THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

TNET.BR - Q3 2013 Telenet Group Holding NV Earnings Conference Call

EVENT DATE/TIME: OCTOBER 24, 2013 / 1:00PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

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

John Porter *Telenet Group Holding NV - CEO*

Birgit Conix *Telenet Group Holding NV - CFO*

CONFERENCE CALL PARTICIPANTS

Thomas Deschepper *KBC Securities - Analyst*

Michael Bishop *Barclays Capital - Analyst*

Stephane Beyazian *Raymond James & Associates - Analyst*

Josh Ramesh *Goldman Sachs - Analyst*

Emmanuel Carlier *ING - Analyst*

Paul Sydney *Credit Suisse - Analyst*

Frank Knowles *New Street Research - Analyst*

Alex Grant *Macquarie - Analyst*

Stefaan Genoe *Petercam - Analyst*

Akhil Dattani *JPMorgan - Analyst*

Will Mina *Arid Research - Analyst*

Marc Hesselink *ABN AMRO - Analyst*

Bart Jooris *Bank Degroof - Analyst*

Stanley Martinez *Legal and General Investment Management - Analyst*

Vive Cana *Deutsche Bank - Analyst*

Usman Ghazi *Berenberg - Analyst*

Sasu Ristimaki *Merrill Lynch - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to today's Telenet Investors and Analyst Earning Call Webcast. For your information, today's conference is being recorded. At this time I would like to turn the conference over to Vincent Bruyneel, please go ahead.

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 the Analyst and Investor call for the third quarter of 2013. My name is Vincent Bruyneel. I'm head of Strategy and Investor Relations at Telenet.

I trust you all received our earnings release this morning and we're able to access the website to obtain the PowerPoint presentation that will be used for this conference call and to join the webcast.

Before we start, I'm obliged to advice you that certain statements in this conference call are forward-looking statements. This may include statements regarding the intent, belief or current expectations associated towards the evolution of a number of variables that may influence the future growth of our business.

For details on these factors, we refer to the Safe Harbor Disclaimer at the beginning of our presentation.

Let me now hand you over to John Porter, our CEO, who will provide an executive overview of our strategy and 3rd quarter highlights. After that I will provide you with some further details on our operation results.

And of course I also have the pleasure now to introduce Birgit Conix, our new CFO, who will guide you through our 3rd's quarter financial results. Afterwards, we will be pleased to receive questions.

John Porter - *Telenet Group Holding NV - CEO*

Thank you, Vince and good day, everyone. I'd like to start the call by giving an overview of our operational financial achievements in the 3rd quarter. Thanks to the introduction of our two new simple triple play bundles on the last quarter, we had a very strong inflow of more than 32,000 triple play subscribers.

This is the best result since early 2009 when we benefited from the effect of the [inter-cable] acquisition. Almost half of our customer inflow in the third quarter was immediately on triple play. Before the launch of Whoop and Whoppa, this was still around 35%.

As a result of our focus on triple play in the launch of our new VoIP application, we more than tripled the net addition of fixed telephony compared to previous quarters, ahead of our expectations.

Broadband also saw improvement from Q2 as we [added out] in subs. In which the majority came in at our highest tier segment. General TV grew by almost 17,000 subscribers but this was impacted by a nonrecurring clean up of 35,000 inactive users without impact on revenue. We also noticed the sharp drop in our basic cable TV churn, which reached its lowest level since early 2007.

In Q3, we lost just over 4,000 subscribers, while a year ago this was almost 5 times higher. Last quarter, we also started the new season of Belgian Football and together with a great campaign we were pleased to have attracted another 9,000 subscribers to our premium sports channels. Today, we have exceeded 200,000 subs of our sport in Telenet product.

Finally on mobile, we had another 38,000 subscribers in postpaid, mainly in Flanders and Brussels bringing this total now to 713,000. Amidst the increase in heavy competition and our focus on more cost-effective acquisitions, we believe this continues to be a solid number. In addition, we anticipate on bringing LTE to our customers early next year.

And believe that the recent network improvements by our MVNO partner Mobistar, should also have a positive impact on our churn going forward.

From a financial point of view, our top line was up 12% given by mobile and more fixed RGUs, predominantly triple play. Adjusted EBITDA group by 8%, yielding a margin of over 53%.

This is a great result compared to our European cable peers and puts us to top end corner of organic growth rates. In addition, our EBITDA margin remains well above the 50% level despite a significantly higher share of mobile revenue. Thanks to our continuous focus on cost efficiencies and process improvement.

Our free cash flow was almost neutral but we expect to recover most of these in the final quarter. Birgit will provide you more color.

Having completed the first nine months, looking at the trends of October, we believe they're well on track to deliver at the upper end of our full year outlook for revenue and EBITDA growth.

CapEx should remain within the 21% to 22% of sales, despite the impact of the entire Premier League rights and it's free cash flow should become stable versus last year, assuming the import duties are fully responded by year end as you may read in our press release.

As said we achieved very solid triple play additions in the third quarter, fueled by the complete revamp of our six bundles. Since summer, we focused entirely on delivering a great convergent experience to our fixed customers by offering them a simplified triple-play offer, consisting of only two products, Whop and Whoppa.

These products combined super fast internet of 60 megabits per second or 120 flat-fee fixed telephony, and digital TV. But we'll go further than a traditional offering, every bundle also includes our VoIP app "Triiing", our multi-screen solution Yelo TV and access to all home spots and hot spots.

By doing this, we are not only talking about price convergence but real service convergence, putting Telenet in a unique position in the Flemish and Brussels market. At the end of Q3, we had 920,000 subscribers taking one of our triple-play bundles, which was up 9% year on year or 78,000 over the last 12 months.

The third quarter was yet again quite eventful in terms of new customer experience launches. At the end of last month, we introduce Rex & Rio as presented here on the next slide. It's a basically a complete new way to consume all the content our customers want. At a fixed monthly fee, people get unlimited access to extensive library of thousands of local and international TV series and movies, and this for the whole family.

This is not only available on the main screen by the set-top box but also via Yelo TV, which allows seven members to watch everything on their tablets, smart phones, and laptops as well. Even when they're not home, they can watch wherever there is Telenet Wi-Fi or homespot or hotspot available.

The two products include a wide variety of series, movies, and linear pay TV channels. Rex focuses on local Flemish and kid's content, while Rio is the ideal solution for content lovers, giving them access to the latest blockbuster movies in high-quality US series such as those from HBO. The windows of these series are very short and already available one week after their broadcast in the US. We believe the introduction of Rex & Rio should further strengthen on our digital TV revenue growth growing forward.

At the same time, we also introduced new bundles for the SOHO and SME customers in our business segment called "FLUO". They basically offer an all-in-one solution to these types of businesses and includes super fast internet, unlimited national calls, and most important of all, a unique and personalized customer service desk called A-desk. FLUO customers also get access to our VoIP app to reduce international and mobile expenses into our home and hotspots to deliver also the best outdoor connectivity.

In the past year, we invested in overlay network for our B2B coax services, which allows us to offer and guarantee quality of services for all our broadband connections in FLUO.

On the next slide, you can see how Telenet are differentiating to real service convergence. Three innovative services are now included in both our residential and business bundles for free. We lost the first Rio convergence voice product Triiing connecting the fixed line to the smartphone. This VoIP allows fixed telephony customers to use their smartphone to place calls under Wi-Fi at attractive the flat-fee rates in Belgium and abroad. It's now being used up 55,000 users and growing fast.

Our own over the top app, Yelo TV is now used by over 400,000 people or almost 15% of our digital TV customer base. Very surely Rex & Rio will also become available on Yelo TV, which will make it the fastest growing and biggest OTT platform in Flanders.

Combined with our extensive Wi-Fi network including homespots, we want to offer our customers true and unique mobile and fixed converged services. By year end, we aim to have a million homespots active.

Last quarter, we provide you an update on our overall strategy. And today, we want to quickly show you where we are on slide 11.

First off, the fundamentals of Telenet remains at the core fixed networks. It's our ambition to deliver the best and fastest connection that is available on our franchise area. We will do that through continuous selective investments in our network. As you will see in Vincent's section, we have a full plan in place in order to gradually improve our download speeds. And that includes a rollout of EuroDocsis 3.1.

