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PRESENTATION

Operator

Ladies and gentlemen, a very good morning or afternoon to you and welcome to our investor and analyst call for the first quarter of 2012. My name is Vincent Bruyneel, and I'm head of investor relations at Telenet. I trust you all received our earnings release last night and were able to access our website to obtain the PowerPoint presentation. It will be used for this conference call and to join the webcast.

Before we start, as usual, I'm obliged to advise you that certain statements in this conference call are forward-looking statements. These may include statements regarding the intents, 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 have referred to the Safe Harbor Statements at the beginning of our presentation.

Let me now hand you over to Duco Sickinghe, our CEO, who will provide an overview of the first quarter highlights, Renaat Berckmoes, our CFO, will provide you more details on the financial.

Afterwards, we are all pleased to receive questions.

Duco Sickinghe - Telenet Group Holding NV - CEO

Thank you, Vince. Good afternoon to everybody. I suggest we turn to page 4 to discuss our first quarter results. I think very important, our triple-play subscribers increased by 10% this quarter by 22,700 new subs that I think is a good result, something that we always seek for in our day-to-day business and it's clearly linked to the successful positioning of our multiple-play bundles, and I'd also say the continuous focus on quality and providing our customer service and the overall customer experience.

All in all, we now have 37% of our customer base on triple-play, 28% on double-play, and for triple-play that equals now to over 800,000 subs on three or more services, which I think is very good result and represents 37% of the installed base.

The key operational highlights on page 5; Digital TV subscribers, I'm going to come back to that later in more detail, 14% up. Again, very much linked to the digitalization process we have been occupied with over the last few years and also last few quarters.



The ARPU per unit customer as a result is also up by 10% and that was our best result since the fourth quarter of 2009. The EUR4.2 result is very significant and is again linked to the integral and coherent concept that we have built over the last few years, in providing not only just simple internet, but apply the Docsis 3 technology. The HDTV capabilities as well as the contents we have acquired and marketed over the last few quarters.

On page 6, the key financial highlights. Our revenues for the quarter at EUR364 million are up 10%. Clearly, there was 10% growth and they're related to the mobile handsets and the sale of set-boxes; and our underlying revenue was really up by 8%, but compared to our guidance of 5% to 6%, I think that's a good start of the year.

But, as has been highlighted by us already in our press release and other conversations with the press, is that we expect our growth to be stronger in the first half compared to the second half, as we expect in our -- lower growth as the soccer business kicked in middle -- in second half last year.

Our EBITDA is up by 11%, again that is very good result. Again, there also there is a slight adjustment to be made or comment to be made that really the underlying growth of 9% and that some of that was linked to an accrual adjustment that we have applied. And that was most linked to our bonus payout.

We have not paid out all the bonuses that we accrued for during the year and that was very much a reason or the reason was very much that we want to stick to our own policies. The customer satisfaction did increase very nicely last year, but did not achieve the targets that we set out for ourselves. And as a result we said -- targets are targets, we didn't achieve all of them, so we are not going to pay out all of the bonus that we had accrued throughout the year.

Key financial highlights on page 7 related to the CapEx expenditure EUR78 million for the quarter, up 39%. And again, all of this is related to the rental set-top boxes. The mid higher migrations of Fibernet, and last but not least to get into the cruising speed of our Pulsar project.

Previously, Pulsar was very much in a more design and study phase, it has now entered the rollout phase and that of course has an impact.

The free cash flow is lower than last year, but I think if you are adjusting this for the working capital change that we have undergone, it will be equal on a year-over-year basis. The reason we've had this big impact on working capital is actually because there was a short supply of hard drives from Tylon.

As you know, the city of Bangkok has had some massive floodings and that has impacted our production capacity of hard drives and related set-top boxes. Therefore our stock was very low (inaudible). And it was replenished in Q1 and it had a negative effect, but barring this effect, our cash flow would have been very much like-to-like on a yearly basis and that implies that we have fully absorbed if not more, the effect of buying the soccer rights.

On page 9, you get an overview of the operational KPIs of the Company -- broadband subscribers up 20,000; digital, 45,000; fixed telephony, very nice quarter, 22,000; and mobile, 11,000, which is higher than also previous quarters.

