we have no public accounts on them, but it's well known that they are searching for money because they are in financial difficulties.

THOMSON REUTERS

How much do you want to invest maximal because that probably could be a business with a very low margin? Also apparently in the press conference you told that if that does not go true, you want to start your own channels or your own broadcaster. What's the maximum investments you could do there and how do you think you can break through channel loyalty in Flanders to have a broad audience?

Then on the opening of the cable network, you received a letter of intent from Mobistar. Can you detect anything from their plans regarding the services that they intend to offer, how many television channels, how fast the Internet will be?

Then regarding Rex and Rio, your premium TV revenues declined year on year. It seems like -- maybe I got this wrong, your heavy VOD users switched to Rex and Rio and you're losing some revenues there, how you see that evolve in the future?

And then still on mobile, you're talking a lot about the opening of 4G because Belgacom cannot go on the iPhone, but if I'm not mistaken Belgium legislation has been changed. In two months Apple will be obliged to open for Proximus. Don't you see a threat there?

And final question, if you indulge your fixed line customers, where do they come from? Is that mainly Belgacom or are there a lot of mobile-only customers now taking up fixed line too because of the Triiing app? That's all.

John Porter - *Telenet Group Holding NV - CEO*

You are hogging all the questions mate. What's that all about? All right, we'll try to take them one by one.

So the discussion at the press conference this morning about own channel basically we feel that to add to the loyalty and to create engagement with our customers, we need to either have a -- we need to have a range of local content, we need to marry that content with 360-degree experience including [catch-up], EPG [go back], multi-screen, et cetera, et cetera.

If we -- in the context of what is discussed this morning, I was merely saying that if we for some reason decided that the 4 and 5 is not the best option or we're stymied in that regard that there the barriers to entry to create a strong general entertainment option on platform are not high.

Having come from Australia where we originated over 20 of the channels on the pay TV platform down there, I have a very good idea what the economics are going to -- are and I can -- I wouldn't be saying this if I thought that it was a disruptive strategy vis-a-vis our growth prospects.

So I'm confident that whether we are able to grab the momentum of existing channels, which admittedly to your point are not overly strong on the balance sheet, and would certainly benefit from some form of recapitalization to the point where they could drive some acceleration, then we will look to our own channel lineup to ensure that it is local, it is relevant, and it is something that people feel they're willing to pay for.

So there's a number of options available to us there. Once again, the overall theme is we need to be the champions of local and there's number of ways to get there.

On Mobistar and the wholesale access front, we have no idea what their retail strategy is, nor would we want to venture a guess. But suffice it to say there is plenty of regulation around it, which -- and there is plenty of work for them left to do which is going to determine I guess what their product offering is, their pricing, et cetera. Is there anything you want to add to that, Vince?

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

No, basically just to say received a letter with the indication that they are indeed willing to enter here as a cable wholesale access customer and that they basically paid the upfront fees that are required to start basically (inaudible) any discussions with us. So it's basically too early to tell now how the offering, it will look like.

On the Rex and Rio the -- I would say the decline that you are hinting towards in terms of the premium TV, the key reason there is that we basically have a one-month promotion in December on new customers hooking on to Rex and Rio. So that is basically reflected in that number.

And that again as I said also it's a nonrecurring thing that we've done with a lot of -- typically lot of temporary promotions in the fourth quarter and that was one of it -- one of the many basically that we did.

John Porter - *Telenet Group Holding NV - CEO*

Also I think what's driving on the full-year basis that our churn on PRIME was higher than it is on Rex and Rio. So for the first half of the year we had downward momentum on our premium product which has been arrested by the introduction of Rex and Rio.

And now we're seeing far less churn coming out of our -- particularly our Rio base than we did see with the PRIME. So we're confident that we're in the process of turning that around.

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes.

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

Yes. It's also basically the whole repositioning that we did in terms of how the product is basically now put into the market. That is also an improvement that we're seeing in terms of attracting also new sales.

And also in December we added the Rex and Rio proposition also on our YeloTV platform which means basically that people can now also watch it on the tablet and smartphone and the laptop.

On mobile, indeed Proximus or base, there might be indeed a law coming up there that will indeed, well, force Apple indeed to open up also the access there. But bear in mind indeed that this is not going without any authorization of network. So basically Apple is also doing tests on the network to see indeed if the network is indeed fully capable to work on Apple devices.

