

FINAL TRANSCRIPT

Thomson StreetEventsSM

TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

Event Date/Time: Oct. 28. 2011 / 2:00PM GMT



Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

CORPORATE PARTICIPANTS

Vincent Bruyneel

Telenet Group Holding NV - Director of IR

Duco Sickinghe

Telenet Group Holding NV - CEO

Renaat Berckmoes

Telenet Group Holding NV - CFO

CONFERENCE CALL PARTICIPANTS

Mark Walker

Goldman Sachs - Analyst

Dimitri Kallianiotis

Citi - Analyst

Stefaan Genoe

Petercam - Analyst

Marc Hesselink

RBS Amsterdam - Analyst

Nico Melsens

KBC Securities - Analyst

Usman Ghazi

Berenberg Bank - Analyst

Paul Sidney

Credit Suisse - Analyst

Edward Donohue

- Analyst

Catherine Archibald

Bank Turkyo Mitsubishi - Analyst

Michael Bishop

Barclays Capital - Analyst

PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Telenet Q3 Financial Results. The presentation will be followed by a question-and-answer session from the phone lines. (Operator Instructions). Just to remind you all, this conference call is being recorded.

I would now like to hand over to the Chairperson, Mr. Vincent Bruyneel, Head of Investor Relation. Please begin your meeting and I'll be standing by, sir.

Vincent Bruyneel - *Telenet Group Holding NV - Director of IR*

Thanks. Ladies and gentlemen, very good morning, afternoon to you. And welcome to our investor and analyst call for the third quarter of 2011. My name is Vincent Bruyneel, and I'm Head of Investor Relations at Telenet.

Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

I trust you all received our earnings release last night and were able to access our website to obtain the PowerPoint presentation that we will be using for this conference call and to join the webcast.

Before we start, as always, 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. He will in turn introduce Renaat Berckmoes, our CFO, to provide more of the financial details. Afterwards, we will all be pleased to receive questions.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Thank you, Vincent. Good afternoon, good morning to everybody on this call. We're very happy to discuss and describe to you our results for the third quarter.

As you can see on this page, we have 5% more triple-play net additions year-to-date as compared to last year, despite I'd say, a slightly different market from a macroeconomic point of view.

With that, we now see that 35% of our customers are subscribed to three fixed sources, and that 62% of total subscribe to two or more services.

The digitization, digitization rate continue to ramp up reaching out 61% of our cable TV subscribers. The average customer is now ordering almost, to be exact, 1.97 products from us as compared to 1.87. As many of you remember, these numbers creep up only slowly because the denominator of this equation is very big and that's about our 2.2 million analog customers.

If you look at our subscriber growth in Q3, we see that it's clearly improved, driven by both the Belgian football and our very successful back-to-school campaign.

The overall demand, as we also noted on our Q2 call, when it was weaker in the months of May and June, continued actually in July and August, which is quite unusual from our historical seasonality. But the good news is it rebounded in September. Combined with the temporary increase in annualized churn as a result of our price increases where we sell some more churn on standalone broadband internet and basic cable TV services as announced in July did of course have a slight impact on our net additions.

But we had very good uptake of Sporting Telenet due to start of the new soccer season. And we are very proud to report that today there's over 171,000 subscribers that watch our newly branded Sporting Telenet's channel which was offered, and does offer Belgian and international soccer.

The ARPU per unique customer is one of the key KPIs we monitor at our Company. And as you can see year-to-date, it grew by 8%, and even faster in the quarter where it grew at 9% year-on-year.

And maybe a small footnote, but still very indicative of the dynamics in our TV market is that our video-on-demand buy rate was at 4.4 titles per digital subscriber at a all time high. And as you will later see, also the absolute number of buys and views in the quarter was at an all-time high of almost EUR50 million.

If we go to the next page, you get a snapshot of the robust growth in virtually all our product lines, broadband internet subscribers at 7%, fixed telephony year-on-year, at 9% for the first nine months, and digital TV subscribers growing at a solid double-digit rate of 18%. Mobile telephony is up 27%, although that's still a smaller base. But I think that's a good first nine months result.

Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

If you look to next page, we see that our single-play versus multiple-play evolution is very positive. I'd say perfectly in line with what we said in the past. It's got to be more of the same. And today, 62% have subscribed to multiple-play as opposed to 38% single-play, but this number is nicely decreasing.

Triple-play customers, I will talk about it more on this call have shown very robust growth, 10% year-on-year. And if I would give some color to results of Q3, it is that it is very solid triple-play growth as compared to other quarters. So we see that the percentage of triple-play customers is increasing as part of our total sales. And that of course has a positive impact on the unique ARPU per customer; we'll revisit that later on.

The service per customer relationship, I have reported on that being out 1.97, but again the ARPU per unique customers is up by EUR2.7, which is up 8% year-on-year.

Let me we focus for a minute before Renaat will take you more in depth on our financial results, I would like to summarize saying that our revenues are up 5%, notwithstanding a negative impact from reporting change for certain premium voice services.

The organic revenue growth in Q3 is at 5%, and that is pointing to further improvement in organic growth of our revenues.

The reasons are that we believe that tripe-play will continue to do well. That the uptake of Fibernet is very positive, as well as the migrations. We believe that Q4 should be another good quarter for video on demand and that still excludes the impact which we didn't benefit from in Q3 of soccer and the announced price increases for CATV.

That all resulted nevertheless for Q3 in a very good EBITDA margin of 54.1%, which is an all time high for the Company.

The net profit fell 76% year-on-year to EUR11.2 million, and that has three reasons. One is the DDT-related intangible assets, amortization or impairment, which I'll come to later, a loss on our interest rate derivatives as, you know whenever the interest rate decrease, we have to take a loss but it's a bookkeeping loss and not a cash impact, and the loss following the early redemption of certain term loans, which causes to write off quicker related fees to those debt facilities.

The free cash flow was impacted by the mobile spectrum and the Belgian soccer rights. But otherwise, our CapEx to sales ratio was unchanged -- I'm sorry, I'm making mistake. Our accrued capital expenditures were impacted by mobile spectrum and the Belgian soccer rights, but excluding those, the CapEx to sales ratio was stable at 20%. And most of these bookings had no effect on our cash.

Free cash flow, EUR170 million, year-to-date reflecting high cash interest expenses, and the payment of substantial part of the Belgian soccer rights for this season.

All in all, there was a lot of cash movements in Q3, but that was reflected also by the capital reductions. We paid out, and also as I mentioned earlier, the redemption of certain term loans with a short-term maturity.