Importantly, we will execute this plan within our long term CapEx guidance of flatly decreasing CapEx to sales ratios over the next few years.

In terms of superior connectivity, we remain the market leader with our Fibernet connections, delivering the highest speeds on our franchise area. But we also believe that a solid connection should also be available outside the home through our homespot presence and our mobile products.

In addition to our network, it's key to make great products and services available to our customers to make optimal use of a high-speed network.

Simple products and converged innovations will remain the corner stone for the future. With King & Kong mobile, Whop and Whoppa, and FLUO on fixed, we can deliver on that promise.

And last but not the least, our ultimate goal is to deliver a great and unique experience, including the best entertainment. Rex & Rio clearly have the ambition to offer a new way of consuming content combined with our multi-screen and fully integrated solution Yelo TV. We are ready for our future in mobile in entertainment.

On the back of this, we've also been making some fundamental choices when it comes to products and services. Everything should be simple, transparent, available to all of our customers and with a concept flow of improvement. As I just said, our entire project portfolio has been simplified. And we only offer contracts without fixed durations. This change is not only making things easier for consumers but also for the company as we can gain more efficiencies in many of our sales, billing, and IT processes.

In addition, we approach all our existing customers proactively to ensure they are on the right product and right plan. For example, on mobile, 90% of our customer -- mobile users are on the latest King & Kong plans.

With that, I'd like to hand it over to Vincent who will take you through our operational results of the third quarter.

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

Thank you, John. Continuing on slide 14, we're showing here the results of our key growth strategy consisting of offsetting our existing single play and basic cable-base to multiple services. To date, 44% of our customer base already subscribes to three or more products to 2% points increase in just one quarter.

While doing this, we managed to enhance the share of wallet that each customer is spending with us. Here you can see the output (inaudible) for the nine months and in Q3. The ARPU increased by 4% to 7.5%.

However, somewhat deflated by the billing discounts on mobile. If we exclude that effect of mobile discount, the ARPU would have grown by 5% year on year to 48%. We'd only see topline benefits in converting more people to move to play but also loyalty is an important drive for us to continue the strategy. A triple-play customer is turning 7.5 times less than a single-play customer to give you an example. For (inaudible), customer churn is even below 1% on the annualized basis.

Let's now take a closer look at the different product performance starting with broadband internet. In Q3, we're able to attract 17,000 net new subscribers through our high speed broadband products, a slight improvement from previous quarter. Our total customer base is now up to 6%, which kept us exactly at a 50% penetration level of our homespots. Churn remains very stable and continues to hover between our typical 7% to 8% unrealized churn rate, one of the lowest in our industry.

On the next slide, you can see that one of the core differentiating elements and strengths of our broadband service is the high quality and leading speeds that we're offering across the entire network. And as you can see on the chart on the left-hand side, more than half of our customer base surfing at the speed above 50 Mbps. The average speed of our entire broadband customer base is taking old products into account and all install base. It's now around 61 Mbps, which represents one of the most involved customer basis in European landscape.

With our recent significant product upgrade, talent starts where competition ends. Most of our competitors are pretty on the [VDSL] network, which only offers true speeds of about 30 Mbps.

Our fixed telephony subscriber base exceeded 1 million milestone so a clear [reservation] in Q3 with 31,700 net additions. This is one of our best results since early 2009 on the back of our new triple play bundles and the introduction of our VoIP app. Churn also came down to significantly by more than 100 basis points to just below 7% now.

Take a quick a look at what is Triiing. On the next slide, you can see that we already have 55,000 active users in September and yes, they continue to grow since its launch in May. This month, we've also launched the Android version, which should further boost the number of active users. Half of the user base is families and just over half also have [talent] mobile. Our app results are very much appreciated by travelers. They can call home or the colleagues from abroad for almost for free wherever there is Wi-Fi available.

Moving over to mobile on the next slide, we attract another good set of postpaid subscribers of 38,000 in the third quarter which is based on the market numbers that we've seen so far. A solid result concerning that we only sell in Flanders. This result is fully in line with our expectations as the effect from the October Telecom Law diminished. All mobile operators reacted to our offering and we rebalance our acquisition strategy resulting in more profitable subscribers as you can notice from our margin evolution.

In addition, we believe that the ongoing metric improvements by our [MV&O] partners should also have a positive impact on churn going forward.

So the launch of King & Kong more than a year ago, we more than doubled our subscriber base from 341,000 to 713,000. The revenue generated by our mobile business grew even faster as we attract more valued customers down before.

Starting tomorrow, we'll also be offering the new iPhone 5s and 5c in combination with select handset subsidy plans as you may have noticed from the press release earlier today.

On the next slide, you can see the progress we're making in the mobile market. Based on your official number of portability reporting on the third quarter, which reflects the movements between operators of customers who kept their mobile number, we were regaining most net customers even on the national level.

And over the last 12 months, we more than doubled our market share in the Belgium postpaid mobile market at 10%, which is a segment we are operating in. We also don't convert prepaid customers to postpaid, which is a common practice at other [avenues].

As majority of our mobile subscribers are located in Flanders, we believe that our postpaid market share and our franchise area is around 16% now. And at the same time it is clear that we have plenty of growth opportunities ahead. Today, still only 15% of our cable households are (inaudible) play and combine our fixed services with a mobile subscription from Telenet.

And finally, through this rate increasing value we attract from the mobile markets, our mobile ARPU grew 8% year on year and still above EUR3. Early next year, we will start offering LTE to our customers, which is part of our existing know contract.

On slide 21, you can see how our homespot strategy is actually bringing us operational leverage. Through Wi-Fi, fixed customers can benefit from high speed productivity out of the home while we benefit from the offload capacity from mobile especially when over the top services like Rex & Rio and Yelo TV will become widely adopted. Our homespots will be able to capture most of the streaming traffic.

Today, homespot already account for 80% of all wireless traffic out of home and an average Telenet mobile customer's offloads 40% via homespots. Meaning, that we're still potential to offload data traffic from cellular to Wi-Fi in the future.

Our technologies will allow also for a seamless transition between cellular and the Wi-Fi in the near future making it very easy to switch between both networks. In addition, we continue to work on Wi-Fi roaming agreements like we already concluded with VUU in the south of the country.

Moving over to digital TV now, we added net almost 17,000 new subscribers to our additional platform in Q3 on organic basis. But at the same time, we also do the clean up of about 3,500 inactive users. Reached an 80% digitalization rate, we see that the migration from analog to digital is happening so much slower than last year. But 2012 was also marked by our analog channel reshuffle program in which analog customers were able to convert the digital at a great promotion.

Sporting Telenet now, in Q3, we exceeded the 200,000 subscribers through our sporting package which includes Belgium and international football, NBA, NFL and golf just to name a few.

We kicked off the new football season with some nice promotions, which resulted in another close to the 9,000 net new subscribers to sporting in Q3. So the addition of Belgium Football in 2011, we added in the meantime 84,000 net new subscribers in Flanders only. Mid-2014, the Belgium Football rights will be auctioned for the next period.

We're also pleased to see that churn on basic cable TV continuous to slow down as you can see on the next slide. In Q3, we recorded 4,100 net loses, one of the lowest levels in the past six years. It is significantly lower than the churn rates that we used to see in prior years where we typically we're losing between 15,000 and 20,000 subs per quarter. We believe that our current and continued investments in new products and a co-introduction of CI plus contribute to these results.

Our business segments, and for business generated stable revenue of EUR68 million in the first nine months. After couple of quarters of having a stable top line evolution, we noticed a 5% increase in the 3rd quarter fueled by more data products such as IP VPN and Fiber, more mobile and carrier services.

Telenet for business is, however, much bigger as it also sells [gross] product especially to the SME segment, which is currently reported under a residential segment.

If you would reallocate revenue generated by growth products in B2B. Our growth rates would have been 10% for the first nine months and 11% for the quarter. Despite the difficult economy and very competitive B2B environment we're operating in, we believe this is a great result.

As John said in the beginning, the very performing network is one of the cornerstones of Telenet. That's why we started already back in 2010 with an ambitious upgrade plan to triple the capacity in five years time called (Inaudible).