Now, having said that we feel and I think that's also based on our market research that we still have proportionately one of the largest Apple device mobile user base. I think the opening up of 4G network on Apple devices will be actually I think a benefit to our existing customers, but I think also to new customers because of the subsidy plans that we have combined with Apple.

And then on the fixed line, the inflow of new customers predominantly on triple-play that we're seeing is actually a combination. It's a combination of all of the above that you mentioned.

So indeed people coming over from Belgacom because indeed of the better broadband product that we are offering to our customers, the true convergent services with the homespots with the Triiing and with the YeloTV application, and another portion is indeed new customers to the markets who only had mobile, but also had single products now upgrading and bringing everything together with Telenet. So it's a little bit a combination of everything.

Bart Jooris - *Bank Degroof - Analyst*

Just to make sure I understood the answer right, if you would be starting new channels they would not be free to air?

John Porter - *Telenet Group Holding NV - CEO*

I don't know. I mean they would be probably at least in the digital TV package. So -- but we have some right now that we almost fully support economically that are in Rex and Rio and then we have some that are in digital TV and then we have some that are in the analog basic.

So it's across the board. But I think generally when you look at the Sky 1s and FOX8s and these types of channels you want to put them down as low in the lineup as possible because they're mass-market channels because you're trying to maximize reach.

Operator

Emmanuel Carlier, ING.

Emmanuel Carlier - *ING - Analyst*

Some small follow-up questions on the Rex and Rio. Could you disclose the real number of net adds because I understood that quite some customers were just transformed from PRIME? And also what kind of net adds do you expect going forward?

Then secondly is on 4G. Do you have an idea of the 4G -- the number of 4G-enabled handsets in Belgium? And could you also give a number within your own base?

And then lastly in the fourth quarter of 2013 there were rumors on the cable asset Brutele being for sale. Is this still ongoing and could you maybe give an update on that process?

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

Yes. In terms of Rex and Rio, well, we've not providing say any more details than we have provided here. All we can say is that indeed more than half was indeed migrations from PRIME. That was particularly because we did specific below the line marketing towards our PRIME customers to do the migration.

Now, the positive effect is also that Rio generates a higher ARPU than a PRIME customer, so we also see a revenue benefit from those migrations because PRIME is also part of the Rio proposition. And the other positive effect also that we're seeing is that the vast majority, and that's I think even above 75%, is acquiring the Rio proposition, so the high end basically of the bundle.

In terms of 4G handsets, I don't have that data here at hand, but we can of course do a follow-up on this one, both in the market and also what is the number on our own network.

John Porter - *Telenet Group Holding NV - CEO*

Yes, and as far as Brutele is concerned, we can't comment on things like that although as we've said, if they had a formal process, we'd be in it.

Emmanuel Carlier - *ING - Analyst*

There is no formal process for the moment?

John Porter - *Telenet Group Holding NV - CEO*

No, not that we're aware of.

Operator

Saroop Purewal, Morgan Stanley.

Saroop Purewal - *Morgan Stanley - Analyst*

I've only got one question. Could you just explain to me what the costs and the processes are going forward for allowing Mobistar onto your network?

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

Well, to allow Mobistar on the network, we have to do couple of investments. That is included in our CapEx guidance. So that's going to be indeed -- we don't have the full details here, but that's going to be few millions that we need to invest.

In terms of the process, well, there is indeed now a period, a six month period to negotiate and look into the things that needs to be done from both ends. Of course it's not only a matter of timing on our side, but I think also a matter of timing at Mobistar side because as part of the regulated offering as you may recall they have to provide their own set-top box, their own provisioning systems.

They also have to clear the content rights that they want to distribute over the networks. So there's also I think -- there are lot of operational stuff to be done. And that's indeed basically items that we still need to figure out indeed where they are and what the anticipated timing that they have in mind.

Saroop Purewal - *Morgan Stanley - Analyst*

And do they have access to the same speeds that obviously your customers have access to?

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

Yes, indeed, yes. That's right. They have indeed the same speed and the same proposition basically than our products that what we have, yes.

Operator

(Inaudible).