We now have a debt (inaudible) that does not show any debt amortizations before 2016, which implies that the average duration till maturity is about 8 years now. And as we have said before, almost all of our debt is fully hedged towards the end of the maturity.

On next sheet, we have summarized on these results more graphically. Revenues at 5%, adjusted EBITDA growth 7%. We believe that those two results are pretty good in the current climate we live in, and very much in line with what we believed would happen. Accrued capital expenditures are also here depicted for you, as well as free cash flow, which I described earlier.

As we then turn over to the operating results, I would like to go back to a sheet that we tend to use every quarter, which is a reflection of our customer base, and here you see as reference point December 2008. And we compare them to customer base September 2011.

Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

And as we have always said, we continue to drive double and triple-play subscriber growth and we have done that and again that now results at only 38% of our subscribers is single-play. But at that same time indicates that we have more to grow in the coming quarters.

The triple-play customers are up by 10% year-on-year. The ARPU per unique subscriber year-on-year is even up 9%. So, strong enough for the first nine months, and that is, as you see on the right-hand side, in line with what we believe to be our business model, where we think that in the future there is a very significant upside for the unique -- for the ARPU per unique customer.

If you look at that at the next sheet, and I've said we would talk a little bit more about the quality of our subscriber growth this quarter. You see two things here on this sheet 11. You first of all see that the multiple-play subscriber growth is up 10% for triple-play customers and I'd say only 2% for double-play customers.

And as you can tell, we are very much [amused] by the fact that majority of our multiple-play growth is coming from where it needs to come from, and that is a triple-play value proposition of our Company.

If you look at the lower sheet, it gives you another perspective. Where you see that triple-play net additions as a percentage of total residential net adds. And you see that that is actually for this year on a higher level than in the previous quarters. And you could also see that the triple-play sales as a percentage of total sales have almost doubled when compared to last year Q3.

If we then look at page 12, you see the results for broadband internet, we are now at almost 1.3 million customers. We added 18,000 and we had annualized churn of 8.5%. This all results in 45.2% of homes passed in our footprint who subscribed to our broadband services.

We believe there was an improved pace of net new subscriber growth in the third quarter relative to the preceding quarter, mostly driven by our successful September back-to-school campaign.

The temporary increase in churn as said, mostly standalone internet customers was a result, a reaction to our price increase. But as you can tell, the economic impact for next year is overwhelmingly positive of that move.

To-date about 70% of our customers ordered speeds of 30 megabytes or more. Fibernet is now accounting for 41% of gross sales in the first nine months.

Since this morning, we have been able to take a view on how these results compare to the market. And as we understand we have taken very, very significant market share in this third quarter and has again outperformed and outflanked our competitors in this product range.

I believe that the team here at Telenet has done an outstanding result and what we also perceived was a very tough market.

On the next page, you see again a little bit the impact of Fibernet on the gross sales. On the right-hand sheet you see in the first nine months that Fibernet is now a significant part of our gross sales. And the lower end you can see, or the low end of the page that Fibernet is also becoming a significant part of our installed base.

We believe that Fibernet is showing off as we expected great performances with DOCSIS 3.0 technology and the home gateways that we shift based on the technology, and that in the future more and more customers will opt for the Fibernet services.

On the next page, we would like to remind you as we hear that our competitors remind you of the often great qualities of their network that the proof of the pudding is in the eating.

And on this page on the right-hand side we show you a recent publication of the ISP Monitor, I think the most widely recognized here in Belgium, way to measure independently the performance of the various internet services available in the market.



Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

And as you can see in the first ten places cable is omnipresent and Telenet is taking, if I counted correctly four out of the ten spots. And it's not only our high-end products that do well, it is also our mid-range products that get very high marks on this performance measure.

So, we believe that cable is proving to have a significant advantage over our competition despite that they do also invest in newer technologies.

On page 15, you see a snapshot of fixed telephony, 864,000 customer installed base. Net additions of 17%. Again, from a competitive point of view that means that we converted about 50%, if not more, of the lines lost by the local [increment]. We believe that that result is pretty much in line with previous quarters, if not a little better, and we think that that is a very respectable result.

The annualized churn is at a little bit, although not very significant. The fixed telephony penetration continued to expand from 28.3% to 30.4% in the current quarter. And we believe that the net new subscriber growth figured for our reposition multiple-play bundles and continued traction for reliable and leading triple-play services. We will continue to drive demand for fixed telephony.

Mobile telephony, we see increased contribution to our top line, thanks to the inflow of high-end orders as I will share with you in a minute. But the installed base is right now at 231,000, that's across 37% (sic - see slide 16). It has 10,000 net additions. Compared to some competitors that seems to be in line. One competitor did slightly better compared to us, but I think if you look at the postpaid market where we are mostly active in, this is actually still a pretty respectable result.

On the right-hand side, you see the impact of the mobile revenues and that that helps to grow the overall voice revenues for the Company.

On the next page, you can clearly see that we do very well in pushing the higher-end packages. We started out, as some of you may remember, at very low-end packages called Walk & Talk 0, where people were not obliged to pay for subscription, only for usage. We are continuously moving away from that proposition to Walk & Talk higher formulae. And of course, the sales of the iPhone will only help increase that in the next few quarters.

On the next sheet, you will get a nice picture that played out last night in the city of Antwerp. As you all know the iPhone 4S was launched in Belgium, last night, and we decided to make that a nice event. And we promised initially 20 free iPhones for people who would show up all in yellow at our Antwerp main store this morning at 8 o'clock.

Yesterday, already at 2 o'clock there were about 50 people lining up. Who spent the whole night in front of our store, being fed and warmed up with blankets from Telenet, and this morning we counted well over 150 people lining up at the store.

We ended up giving away 50 iPhones, we in a competition gave away a few more to the remainder of the crowd, and also offered vouchers for people to getting our product at a great discount as a reward for them standing whole night there.

You can see here that this is the closest thing you can get to our brand if you see about 150 to 180 people show up in complete yellow dresses, painted yellow and this has resounded well across the press wires as well as the social media, and goes back to what Telenet is all about at its roots; it is about being closer to customers, offering them services in the streets where they are and where it matters. And we believe this has reinforced our mobile presence in the market.

On the next page, we go back to one of our more traditional products, basic cable TV. As you can see our churn is very much in line with previous quarter line losses of about 20,000. The result is of course positively influenced by the arrival of soccer. As we have reported before a lot of our soccer sales have also benefited our current installed base and therefore I believe limited our churn.



Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

Digital TV, 1.3 million crossed in this quarter, 18% growth, very good, 43,000 net additions. Digitalization rate is now at 61% and nicely progressing from one quarter to the next at a fairly constant rate. So, we believe that our platform is very versatile and is showing up all the benefits.

