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PRESENTATION

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

Thank you, ladies and gentlemen. A very good afternoon and morning to you, and welcome to our investor and analyst call for the first quarter of 2013. My name is Vincent Bruyneel, and I am head of strategy and investor relations at Telenet.

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

Before we start I am 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, will provide a short overview of the first quarter. After that, I will provide you with some further details on our operational results. And together with Renaat Berckmoes, our CFO, we will go through the financials and the dates for the dividend payment. Afterwards, we will all be pleased to receive questions.

John Porter - *Telenet Group Holding NV - CEO*

Thank you, Vincent, and a warm welcome to all of you. Before I kick off by giving you a flavor of the main achievements of the quarter, let me first tell you how privileged and honored I am to be given the opportunity to lead Telenet into its next phase of growth and to build further on the solid fundamentals of the Company.

Telenet has been built around the cornerstones of a powerful HFC cable network, a set of leading innovative products and services, and excellent customer service, creating for a great customer experience and a great pool of talent to work with. It is my ambition to put Telenet at the center of our consumers' digital lifestyle and to deliver to our customers' simple, integrated and compelling access to voice, data and television at home or outside the home. We will continue to focus on customer loyalty and innovation, which have been the core drivers of our success.

As Vincent will explain in a minute, our customer-centric multi-play strategy generated solid operational results for the first three months of the year. The year kicked off well with 66,500 net subscribers added to our advanced fixed services of digital TV, broadband Internet and fixed telephony, despite the current macroeconomic backdrop and intensely competitive environment.

We were particularly pleased with the robust take-up of broadband Internet with new net subscriber growth up 5% in Q1 versus last year. Also, churn for all our products remained well under control and showed a further contraction year-on-year. This shows that our relentless focus on customer satisfaction and customer loyalty is paying off.

Our mobile business continued to perform strongly and added just over 100,000 net mobile postpaid subscribers after an exceptionally strong Q4. As we anticipated, the mobile market has become more competitive, and this has even become more apparent in recent weeks. As such, we expect a lower rate of mobile net adds for the rest of the year, as reflected in our full-year outlook.

Still, we continue to be positive about the future growth opportunity in mobile, as currently only 13% of our cable subscribers take mobile from us. Besides, our simple, transparent and competitive King and Kong rate plans, combined with our dense network of Wi-Fi, homespots and hotspots, still provide for strong market positioning.

Another feature of our Q1 results was the stable net loss of basic cable TV subscribers quarter-on-quarter of only 11,400, as our churn remained at one of the lowest levels since 2009 despite increased competition in the marketplace. As you will see later in Vincent's presentation, the low basic cable TV churn also influenced our absolute rate of digital TV net additions, although the underlying conversion rate was broadly stable compared to last year.

Moving over to our financial performance, you will see later in Renaat's presentation that we generated solid organic revenue growth of 11% year-on-year, which was an acceleration compared to last year and was mainly driven by the success of our mobile business.

Our adjusted EBITDA was up 5% and reflected just as in Q4 significantly higher costs associated with handset sales and subsidies. As a reminder, these costs are taking fully upfront in our P&L, and as the intensity may vary over the quarters, you will sometimes see a bigger or smaller impact on our EBITDA performance. We are firmly on track to achieve our full-year guidance of 7% to 8% adjusted EBITDA.

Our free cash flow came in a negative EUR10 million in the quarter, and was impacted by the first semi-annual cash interest payment on the debt we issued in August last year, and a one-off working capital hit in the quarter which Renaat will discuss later. As we anticipate to reverse this negative working capital, we can already confirm our full-year outlook for stable free cash flow compared to last year.

I started off my introduction with a focus on product innovation. And I am pleased to announce that we have successfully started the rollout of our next gen digital TV user interface YeloTV, which will deliver an unrivaled TV experience for our customers. We also launched in early March our OTT platform, and are pleased to have almost 400,000 unique users of our second screen platform today with more than 150,000 new customers joining since the launch in early May -- sorry, early March.

With that, let me now hand over to Vincent, who will take you through the operational highlights.

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

Thank you, John. Let us flip to slide number 8, where we are going to discuss a bit the enhancing customer value that we continued to see also in the first quarter. I think especially what we would like to point to is the continued uptick of triple-play as, for example, combining or comparing the slides on the upper side, where we have achieved 42% of triple-play customers now, which is 5 percentage points up compared to a year ago.

This demonstrates indeed that we see continued strong growth in triple-play, and particularly in Q1 we added another over 18,000 subscribers on the triple-play. This is almost the same number as our additions in fixed telephony, which also indicates that our fixed telephony subscribers are mostly triple-play subs, taking also other advanced services with us.

Also important to mention is the ARPU per customer relationship, which went up EUR2 on a year-on-year basis or 4%. Now we have to say that there is of course only reflecting the fixed components of our business, which was slightly impacted also by the fact that we have minimal discounts on mobile which are allocated also across our fixed productlines.

Also, the price increase that we have implemented in March this year has not fully reflected in the Q1 results and will, of course, be much more visible starting Q3 -- Q2 results.

Flipping over to broadband Internet, that is still, I would say, the core activity of the Company on the next slide. What you can see there is that we have achieved over 1.4 million subscribers now on broadband Internet. That is a 6% uptick year-on-year.

But I think it is more important also to look at the absolute net subscriber additions that we have achieved in the first quarter which is about 21,000. And that is relatively stable also compared to the same quarter last year, despite the fact that we see higher broadband penetration in our area. It is now estimated to have about 82% of broadband penetration in Flanders, and despite that, we continue to see very strong uptick, which does believe that we have sustained or even improved our market share in our area in the first quarter.

We also believe that there is still significant growth ahead in the broadband area. As I said, we are now estimating this to be about 82% in the -- on the overall market. But if we see, for example, at neighboring countries where the current broadband penetration is about 95%, we do see indeed that there is still ample growth ahead of us.

Also, the churn number, I think, is very important to take a look at, which remained pretty stable also during the last couple of quarters. It is now at 7.4% annualized. So despite increase in competition, we are able indeed to maintain churn on broadband Internet at very stable and, I think, also, industry low levels.

Flipping over to the next page, where we're going to discuss fixed telephony, we are almost hitting the 1 million landmark in terms of fixed telephony subscribers, despite the fact that fixed telephony has been claimed already for a couple of years to be, let's say, a dead product. We do see the country here in our area.

9% uptake in subscriber base and also in terms of net additions and the first quarter, we saw a pretty stable evolution compared to previous quarters. One thing, of course, that we see is on the churn side there was a slight increase compared to previous quarters and also on a year-on-year basis. And that is basically because we see a slight number of customers taking -- this business away from fixed telephony and moving over to mobile only. Although that is all within our expectations, and I said, it has not influenced significantly the net additions that we are achieving on fixed telephony.