We do that by deploying more Fiber network across Flanders and Brussels and by multiplying the number of optical nodes and increasing capacity. When we started the project, we still have 1,400 homes connected to an optical node. And today, this is already down 600 on average. More importantly, only 300 active relevant users are actually sharing the optical nodes given our 50% penetration level now on a household basis.

By 2015, the average numbers of homes connect to an optical node should be less than 500 on average with the design in place to get (inaudible) to 15.

On top of (Inaudible), we will be rolling out the other cable technologies to make sure that we keep our hybrid fiber coax network on top of the league. In the coming years, we will optimize our bandwidth capacity to offer more additional service to customers, replace on core components in our network, which will allow for a more optimal use of our interactive spectrum and, of course, also bringing in fiber closer to the door step.

In parallel, we'll be implementing the next level of EuroDocsis, which is called the version 3.1 which all together will enable downloads to [1 Gbps] in the medium term. All these investments will happen within our long-term CapEx projections and without any spikes in the absolute net for expanding.

Before heading over to Birgit for the financials, I would like to provide a quick update on where we are on the cable wholesale regulation.

At this point in time, we're still awaiting the final outcome of the quantitative reference offer, including the regional minus pricing mechanism. On the letter, European Union consultation will end in the coming weeks and we expect the final outcome in the course of next month. After a valid request for wholesale access is submitted, we will have at least six months to implement, which means that a commercial launch will not be available before May 2014 at best.

In parallel, the legal procedure on the merit is still ongoing. The first trial briefs were exchanged and we expect the court to start hearings in Q1 next year. The appeal decision, which could importantly entail the annulment of the entire wholesale proposition, will probably be announced by mid-2014.

With that, I would like to hand it over to Birgit who will provide some more details on the 3rd quarter financials.

Birgit Conix - *Telenet Group Holding NV - CFO*

Thank you, Vincent and good afternoon to you all. As Vincent said earlier, I replace Renaat as CFO earlier this months and I'm very excited about the new experience of Telenet. I'm also looking forward to engage in a constructive dialogue with you, during one of our future road shows, conferences or company exhibits.

Over to the financials now on page 29, the solid operational results just presented by Vincent, translate into a very healthy financial growth, so both the first nine moths and the first quarter.

Year-to-date, we achieved the top line of EUR1.2 billion up to 12% versus 2012. All of our revenue growth in the period was organic and primarily driven by three factors. The growing contribution of our mobile business, secondly continued RGU growth in fixed services, and thirdly the benefits from price increases earlier this year.

In the third quarter, our revenue was EUR410 million, equally up to 12% versus last year. Lower basic cable TV and distributors all those other revenue were more than offset by robust growth in mobile telephony revenue as well as Telenet mid-single digit growth for our business services division.

In the forth quarter, we expect our revenue growth rate to decelerate from 12% to highest single digit growth rates at Q4 last year already reflected significantly higher mobile revenue. However, in any case, we anticipate our full year revenue growth to come in at the upper end of our guidance, namely between 10% and 11%.

Looking at the drivers of our revenue growth on the next slide, slide 30, you can clearly see the strong growth in our residential telephony revenue, which was up 50% for this last year. This was primarily driven by our mobile business with revenue of 169% on the back of robust RGU growth and further offer expansion. Also, our fixed business continue to perform well on the back of solid RGU growth and the benefit of selected price increases.

On the negative side, our fixed business continue to be impacted by higher bundle discounts. These include the discounts given to our existing cable subscribers when they take along a Telenet mobile subscription. And therefore, these mobile discounts are proportionally allocated to all products held by the customer. Excluding this impact, our fix business showed a healthy underlying 3% topline growth for the first nine months.

Turning over to our expenses now, this is on slide 31. These were up 8% versus last year. Our expense growth in the period was favorably impacted by the one-time benefits from the reversal of set-top box import duties as discussed earlier by Renaat on the second quarter call. In lined with recent quarters, the biggest gross increase was in network operating and service cost, which include all of our direct expenses such as cost related to handset sales and subsidies into connection programming, copyrights, call center, and network for dated expenses.

This 24% increase was view to three factors. Firstly, the higher interconnection expense as a result of robust mobile and fixed RGU growth. Secondly, EUR12 million higher cost associated with handset sales and subsidies. And thirdly, higher programming cost including provisions for certain contingencies.

For your information, our third quarter showed flat cost related to handset sales and subsidies versus the same quarter last year. This is the result of our continued focus on more cost-effective mobile subscriber acquisitions.

Our payroll expenses were up 4% versus 2012 and reflected a combined effect of increase staffing levels and the impact of the mandatory raise indexations since early January. All other cost remains broadly stable compared to the first nine months of last year.

This brings me to our adjusted EBITDA on slide 32. For the first nine months our adjusted EBITDA was EUR637 million up 8% for this 2012. Compared to last year, our margin of 52% was impacted by higher cost associated with handset sales and subsidies as well as product margin mix. The margin mix effect is caused by the bigger proportion of mobile net growth carrying a lower margin compared to our fixed business.

In the third quarter, we generated adjusted EBITDA of EUR219 million excluding the effects from certain non-recurring items in the quarter, our adjusted EBITDA would have been about EUR1.3 million higher.

Also note that last year the adjusted EBITDA in the third quarter was positively impacted by certain non-recurring items. Excluding their impacts in both periods, our adjusted EBITDA was at 12% year on year compared to reported growth of 8%.

As you can see on the right-hand chart, our quarterly adjusted EBITDA margins showed a sequential improvement of 40 basis point, so 53.4% as we managed to offset the negative effect from our growing share of lower margin of our revenue by more cost-effective mobile subscriber acquisitions and general cost control.

Although we anticipate our margin to decrease in the year-end quarter inline with seasonal patterns in our business, we believe adjusted EBITDA growth for the full year at the upper end of our guidance are between 7% to 8%.

Working our way further down the P&L, slide 33, you can see the evolution of our net finance expenses for both the first nine months in the third quarter.

The yellow bars on the left-hand chart reflect the evolution of our underlying net finance expenses. These were up 17% for the first nine months as the result of our increased debt balance following last year's issuance of EUR700 million of Senior Secured Notes. This effect was, however, more than offset by a EUR54 million non-cash gain on our interest rate derivatives compared to 2012 when we incurred a non-cash loss of EUR69 million.

As a reminder under IFRS, these interest rate derivatives are valued on a market to market basis with changes in the fair value impacting our P&L.

Let's have a look at our CapEx spending on slide 34. Accrued CapEx for the first nine months raised EUR263 million up 5% year on year and representing around 22% of our revenue. Our accrued CapEx for this period was affected by the extension of the exclusive broadcasting rights for the Premier League as these rights have been capitalized under IFRS in the first quarter and will be amortized as the three seasons progress.

On the other hand, our accrued CapEx was positively impacted by the reversal of set-top box import duties as discussed earlier on the second quarter call. Excluding capitalized content cost and the reversal of set-top box import duties, our accrued CapEx was up only 4% year on year and represented about 21% of our revenue.

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

As you see on the right hand chart, about 73% of our accrued CapEx was scalable or growth-related for the first nine months. And we will make sure that our future investments drive incremental returns.

These investments include amongst other, continued the investments in our network, such as the (inaudible) projects to make sure we keep a strategic network advantage versus all of our direct competitors and to be able to cater to the growing needs of our customer's digital lifestyle.

Let's move on to our free cash flow, on slide 35. Year-to-date, we generated EUR102 million free cash flow. Our lower free cash flow performance versus last year was the result of two factors. Firstly, higher cash increase expenses of 33% following last year's debt issuance. And secondly, higher cash capital expenditures.

As mentioned during the second quarter call, we expected a much weaker free cash flow contribution of the third quarter as a result of another cash payments for the Belgian Football Broadcasting rights and the semi-annual cash interest payment on the EUR700 million senior secured fixed rate notes issued in August, last year.

At the same time, we expected to incur a native trend in our working capital compared to the second quarter. As a result, we have used only EUR2 million of free cash flow in the quarter and we expect a much better performance in the forth quarter, which is typically our strongest quarter in terms of free cash flow generation.