This morning when I came back from our Antwerp Apple iPhone 4S launch, I was listening into radio where the largest VRT broadcast here had done great research about move to digital and it was not Telenet or one of our competitors talking about benefits of Digital TV, but there were actually over the radio and turn up plenty of customers who (inaudible) at the benefits of video on demand, pausing, fast-forwarding and the choice that Digital TV offers to them compared to five years ago.

We believe that this only confirms that a trend to digital will further progress at a steady if not accelerating rate and that we will continue to push this as much as we believe that this will increase the value for our customers as well as of course to our Company.

The video on demand, as they are one of the services, I'd like to focus on. Earlier mentioned, 4.4 transactions per month for digital TV customer. Great performance for the quarter in total. As you add up the last three bars, you will get to almost 50 million views, which is very impressive.

We continue to get feedback from a lot of majors and other content owners that Telenet is probably the best performing operator in terms of video on demand in Europe. And that shouldn't surprise because we have spent an awful lot of time to adapt our interface and make it as user-friendly and also offer regularly new content that will entice the customer on -- evening of the week.

Sporting Telenet, we acquired the soccer rights. I'm very pleased to announce that the number of people or households that are subscribed to Sporting Telenet is up 46% year-on-year. We now, as I've said before, over 172,000 households who watch soccer, not only Belgian soccer but also international soccer.

We have for this season the top three matches every weekend. As of next season, we will have also the lesser but other five matches on a weekend, but who attract much less traction as part of the total offering.

We have structured the pricing offering of our soccer in accordance with the number of products that people already take from Telenet. So, people who will take triple-play will get it at less than EUR15. And if you are only a single-play, let's say, analog plus digital TV customer, you have to pay an additional EUR24.95.

That structure leads to a very attractive, I'd say economic growth proposition for the Company, whereas at the same time stimulating customers to upgrade to multiple services from Telenet.

A short word on DTT. As some of you may remember, we discussed this about a year-and-half ago, when the Flemish government announced to launch for digital TV, a digital terrestrial spectrum. We at the time believed very strongly that this is something we should pursue. And we should pursue it because we have seen the terrestrial digital cable in other European countries and we thought it was a good defensive move to also offer digital and not be left alone and let our competitor take that space. We felt that that would be in line with our corporate slogan, "Follow the customer and not the cable."

We acquired the license; at the time, much to our surprise, no other operator followed, whereas all the operators were seeking access to TV market, a lot of them decided to enter the Flemish market using DTT. And our court case and discussions with the regulator, this is what we point to as a sore point. Why would cable be regulated today in Flanders if people did have the opportunity to enter the TV market using other technologies long before?

So, why do we do it? Alternative TV platform. It would be private TV platform for people not getting cable, successful in a lot of countries, and again we thought it would be good defensive move. What has changed? What has changed is that with the cable

Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

regulation, and it is unlikely other people will enter to the DTT space. If other people would have entered the DTT space our cost would have been shared and come down as per the current contracts.

And now, other than the argument of not seeing any cost reductions, we also figured that if operators want to come now to the TV market, they will wait. For the videos they will access via Belgacom and (inaudible) access to cable via Telenet.

We have also noted that there are some issues with coverage and quality, and that also we talked to the broadcasters. Broadcasters expect significant minimum guarantees or incremental payments for getting their signal on to the platform.

All of these factors have made us to conclude that we should impair the value of this asset on our balance sheet and that is what we have, in discussions with our Board and auditors concluded.

I've already mentioned regulation, and there is not much more to report other than that the introductory court sessions have taken place. And something significant in our view has come out of that, and that is that the lawyers of the regulator, and it has been recorded in the court papers, agreed that Telenet is not expected to make any investment into the wholesale structure before we have had outcome of this appeal.

So, we expect the pleadings to take place end of February, and therefore ruling to be available somewhere around April, although as you can imagine that is still hard to predict. In any event, we are not expected to invest before the month of May next year, if there would be a negative outcome of such an appeal.

If I then turn over to business services, the B2B branch of Telenet had a very good quarter. I think, also the Belgacom numbers we saw today made very clear that our effort of the last two or three years to really deliver premium and focused services on the [SME] sector are really paying off.

We have folks on it, our team has done a tremendous job and we see that we are making a good progress in terms of market share.

For the quarter, the growth appears to be less. But again that is because in the previous quarters it included the acquisition revenue growth effect of C-CURE, which we acquired last year, in the middle of the last year. And therefore that acquisition effect has petered out and does not influence the growth anymore in the third quarter.

5% growth in the B2B market is what (inaudible) my hair from competitors, and I have read from competitors today a very, very laudable result. There is obviously churn going on in the voice market. Telenet is very capable in matching and growing this B2B services by selling the virtues of its VPN and internet services or data connections.

On the next sheet, I'd say a small victory lap. We have won over a big project with the Flemish government. It's called SchoolNet and that means that the Flemish government has contracted Telenet to provide to 6,000 schools in Flanders, internet, WiFi and a number of other services like hosting. We are very proud of this. This market was very difficult for us to access. As in the past our competitor received subsidies from which we have been excluded.

The situation has been reversed, has been a proper RFP process and Telenet came out in flying colors. And that of course is important, as we will now reach very many young people at school also with Telenet internet services.

Here on the next page, you will see an overview of what I would call, a very important part of our strategy. We often have talked in the past about our network projects, like [Pulsar] project and I can report to you that Pulsar is very much up to speed, our node splitting project which will ensure the quality of our internet and other digital services in next few years.

But the very important part of the story is actually going to play out in the home as well. And today, we have a data gateway in the home and we are building, and we have a set-top box there, but in the future, the data gateway and the set-top box will



Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

over time, merge. And any event, you will go to and architecture in the home where we have one central gateway, probably somewhere in the basement of the house that will -- for the use of slave devices connected to many digital devices throughout the home.

Now, it's good to have a home gateway and a good superior set-top box architecture. But even more important is that we have the wireless access well in order. Now, we offered, since a couple of months, a program called Wi-Free.

And Wi-Free is that all of the Telenet internet customers have access to our public hotspots at no additional costs. We believe that's a great service, fits to line our follow the cable -- "Follow the customer not the cable." And it doesn't stop there.

Before the end of this year, we will launch in the major city of Flanders, our home spot platform. The home spot platform is very similar to what you would know as the Homespot platform and it allows people to go to friends or companies, and without asking them for their access code, they can directly access the internet. They will be assured of a very safe service as well as the owner of the WiFi hotspot.