Flipping over to mobile telephony, as John already alluded to, it was again, let's say, a very strong quarter that we have seen in Q1 of 2013. We added another more than 100,000 after a very strong Q4 that we've seen there.

I think important to mention also here is that all customers that we are adding are postpaid customers, so we don't have the prepaid base to convert prepaid customers into postpaid, but it is basically taking all customers from competition or, of course, from the still growing market that we are seeing on mobile.

We also have to mention that the 100,000 should not be extrapolated for the other quarters in the year because we still saw, of course, from the telecoms law in Belgium, which kicked in 1 October. That was also partially reflected already in Q4.

And, of course, as expected, we have also seen some reactions from the markets, although I think we are still very well on track and even ahead of schedule, in terms of mobile additions. And we still remain pretty confident about achieving, let's say, the full-year numbers and also the future numbers that we have included in our long-term plans.

Very important, also, to take a look at the growth in the mobile telephony revenue where we have seen an 180% increase to now almost EUR55 million for the quarter. And if you compare basically the uptake in mobile revenue compared to the subscriber base uptick of 140%, you would clearly see indeed that the quality of the subscribers vastly improved throughout the year.

We have now achieved an ARPU of over EUR30, which was up 23% year-on-year, indicating indeed the underlying growth, also, in the higher rate plans. That is also visible on the next slide where we're going to discuss, indeed, the other opportunities that we still have ahead of us in terms of growth in mobile.

Today we have more than doubled the number of subscribers of our cable customers who also took mobile services with us, from 6% last year to 13% this year. And it is basically the same strategy that we are going to deploy on mobile as we did also on triple-play by converting as many as possible single-play customers to triple-play. And we are going to do exactly the same now in converting those customers into quad-play or other customers also taking mobile on top of their fixed cable services.

And as said, it is also our ambition to continue to improve the customer mix on mobile, which is again going to further enhance the ARPU that we are achieving on mobile by making sure that also the viewer subscription customers who took the Walk & Talk 0, which was of course a very successful rate plan before launching King and Kong. And, improve that further and migrate them to a King and Kong rate plan.

As you have seen, we are very successful in doing that. In June 2012 before we launched King and Kong, we still had about 44% of our subscribers into the pay-as-you-go subscription plan, and that now has reduced to 22%. Out of the total mobile base of 625,000 that we have achieved, 64% is now taking a King or Kong rate plan.

On the next slide, you can see also the unique position that we continue to have in the Flemish landscape. And that is particularly achieved through the deployment of our homespots.

Homespots, as you may know, are modems that we are placing at customer premises which no longer only cater for their private Wi-Fi connection, but, also, for public connections and basically all Internet connections at Telenet or inside customers at Telenet. And mobile King and Kong subscribers can also use these homespots seamlessly.

We now have a reach of almost 800,000 homespots, which means that close to 60% of the broadband Internet connections have a homespot installed at home. And as said, it is available, indeed, to all the Internet and mobile customers that we have here.

I think the homespots also offer sufficient offload capacity to our customers. And the advantage, of course, for customers is that this is not does not eat into their bundle in terms of mobile data usage. The target for the end of this year is to have more than 900,000 homespots active and rolled out in Flanders and parts of Brussels.

On the next page let's take a look at the digital TV, where we are at just crossing the 1.6 million landmark in terms of total number of subscribers. That is 14% up year-on-year.

The uptick, particularly in the first quarter, was a little bit light compared to what we have achieved in previous quarters. But that has, of course, all to do with the fact that we did a massive migration campaign from analog to digital in the summer period of 2012, when we reduced also the number of analog channels in our proposition.

Now, I think, very importantly, also, to look at the conversion rate which is basically the number of customers from remaining analog TV subs that we are converting into digital was pretty flat year-on-year, which means basically that we are continuing to be on track in terms of our long-term ambition to convert these customers to digital.

We are also pleased with the fact that now more than three-quarters of our subscriber base is now watching TV through our digital services. And, of course, there is still, I would say, the headroom that we have ahead of us to convert the remaining 24% into digital, which is also leading to an ARPU which is still double the ARPU that those peoples are generating when they are simply watching analog TV.

What is also going to drive the future uptick of analog to digital TV, and also to make sure that we continue to further improve the ARPU that we are achieving on digital TV is the launch of YeloTV. YeloTV is the new user interface that we are currently rolling out since the beginning of April to our customers, and also on our new set-top boxes.

We are very pleased with the consumer feedback that we received so far, and the whole uptick basically and the rollout has been very successful without any glitches. Of course, we did a lot of user experience testing to make sure that people really valued the new user interface. And I think it is also important to mention that we have also improved the access to our VOD library, which ultimately should also improve the ARPU that we are generating on the video on demand services.

I think it is also important to mention that the new user interface is going to be compatible with more than 50% of our existing set-top boxes, so which means basically that we also can avoid the CapEx and replacing those set-top boxes.

At the same time, beginning of March to be exactly, we also launched our OTT application, YeloTV, which is having basically a similar user interface is what we are seeing now on the box. It is only now seamlessly integrated with the box features as well. And as John already said, we are very happy with the uptick that we have seen so far.

We have added more than 150,000 net new active users since the start of March, which means that we now have almost 400,000 of active unique users on that platform. I think it also a great potential for broadcasters to extend their reach on that type of OTT platforms.

Basic cable TV on slide 16 showed, again, very good results -- stable quarter-on-quarter, but, again, a very good improvement compared to the same quarter last year. We had about 11,000 subs that we have lost to competing platforms. I think all in all, if we look at the historical evolution of basic cable TV, that we are very happy with this improved result.

Flipping over, then, to the business services, the B2B activities of our Company. In the first quarter we grew the business by 1% to almost EUR23 million for the quarter. We have already indicated in the last couple of analyst calls this, of course, is only reflecting the non-coaxial business, predominantly that is what we are doing with the medium and large enterprises and, also, the carrier services.

Of course, a large part of our B2B activity is also comprise coax services, and also services that we delivered to small businesses and SoHo customers. And we tried basically it also to report these numbers in here for the first time, and that is actually showing you what the real growth is of our B2B business if we include that type of service activities as well.

And there I think it is a very great number that we are showing here, which is a 9% uptick in terms of revenue if we include everything, what is connected through that service. And I think given the current economic downturn that we are seeing here also in Belgium and definitely the very fierce competition in the B2B space, we believe that this is a very strong number.

We have also won a couple of new important deals that will be reflected in later quarters. And we just also won a new project at universities thanks to our new focus that we have just established on the education segment. So there is more to come and we are very committed also to continue to deliver good growth in that B2B area.