To conclude the financial overview, let me spend a few words on our net leverage and debt profile. Our net leverage decreased from 4.2 times at the end of June to 4 times at the end of September. This is in the middle of our current net leverage threshold of between 3.2 and 4.2 times. Our net leverage rate still remains well below the covenant of 6 times and the incurrence test at 5 times.

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

On slide 37, you can see that we reconfirmed our outlook or the full year. As mentioned before, we anticipate both our revenue and adjusted EBITDA growth to come in at the upper hand of our guidance range of between 10% to 11% and between 7% to 8%, respectively. We continue to expect our accrued CapEx for the full year to represent about 21% to 22% of our revenue.

And finally, we continue to expect broadly stable free cash flow for the year as we anticipate the negative trends in our working capital to be offset by the cash settlement of federal box related import through this, and as Q4 typically represent the strongest quarter in terms of free cash flow contribution.

With that, let me hand over to the operator for the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). We'll now just pause for a moment to assemble the queue. We take our first question from Thomas Deschepper of KBC Securities. Please go ahead.

Thomas Deschepper - *KBC Securities - Analyst*

Well, good afternoon every one, Thomas here at KBC in Brussels. My first one is on mobile pricing. Given that the run rate on your mobile net apps is clearly trending down, are you planning any kind of counter move in terms of pricing, possibly coupled with going live of Mobistar 4G network in the first quarter of 14?

And then my second question is maybe with John. I was wondering if you could provide us with a small update on how you view VOD and second screen in Belgium at the moment, potentially a very interesting subject, given that Mobistar has indicated that they want to launch something content-like, possibly even supplemented by OTT but also given the imminent launch of TV, for example, November, if I'm correct.

And then my third and last question is maybe a baptism of fire for [Misconics], could you maybe draw a bit on what explains the negative for working capital impact. I guess it's mainly the purchase of the new iPhone. But any more color on that would be great.

John Porter - *Telenet Group Holding NV - CEO*

All right. Well, let's divide and conquer. You want to do the first one, Vince?

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

Yes. On mobile, the thing is basically we're still indeed -- we see a trend down, but I said, that's fully inline with the expectations because as we said, the telco, it has not fully diminished. There was of course -- had a huge effect, I think, in the whole Belgian mobile landscape.

But I said, we're will still indeed seeing in terms of number portability that were -- let's say, the biggest step for seeing the biggest inflow of all operators in Q3 so that's still I think a very good result, which at this point in time doesn't, let's say, put us in a specific quarter that we need to review price now all of sudden.

Of course, we'll continue to follow the market there and of course we will need to look how competitive we are going forward. But at this point and time, we can't provide any more color in terms of what price is going to look like going forward.

John Porter - *Telenet Group Holding NV - CEO*

Yes, on the second question, on the current status of VOD and second screens in Belgium and more importantly in Telenet's footprint. I mean it's quite clear that we have the best OTT and second screen product. And most penetrated of those products in our territory currently, you know, with over 400,000 Yelo TV apps and users.

This Yelo TV penetration will be further accelerated by the launch of Rex & Rio, which is particularly the Rio product, a very robust blend of linear paid TV channels and SVOD services with over 4,000 titles available.

I think, importantly, due to our output deals, exclusive output deals for the paid TV window and our -- not only current investment in Flemish product, but our willingness to invest much more aggressively in Flemish product. We think we'll have a product that will continue to accelerate and meet the needs of the customer who wants to use television in new and more contemporary ways.

I think it's certainly possible that our competitors, Mobistar, or [Stevie], may satisfy a niche in the area for second screen use. What we are seeking to do is provide a comprehensive solution, end to end, for Telenet households from the first screen to the last screen. And I think we're well-ahead of any other alternatives to do just that.

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

I think also to that, I think the differentiating factor that we have with the Rex & Rio also got the pricing mechanism that we've put forward, it's actually vetted for the whole family. So independent of how many members of the family indeed are using the product, which is, of course, for our second screen, or like Stevie, for example, this is completely different because they are basically catered for the individuals and that every individual needs to pay for an additional service fee.

And then final on last question, the impact of working capital is indeed related to inventory, both for set-top boxes for the fourth quarter, and also for handsets, because typically, the fourth quarter is going to be a, well, booming core in terms of handset sales given the Christmas season that's approaching.

John Porter - *Telenet Group Holding NV - CEO*

Get it done for you, Thomas? I guess so.

Operator

The next question comes from Michael Bishop of Barclays. Please go ahead.

Michael Bishop - *Barclays Capital - Analyst*

Hi. Good afternoon. Just a couple of questions, the first one is on Whop and Whoppa, could you give us a sense of whether the mix impact sort of in-line or better than your expectations, just picking up on the comments that a lot of the broadband networks were coming in at the higher tier. And maybe could you give us a sense of what the overall number of customers is on those tariffs.

And secondly, maybe it's a little bit too early, but I was just keen to see how you guys think about the cost-cutting potential going forward and fairly the margins have been improving over a number of years and very strongly again today. Do you see any specific areas where you can sort of continue to take out cost?

And then the third point is on the football rights. You had mentioned in the past that perhaps when they expire, you might consider not having the exclusive rights, you know, have you changed your opinion given the auction is coming up in mid 2014?

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

Okay. On the Whop and Whoppa tiering, this is indeed better than what we anticipate in terms of the mid shift, I think it was also available from the fact that the broadband revenues, indeed, we're seeing some acceleration in Q3, of course, that's still the beginning.

We see, for example, in terms of in-flow, that more than 50% are now [achieved], and so around 60% is taking the Whoppa, so the high end tier. And if we're looking for examples, we're also doing is we're approaching all the existing customers who have those legacy bundles, and there was basically our aim to get -- or I think, already close to 800,000 above the total, so which is going to be almost every bundled customer onto the Whop and Whoppa window by year-end. That's indeed the achievements.

John Porter - *Telenet Group Holding NV - CEO*

Yes, on the second question, on cost, the increase and direct cost and -- or cost of good sold and by the increased mix of mobile customers we have, which are obviously at lower margins, is obscuring actually a very good performance in indirect cost, and we expect to be able to continue to do that for some time.

We have real operating leverage in this business and we're able to add customers and we're able to add revenue without adding direct cost to managers, customers, or revenues. So there's two sort of competing forces. One is the fact that, you know, we do have upward pressure on content cost and, of course, on mobile mix, but the organization is doing a very good job, and I think you'll see that flow out in the next few quarters on driving real operating leverage into the business model.

On the football, you know, we are convinced that having football is good for us and it's been a profitable investment for us and it's good for our customers. Our customers expect us to deliver them the best variety of entertainment available, and we will continue to do that.

You know, we are entering a fairly sensitive period relative to renewals. And there's a number of, you know, models that we might pursue. And basically, at this point, nothing's off the table. Our attitude is it's ours to lose and we don't intend to lose it.

But that being said, there may be other ways to bring more value in the premium sports area or other ways to, you know, to improve even the marginal impact of football for Telenet.

Michael Bishop - *Barclays Capital - Analyst*

And just a quick follow up on that. Do you know yet if the auction process and the packages are going to be structured in the same way they currently are, or is there any proposals to change, maybe splitting that more or anything like that?

John Porter - *Telenet Group Holding NV - CEO*

Well, I think the league actually said that they were considering some alternatives and you can rest assure that we would be right in the mix.

Operator

And the next question comes from Stephane Beyazian of Raymond James. Please go ahead.

Stephane Beyazian - *Raymond James & Associates - Analyst*

Yes. Just one question going back on mobile, if I may, can you just help us to, you know, modeling of the budget that you have there in term of marketing cost per customer and how this has changed over the last two to three quarters, or to put it differently what sort of payback per customer that you are now looking at or that you are happy to accept versus what you are doing previously before the second quarter.

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

Well in terms of payback compared to the second quarter, it's stable and of course, we don't provide any details over inside and what pay back rules we we're using for the product. Of course, Q1 was somewhat odd and that was also the case, I think in the two quarters in the previous year because there, of course, we had a high inflow also for handset subsidy rate plans that was, of course, giving a different pay back schedule.

Now, on the other hand, if we're looking at the entire customer flow, I would say, people, for example who take a subsidy plan also tend to churn less than [SIM] only customers so there, of course, you have somewhat off-balancing effect if you also take the churn into a counter. But compared to Q2, it was pretty stable on the per inflow user basis in Q3.