With that, I'd like to turn it over to Renaat. I will be back later when we do the Q-A.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Thanks Duco. Before we dive into our financial results for the third quarter. I wanted to share a few thoughts on the Belgian economy with you since many of you have asked us during the latest road shows.

And as you can see on the slide, the Belgian economy is expected to show higher GDP growth relative to the Euro Zone and Euro 27 next year as we have an export-driven economy mainly.

This goes hand-in-hand with lower unemployment and somewhat higher inflation rate. As the automatic rate indexation mechanism will safeguard the purchase power of our consumers, this will not materially effect the disposable income.

Furthermore, Belgium is a country with one of the highest saving quotes in the world. Another strong buffer to support consumer spending power. As also Belgium is going to be facing more budgetary pressure next year.

The political parties currently negotiating to form government are targeting a 2.8% budget deficits, which is way ahead of the European average, and also this year's budget deficits could expect 3.5% or below is way ahead of the European average.

The last characteristic of the Belgian economy is somewhat higher tightened labor market, especially in Flanders, which will make it increasingly more difficult to attract skilled labor in some industries. Turning over now to the financials, it's fair to say that we can look back upon another set of solid financial results.

Our revenue grew over 5% for the first nine months to just over EUR1 billion despite the negative EUR6 million impact from the reporting change on premium telephony services as flagged on previous occasions.

For the third quarter, we recorded a similar growth rate. More importantly, we saw a slight improvement in our organic growth rate in Q3, since we now have consolidated C-CURE for the whole year.

I would like to conclude on top line by reiterating that we expect our Q4 numbers to be significantly better in terms of growth and revenue growth than what you have seen in the first-three quarters of the year.

Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

The next slide shows you the various revenue drivers year-to-date, and for the third quarter, they have basically remained the same as in the previous quarters. Our premium cable TV revenue grew 24% year-on-year driven by increased video on demand. The first signs of the Sporting Telenet success, and more set-top box rentals reflecting the RGU growth.

Our residential telephony revenues increased by 9% or nearly EUR17 million, supported by both accelerating RGU and ARPU growth, as we have shifted our focus to customers with a higher lifetime value. Also broadband and our B2B business contributed to our overall 5% revenue growth.

Turning over to our expenses now. These were up 6% year-on-year, excluding the impairments on DTT, which Duco alluded to earlier. The EUR24 million increase in our depreciation and amortization charges mainly has to do with the way we account for the Belgian football contracts.

Under IFRS, these broadcasting rights are capitalized at the conclusion of the contract and subsequently amortized on a pro rata basis as the season is progressing.

Our network operating and service costs, which still represent the largest component of our cost base were basically flat year-on-year despite a further growth in the RGU base, a higher rate of digital subs, and football related programming costs.

This brings me to our EBITDA performance. Our EBITDA has grown by 7% year-to-date to EUR541 million, implying a further margin improvement of a 100 basis points relative to last year.

Higher staffing related expenses, mainly affecting further in-sourcing of call center service capacity and continued investments in growth activities, such as digital TV, mobile and football were offset by continuous improvement in our sales and care processes. A relatively larger share of triple-play subscriber which triggered lower costs and a strict control of our overhead expenses.

In the third-quarter, we realized in total EUR187 million of EBITDA or a margin of 54.1%, which is the highest margin we've ever achieved to-date. And despite re-branding -- and this despite re-branding and the start-up costs related to our sports channel, Sporting Telenet.

Working our way further down to P&L, we see 38% increase in our net interest expense, which you can see in the yellow bars. This increase is the result of an overall increase of our net debt by 20% year-over-year, supporting our payout strategy and the shift from floating to fixed rate of debts following the various bond issuances we did over the past 12 months.

On top, we also suffered a EUR48 billion non-cash loss on our derivatives with a more outspoken EUR68 million loss in Q3 reflecting the flattening of the soft curve, especially in other years.

Finally, we incurred a EUR12 million loss related to the early redemption of certain term loans in the course of the year as part of the maturity expansion process that we in the meantime have completed.

Before moving to CapEx, let's spend a few moments on our net income now. Our net income over the next -- over the first nine months of the year fell by 76% to EUR11 million and mainly impacted by the -- was mainly impacted by the non-cash offs, one-offs which we discussed earlier.

Excluding the losses on our derivatives and the repayment of debt and the impairment on DTT, our net income would have amounted to EUR99 million. The EUR20 million delta relative to last year mainly reflects our higher interest expenses which I already alluded to.

As (inaudible) at the end of the second-quarter, our CapEx in Q3 was impacted by the acquisition of Belgian soccer rights and the four 3G mobile spectrum license for an aggregate of EUR158 million.



Oct. 28. 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

Excluding these elements the crude CapEx reached EUR204 million, equivalent to 20% of our revenues. Compared to last year, we relatively spend more on subscriber installed related CapEx, which is a result of customers migrating or signing up to our higher ARPU Fibernet Next Gen broadband products.

As part of our strategy, we also invested more in our network compared to last year, which amongst others reflect our node splitting project, which Duco already refer to, the Pulsar project, which will significantly increase the capacity and needs and speeds for our customers.

Quick on the next slide, you can see that around 70% of our total CapEx remains success based, or in other words is driven by subscriber growth and as a result remains scalable.

On the next slide, you can see that the translation of all this in our free cash flow. Our free cash flow for the first nine months was negatively impacted by the upfront cash payment of the Belgium soccer rights of EUR24 million, which had a more outspoken effect on our third-quarter free cash flow.

Excluding this payment, the 6% decline in our free cash flow was driven by higher cash interest expenses relative to the last year and a seasonal negative turn in our working capital.

We remain confident on our ability to achieve our free cash flow of at least EUR240 million for the full year as you have seen from last night's press release.

I would like to conclude my financial overview with a few words on our debt profile. The last 12 months, we have further optimized our debt maturity profile by further pushing out our maturities and benign market conditions.

Hence, we do not face any amortizations before 2016 and we now have an average standard of over eight years, which is a very healthy profile we believe, definitely looking at current market situations.

Our senior leverage ratio came in at 3.3 times at the third quarter end, which is unchanged compared to the pro forma number of the second quarter and which we already included -- which already included the payments of the capital reduction of EUR508 million and the debt repayment of EUR400 million, which we affected in Q3.

Our leverage compares favorably to our covenant at 6 times and remains at the low-end of our leverage targets ranging between 3.5 to 4.5 times EBITDA.

The combination of our sound growing free cash flow and the prudent use of our leverage will allow for attractive recurring shareholder returns in the future in absence of M&A.

That being said, I would like to turn it over to Duco to comment on our full year outlook.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Thank you, Renaat. Having completed the first nine months of the year and with only two months ahead of us, we are able to provide you with a more precise outlook for the full year as you can see on this sheet.