Then a final word before flipping over to Renaat on the cable regulation. The BIPT and the regulators issued basically the draft decision on the retail minus pricing. We have to say that these are, of course, draft propositions. And at this point in time, it is actually not entirely clear what the base is going to be for these retail minuses. And there is, of course, still a large national consultation phase that is now ongoing.

Also, the European Commission still needs to provide their advice and that is expected to happen before June of this year. If things go well and if we can get, let's say, to the agreement in the different elements that we still need to discuss and that we still need to tackle, and that BIPT still needs to take into account, that is the best case scenario in their view, it would mean that we would have a commercial launch available somewhere in January 2014.

Of course, this also means that by that time the wholesale customers still need to start implementing the whole system. Also need to make sure that they have their IT links set up, that they have the installation work force up and running. So that is, of course, also going to take some time at the wholesale customer level, which means basically that we are more looking at a first potential, let's say commercial activity there, somewhere around Q1/Q2.

At the same time we still have the legal track that is ongoing. So we have the court case on the merits and we expect any outcome there in the course of Q2 in 2014.

With that I would like now to hand over to Renaat, who is going to give some more details on the financials.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Good morning and good afternoon to all of you. The very strong operational performance of Q1 has also been reflected in the accelerated momentum of our revenue streams in the first quarter. As you can see on slide 20, we have shown a very healthy 11% topline growth, which is an acceleration if you compared it to Q3 and Q4 of 2012.

On page 21 you see the contributing factors of that topline growth. And although the view looks very promising in terms of telephony, it's at the same time discounting it a little bit, the strength of the fixed line business, because you see EUR36 million is the growth contribution of our fixed and mobile business.

But you should be aware that every King and Kong, or the bulk of the King and Kong that we sell, comes with a EUR20 discount per line. That EUR20 is distributed over our mobile, but also over our fixed-line products. And as you can imagine, broadband, which is the highest ARPU product we have in the portfolio, is hit most by that bundle distribution. And, therefore, the results that you see around the revenue lines are actually discounting the strength of that business.

If you exclude the mobile bundles and the triple-play bundles, you would see that our fixed line business is growing actually closer to 3% rather than what you would make up of it just looking at the face of it. That is the only disadvantage with growing more and more into multiple play packs, is that the meaning of each of the revenue streams contributing to that multiple pack is gradually but surely losing its meaning.

If you now look at the cost increase you see, of course, that the bulk of the cost increase is in operations, merely the reflection of strong subscriber growth in mobile. In this EUR33 million increase you find the effect of the handset subsidies, the increasing termination costs related to the growth of our fixed and mobile telephony business and, also, the increasing number of contact costs, which is related to the growth of our TV subscriber base.

As you can see, all other cost components have been well under control, and even marketing. And that might be a surprise to some of you, despite the fact that we now market four full-fledged revenue streams, has also remained nicely under control.

On page 23 you see the effect on the EBITDA. We have reported the second-highest EBITDA quarter out of our history with over EUR200 million EBITDA, and the margin nicely moving back to the 50% mark, where we expect it to be for the rest of the year. It translates into a 5% EBITDA growth, which puts us well underway to achieve our 7% to 8% growth target that we have put in our guidance, and which we will re-confirm later on the call.

Looking at the financial expenses on page 24, the increase in the yellow bars on the left-hand side is the reflection of the higher debt balance that we carry on our balance sheet since the launch of the latest two bonds in August of 2012. As you can see, for the first time in the last three years, we start to make a gain on derivatives as basically the result of the long-term interest rate curve moving up a little bit. And as a result of that, we make a gain on our hedging portfolio. But as you recall from previous occasions the gains and losses on this hedging portfolio are mainly accounting effects and have no cash impact.

If you look on the right-hand side of that slide you see our expectations for the interest expense -- cash interest expense of the Company. And as you can see here we expect a 23% increase in interest expenses, which is also the reflection already of the somewhat lower Q1 free cash flow growth that we have shown in the first quarter. Because, of course, we have a EUR700 million in additional debt balance sheet -- debt level on our books.

That brings me to net profit, which has grown -- almost quadrupled in the first quarter compared to the same quarter last year. But that is, again, mainly related to the effect of the hedges. If you would exclude the impact of the fair value of our hedging instruments, you would see that our net profit is down a little bit.

We go back to CapEx on page 26 where you see a 22% increase in capital expenditures, which is totally attributable to the expenses for the renewal of the Premier League contract. And by acquiring the Premier League rights for another three seasons, immediately capitalized in Q1, we made sure that we have continued our strong performance on sports content and our very strong position we have, particularly on soccer in the Belgium market context.

If you look at the distribution of the capital expenditures, you see that still about a quarter of our CapEx goes into set-top boxes and about three-quarters of our CapEx is actually designed to support the growth of our business. It is either customer installation CapEx or network extension as we keep on growing our fixed-line business.

That brings me to page 27, where it all gets together in the free cash flow statement. And as you can see the most striking element here is, of course, the negative impact of our working capital, which actually relates to the handsets. As of course if you subsidize handsets, it is in everybody's interest to get the handsets as cheap as possible. That is why we placed a few bulk orders on handsets, which are now paid for, which part of them has been used in Q1, but still a large part of them will be used in Q2.

So for Q2 actually we expect to reverse of this EUR40 million working capital hit, which would then translate into a positive free cash flow for the first half of the year of approximately EUR120 million, which brings us nicely in line with our free cash flow target that we have set out for the year being stable. So EUR240 million give and take for the year 2013 as a whole.

Leverage, as you can see, our leverage is now down to 3.5 times EBITDA, but, of course, this is all pre the payout of our EUR7.9 dividend. Post the dividend payout we will be back at 4.5 times EBITDA.

Quickly on the outlook, which we reconfirmed; in other words, we expect our revenues to grow between 10% and 11%, our EBITDA to grow between 7% and 8%. CapEx will be 21% to 22% of revenues and our free cash flow will remain stable compared to last year, which means that we will do approximately EUR240 million of free cash flow.

The AGM of April 24 has approved the extraordinary dividend that the Board had proposed earlier this year. And that means that we will pay on the May 8 an extraordinary dividend of EUR7.9 per share. That will in total mean we will spend EUR905.4 million.

On top of that, we will consider for the rest of the year doing share repurchases for a maximum envelope of about EUR50 million, which means that the total shareholder distribution for this year will amount to EUR950 million.

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

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QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Saroop Purewal, Morgan Stanley.

Saroop Purewal - *Morgan Stanley - Analyst*

I just wanted to ask about mobile competition and your statement that it is getting a little bit more competitive over the last few weeks. Can you just elaborate where it is coming from, where you're struggling, and just simply where it is getting tougher?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

It is not exactly that we are suffering because of it, but, of course, we expected our competitors to react on the King and Kong offers that we have launched about six months ago. We saw very early reactions in the course of the fourth quarter. But we knew that, also, there would be, I would say, more structural reactions coming by all of our competitors.