Stephane Beyazian - *Raymond James & Associates - Analyst*

And just to follow up on that. So except some tactical -- some tactical decisions, we should be expecting, therefore, that you would be looking to stay on that sort of pay back that you've been on for the past two quarters.

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

Well, in general, I think, indeed, we have a specific pay back rules in place for every product that we're putting in to the markets. Of course there could be some exceptions like, for example, what we also will be doing and we've already announced it today is the iPhone and it will be subsidized with specific rate plans that we have also in the past which is iKing and iKong.

So there are some exceptions but in general, so I think, also in that case, it is indeed following the same pay back rules for mobile in a whole -- as a whole.

Stephane Beyazian - *Raymond James & Associates - Analyst*

Okay.

Operator

We take the next question from [Josh Ramesh] of Goldman Sachs. Please go ahead.

Josh Ramesh - *Goldman Sachs - Analyst*

Hi, there. The first one is, can you find provide idea if the (inaudible) accretion which your (inaudible) packages could afford, given the potential for cannibalization of existing TV products. And the second is do you see any opportunity that's a large acquisition either in or out of market could use a tax liability by increasing goodwill amortization cost over time?

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

On the ARPU cannibalization on other TV products from Rex & Rio is actually very limited because Rex & Rio is going to be a replacement for the thematic packages on prime that we have to today but actually, the pricing of Rex & Rio is also slightly high than what we had before.

And next to that, you still have the video on the month window which is having different -- yes, windows based in that library windows that we're using there. So it's basically product that was going exist next to the general video on the month portfolio that we have. And it's basically done a replacement for the existing thematic packages which all yield a higher ARPU compared to the previous ones.

John Porter - *Telenet Group Holding NV - CEO*

Yes, if we manage the mix, right, between Rex & Rio as we manage the migrations from prime and from the thematic packages, we know we should be ahead. And overall, we think the product is one that is much more -- will be much more free and therefore, deliver lower churn and ultimately higher penetration for premium entertainment category.

On the acquisition front, I think, you know, most people would have, you know, figured out that one way to align our balance sheet with our net operating losses versus our earnings is through an acquisition. You know, we are always vigilant.

If there are opportunities out there, we think Telenet is a business that, you know, within Belgium, certainly could ultimately manage a bigger footprint and of course we, you know, the biggest opportunity for cable companies like ourselves is adjacent cable companies and scale that that kind of acquisition delivers.

That being said, there's nothing on offer or is there activity on that front right now. But, you know, we're fully aware of what M&A activity would deliver to the business both from the standpoint of synergies and, you know, tax planning and we will remain our focused on opportunities as they arise.

Operator

Emmanuel Carlier from ING has the next question. Please go ahead.

Emmanuel Carlier - *ING - Analyst*

Yes, hi good afternoon. Several questions, first of all, on digital TV, the net ads were slowing down again. Could you maybe make some comments on how you intend to accelerate that and if you plan a further move just ahead of the cable regulation?

Then on Rex & Rio, could you provide some subscriber members, so far, and then the last question, and if I do the math, I have the impression that even targeting 8% EBITDA growth this year and it seems like you still have quite some margin left. And so could maybe make some comments on where you prefer to spend that money?

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

Okay, on digital TV, the inflow is indeed somewhat lower bit of course but what worked last year is indeed the channel reshuffle. That was the one of the event and of course, we introduced some promotions there to incentivize people to switch from analog to digital.

We might be doing that again, maybe in the course of next year if we indeed see that that the migration from analog to digital is slowing down even further than what we're seeing today.

I think the combination with having Whop and Whoppa now into the market, having indeed now also Rex & Rio into the market, I think there still going to be some good organic growth in the digital TV ahead of us. Don't forget that we still 20% of the customer base sitting on analogs so there is I think still good potential. And I think that as long as we can do it and convert people in a very economic efficient way -- financial efficient way, then that's the way to go for.

Of course, we're never going to exclude that once we're going to enter into a moment that still keeping the analog customer base alive, we might need to be looking, say at alternatives to switch those people over to more rich or kind of digital environment.

John Porter - *Telenet Group Holding NV - CEO*

Rex & Rio, I think, is you know, it's obviously premature to quote any numbers, it's just been a couple of weeks. But what I will say that as you would expect, the skew towards Rio is very high, you know, because probably at this stage of the game, we're getting a lot of the earlier adapters but Rio is certainly getting it a great response and we're in the process of talking to customers who are taking a product and getting their feedback on it.

And on the run rate, in terms of EBITDA, in terms of full year targets, we are maintaining a level of flexibility so that we can, you know, be, first of all, supporting Rex & Rio, continue to roll out, Whop and Whoppa migrations and importantly, probably what's, you know, the best selling period of the year for mobile with a launch of the new Apple products, you know, handset subsidy strategy and very aggressive promotion around mobile for Q4.

So you will see, you know, our go to market expense has increased in the fourth quarter but hopefully, similar to what we experienced last year, that will create some good momentum to carry the great performers to the company through -- into 2014.

Operator

The next question comes from Paul Sidney of Credit Suisse. Please go ahead.

Paul Sydney - *Credit Suisse - Analyst*

And just three quick questions, please. And first the -- where do you think your customer mix can move to longer term in terms of the split change of play and double play and single play. And second question is do you think modest price increases can continue to be put through going forward on fix line products. And just thirdly, just looking more sort of I guess very long term and Telenet, see a time where owning traditional mobile infrastructure may actually be more strategically beneficial than the current MV&O model. Thank you.

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

On the triple play mix that we're anticipating on the near term future, I think it's one of our ambition and view to get that triple play share, to let's say, 60%, 65% in the next four years. That's to say the internal target that we have.

The mix, of course, between double play, single play is also going to lead more into double play because as we said on the financial side are going to be our ambition to offer more convergent services so there's actually no reason why consumer should stay on the single play platform. Except let's say maybe for some exceptional, people who may need one to give just some kind of TV or broadband line going forward but that should be indeed a minority of the total.

John Porter - *Telenet Group Holding NV - CEO*

On pricing power for a fixed line products, you know, it's certainly getting tougher. Our overall strategy though is to make quality and value, service differentiation, [RUSP]. We are continuing to add products and services to the mix of our connectivity bundles of Whop and Whoppa such as Triiing such as Yelo TV, et cetera, which increase the overall value of these services. Keep us out of the sort of utility mindset of some of our competitors and then ultimately deliver us pricing power. And that's the strategy that we're pursuing on that front.

In terms of, you know, our goal is to stay ahead of CPI growth on a compounded annual rate. And so far, we've had success in doing that.

In terms of owning a mobile network, you know, there are lot of challenges in the mobile space right now. I think, you know, certainly a majority of our board has been consistently of the view that, you know, the optimal way to play in the mobile space is with a good partner and, you know, as full in MV&O, you know, as we can negotiate. We happen to have that with Mobistar and our -- we also have an agreement on the 4G which is very critical, I think, going forward to, you know, operators.

So we have a lot of what we're looking for in mobile. That being said, you know, we're now getting to a critical mass of customers. And if we felt we couldn't maintain, you know, real -- real advantage or we couldn't continue to be competitive in the market place, in both residential enterprise space without on mobile network. You know, we will certainly take a hard look at it.

Operator

(Operator Instructions). And the next question comes from Frank Knowles of New Street Research. Please go ahead.

Frank Knowles - *New Street Research - Analyst*

Hello. Yes, so most of my questions actually have been answered. I just wondered if you could follow up a little bit on the likely impact especially on the cost side of the iPhone subsidies in Q4 and I guess into the Q1 next year in terms of will they let you -- you sort of mentioned that obviously in the last couple of calls is you've been improving the handset subsidy picture on the cost is that likely to reverse a bit in the next few months.

And then last year, just a concern on I'm sorry I got slightly confused what was talked about on the call about one-offs in EBITDA numbers whether that was all in the 9-month to 9-month comparison or whether if we look at this over year on year, just for the quarter whether there was any one-off either in this quarter or the prior year quarter that we should be adjusting for.