We believe that we are able to deliver again a solid set of numbers for the full year which will bring us to the upper quartile of the European cable sector in terms of growth projections.

Due to cultivation, as I explained before, of a weaker market demand in July and primarily August, we fine-tuned, narrowed our top line outlook to around 5.5%. This 5.5% corresponds to a projected absolute revenue growth of EUR70 million this year.



Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

We remain very confident in our ability to improve our Q4 revenue growth compared to previous quarters as we anticipate good operational results. This is supported by the first inflow from our price increases, additional Sporting Telenet customers who joined us in Q3.

The implied revenue growth for Q4 will be around 7%, but includes also last year's accounting change. Excluding this accounting change, on a clean basis, top line will accelerate to around 6% in the final quarter of the year which compares to 5% in Q3.

Moreover, we are pleased to upgrade our EBITDA margin outlook to 52.5%, which applies a 7.5% EBITDA growth for the year. We also anticipate that the CapEx will be slightly higher due to more success-based investments as Renaat also pointed out a few minutes ago.

A bigger share of our new customers between 40% or 50%, subscribes to Fibernet and also our existing customers are upgrading more to Fibernet than we initially anticipated. This migration requires new motive and in some cases also a [trick roll].

These investments deliver a very good payback and a long-term ARPU upside and therefore should be a good thing to see happening.

In addition, we see that our teams are executing node splits, that are external node splits are now fully up to speed and can do them in a quicker pace than in previous quarters. Again, we'll remain very strict in our CapEx spending and [provide those] projects on their return on investment basis.

Finally, we expect that our free cash flow for the year will be higher than EUR240 million which has been changed from the previous outlook.

On the final slide of this presentation, you can see an overview of the growth opportunity we will continue to exploit in the coming years. The blend of our triple-play conversion, new growth elements, such as mobile and clear focus on our profitability should result in growing shareholder value, combining, reflected by solid growth at an attractive yield on top.

With that, I would like to hand it over to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you, sir. (Operator Instructions). Mark Walker. Please go ahead with your question announcing your company's name.

Mark Walker - Goldman Sachs - Analyst

Hi, there. It's Mark Walker from Goldman Sachs. And I have three questions please. Belgacom reported just around 11% churn on the football TV business and Telenet is obviously seeing very strong growth in Sporting Telenet subscribers as well. Just wondering, if you could comment on whether you think that the Pay TV market is expanding in Belgium.

Secondly, from the current 22% underlying CapEx intensity, where do you see CapEx going over the next two to three years, and what will drive that change?

And then, lastly, with 70% of your broadband customer growth, that you said were taking the 30-meg product, I'm just wondering what is driving that and whether that's actually being aggressively discounted or that you are actually seeing genuine demand for higher speeds in Belgium? And also, what kind of revenue uplift should we see from that in the future? Thanks very much.



Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Okay, Duco here, I'll take your first and third question. Regarding the Belgacom numbers, I discussed, I would like to repeat that we have 272,000 which is year-on-year, 46% growth. It means that it is a net-add of close to 50,000 subscribers.

We don't disclose more details, but we'd like to tell the market as I think we also did at an earlier occasion when Belgacom had a e-mailed statement. We believe that we are getting more customers in from Belgacom than they disappear. And when I listen to our brothers from [Vooduwalune] cable company, if we add up our numbers, we seem to be getting more triple-play customers and -- than are being lost at Belgacom.

So, I think that the Belgacom number is one way not a difference in our definition or an underestimation from the way we look at it. And again, we believe that the inflow is almost at three times higher on a national basis than which we'd see in the losses from Belgacom.

On internet, yes, we see a continuity in people moving to increasing speeds. That is mostly done -- two reasons; one is we introduced Fibernet, so people go to the highest speeds on DOCSIS 3.0. But also, we continue to upgrade the lower end of our tiers. So, people almost automatically get an upgrade.

That does not happen at discounting. So, I mean it's important to note that we have an ability to maintain our prices. That we have introduced higher tiered internet services which is introduction of DOCSIS 3.0. But I think when I listen to your question that you were concerned about some way of discounting which is not happening.

I would like to give the second question to Renaat.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Yes, in terms of CapEx for the coming years a few drivers will determine how that will evolve. In general terms, we expect the CapEx to trend down as a percentage of revenues and also in absolute numbers we expect it to stay in the same ballpark numbers as you will see for this year.

Main drivers here are the Fibernet uptake, which is clearly showing much more robustness than we thought. So there is indeed a lot more demand for our high-end Fibernet products, as well as of course of our Pulsar project which is now coming to cross-speeds and which will absorb the same amount of CapEx in the coming years as we have announced already two years ago over the coming years.

Mark Walker - *Goldman Sachs - Analyst*

Thanks Renaat. Thanks very much.

Operator

Dimitri Kallianiotis. Please go ahead with your question and announce your company's name.

Dimitri Kallianiotis - *Citi - Analyst*

Thank you. Dimitri from Citi. Thank you for taking the question. My first one is regarding mobile. I just wanted to just -- wanted to ask you a bit what we should think about in terms of spending next year, in terms of CapEx? I mean, how significant will it



Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

be, now that you've gained some spectrum. And should we expect you to be a lot more aggressive in terms of even commercial activities because the -- the net addition has been relatively subdued over the last couple of quarters

Also in terms of churn, I mean, your churn obviously has been bit higher this quarter. Probably due to your price increase. Where do you see the churn stabilizing? I mean, do you still expect the churn to remain relatively high and do you feel that you need to compete as well in terms of subsidies, maybe offering free TV as Belgacom has been doing? Thank you very much.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Dimitri, Duco here. I think that we would have -- it's fair to say that our ambitions for mobile are more aggressive than the actually numbers you see in this year. That's due to the fact that we are learning to work with the full MVNO situation. We have our own core network and we are growing into all the detailed processes of being a mobile operator.

But I think you should expect us to remain, I'd say bullish on where we can go and the potential we can develop for mobile. We do not expect next year to spend a lot on mobile CapEx. In fact, we have spend the CapEx for our mobile switch, our core network as they called it. And you are referring to the fact where the frequency negotiations that we are now having with two mobile operators would lead to certain investments next year that is not what we expect.

We are working with them on a model where they would host our spectrum. So, it's not because of the -- that is a confusion that I sometimes read into the market. It's not because we buy a spectrum that we have the ambition to become an MVNO, a full fledged operator, it's quite the contrary.

But we are bringing the frequencies to the table because we believe it's a primary production factor for long-term delivery of mobile internet services and have a leadership position there. But we definitely don't want to reinvent the mobile company. In fact, we'd love a mobile company to pickup all kind of services that we wouldn't want to invest in because it will be spending euros double.