Belgacom has launched a rate plans in combination with triple-play packs. I think BASE has come most aggressively in just last week with a whole new series of tariff plans. In itself nothing unexpected, so I don't want you to believe that the reaction of our competitors was beyond what we had anticipated them to do. But, of course, it is pretty straightforward that if everybody is now more or less at the same price levels, the huge step forward that we have with King and Kong is now a bit leveled out by the movements of our competitors.

And, therefore, also, you should expect our sales volume as, by the way, we expect it as well, to be more in line with an equal, I would say, product distribution over the different competitive parties. But nothing that happened was not reflected in our guidance, so that is also why we remain very confident that we will make our guidance.

Saroop Purewal - *Morgan Stanley - Analyst*

And can I just have a follow-on on the mobile, because when I look at the Mobistar results it looks like you're earning quite strong gross margins on your mobile revenues. How much of your -- can you say approximately how much of your -- the data is being carried over Wi-Fi?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

On the gross margin, of course, we don't disclose that specific number. The thing is indeed we do see benefits from the fact that people are using more their smartphone and tablet, and then particularly in terms of the mobile data cards over Wi-Fi. On a per customer basis, again, that is very difficult, indeed, to report on, because people do have different habits and do have different -- based also on the type of rate plans and location they are in.

But if you look, for example, at the total mobile data, which means everybody who is not connected on a fixed broadband connection at Telenet and uses data over Wi-Fi or 3G, we continue to see that 75% of the total volume is going over to Wi-Fi or over to homespots.

Now we also have to make a side remark here, because we also have experienced that customers who have, let's say, already the intention to massive data transfer, like, for example, watching YouTube or downloading a big file on their tablet or on their smartphone are -- have the intention also and will also connect to a homespot rather than stay on 3G. So it is also the customer behavior which is somewhat different, and that is of course [inferencing] that share to be pretty high in terms of Wi-Fi usage.

But it is in the total pop -- it is about 75% going over the Wi-Fi and homespots.

Saroop Purewal - *Morgan Stanley - Analyst*

Thanks.

Operator

Emmanuel Carlier, ING.

Emmanuel Carlier - *ING - Analyst*

Two additional questions on the mobile. Do you believe you will have to review your current mobile offer to reach the consensus estimates on the mobile? Because -- yes, it is true that you added 100,000 subscribers in the first quarter, but consensus is still expecting pretty big numbers in the coming quarters. So I think that might be pretty difficult with the current offer.

And then, secondly, could you make some comments on the churn level on the mobile business? Because I understood -- yes, that the churn levels have increased somewhat. And could you explain what the most important reasons are for people churning on the mobile product?

And then the last question is on the statement that Telenet will be more integrated within Liberty Global. So, here, could you be maybe a little bit more specific what you really intend to do and what kind of financial impact you expect from it? Thank you.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

I will take the first and second question and John is going to take the third question.

So, on consensus, I think it will not be a surprise to you that we manage our business, not against consensus, but against our budget. And so whatever price or other competitive moves that we plan on our mobile, we do not have a tradition to disclose them in analyst calls, but you will see what happens during the course of the year. We always prefer to surprise our competitors.

But the only thing I can assure you is that with what we have in our mind, we will definitely make our guidance that we have set out at the beginning of the year.

In terms of the mobile churn, the churn has actually not moved up. It is stable to even slightly decreasing. So I'm a bit puzzled by the statement. So with the very stable churn rates, we see an increased level of competition, but it has no impact on our churn rates. It is more having an impact on, of course, the appeal of our product versus our competitors in acquisition, not in retention.

And with respect to the integration, of course, of our business, I will leave that to John.

John Porter - *Telenet Group Holding NV - CEO*

Thank you, Renaat. I think integration is probably not the right word for the process that we see going forward. We certainly are very keen to leverage our relationship with our largest shareholder more than we have in the past.

Certainly, I think there is an opportunity to align our interest in some key areas. Liberty Global is a world leader in product innovation in our space, and there is real scale in that process that we can achieve by working more closely with them, and in some cases, some of the other countries such as Germany and Switzerland that are close to our territory.

There are some wins on the economic front, but I would hesitate to quantify them today. But just to give you some examples, I think all the people in the converged space are looking at potential business transformation projects on OSS and BSS to accomplish it accommodate the multiproduct, multiplatform environment. We are certainly coming up to that cycle, as is a large percentage of the Liberty Global universe. So we will be looking at that together. There is real global scale in working together on that.

Simple things like procurement, assuming a successful close of the Virgin Media deal, the volume of handsets and our relationship with suppliers in the mobile space will certainly improve an impact our bottom line.

In terms of the access to more intellectual capital across the Group, once again, there is a lot of technology innovation going on, certainly have seen that with Horizon. But there are a lot of other projects in the pipeline.

But the sort of innovation across the Company back flows both ways. Here at Telenet we have a number of projects that -- in television, areas like television and B2B, where we're looking at moving more and more functionality of the television, of the digital service into the cloud, pushing more apps out to our customers. That is a project that we are doing here at Telenet that we'll be able to amortize across a broader universe in LGI.

I think a closer association with LGI will also, certainly, be helpful to our Telenet for business, so our B2B space where there is real synergies and real opportunities with regional based businesses and carriers across the whole footprint of LGI in northern Europe.

So, those are some examples of some things that are already in the pipeline. It is not a revolution, it is an evolution. And we will do what is the best interest of Telenet as we move forward with that closer relationship.

Emmanuel Carlier - *ING - Analyst*

Okay, thank you.

Operator

Dimitri Kallianiotis, Citi.

Dimitri Kallianiotis - *Citi - Analyst*

My first question is just coming back to the comments made by John on the working closer together with some of the other cable operators. I think you mentioned the Swiss and the German cable operators. I was wondering, also, the ones even slightly closer to home, like the Dutch cable operators, could you do more in terms of working together either in terms of content, mobile or anything else?

My second question was on SNOW, the triple-play offer launched by BASE. Can we see an impact in your numbers? Or just wondering if that is a fair interpretation or if you have seen -- or if you have any worries about the entry of SNOW into the fixed business?

And my last question was just on the shareholder return. You have announced a big dividend for this year. I was just wondering if you could tell us a little bit more what were the plans going forward, in terms of maybe going more towards share buyback or dividend, or if there is anything you could share with us on that. Thank you.

John Porter - *Telenet Group Holding NV - CEO*

It was an oversight on my part not to mention the Netherlands in my previous summary, but clearly there are a lot of opportunities to work more closely with UPC Netherlands. We already -- once again we have a couple projects going in the B2B space with them, providing potentially between us more vertical services through the cloud to our B2B customers.