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

Yes. On the cost side impact of the iPhone well of course that's going to depend on what's the -- the uptake is going to be. The [rate times] that we are putting out for iKing is going to be a EUR45 rate plan. The iKong is going to be at EUR75 and for example, for the -- I'm just reading here the numbers because we just released it. It's like a 5S is going to be EUR99 with iKong.

And then you have indeed 199 for the other one. So it's the same as what we have before but the big question mark goes for us is indeed, what's going to be the uptake. We've seen that in the US via the fax was sorry the 5S was indeed more successful than the 5C and that could also have a change, some stuff in the mixture. But I think the impact is not going to be that drastically different as what we've seen with other iPhone launches in the past.

If we're now looking at the impact on the numbers in terms of exceptionals. In the third quarter alone, we had a negative impact from EBITDA of EUR1.3 million. For the year to date, we had a positive impact of EUR4.1 million. That's through your second question.

John Porter - *Telenet Group Holding NV - CEO*

There's lot of puts and takes in there each way.

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

Yes.

Frank Knowles - *New Street Research - Analyst*

So the Q3 negative impact to EUR1.3 million, so we can compare that with the reported Q3 number last year or were there one option in that as well?

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

No. In Q3 last year, we have positive impact of EUR5 million. So basically there's a net change of EUR6.3 million if you would compare to the reported numbers.

Operator

We take the next question from Alex Grant of Macquarie. Please go ahead.

Alex Grant - *Macquarie - Analyst*

Hi. Two quick questions for me please. How do you see the Belgium mobile market playing out in the fourth quarter? I mean do you think there's a risk of a sort of step up in price competition given yourself and Mobistar will both be competing with the iPhone while Belgacom will not be?

And the second question is what criteria would there be for a commercial agreement with Mobistar on cable rather than perhaps allowing them to go down the regulatory route?

John Porter - *Telenet Group Holding NV - CEO*

Yes. On the market, you know, obviously, the iPhone current plan which involves the subsidy we think is, you know, will stand out and create out a field in Q4 between ourselves and Mobistar. You know, we expect to take a fair few of the net ads over the next six weeks.

In terms of price competition, you know, our USP has not been price so much since the launch we've held our price very steady. But really what seems to be attractive to customers in the market is our simplicity approach, we only have two products, in fact, 90% of the product -- 90% of product is on the King side.

So, we don't expect there'd be a lot of volatility in the price. We think if there any volatility will probably come through the handset subsidies and, you know, everybody will take their best -- make their best crack there.

In terms of discussion with Mobistar relative to a rational or commercial access approach, of course, we are open to discussing with other commercial players, you know, possible arrangements that also the wholesale agreement -- the wholesale access regime has a -- I guess a component which says that under the auspices of the access regulation if you first want to have a crack at, a commercial discussion that you can do that under the agreement, under the regime.

So, you know, we haven't heard anything yet. So we're waiting, you know, waiting to hear. But, you know, I would expect that that would be a conversation that somebody might want to have. And if they do, we'll be willing to have it.

Now there are wholesale and sort of agency type arrangements that a win-win for both network operators and their agents and, you know, if we could get to something like that it's not religion for us. So, we be might willing to go there. But as of right now, we have not been notified that people want to have that conversation.

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

I think one of the elements also which is important to wait is -- first what's going to be the result and the outcome of the quantitative offer so what's gong to be now the final [retail minus] regime. And of course, I think another uncertainty also for the potential wholesale customers is the fact that you still have the legislation which is only going to be ruled mid 2014 which has indeed the potential that the whole regulation case is going to be annulled. Those are I think one short-term uncertainly and one long-term uncertainly in the whole equation.

John Porter - *Telenet Group Holding NV - CEO*

The litigation.

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

Yes.

Alex Grant - *Macquarie - Analyst*

Okay. Do you have any ideas of timing on the RPI minus price levels? I mean is it in the next month or so?

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

Yes. We indeed expect that this should be published in the next month, November timeframe.

Operator

We take the next question from Stefaan Genoe of Petercam, please go ahead.

Stefaan Genoe - *Petercam - Analyst*

Yes. Good afternoon Stefaan Genoe from Petercam. I've got some three or four questions left, please.

First, if I look at the fixed telephony order or the telephony revenues in general. I'm looking at the mobile revenues. I've got the impression that the fixed telephony of view is down more than traditionally in Q3, if that's right. And if so can you explain a bit.

Secondly, you indicated [gate backs] to sales ratio to go down in the coming, in the coming years. Could you, which is also implied that we should see free cash flow growths in 2014 and, and the years beyond.

Third question is on shareholder remuneration, you indicate there are no active M&A files on your desk. You've also indicated the availability test on your leverage indicates the leverage ratio of 5. Are you still going to further increase leverage to this level and if so, how would you do it share buy back or would your preference be on dividend payments?

And then, perhaps the final question, follow up on, on soccer rights. It seems that Fox has been talking to the league in recent weeks and months. They've also started in the Netherlands already with the soccer, with the soccer rights. How would you look at Fox entering this market and would you for example be prepared to just buy the broadband rights if the soccer or if the, if they would decide to, to sell the TV and broad, and broadband rights separately?

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

Okay. Stefaan on the fixed telephony ARPU. The thing is of course what is reflected also in that line is the bundle discount basically that needs to be transferred from mobile to the, to the fixed business and that is indeed somewhat interrupting the evolution that we are seeing on our fixed individual product that are presented. Basically also the reason why we don't report on this anymore because it's becoming very old now to compare any trends in there.

But what I can say is that the, the mobile revenue actually if you want to, to compare, compare the growth rates for fixed and mobile. You should take out a close to a EUR3.3 million out of mobile and put that basically back in fixed and then you get a let's say more like a like for likes ARPU or let's say total revenue evolution for fixed. In terms of a CapEx, sorry?

Stefaan Genoe - *Petercam - Analyst*

Has there been a shift in the first quarter versus, versus the previous quarters?

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

Well, of course that's growing because that the, the growth rates in mobile are becoming bigger. So also the, the discount that is actually that should be allocated back to fixed is indeed also getting bigger.

Stefaan Genoe - *Petercam - Analyst*

Yes.

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

So for example, for the, for the year to date, we're talking already close to 9 million of revenue that should be transferred out of mobile into fixed. That's also why we, why we disclosed the 3% underlying growth rate for fixed.

On CapEx to sales, it is indeed our ambition to, to put it for a down. And of course since we at the same time, have the ambition to continue to grow our EBITDA. You may indeed expect that the free cash flow should grow in the coming years. Assuming of course that you will have a, a stable, stable time of leverage and stable interest expenses.

John Porter - *Telenet Group Holding NV - CEO*

Yes. On the, on the leverage and then and the capital management fund, you know we've always been consistent in saying that, you know, we want to maintain a degree of a, of flexibility given, you know, the, the sort of benefits to the business of M&A transaction. Assuming that there are accretive transactions to be done out there that would be our first choice. Secondly, our capital return in the form of, of a buy back and would probably our second choice. And, our third choice would be a dividend.

We will continue to maintain leverage at the target end of the market which is 4.5 to 5. And right now, we don't have any and there's no specific direction from the board on which they like to move forward.

On, on Fox, you know, we you would expect that they would be in the market, you'd expect they would talking to see if there are opportunities, I think in terms of your thesis, you know, I don't think there's a great business model for Fox unless they have distribution on Telenet. So, I think they would certainly, we would be their first [protocol], if they felt like they had some sort inside track to win the rights, that would be, that's what would be assuming they do have an inside track to win the rights which I'm not sure they, they do but, you know, hopefully we will come up with a rational renewal of the rights here.

We, you know, we have certain rights to certain football including importantly the Premier League, Belgacom has certain rights, Fox now has certain rights that they're acquiring more globally. It's a bit of a hodge-podge. What we want to do is ultimately end up with a product that's extremely attractive to consumers, delivers them the most value for money and make football a sort of less marginal premium product in Belgium and, you know, get it to it's rightful level of distribution.

We have the rights right now. And typically in these kind of things, incumbent right holders once again have a bit of an advantage. And our attitude is that it's ours to loose and we'll see how we go but, I mean it certainly, Fox has a great track record in delivering high quality sport channels. And, you know, that wouldn't be the worst outcome in the world either.

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

Yes. I agree on the latter. Perhaps the final follow up, would you consider buying a broadband for it only?