So again, I would say, yes, love to be more ambitious on mobile. We have been spreading a lot of time the last 12, 14 months in figuring out all the details around full MVNO situation. Very pleased that we have solved most of the issues there, and got our hands wrapped around the processes, into conversation with the mobile operators regarding the spectrum.

It's really about them hosting the spectrum on their current network. They would have our spectrum sit next to theirs, which as you may know technically makes it fairly attractive to them and very efficient to do that.

On the churn, I think that the churn we reported for CATV, but mostly for internet that it was really a spike link to the price increase and that we would expect more regular levels going forward.

Dimitri Kallianiotis - *Citi - Analyst*

Thank you very much. Next, I had just one follow-up on the first question. When do you expect to be able to make a decision on which operator you will continue full MVNO? Thank you.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

I don't know, I don't think it's going to be multiple quarters, but it will be multiple months. And that depends on how we -- there is a lot of technicalities involved that needs to be ironed out. As you can imagine signing an MVNO agreement is something you do for three years. But if you are going to host spectrum that's an affair of about 10 years if not more. So that takes a little bit more work, it's as simple as that.

Oct. 28. 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

Dimitri Kallianiotis - *Citi - Analyst*

Thank you, Duco.

Operator

Stefaan Genoe. Please go ahead with your question announcing your company's name.

Stefaan Genoe - *Petercam - Analyst*

Yes, good afternoon. Stefaan Genoe from Petercam. I've got two questions. First a follow-up on the mobile. There has been a -- the regulator BIBT has issued a document on the infrastructure sharing. I was wondering whether that's -- those new guidelines I would say are changing your -- or impacting your rollout on -- in the mobile and the possibilities to share infrastructure in the future.

And then, secondly, on the soccer customers you gained, do you expect to see further momentum in Q4, although the soccer season of course has already started in Q3? Thank you.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Duco. On the soccer question, yes, I would hope that we continue to sell more products. We are going to add more customers. It's got to be a slower rate than when we had the rights this summer. We would expect not a bump, accelerated bump in the spring, when we have at the end of the competition season the play-offs. And again, a nice bump up I'd say next -- throughout the quarter next year, but we see continued increase.

Vincent Bruyneel - *Telenet Group Holding NV - Director of IR*

Vincent. Again, also would like to add (inaudible -- microphone inaccessible) that we also expect when we will have the third plot available on our platform. We will also see, let's say, a good uptick again on sporting term because we hear from market research and consumer research that a lot of people are also waiting until we are able to offer all soccer matches at a minimal cost. We will be able to offer that as of Q3 next year basically and then we expect again another bunch of people coming over to Telenet.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Going back to your question on the sharing of networks as issued by the BIBT. No, I don't think that will change our stance, because if you were to go to that level of rolling out a network, you have to provide your own backhaul, you have to provide your own electricity and cooling facilities. As a whole, I'd say series of things. You would have to undertake at every antenna, which is not as bad as building your own network, but it's not as good as what we currently envision, which is the rent sharing.

And I think that we have reason to be cautiously optimistic in doing a reasonable deal with one of the mobile operators because they will see the advantages of sharing that with us because it will make their available spectrum much more effective for either HSPA plus or LTE usage.

Stefaan Genoe - *Petercam - Analyst*

All right, thank you.

Oct. 28. 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

Operator

Marc Hesselink. Please go ahead with your question and announcing your company's name.

Marc Hesselink - *RBS Amsterdam - Analyst*

Hi, it's Marc from RBS. First on Sporting Telenet. You said there is an increase year-over-year, and if you could say a little bit about the quarter-over-quarter increase. So, how many customers did you really get since you were -- since you got the football rights? And also, how many of those customers are coming from your own existing customer rates and how many are coming from outside?

Secondly, on the Wi-Free, on this project, is it going to be in something that's default open for only Telenet people? So, if you're having a Telenet connection, do you open it up for -- automatically open it up for other ones, and could you say something about the timeline of this project? And then, finally, on the free cash flow, could you say something about the dynamics in the free cash flow generation in the fourth quarter to get through to the guidance?

Vincent Bruyneel - *Telenet Group Holding NV - Director of IR*

Okay, the first question, Vince here on soccer. Well, basically the 46% year-on-year growth that we have reported is all being reflecting the increase in Q3 because it was pretty stable before. So that points towards an increase in the quarter itself of around 50,000 customers. Now how much is coming from Belgacom? Now that's of course into the details of getting there, but we also don't know in full what Belgacom is reporting there.

But we can say that the number that they have disclosed on a national basis today is again, as we already said in previous quarters at very low side, and we believe that on our footprint we will have reached, at least I say two times as what they've reported on the national level for our footprint alone. So, that gives you an idea. Well, the difference is in reporting.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Marc, Duco here. I'll take your second question on Wi-Free. Actually we started the public hotspots as a public service for anybody, not only limited to Telenet customers. So, it has always been available for last seven, eight years to whoever is in Belgium, be the Telenet customer or not.

Wi-Free was just the fact that our current fixed line internet customers could also make use of this by only using a password and not having to pay in addition to that. And the project I was referring to that we will launch soon is called Homespot, Telenet Homespot, and that means that all the Wi-Free hotspots in companies or in homes can also be made available to people visiting those places without having to ask the WiFi access number to their host.

Marc Hesselink - *RBS Amsterdam - Analyst*

Okay.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

With respect to your question on the free cash flow, the two most important swing factors between Q3 and Q4 will be first of all working capital as you've seen in Q3. Actually because of negative plus EUR21 million impact of working capital that will neutralize out in the fourth quarter.

Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

And secondly, this is of course also the facing of the interest payments on the bonds, which have an impact which is different from quarter-to-quarter compared to last year because last year we had almost equal spread of the interest payments since we didn't -- or we haven't issued the bonds yet.

So taking those factors into consideration and bearing in mind that it's not because we expect 22% of accrued cash -- or accrued CapEx to spend this year that will also be reflected in cash CapEx, as of course part of that CapEx will only be paid next year. So, if you combine all those elements which is the working capital bond and it's the interest payments that leads us to a very comfortable feeling about the free cash flow guidance.

Marc Hesselink - *RBS Amsterdam - Analyst*

Okay. Can I have one follow-up on the Homespot. If I'm a Telenet customer and I have a wireless, if somebody who I don't know can come on my network. So, is it something that's open for everybody, if I don't choose to lock it off. And maybe you can also say something on the timeline when this pilot is done and when you're probably thinking about launching it?