We -- obviously with a somewhat common language have some content opportunities. And, of course, there is a relationship with Chellomedia as well, which could be further extended across the Group. So we will look at all those opportunities and more in the coming months and years. So, Vincent.

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

On SNOW, well, we haven't seen any big impact on our churn numbers. That is also what we have demonstrated, I think, in Q1. But, also, the early days in the first month now in the second quarter doesn't show up to have any significant impact from SNOW.

I think that there are a couple of reasons we believe, indeed, why we continue, of course, to gain traction in our segment. That is, first of all, because we still have let's say -- a very strong position through the market with our triple-play bundles.

I think if we really want to emphasize on the low end of the market where SNOW is particularly looking into, we have similar products based, or even better products with more channels and more broadbands, real speeds that we are delivering at the similar prices. So, for customers who really, indeed, want to enter into a very low end of the market we have similar products, but I think with better service levels that we put next to them.

On top of that, we still have, as I said, superiority of cable. We deliver real speeds, and those vary between 30 and 120 megabits per second. We continue to work and to invest in the network to make sure that in the future we will continue to upgrade existing customers without any significant price increase, other than inflation, just to name a few.

And then I think we also have some unique characters, a lot like basically the homespots as I discussed also during the presentation. Which, I think, customers continue and basically there is an increasing value that customers give to that kind of services.

But, long story short, basically the impact of SNOW remained pretty limited on cable and on Telenet in our position.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

And then the last question related to the shareholder returns, I think I can reconfirm the strategy of the Company as we have already alluded to it at previous occasions. It is mainly providing, through a combination of free cash flow generated by the Company and a stable leverage at the high end of our leverage target, that we will continue to distribute cash to our shareholders.

This will be in principle only, under the form of share buybacks and the dividend -- the extraordinary dividend of this year should be seen as an exception to that rule because, of course, we had a huge amount of cash following the proceeds for the tender. I think that is relatively unusual. But you should expect the next payouts to take the form -- in principle, the form of share buybacks.

Dimitri Kallianiotis - *Citi - Analyst*

Thank you.

Operator

Paul Sidney, Credit Suisse.

Paul Sidney - *Credit Suisse - Analyst*

Just two questions, please. Firstly, in terms of your Q1 broadband gross adds, could you give us the proportion that went on 60 meg or above? And also just put that into context in terms of how the percentage compares to previous quarters.

And then just secondly, I saw some headlines this morning in terms of the BIPT making comments and concerning your 3G mobile coverage. And I'm just wondering if you have any comments on the level of coverage you have using your own 3G spectrum and how that fits in with the way the BIPT thinks about that coverage as well? Thank you.

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

Hi, Paul. In terms of the Internet split, the mix, of course, depends always on the level of promotions and the level of emphasis for putting into the commercials on Internet. The answer in the first quarter was indeed a little bit more emphasized from the lower end, and that was particularly in general when we had the sales month and where we had specific promotions and discounts for customers entering on broadband, on the lower end of that side.

So it was a little bit less than half that we achieved on the high end. And then, of course, a little bit more than half on the low end. But, again, that is going to vary, of course, across the year when we will have other campaigns running, for example, on the high end. So that is very variable.

In terms of the BIPT letter that we have seen, basically what the BIPT is telling is that they're giving us a delay of implementation for the commercial launch of the 3G spectrum. Now that the commercial launch is basically us lining up a couple of antennas, and that is basically going to comply up with the conditions that are part of the license.

We will comply to these conditions, so we're working on that one. We are currently indeed implementing and doing everything to make sure in that the next couple of months we will have that spectrum commercially launched in a couple of antennas. And in parallel, we will continue indeed to look into how we can further deploy the spectrum that we have, and also the option to the other spectrum that will become available in 2015.

Of course, as we always said, our preferred route is to enter into an agreement with existing MNOs, because of course, it is our intention to use as much as possible existing infrastructure. Because in a small country as Belgium, it is economically and ecologically also very difficult to roll out a fully built forward mobile network. Looking into the building permits and also the radiation principles in Brussels make it, of course, very complex.

So that is why we also said, and also I think we already said that at the beginning when we acquired the spectrum, that our preferred route is also to look into very efficient ways to deploy the spectrum. And that is still currently ongoing, but there is no risk of us losing spectrum because we will indeed comply to the regulations.

Paul Sidney - *Credit Suisse - Analyst*

That is great, Vincent. Thank you very much.

Operator

Marc Hesselink, ABN Amro.

Marc Hesselink - *ABN Amro - Analyst*

Three questions. Firstly, could you comment -- you also mentioned in the presentation of the retail minus price that was mentioned. Is that at a level where you expected and do you think on that level you could see others stepping in?

And then, secondly, also, in light of your digital TV adds slowly, a bit slower, you have received [a right to the unequipped] digital signal as of now. Is it something you would consider as well, to push the digitization rate even further?

And then, finally, on mobile, and the past you said you were slightly EBITDA positive on mobile. And now with a lot of investments, obviously with King and Kong, are you now close to being breakeven on a cash level?

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

Vincent here. In terms of the retail minus on wholesale, I said it is very difficult to say whether that is in line with our expectations and if that is going to be a good deal for new entrants, yes or no, because basically the only thing we know is the percentage of retail minus. The only problem is that we don't know at this point yet what is the definition of retail. It is very unclear how the regulator is looking at this, if they're looking at bundles, if they take discounts into account, if they're looking at the ARPU.

So it is very unclear for us. And that is also very difficult to put any comment next to this one at this point in time. So we still need to have much more information from the regulators to do basically the first assessment. So, at this point in time, it is very difficult [need] to comment further on this one.

In terms of the uptake of digital TV, unencrypted signals is current not on the roadmap, because the local broadcasters are not willing basically to allow that kind of unencrypted signal transmission. Now we do have, of course, a couple of initiatives that we are looking on, a couple of commercial initiatives, and also some new technology things that we might be launching. That is indeed going to be implemented in the coming months.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

I can confirm that the EBITDA, and as a result also the free cash flow, of our mobile business also in Q1 was positive. So we have invested a lot in upfront marketing expenses, which has handset subsidies. But, of course, we can do this on a vastly growing existing customer base and, therefore, the business is sufficiently self-sufficient as providing enough EBITDA on the existing base to allow us to invest that money in upfront marketing expenses. So both EBITDA and free cash flow from mobile are positive.

Maybe one last point, also, on the retail minus. We have asked and we have also received a meeting with the BIPT. So we asked for more clarification because the document is very confusing because sometimes one talks about retail prices and about ARPUs, and it is hard for us to guess what it actually really means. So that is why we asked more clarification and the BIPT has confirmed to us that we will get that.