Unidentified Participant

Just wanted to follow up a little bit on your premium cable TV revenues. So if I track those all the way back to sort of Q1 2012, since then there has been continuous decline up till today when in this quarter you've seen sort of a negative growth rate.

So I just wanted to clarify whether I mean -- I think if I understood you correctly you've seen a subscriber increase, so that implies that your ARPUs are declining. Is that the case and is effectively your hope that with the Rex and Rio packages you mentioned you're getting higher ARPUs from the highest quality customers, is that the hope that that will stabilize and start to grow again in the future?

Birgit Conix - *Telenet Group Holding NV - CFO*

There is one element also on the revenue from our premium cable, so there were higher bundled discounts allocated from Whop and Whoppa as compared to previous (inaudible). So that actually diminishes the revenue in premium and you do not have a like-for-like comparison. So that is one of the reasons.

And also you had the one-month promotion that Vince mentioned. So going forward, Rex and Rio also really helped to boost our premium cable TV revenue. And as Vincent also mentioned, only 13% of our digital TV subscribers have additional pay TV packages. So there is plenty of growth ahead.

John Porter - *Telenet Group Holding NV - CEO*

It's very early days for Rex and Rio. The decline that you mentioned from the beginning of 2012 is the reason we launched Rex and Rio because traditional linear subscription movie services are structurally under pressure.

So not only have we launched this hybrid non-linear/linear product, but we also have to educate the market on the value proposition of non-linear. And we've made a good start to that and we're pretty sure it's up from here.

Operator

[Guy Petty], Macquarie.

Guy Petty - *Macquarie - Analyst*

I just wanted to follow up on an earlier comment where you suggested that your churn rates are slowing because your MVNO hosts had an improving network, I mean, firstly how are you sort of measuring that and can you give any steer as to how significant that changes be?

And secondly, can you just talk about how you're going to manage your exposure to your hosts network quality given it can't help if you have reputational consequences on yourself?

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

Yes, on the measurement I can guarantee you that the measurement systems that we have in place are very thorough and rigid here. Basically what we're doing is we're conducting on a very regular basic a very extensive drive test to measure the quality levels of the calls, the success rate of the calls, the data throughput speeds, both on 2G, 3G, and now also on 4G in the entire region where we're basically offering our consumers access to mobile.

So that's I think a very expensive process, that's also something that we debate and discuss on a recurring basis with Mobistar. And we indeed -- I think if we now look at the latest results that we received, they look very promising and we see basically that the quality level of the voice calls is now at par as the other operators.

And we also do see that even the throughput speeds on 3G data is also at the same level as the other operators. And I think even for up-put, we're seeing that 3G is even better than Proximus in last couple of months where we did the drive test. So we clearly see indeed a (technical difficulty) a significant basically performance improvement versus what we've seen six to nine months ago.

John Porter - *Telenet Group Holding NV - CEO*

Yes, I don't think there is anything to add to that. I mean reputationally we had concerns back in June, July, August Mobistar was going through an extensive upgrade of their 3G voice and data network with converting to Huawei.

There was some issues in terms of balancing the network so those issues were being very aggressively worked through and there's been a lot of money invested in backhaul and in leveling out the network to deliver a much more seamless experience and now like we said we feel the network is at parity on voice and data with its competitors.

Operator

Usman Ghazi, Berenberg Bank.

Usman Ghazi - *Berenberg Bank - Analyst*

I have three questions please. First question is for John. John, your comments on the dividend when you said that shareholder distribution has been held off due to a variety of reasons, not just M&A, was a bit cryptic. I was just wondering if you could elaborate on that.

The second question was on the slide on mobile data offload. Is that a Q4 slide because it seems like it's unchanged from Q3? So I was just wondering if we could find out how that trend is developing whether it's increasing or decreasing.

And then the final question was just on the cable regulation. I was just wondering what gives you this confidence that you could overturn this given the [EC] clearly hasn't vetoed the local regulator, the local regulator obviously has an agenda in getting this through. So with the EC and the regulator both on side of this regulation I mean why do you think the local courts will overturn it?

John Porter - *Telenet Group Holding NV - CEO*

So in terms of the disbursement, as I mentioned before, we need to have a very clear idea on exactly what position we're in that involves potential cash liabilities in terms of investment in football content. And although they're not big numbers, they're relevant numbers, and you have to have the numbers right before you move forward and announce to the market what you're going to do. Certainly, there is always the potential of corporate activity around M&A.