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Okay. We have said that we will launch this big city pilot before the end of the year. I'm not giving more specifics. You can allow foreigners on your hotspot but you also block it. So, if you are uncomfortable to that other people you don't know on your WiFi hotspot then you can block that. But it's a complete separate channel. So, it's completely insulated from traffic.

So, it's where the -- lets say, the third party, it's insulated, he can't get onto the home system and inversely no, that the people who are at home can't see what that person is doing on the network. That's the nice thing about it. But if you as a home or office owner, you're against it or you are uncomfortable with it, you can easily block it.

Marc Hesselink - *RBS Amsterdam - Analyst*

Okay, but that's also --

Duco Sickinghe - *Telenet Group Holding NV - CEO*

(Inaudible - multiple speakers) -- platforms of similar nature.

Marc Hesselink - *RBS Amsterdam - Analyst*

Yes, okay, clear. Thank you.

Operator

(Operator Instructions). Nico Melsens. Please go ahead with your question sir, announcing your company's name.

Nico Melsens - *KBC Securities - Analyst*

Hi, good afternoon, everybody. Nico Melsens, here with KBC in Brussels. I had two questions for you. First of all, looking at next year consensus forecasts, looking for something like 6% sales growth and about EUR760 million in EBITDA, would you feel comfortable with those forecast? And then, secondly, on the regulation, if your appeal would not be successful, let's say in April next year, what could the impact be on your OpEx and your CapEx then in 2012? Thank you.



Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

Vincent Bruyneel - *Telenet Group Holding NV - Director of IR*

Hey, Nico. Vince here. On the first question on the consensus, well, as you know Nico, in the past we only comment on let's say the outlook for next year at the [presentation] of the full year results. Anything in this we can give you some color on is of course that the next year we will see a full year impact of the price increases we have put forward in the third quarter this year. CATV of course will take one full year until it gets into effect, and we will then have a full year of new Sporting Telenet customers. But at this point in time that's the only thing we can comment on for year 2012 results.

Nico Melsens - *KBC Securities - Analyst*

Okay, on the regulation impact?

Duco Sickinghe - *Telenet Group Holding NV - CEO*

No, I don't think we would -- I mean, as I've said before, if the ruling is there we would only then -- the negative outcome, I have to start building a wholesale process. We have been very public about it. As we will go to our guidance at the full year results of 2011, we'll give our guidance for 2012. We will definitely make a point then talking about impact -- potential impact of wholesale.

Nico Melsens - *KBC Securities - Analyst*

Okay, thank you.

Operator

Usman Ghazi. Please go ahead with your question announcing your company's name.

Usman Ghazi - *Berenberg Bank - Analyst*

Good afternoon, guys. This is Usman from Berenberg Bank. I just had a question on the organic revenue growth numbers. I mean, if I exclude the accounting changes, you did around 6% in the third quarter. Now, given that you'll have a full month's impact of the price increase in the fourth quarter, which I assume it is around 1% tailwind. And you are obviously seeing good momentum in Fibernet take up.

I mean, why are you guiding to -- I mean, your guidance of 6% in the fourth quarter assumes no acceleration. So, I mean, I was just -- I wanted to understand why, I mean, is that your being cautious or is there something else going on?

And then, the second question is just on the P&L tax guidance, I think was around EUR100 million that was disclosed, that was guided to in the first half of the year. Given the impairment, has that changed or is it still going to be a EUR100 million? Thanks.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Okay, Usman, on the organic growth rates, well, the effect of course of the accounting change in Q3 was much lower because it is basically at -- what is it, \$3.5 million that we have accounted in Q4. So we only have to take one-quarter of that amount to reflect it back into Q3, so it's.



Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

Usman Ghazi - *Berenberg Bank - Analyst*

So, is there -- sorry but you also had around EUR1.8 million in one-off revenues in the third quarter of last year that isn't repeated this year, right? So, if you take both of those into account, you've done around 6% organic revenue growth in the third quarter?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Yes, of course that's -- you will have a multiple of effects. The only thing [which] I can say is for next quarter, we're assuring you that we will be able to -- let's say report at least 7%, and -- at best with the other elements, because also in Q4, you always have some, let's say one-off effects of some shift in (inaudible) project. So, we believe in (inaudible) an organic clean revenue growth number of 6% that would be accelerating versus a clean number --

Usman Ghazi - *Berenberg Bank - Analyst*

Okay.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Of course, you have the negative or the positive affect that we have in the third quarter is definitely going to lower the outlook, let's say for 2011. As such, we expect that Q4 is going to be a clean quarter in terms of impact from taxes there. So there you should simply apply the corporate tax rate of 34% on the (inaudible) projected.

Usman Ghazi - *Berenberg Bank - Analyst*

Okay.

Operator

Paul Sidney. Please go ahead with your question sir announcing your company's name.

Paul Sidney - *Credit Suisse - Analyst*

Thank you. It's Paul Sidney, Credit Suisse. And apologies if you've been asked this question before in the call. I joined the call a bit late. But then I just ask, we heard -- and Belgacom mentioned today on their call that they are going to be using compression technologies and vectoring to improve the performance of their broadband network. I was just wondering, did that have any influence on your decision to bring forward some of the node splitting and times in Q4 this year. And indeed, will what you heard today make you potentially look to accelerate on the processing in the next few quarters? Thank you.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Duco here, Paul. The answer is no. On the call itself I have actually explained, and you can find on sheet 14 of the presentation. That if you look at the ISP monitor, which is an independent monitor in Belgium for internet services, I mean, in the top 10 spots Telenet alone occupies four places. And I think most of the other places, four other places are taken in by the other cable companies.



Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

And what you see from that picture is that despite all the claims about upgrading the, let's say corporate services, it is still not going to get close to where cable sits today. I mean, the DOCSIS 3.0 platform is doing extremely well, and I think we see an independent reports more and more that our internet services are unparalleled, full stop, I would say.

On the node splitting project, we're just now seeing that we are getting out of the design phase into the implementation phase. So, we also -- when we announced the project, we first, we had a few quarters where it was more designed phase, now it's more in execution phase and still design of some extra nodes. And therefore you see a more accelerated rollout of it compared to previous quarters. But it's not that we have been moving stuff forward head over heels.

Paul Sidney - *Credit Suisse - Analyst*

Okay, thank you very much. That's very helpful.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Okay.

Operator

[Edward Donohue]. Please go ahead ask you question announcing your company's name.

Edward Donohue - *Analyst*

Good afternoon gentlemen, a couple of questions. I just wanted an idea on the cost profile going forward, looking at the comments you've made in past about future efficiencies and excluding basic customer facing expenses. And I think, what would you be looking at in the trends of 2012 as an idea?