Marc Hesselink - *ABN Amro - Analyst*

Okay, thank you.

Operator

Sasu Ristimaki, Merrill Lynch.

Sasu Ristimaki - *Merrill Lynch - Analyst*

Two issues, one of which is on the -- just accounting treatments of handsets now that you're growing. Can you explain -- are all handset related cost there is OpEx, or is there a CapEx element here as well?

And, then, secondly, just on your EBITDA guidance for the full year, I would say it looks a bit challenging. If I look at just the OpEx run rate of about EUR220 million you had in the first quarter, just progressing that, that cost base through the year makes the EBITDA look a bit challenging. So can you talk us through the cost items that -- which of the Q1 cost items are not representative of their full-year run rate level in Q1? Thanks.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Maybe with respect to the accounting treatment we OpEx 100% of the value of the subsidized handsets, so there is no CapEx element into the handset subsidizing. And the seasonality of certain marketing expenses, just sales commissions, and particularly the handset subsidies, explain you why the EBITDA of Q1 is not a reflection of the average EBITDA of each of the quarters.

If you look at the historical evolution of our EBITDA you will see that the margins in Q2 and Q3 are traditionally higher than they are in Q1 and Q4, particularly because Q1 in Q4 are the strongest sales quarters, so we have more sales activity. On the back of that, you pay more commissions.

For mobile we have the handset subsidies. New customers and have a tendency to call in four times more frequently than customers that have a lifetime of over six months. As a result of that also, your call-center expenses have a tendency to be higher in the quarters where you have more sales activity.

And it is basically that seasonality which might lead you to believe that we will not or that we will struggle to make the EBITDA guidance. But I can assure you that we will definitely make the guidance. I'm pretty optimistic, and actually, we are running ahead of our own expectations, so I think Q1 has also come in quite nicely here.

Sasu Ristimaki - *Merrill Lynch - Analyst*

Okay, thank you.

Operator

Stefaan Genoe, Petercam.

Stefaan Genoe - *Petercam - Analyst*

Stefaan Genoe from Petercam. Perhaps a follow-up on the last question. Could you provide the negative year-on-year impact from the handset subsidies in Q1? I believe in Q4 you gave a number, I believe in excess of EUR10 million.

And then, secondly, you mentioned that the Wi-Fi offload, 75% of data usage is on Wi-Fi. Could you indicate the YeloTV impact on this number, because I suppose it is included, and if possible, separate it and give the percentage ex-YeloTV? Thank you.

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

Vincent here. In terms of the impact from the handset subsidies on the Q1 EBITDA, it was basically similar as in Q4. So, meaning the year-on-year impact was also there between EUR10 million and EUR15 million on our operating results.

The Wi-Fi percentage, or let's say the usage I provided, was still before we launched YeloTV. So that was more the January/February timeframe that we did that analysis. So that is still excluding YeloTV.

YeloTV is, of course, much more used at the home and not so much over homespot. So basically the 75% Wi-Fi I was referring to is already over homespots or hotspots, not at personal Wi-Fi that is basically at your home. But that is all without YeloTV.

Stefaan Genoe - *Petercam - Analyst*

Okay, thank you.

Operator

Stanley Martinez, Legal & General Investment Management.

Stanley Martinez - *Legal & General Investment Management - Analyst*

Just two, if I could, for Renaat on the dividend funding and on the future leverage strategy. I guess in terms of the payment on 8 May, in addition to using the EUR898 million of cash and drawing on the EUR158 million revolver, are you planning to issue any term debt? And would that be at the senior secret level where you traditionally have issued and still have about EUR300 million of debt capacity? Or might you issue at an unsecured level, so trading off maybe some slightly higher costs for more flexibility?

And then, second, and in terms of future leverage strategy, I guess in light of the new implicit leverage policy at 5 times, as my colleagues and I try to estimate, to Dimitri's question, the potential future distribution in 2014, since there are no restricted payments constraints on dividends, should we just assume that you would be comfortable taking the size of the distribution for 2014 up to the 5 times leverage maximum?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

I will start with the first part. That is, to realize the EUR950 million payout that we have planned for this year, we don't anticipate any additional drawings, neither on the revolver nor additional term loans. We will pay that out of our cash balances that we currently carry on our books. So that is an easy one. The revolver we will not be drawn and remains also available for future payouts.

With respect to the choice between senior or subordinated debt, I think you know us as always being very opportunistic. So what we will do, as we have always done, is we will see what is the most beneficial for the Company in terms of pricing and potentially, also, tapping new markets. So, to the extent that we will issue new debt, that will definitely only be at the latter part of the year.

We will decide, depending on the offers available at that time on the market, whether we would go for an all senior or a combination of senior and subordinated.

With respect to the leverage target itself, for the time being it still stands at 4.5. But as you are aware, from the different press releases in Liberty, Liberty has at least expressed a preference to go higher than 4.5 times. We will see how the markets are, what it means in terms of pricing, and whether it is worthwhile to proceed. But if that would be the case, it would indeed be the form of a dividend, yes.

Stanley Martinez - *Legal & General Investment Management - Analyst*

Okay, great. Thanks for the context. I appreciate it.

Operator

Thomas Deschepper, KBC Securities.

Thomas Deschepper - *KBC Securities - Analyst*

Welcome to Mr. Porter to Belgium. As most of my questions were already answered, I only have one left. Any view on the outcome of the draft decree which was discussed in the Flemish Parliament and which, if I'm correct, will be voted end of May? How do you see that evolving, because I think it is an important issue? Thanks for your comments.

John Porter - *Telenet Group Holding NV - CEO*

Obviously, we are following the progress of the decree on signal integrity very closely. Already, since I have been here, I have had a range of meetings with political stakeholders.

I think it is fair to say that the decree itself has some momentum politically. And there is a strong interest with a number of parties to get some kind of resolution between the distributors and the channel producers in Flanders.

That being said, we don't believe that the cure suits the disease. I think there certainly -- it is -- the decree -- the focus in the decree on PVR or Digicorder functionality is misplaced. Bringing our consumers into a dispute between which essentially a value transfer, a commercial negotiation between the distributor and the broadcaster, is wrong. It is bad public policy. And it actually at the end of the day doesn't bring the parties any closer together.

The intent that we have is to continue to seek a reasonable outcome. We -- I am intent to certainly engage with parties that we have had disputes with in the past on signal carriage agreements, and the ways in which we can utilize their signal through our TV everywhere platform, YeloTV.

And I would hope that we could have a discussion about the fact that, clearly, we are joined together at the hip. There is no other way to distribute broadcast programming in Flanders than through a cable network. And there is no other substantial Flemish programming than that produced by the commercial and public broadcasters here.