As I said, there is nothing formal happening right now. But there are probably a couple more boxes we need to check just to make sure we're well-positioned should opportunities emerge in the next couple of months.

And of course to some extent in the context of announcing something formally, the Board's going to want to consider potential refinancings or -- and you have to look at the market and the timing of that and the timing of existing facilities that we have in place et cetera.

So there's a lot of moving parts. We don't have a regular dividend. And so the Board's just exercising its discretion to get the timing right. Should we have excess cash in the balance sheet, I'm sure they'll be diligent about doing something with it.

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

Yes, on the mobile data offload chart, indeed that's the same analysis that we indeed presented in Q3. The thing is indeed to analyze this because we need to capture and correlate the data that we're seeing on our homespots, hotspots seller and then basically also on a mobile device basis. It's pretty extensive for us. That's something that we're planning to do now on a six-monthly basis. So we'll provide you with an update I think at the occasion of the next quarter.

And then in terms of the cable regulation, well, the thing is indeed the court case which is now going to look into the merits also needs to take into account the changing landscape because don't forget that the current cable wholesale proposition is still based on an analysis dated 2009-2010 where it was still much more customers residing on the analog TV network. And in the meantime I think the world has changed a lot. We've seen as I said 15% is now left on analog TV, so that's basically a dying business going forward.

And on top of that you also see that consumers are successfully basically consuming more TV on different platforms like indeed online. We have for example BASE who also entered the market with SNOW TV on a successful basis. We are seeing indeed that IPTV is indeed increasing its market share.

We have still satellite. And I said over-the-top is indeed going to enter the market. So there are whole changes that's happening now in TV landscape and that is something that the court will need to take into account and I think also the regulator going forward because there's going to be an update of the landscape I think in the next couple of months.

So they will have to take into account these changing factors to see if there is a need still a need for a cable wholesale for analog TV.

Usman Ghazi - *Berenberg Bank - Analyst*

If I can I have an unrelated question. It's just on the cash tax. I mean in my model and I think in most consensus estimates we had you've been starting to pay cash tax in 2015 basically, and I think in the previous conference call it was said that around half of the 2013 PBT would be liable for tax and that should come out in 2015.

It seems like the cash tax payment is coming one year ahead of schedule. I was just wondering if you could comment on why that is.

Birgit Conix - *Telenet Group Holding NV - CFO*

No, so the EUR10 million cash payment that I mentioned earlier, EUR10 million or EUR11 million is related to 2012. So any tax cash out related to 2013 in accordance to our current estimates will be due the first quarter 2015.

Usman Ghazi - *Berenberg Bank - Analyst*

Okay. Well, I guess the general question was we didn't have Telenet paying any cash tax until 2015, but it seems like it's come a year ahead of schedule. Is that right or we just probably misunderstood?

Birgit Conix - *Telenet Group Holding NV - CFO*

No, it isn't -- it didn't come a year ahead of schedule, so normally -- so our taxes to be paid in 2013 are due early 2015 and that is how we always communicated. So I'm not sure I understand your question correctly.

Usman Ghazi - *Berenberg Bank - Analyst*

I mean --

Birgit Conix - *Telenet Group Holding NV - CFO*

It relates to 2012, so if we pay in -- it's the same principle. So the EUR10 million to EUR11 million tax cash out in 2014 relates to 2012.

Usman Ghazi - *Berenberg Bank - Analyst*

Okay. I guess simple way of me asking it was I mean were you expecting to pay taxes in 2014 previously?

Birgit Conix - *Telenet Group Holding NV - CFO*

The EUR10 million to EUR11 million, yes. Around -- we didn't know exactly how much, but around that number, yes, that's what we expected.

Operator

(Operator Instructions).

John Porter - *Telenet Group Holding NV - CEO*

I think we'll wrap it up.

Operator

We have no further questions.

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

Okay. Ladies and gentlemen, thank you again for the participation on this call. Should you have any outstanding or follow-up questions the IR team is of course more than happy to answer them.

We say goodbye for now and we hope to see you soon during a roadshow or conference in the coming months. Thank you and goodbye.

Operator

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