John Porter - *Telenet Group Holding NV - CEO*

Yes. We want to have the football. We want to have the football on TV. I mean is that what you're implying that we would pass on the -- and just by the broadband rights. No, I don't think so.

Operator

The next question comes from Akhil Dattani of JPMorgan. Please go ahead.

Akhil Dattani - *JPMorgan - Analyst*

Yes. Hi. Good afternoon. Just a couple of questions please. Firstly on the broadband side, you mentioned at the beginning of the call that you were at a point where now the average speed across your broadband basis over 60 megabytes a second.

I just wonder if you could help us understand how that translates into usage at the moment both in terms of the absolute average usage level you're seeing in your network and also what that means in terms of revenue growth rates you're seeing in data traffic across the network as well.

Secondly, on mobile, you've talked about the likelihood of launching 4G services early next year when Mobistar starts off of those. I just wondered if you could remind us and clarify whether you have the ability to offer 4G as soon as Mobistar themselves commercially launch it or if they have any time to market advantage. And with that, is there any sort of color you could provide around the economics of 4G and how those compared to 3G for you on the MV&O agreement.

And then, finally maybe a bit of an unusual question but in the context of discussions and speculation around UPC Netherlands and Ziggo potentially merging at some point, one of the rumors that have been circulating that Telenet could in some way become involved in that sort of transaction without potentially a root to enabling Telenet to use UPC Netherlands tax assets.

I'm not really sure that's something you want or will comment on but I guess at least in principle just in interest to understand whether theoretically that would make any sense at all. And if such transaction, were to take place what the approval process would be from Telenet side?

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

Akhil, Vince here. On the data traffic following the increase of specs now, of course, the specs have only been increased very recently and we don't have let's say the full statistics yet on how the usage of patterns are changing.

The thing is what we can say is that before the launch of Whop and Whoppa, we had about 27 gigabytes per user on average that was being used on a monthly basis. That is indeed still increasing but at the same time we also see that the sequential increase of the monthly volume is somewhat lower than what we've seen for example in 2011 and the views for 2012 when we had the rise of more YouTube streaming peer to peer (inaudible).

We also, for example, see that the whole peer to peer traffic is taking -- is actually seeing a downward trend because indeed we're seeing more and more legal kind of things, how people are consuming media and music, and of course going to have a positive impact. But having said that, at the same time, of course as we said we continue to invest in the network to make sure that we are going to be able to cope with any usage increase but too early to tell you what's the effect from Whop and Whoppa and the doubling of the broadband speeds.

John Porter - *Telenet Group Holding NV - CEO*

Yes. On the 4G services, the simple answer is yes, we can and would intend to launch it the same time as Mobistar. In terms of the economics, we know we already have a deal in place with Mobistar which, you know, we're happy with. But in terms of how that gets deconstructed, you know, we don't have -- we have it really priced the services and, you know, it's still I think a brave new world for most operators here in Belgium. So it'd be hard to really give you any guidance on that right now.

Akhil Dattani - *JPMorgan - Analyst*

I guess, the only thing. I guess, I as just wondering, if you're able to give any color and it was just to understand whether the wholesale rates that you are afforded on 4G are the same better or worse than 3G. Just if directly or do you have any color on that, that'd be useful.

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

No. On 4G, we have indeed better rates, but we can't disclose the magnitude of that.

John Porter - *Telenet Group Holding NV - CEO*

Yes. So, I know on Liberty Global's activities in the Netherlands obviously there's been some talk about that publically anytime you put adjacent cable companies together, it usually ends up being a pretty good deal, but M&A will do that in the Netherlands yet.

In terms of the implications for Telenet, there's nothing on our radar screen currently. You know, we -- there's obviously if there was one cable property in the Netherlands, you know, we would look for -- and it was controlled by Liberty Global, we'd look for ways at least commercially to get some leverage out of that relationship.

We're already doing a few things to enhance value both for our customers and for our shareholders working on services like single authentication across the Benelux Wi-Fi networks and a whole other range of benefits so that customers can enjoy across boarder. But these are all things on the commercial level in terms of any kind of corporate activity.

There's nothing on the horizon. And if there was a transaction we don't know what formed it would -- propose, we don't know what form it would take, so we can't speculate on, you know, who could vote or how it would work or anything else, so, we can't really speculate on that.

Operator

We take the next question from [Will Mina] of [Arid Research], please go ahead.

Will Mina - *Arid Research - Analyst*

Thanks a lot. Just a couple of things, I noticed in the quarter there was no share buy back in. I think you had a target this year for EUR50 million or approximate EUR50 million. I just wanted to get your thoughts on that and why there wasn't a buy back in the third quarter and what the intention was before the year end.

And then, secondly on slide 21, you put up a chart showing in 80% of data usage out of the home for fixed users was on the Homespot Networks. I guess most of it is PC and tablet usage, but I just wonder if you can say what this sort of average usage is for fixed broadband user out of the home relative to their in-home usage and I think you gave a 27 gigabyte average number previously, I'd be quite interested in that. Thanks a lot.

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

Okay, on the share buy back program indeed the EUR50 million was introduced that says as an offset when the dividend was paid back in the June this year. Of course we haven't -- there was no need to use it and we still keep it in the back pocket. There is no decision being made and indeed we haven't use to any of this in the third quarter.

Of course, the current share price it also means that if we are doing to the buy back that the investors would tender at the occasion of the Liberty tender. Also need to be top-top. So, we expect indeed that the work might indeed postpone any usage of the share buy back maybe in 2014, but as I said no decision made at this point in time yet.

On the comparison of out of home and in home use you're right, we need to assume that it is also including tablet and laptop usage out of the home. On the -- that's it, the ratio between in home, out home -- I need to come back on this one. I don't have the details -- numbers with me on this one.

Will Mina - *Arid Research - Analyst*

All right. Thank you.

Operator

We take the next question from Marc Hesselink of ABN AMRO. Please go ahead.

Marc Hesselink - *ABN AMRO - Analyst*

Thanks. Two questions. First, on the mobile offloading you say that there's still potential to do that. I remember from the last call you said you're currently [doing] margin on more or less roughly above 20%. What do you think that's still (inaudible) gain also maybe in potential with also some files offloading if you would combined it with also probably with the Triiing app.

And then, secondly more skeptical on the market in general, it's getting on the fixed side, it's getting more mature. And you said that you're going to more simpler products. And what this imply if you're having lower net ads going further in the future, is that going to bring down your cost considerably or at do you expect to spend more and to get the last customized to your triple play products.

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

Okay. On the offload capacity that we have -- still ahead for consumer on mobile will have to be shown, basically a mobile customers currently only using 40% of the Homespot capacity and 60% is still going over 3G. Of course, what is the impact that's very difficult to calculate because there are so many factors indeed playing a roll here, the question of course how a much will, a user, indeed, be effectively using the Homespot.

The thing is when we do believe that the introduction of the EAP-SIM, that's EAP-SIM that's new kind of technology which is going to get for the seamless transition and authentication to the Homespot is of course, going to improve the usage of the Homespot much more and that's going to be combined with the fact that we will be rolling out our Homespots even further in 2014 up to a level of 1.2, 1.3 million even across Flanders.

So that combination, of course, has some positive impact but it's difficult to put a number against this, one, what's going to happen in terms of margin improvement? Of course, it will have an improvement but then next to that as we just said, you also see improvements coming from 4G alike as well.

John Porter - *Telenet Group Holding NV - CEO*

In terms of the forecast or fixed, you know -- you know certainly like the levels of share of take up and penetration that we have, you know, there's not a lot of run runway in terms of more penetration. However, you know, we are trying to drive and, you know, we think we can increase the ARPU by continuing to add services and then mix.

And in terms of the cost-based, it's not going to be clear until 2015. What real benefits that we could derive on the cost level and with the lower sales profile. Because we are in the midst of a massive amount of migration to clean up our legacy products and getting people into getting virtually all of our customers into the Whop and Whoppa bundles.

But, you know, in theory simplification and a lower volatility and our customer based by a lower churn, more satisfied customers, more triple play, quad play bundles should deliver a much improved cost profile. That's the principle behind it, that's why we're pursuing it and, you know, but in terms of its actual impact, I couldn't tell you whether it's two points, three points. I don't know but we will see probably by 2015.