So there's a lot of incentive for us to solve our own problems. I think the signal integrity decree is unfortunate, and it is unfortunate that we haven't been able to solve this problem earlier ourselves. But my intention will be to work very hard to see if we can do that.

That, in and of itself, may not halt the signal integrity decree process. But it will become increasingly irrelevant if we are able to come to some sort of commercial resolution.

Thomas Deschepper - *KBC Securities - Analyst*

Okay, clear. Thank you.

Operator

Peter Testa, One Investments.

Peter Testa - *One Investments - Analyst*

I just have a few short financial questions, please. The first one, you mentioned the impact of bundling the mobile on the fixed line ARPU. I was wondering if you could quantify the mobile effect of that only on the fixed-line ARPU, please?

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

Yes, the impact basically that we have seen is about in the magnitude of EUR3 million, so that should be reallocated as a firm into the fixed lines. And, of course, with the vast majority going to broadband, because the allocation system, how it works from an accounting perspective, is indeed allocating discounts more to broadband.

You also see, for example, that there is still a lot of customers also who take Kong. And that is especially also in the SoHo segment, where we also sell a lot of high-value Kong subscriptions, are predominantly with customers to have that also a SoHo broadband connection, so that is basically the reason why also broadband gets the biggest share of that. But it is in the magnitude around EUR3 million for the first quarter.

Peter Testa - *One Investments - Analyst*

Okay, thank you. And then on the pricing, you talk about the 2.9% selective average pricing. Just to make it clear for us, can you just try to explain what do you think the impact of price will be on the next three quarters, just the percentage increase that will come through on the fixed line please?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Yes, the increase basically that we've done is going to be about [2.9%] on all the subscriptions that we have, which is including broadband and fixed telephony. And then also the rental of set-top boxes will also increase. So that is basically the revenue lines where you should apply the 2.9% price increase on.

The thing is, indeed, in terms of the invoicing, so we put that through at the end of February, so the invoicing cycles have only been reflected for one month in the first quarter. Of course, as of the second quarter and going forward, then, and the other quarters of the year, you will see the full impact sequentially.

Peter Testa - *One Investments - Analyst*

Right, okay. And then just when looking at the consolidated SG&A expenses, the EUR73.7 million in the quarter, most of that increase you saw was related to the EUR10 million to EUR15 million of handset subsidies? Is that right?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

No, because the handset subsidies are actually recorded under the network operating and service costs. So the advertising were actually quite flat, and I think even slightly declining on a year on year basis. But the reflection was all included in the component which is network operating and service costs. So that is EUR140 million that we were reporting for the quarter.

Peter Testa - *One Investments - Analyst*

Okay, but, sorry, there is a line in the aggregated P&L, SG&A goes from EUR58.9 million to EUR73.7 million. Is that mostly the handset subsidies there? Are you below the gross profit line?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

The most important driver here is actually the increase of the call center expenses more than anything else, together with the payroll expenses.

Peter Testa - *One Investments - Analyst*

Okay, and then because that just leads to the other question, which is your gross profit margin is increasing despite what you're saying as the handset subsidies are coming up there, and despite mobile being a less profitable business line and without the price increases being felt. I am just trying to understand what is driving that. Is that is just the volume effect of mobile coming through or something else?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Within gross profit you have more than just the direct expenses. You have more than just COGS; you also have some OpEx. And that has actually come down compared to last year. So you see an increase in the cost of goods sold, but you see that mitigated to some extent by other operational expenses going down.

Peter Testa - *One Investments - Analyst*

Right, okay. Do you think these trends are going to be similar for the rest of the year or somehow -- it was obviously with the subsidization of handsets can vary?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

So the gross margin will actually slightly increase over the weaker sales quarters, Q2, Q3, and will go down again. As it has been in every fourth quarter, it will go down again in Q4.

Peter Testa - *One Investments - Analyst*

Okay. And can you just explain? Are you actively -- are you going to tactically decide whether you're going to use handset subsidies or not? Or is that something which is also going to reflect high marketing seasons Q1 and Q4, so you should see less in Q2, Q3?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Well, handset subsidies are closing tool. They are not more and not less. In other words, we will use them, for instance, when new handsets come to market which have a lot of appeal to the customers or potential customer base.

Or we would use it typically in marketing-rich quarters, which are indeed the Q1 and the Q4s. Like every other telco operator we will do in Belgium; typically another good time is back-to-school. So that is September. Because then a new generation of kids goes to high school and they need either a new smartphone or they take their first mobile phone.

So that is typically the period where you will also see a boost in our broadband subscriber base. It is really seasonality that you see throughout the year, which is not always the same month for mobile than for fixed. But it is a relatively stable across the years.

Peter Testa - *One Investments - Analyst*

Okay, and the last question, please, is just on Yelo. I was wondering if you could help us understand a bit more on how you think you can use Yelo as a revenue generator, both in an active sense, what do you think you can do with gaining revenue that way for the premium TV line and also in a passive sense as a churn reducer?

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

Indeed on Yelo, and that has also been communicated when we have launched the new service, we have announced with the press of a couple weeks ago. It is indeed the intention to monetize parts of Yelo. There will be services that we are going to develop in cooperation with the broadcasters and with other content providers. But, of course, from a commercial point of view, we can't disclose any of our intentions on this one.

Peter Testa - *One Investments - Analyst*

Okay, all right. Thank you very much for the answers.

Operator

Frank Knowles, New Street Research.

Frank Knowles - *New Street Research - Analyst*

Most of my questions have been answered, actually. I just had two quick follow ups. On your statement that the mobile business is free cash flow positive now, just wanted to check if that calculation is with the discounts allocated across [auto] mobile? Or is that -- were the discounts allocated as they are in the financials to broadband as well as mobile?

And then the second question was just to double check on the CapEx guidance for the full year. Does that include the EUR20 million or so of soccer CapEx in this quarter? Thank you.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

With respect to the first one, I can assure you that it is cash flow positive on a standalone. That means excluding the bundles, and it is also cash flow positive including the bundles.

So, whether you dispute them distribute them out to the other products or whether you allocate them freely to mobile doesn't make a difference, whether it is EBITDA or cash flow positive -- and EBITDA positive. And then with respect to the CapEx guidance, the CapEx guidance is also including the Premier League soccer rights.

Frank Knowles - *New Street Research - Analyst*

Great, thank you.

Operator

Usman Ghazi, Berenberg Bank.

Usman Ghazi - *Berenberg Bank - Analyst*

I have four questions please. The first one is just on the balance of interconnect revenues and costs in mobile. Could you give an indication for how much it is currently out of balance? Are the interconnect costs twice as high as the revenues that you're reporting or 1.5 times? Any indication of that would be very helpful.