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Well, in general as Vincent already pointed out, we will talk about that when we give you the 2012 outlook. But we have been telling this now for the last three years and we also continuously work on further improving our cost structure by just avoiding customers to go, by providing the information proactively to different platforms. We use social media more frequently than we have done before. We have Twitter available, we use Facebook.

And this all actually to improve the service to our customers, but at the same time we reduce our own cost basis. And so every two years we go to a major overhaul of all our processes. We've done one last year, in terms of the analysis and we are now implementing it. You already see the first times in the second half of this year. This will continue also for next year, and we're already working on 2013. So this is a continuous process.

Edward Donohue - *Analyst*

Okay. And another one with regard to Fibernet. I mean, looking on the considerable success on the signup rates, if you had to just do a -- again a return to what it meant going forward, how would that be starting to impact on the revenue line more meaning -- or at least be discernibly noticeable?

Oct. 28. 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Well, one another things we should highlight as well because that's of course covering a bit the view you have. If you look on the individual product line revenues, the internet is actually more and more disfavored by the allocation of the bundle discount. And as you've seen in our triple-play statistics, our triple-play uptake rate is even accelerating. And of course, we divide the bundle of discounts proportionally over the different services. Broadband gets the biggest share of that.

Now if people move from the lower end comfort net or express net to the higher end and Fibernet 50 and Fibernet 100 products, the discount which is actually attributed to broadband is even increasing. So, actually if you look on a revenue line basis you don't even see the positive effect of the ARPU increase of people moving to the higher than this. I think the best indicator of that positive factor is today the ARPU per unique subscriber; we can't help it, that's the problem of branding.

Unidentified Participant

Okay. And sorry, just back to the --

Duco Sickinghe - *Telenet Group Holding NV - CEO*

But I can assure you that the impact is there.

Edward Donohue - *Analyst*

I believe that otherwise you wouldn't do it. The other one is just going back to the comment on the cost. I mean, you basically have this two year review. Do you normally find that in the second year there tends to be greater acceleration on the cost efficiencies that you can't get out of that review process? So, without exaggerating things, is it fair to explain that also this year you had some certain one-offs that you would see a better way to cost containment in 2012 versus '11?

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Well, it's more the general evolution than revolution. So, you can't say that in the second year it's more rewarding than in the first year. Actually, as you continue to work and rolling out some of the improvements, you see an improvement of your cost ratio, but it's more a gradual evolution. Don't forget that there is also another factor playing as we grow in digital TV and also to a large extent in telephony, both mobile and fixed. These are a negative impact on our EBITDA margin because these are businesses with the lowest EBITDA margin we are growing in. And the two are balancing out with each other, and we of course always try to beef up the margin to the extent we can, but it's a balancing act.

Edward Donohue - *Analyst*

Okay. Thank you very much for that. I appreciate it.

Operator

[Catherine Archibald]. Please go ahead with your question announcing your company's name.

Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

Catherine Archibald - *Bank Turkyo Mitsubishi - Analyst*

Hi everyone, it's Catherine at [Bank Turkyo Mitsubishi]. Just wondering if you could give us some more color around the schools contract? And then, also your generally feeling on the regulation, if it's going to be positive -- if it's going actually come or if they are going to work? Thank you.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

I'm not sure what did you want to know about the school contracts.

Catherine Archibald - *Bank Turkyo Mitsubishi - Analyst*

What the timeline for implementing it is and then the size of the contracts, 6,000, so the revenue impact that will have?

Duco Sickinghe - *Telenet Group Holding NV - CEO*

We are not disclosing revenue impact; it's a indication it's a big project. And it's going to be a couple of years, and we're going to roll it out over the next couple of months.

But also it is little bit dependent on the schools though. Some want it at the early in line, some others little later. We need to do some changeover management, that's going to take, let's say, between four and six, seven months before we have that implemented. And your other question was on --

Catherine Archibald - *Bank Turkyo Mitsubishi - Analyst*

Just on the regulation where --

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Yes.

Catherine Archibald - *Bank Turkyo Mitsubishi - Analyst*

I think how much the sales are, what the outcome will be?

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Well, I think we have shared as much as we could, in the sense that we expect the judgment -- the ruling now by April next year. We don't have to invest before that time. I think, that we are very positive on where it stands, because all the legal analysis just points to a few, let's say hiccups, in the analysis by the regulators. And so, I think we are pretty confident. But due to the judge.

Catherine Archibald - *Bank Turkyo Mitsubishi - Analyst*

Right, thank you.

Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

Operator

Michael Bishop. Please go ahead with question sir announce your company's name.

Michael Bishop - Barclays Capital - Analyst

Hi, good afternoon. Michael Bishop from Barclays Capital. Two questions please. The first one is on tax. We've seen some changes in the tax legislation in Spain as part of the tax harmonization where operators can only use half of the taxable losses for the next three years. So, I was just wondering if there has been any talk of that in Belgium, given you're currently benefiting from being able to use your tax reserve over the next couple years. And the second question, so just back to the Sporting Telenet, just was keen to get a sense of what percentage of new growth sporting ends on triple-play? Thanks.

Duco Sickinghe - Telenet Group Holding NV - CEO

With respect to the tax legislation we have no knowledge of anything like in Spain also happening in Belgium. Of course, it's always early days to say since people are still negotiating to from a government in the first place. But we have no knowledge of this kind of tax plans and limitation of usage of tax loss carry forwards. I think we have more, bigger fish to fry. We have the notional interest reduction. There is talk about VAT increases, small VAT increases. Of course the budget deficit in Belgium is substantially smaller than in Spain, Portugal, Greece, Ireland, or even France. So, the saving efforts that have to be made by the Belgium government or as compared on a European level are at least relative.

In terms of Sporting Telenet, you will of course understand that we will not disclose that level of detail.

Michael Bishop - Barclays Capital - Analyst

Okay, no problem. Thanks so much guys.

Operator

There appears to have no further question at this point. Sir, I'll hand the conference back to you.

Duco Sickinghe - Telenet Group Holding NV - CEO

Okay, thank you ladies and gentlemen. Thank you again, for your participation on this conference call. Of course, we look forward to talk to you again around the end of February next year when we will be presenting our full year results and 2012 outlook. In the meantime, thank you very much and goodbye.

Operator

Ladies and gentlemen, thank you for your participation. This concludes today's conference. You may now disconnect your lines. Thank you.



Oct. 28, 2011 / 2:00PM, TNET.BR - Q3 2011 Telenet Group Holding NV Earnings Conference Call

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2011, Thomson Reuters. All Rights Reserved.