Marc Hesselink - *ABN AMRO - Analyst*

One follow up on the first slide, did you also think about voice offloading via the Wi-Fi networks?

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

Yes, with the introduction of the VoIP app that's definitely going to be a way also to do some offloading there. Again, as we said that as soon as we will have the new SIM cards introduced which we're going to allow for a seamless handover and authentication, people in need will then have the full benefits of those using that VoIP app over Wi-Fi. So indeed that app is indeed allowing you to use it. Also (inaudible) is also going to save on roaming cost as well.

Marc Hesselink - *ABN AMRO - Analyst*

OK, clear. Thank you.

Operator

We take the next question from Bart Jooris of Bank Degroof. Please go ahead.

Bart Jooris - *Bank Degroof - Analyst*

Yes, good afternoon. Basically, one question trying to get some more clarity on the ARPU evolution certainly because the transfer of, let's say mobile discounts going towards the fixed product.

Is that the main reason that on quarter and quarter basis, your fixed ARPU for customer relationship state virtually flat despite you going up 2% in market share of a triple -- not only market share but 2% more triple play customers in your whole pie in the third quarter. Or is there also a discount effect from transferring people to [Whop, the way that] I've been thinking because if you look at the price of -- let's say the old Expressnet and you add digital tele -- digital subscription -- television subscription then you get virtually fixed for free.

Should you get -- be able to shed some light on there and also if you would account your mobile deductions from, let's say then it could quadruple play or the bundle play to your mobile, what would your EBIDTA margin be there because Mobistar is announcing that your loss making over there.

John Porter - *Telenet Group Holding NV - CEO*

OK, so on the ARPU evolution, you're right. So, it is indeed impacted by the mobile discounts which are indeed all being allocated to fix according to the IFRS rules. We can say for example in the core that the ARPU should be more than let's say half a Euro [hired] and what we are indeed reporting on a fixed basis.

The other effect which also plays a role is the result of us losing less cable TV customers because basically the ARPU is being calculated by taking all recurring revenue on fixed and divided by the basic cable TV. So, of course in the past, we're losing more customers at a ratio of 15 to 20,000, and of course if your denominator is also shrinking you get more like of side effect from the ARPU. So, that's also I think playing a role.

In terms of the mobile profitability, I think if you're referring to, all we can say there is that we are making money on the EBITDA level. And then I think if you look at the three cash flow of our mobile business that it is now fully in line with our fixed business, of course, we have more OpEx that we pay to Mobistar and some sales activities of course without them being offset by much lesser CapEx that we need to spend on mobile. But it is definitely a profitable business and still growing.

Bart Jooris - *Bank Degroof - Analyst*

Okay, thank you very much.

Operator

And the next question comes from Stanley Martinez of Legal and General Investment Management, please go ahead.

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

Thanks, good afternoon, and thank you for taking my question. Most of my questions have been asked and answered already, but if I could just return to the issue of tax efficiency and, Birgit, any initial thoughts on a part from the M&A discussion how you might seek to use some strategies to mitigate the potential tax liability in 2015 specifically can you push down any of the existing senior secured that of the operating company, to the holding company to better align with the tax liabilities or are you perhaps more open to issuing new holding company debt to get back to 4.5 to 5.5 times leverage and potentially fund the 2013 final dividend in 2014?

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

So from -- the thing is basically looking at the current holdings structure of the company I think we've already collapsed quite and consult already quite a little of companies in the past to make sure that we can make us much effective use of the tax loses that we had in the different entities.

So, it basically it means that if we need want to optimize the tax position indeed there are two ways of doing that because indeed by issuing more, or secondly indeed by doing some inorganic transaction. And of course, we just indeed looked at all the opportunities that we have today, there's nothing at the table. But of course you can exclude that something could be moving in terms of the Belgium market in the comings months. But those are actually the only two options that are left for optimize or push out to the cash tax paying position of the company.

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

Yes, Vincent, maybe I can ask the question a different way, absent any M&A, what proportion of the potential 2015 full cash tax payment do you think you could defer or assuage? Or is it really just sort of binary based on what you decide with respect to M&A consideration?

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

Well, for 2015, the cash payment that we have to make I think is already going to be there because that's going to be based on the fiscal year 2013 which in that being close. So, there we will have to pay some cash taxes, although it will only be at a 50% level of what we should be paying in a full year because you have some time value sitting there as well.

But, yes, other than that it's basically indeed a decision that we can make in terms of increasing the leverage or indeed doing some, some inorganic acquisition then in the course of 2014 which could then eventually indeed push out the cash tax paying position that well the cash tax basically that we should pay in 2016 onwards.

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

Okay.

John Porter - *Telenet Group Holding NV - CEO*

And we are confident, we will keep the leverage levels up to in a target range which is, you know, 4.5 to 5.

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

Right. And John, that would be it's a holding company, I presume, as opposed to on a more operating company, senior secured basis as you've done traditionally in the past.

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

Yes, that's indeed -- let's say a structure that we can still look at, that has indeed have been transferred to the Luxembourg entity. So, probably indeed we have to do that at level, but that's to be seen (inaudible) we're going to do that.

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

Excellent. All right, thank you very much guys. Thank you, Brigit.

Operator

The next question comes from [Nina Venimekamitova] of Deutsche Bank. Please go ahead.

Vive Cana - *Deutsche Bank - Analyst*

Hi. Good afternoon everyone. Sorry it's, [Vive Cana] from Deutsche Bank. A couple of questions if I may. The first one is just on distributable reserve. So, I was just wondering if you could tell us what is the level of distributable reserves as of right now? And I guess most of the other questions I have, have been also answered already. Thank you very much.

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

There are indeed, I think, the distributable reserves should be positive but we need to look into the details I think which is in the balance sheets or where you're referring to the natural-paying losses that we have on the total level?

Vive Cana - *Deutsche Bank - Analyst*

No, actually just looking at the distributable reserves from an equity perspective.

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

Yes. We need to take a look into the detailed balance sheets so we will come back on this question.

Vive Cana - *Deutsche Bank - Analyst*

Thank you very much.

Operator

We take the next question of Usman Ghazi of Berenberg. Please go ahead.

Usman Ghazi - *Berenberg - Analyst*

Just one question. On the option for the spectrum you hold, can you just update us on your thinking on that front.

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

On the spectrum, so we introduced indeed a [like to say] commercial launch that we had just showed to the regulator a couple of weeks ago. So we're now indeed awaiting for a final approval to see indeed if we can go ahead with that type of set up.

Again, indeed we continue to explore the different route there. But I think it's going to be all in line with what we previously said already also to the market and that previous occasions which is that we are going to need to exploit that spectrum at very capital efficient ways so you shouldn't expect that to any big peaks or any big investments in terms of rolling out the spectrum.

Of course, we're still seeking for corporation via other MNOs indeed to see how we can make use of the existing infrastructure as much as possible which would then basically be in ideal combination of good efficient use of that spectrum.

Usman Ghazi - *Berenberg - Analyst*

Can I just follow up, is there any chance for you to get regulatory cover in terms of, you know, the regulator mandating mobile operators to open the networks up for you to utilize the spectrum given your network is being mandated for a wholesale cable?

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

Well, that would of course help us in terms of how we could deploy the spectrum because indeed today in Belgium, there is no regulatory to run access being ruled by the regulators so that of course would be very helpful for us. But at this point in time, we don't see any movements into that direction.

Operator

We take now our final question from Sasu Ristimaki of Merrill Lynch. Please go ahead.

Sasu Ristimaki - *Merrill Lynch - Analyst*

Hello.

Operator

Please ensure that the mute function on your telephone is switched off. That will conclude this question and answer session. I would now like to turn the call back to Vincent Bruyneel for any additional or closing remarks.

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

Thank you, operator. And ladies and gentlemen, thank you again for your participation on this call. Should you have any outstanding questions, the Investor Relations team is of course more than happy to answer them. We say goodbye now and hope to see you soon during our road shows or conferences in the next couple of months. Thank you and goodbye.

Operator

That will conclude today's conference call. Thank you for your participation. Ladies and gentlemen, you may disconnect at this time.