Second question is -- recent reports were suggesting that Fox is looking to bid for the soccer rights in 2014. I just wanted to understand how strategically important these soccer rights are for Telenet, in the event that there is another significant bidder next year for the rights.

The third question is on these nonrecurring items. Should we expect any more, or does your guidance include any positive impact from nonrecurring items going forward?

Final question, and I apologize for the long list, it is just on the mobile ARPU. I was just wondering if you could tell us how many of the new subscribers are coming from the King as opposed to the Kong tariff, because when I look at the subscriber trends in the market, it seems like the majority of your subscriber adds are actually coming from prepaid subscriber losses from the network operators. You are gaining some postpaid, but the majority seem to be prepaid to postpaid migrations. If you could clarify or give any detail on that, that would be very helpful. Thank you.

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

Vincent here. On your first question on the -- let's say the balance on MTRs, revenue versus cost, I can give you there an indication that the cost level of the MTRs is double as high as the income. So that is, of course, also going to cause an impact on the margin. So it is about double.

Usman Ghazi - *Berenberg Bank - Analyst*

Okay, thank you.

John Porter - *Telenet Group Holding NV - CEO*

Just on the second one on the football rights, we are committed to offering the best in quality football product in Belgium. We think it is important to our strategy going forward. We wouldn't have purchased the Premier League rights for the next three years if we didn't believe in the product.

And in terms of competitive bids or the value of that product, we are not going to open the negotiations in this forum. But we are very focused on having a product for our customers as good if not better than the one we are currently offering.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

With respect to the nonrecurring items, in all fairness, throughout the year you have positive and negatives, nonrecurring items. Implicitly they are part of the guidance, because the guidance is set as a kind of target where you think the business will be, or will be going throughout the year. There will be positives and there will be negatives, but they're not explicitly taking into the guidance. But they just happen.

Usman Ghazi - *Berenberg Bank - Analyst*

Okay. And just the final question on the percentage of subscribers, mobile subscribers, coming from either King or Kong?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

On the split of inflow, again, it all depends on the targeted campaigns that we are offering. Of course, as was also the case in the past, we have the majority of customers coming in on the King. But also the Kong side we continue to achieve good inflow.

And there, particularly, as I mentioned before, within the SoHo and SME segments also on the B2B space we are seeing some very solid inflows on the Kong segment. And I think that is also being demonstrated by the fact that our mobile ARPU has grown 23% year-on-year. It is now close to EUR32 or even -- around EUR32 which is, I think, in the market a very decent ARPU that we are generating.

So I think that is the nicest and the most straightforward example that we can give in terms of the quality of subscribers.

Usman Ghazi - *Berenberg Bank - Analyst*

Sure, but just on that -- if I exclude interconnect, however, the ARPU is at EUR22, EUR23 or it was -- and I am sure a lot of that all relates to handset recovery as well, given I believe 60% of subscribers were choosing to handset in the first quarter. So I'm just trying to tie that into the margins that you are saying that mobile is breakeven.

Given that interconnect costs are twice the revenues, handset subsidies were quite significant in the first quarter. What are we missing here to get to a breakeven number for mobile?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

First of all, you referred to the sales of the first quarter, and I am talking about the mobile business as a whole. The split incoming and outgoing MTRs is not only for the mobile business; it is for our telco business as a whole -- the numbers that Vince has quoted, not just on mobile. So it is very hard to draw conclusions from the answer of Vince.

And assuming that 60% of the customers that we made in Q1 were handset subsidized, and then transferring that to the whole business, because, of course, we have added 100,000 net adds in Q1 while we already had an existing base of 525,000. And as we already explained to you in previous occasions, it is the relative proportion of new sales versus existing base which will determine the level of profitability of the business.

So as the proportion of net adds is relatively shrinking compared to the existing base, our EBITDA margin of our total mobile business is growing.

Usman Ghazi - *Berenberg Bank - Analyst*

Thank you very much.

Operator

Mark Walker, Goldman Sachs.

Mark Walker - *Goldman Sachs - Analyst*

I have two questions please. The first one is just a follow up on one of the questions before about the effect of bundle discounts on the core business growth. And excluding the EUR35 million contribution from mobile, the Group revenues grew 2% due to the slowdown in the fixed ARPU growth.

I just wonder if you could tell us what that number would have been excluding the bundled discounts. If we add the EUR3 million that Vincent mentioned, I think that number moves to around 2.5%. I just wanted to check that logic makes sense, and if that is a useful number to think about the core business growth potential going forward.

And the second question is on the broadband market overall. I'm just wondering what kind of market growth you are seeing and to what extent that is slowing down, what your current penetration is today and where that can go to. Thanks a lot.

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

On the growth rates for fixed, if we indeed exclude the impact from the discounts from mobile, indeed the fixed growth rate is going to be around 2.6%, 2.7%. Again, I said so that is not reflecting the price increase as we've put in the system. So that is only going to be fully visible as of the second quarter.

So that is basically also what we were just saying in terms of growth in fixed is going to accelerate in the coming quarters. And then, also, of course, we expect, again, a stronger uptick on the [DTP] when we have new initiatives and also with the launch of YeloTV, which is also going to accelerate the uptake in the migration from analog to digital.

In terms of the broadband uptick, we have to say that Q1 was very well ahead, basically, of our own expectations because, of course, we are now at penetration of 82%. We still believe that there is going to be significant growth adds, as I said.

So we have countries in Europe who have currently a penetration of 95% in the market. If we look, for example, at Holland they're around at that stage. But they are still seeing some very healthy growth in that broadband market. So there is no reason to believe, basically, why Belgium wouldn't be able to get to similar levels and even beyond there.

But, again, we have taken into account and also in our guidance and our long-term assumptions that the growth rate is going to be somewhat slower than what we have seen in the past years. With the exception, of course, in Q1, the actuals -- actually reported to be better than what we had anticipated.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

One last comment, and of course we can't give any insight yet on Q1, because we don't know what Belgacom has done in the first quarter. But if we base ourselves on the trends that we have seen in the last three quarters of last year, our market share in that is still higher than our market share overall, which means that our market share of our broadband business is growing, together with the growth of the market itself.

So we grow because the market grows and we take market share from our competitors. So I think both trends are favorable.

Mark Walker - *Goldman Sachs - Analyst*

Okay. It is all very clear. Thanks a lot.

Operator

As there are no further questions in the queue, that will conclude today's Q&A session. I would now like to turn the call back to Mr. Bruyneel for any additional or closing remarks.

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

Okay, I would like to say thank you to all of you for your participation on this call. Should you have any follow-up questions, please head back to us and the IR team is going to be more than happy to answer them. We say goodbye for now and we hope to see you soon during our roadshow or future conferences. Thank you and have a good weekend.