If you look at page 10, the few key statistics, 65% of our customer base has now multiple play, 35% is on Analog only. Triple-play subscribers, as mentioned before, is now over 800,000. Very nice, they increased over the quarter, and the service per unit customer has crossed an important barrier of 2; all of our customers have an average now 2 or more services. And the ARPU as a result, I mentioned before, has increased to EUR44.8.

On page 11, we recall the crux of our strategy. And you can see that our strategy is linked to growing the multiple play mix in our customer base. On the left hand side, you see the result of Q1 2011. We compared it now to the result of this last quarter and you see that our triple-play customers increased by 4 percentage points to 37, dual-play to 1% and Analog decreased from 40% to 35%.

If we continue this game on the right hand side, you see that we imply that by converting all these customers to triple-play, over time, we have very significant growth in the Company to deliver.



On the next page, 12, a reflection and view on our broadband business. We are now at 1,326 million customers, that means net additions of 20,000, which I'd say in light of our expectations of the overall internet market growth here in Belgium is very coherent. I'm very happy with that result. And the annualized churn decreased a little bit to 7.7, which I think is also very good result.

Overall we reached penetration of 46.5% and that I think sums it all up that we have demonstrated speed leadership and a very good internet experience. That again is exemplified by the next sheet, page 13, where I know that many of as you are aware, many providers use their internet specifications as way to go to market and prove all kind of things. We really like to go back, you know, what is a true customer experience. And the ispmonitor is one of the means in Belgium to give a view on this.

And as you can see, the Telenet products, Fibernet and also Docsis 2 products score very well together with our colleagues of VOO and [Walloon]. So we are very happy with these results, which we -- shows to our customers where they can find the best quality of internet.

On page 14, fixed telephony, very good quarter; 22,000 compared to previous quarters of 16,000 and 17,000 very strong result, 9% up. And also churn has been nicely kept in check. Again, the result of fixed telephony is largely due to reposition of our Shakes, and also due to the introduction of the mobile -- of the option of FreePhone Mobile, and I'll come back to that in a second. And here again, we also reached our penetration of 31.7% at stable churn. All in all, I think very good result for the quarter.

On page 15, we want to give you an insight in our business. It's very often that we launch innovations and as a businessman, you would always wonder, is this worth our customer's time and money and is it worth for the Company to do this. And here you can see that couple of quarters ago we launched FreePhone Mobile which offers an expansion to our FreePhone Europe offering, the -- priced at EUR20, but if you bought it as part of the Shake, it's of course much cheaper. And you see what FreePhone Europe offers. And again the free option of FreePhone Mobile means that you can call for free to mobile phone numbers.

As a result of these kind of enhancements, the minutes of use as you can see on the right hand side quadrupled. So people really took us up on this feature extension, really appreciated it, and made good use of it. I think that's the best of all worlds. We launch new innovative products and we see that they really respond to a customer demand.

Page 16, mobile telephony, we now reached the benchmark of 250,000 customers, up 19% over previous year. Net additions, 11,000, and the 8,000 we recorded for Q4, we mentioned that we have had a couple of thousand clean-ups in there. Also this quarter contains some clean-ups so we continue to do some clean-ups. And nevertheless, we reached result of 11,000.

Last quarter I mentioned that it was our ambition to create a turnaround in our mobile business and revive it and make it grow faster. I think that we are well on our way to do that. I am very happy with that result. Our overall voice business rose by 14%, 9% fixed, 40% mobile contribution.

We have introduced in our go-to-market in addition to the handset subsidy strategy we've had for last few years, also a SIM-only tariff plan and that has been very successful as well.

Next sheet gives you another view. I think that Telenet has launched a number of new tariff plans, Walk & Connect 20. We have recently also launched -- we had another plan Walk & Connect 15. And I am not going to go into the details of all these plans, but you can rest assured that all of these tariff plans have been redefined so to really more closely match consumer needs and therefore better respond to specific segments in the market. And again, I think our commercial results speak for themselves.

We have in the shops that we command ourselves, the Belcompany or the Smartspot shops or our own Telenet stores, we really have a nice collection of smartphones available. I think we were at state-of-the-art there. And last but not least, we have just completed the migration of our HLR.

While we started to build our own core network, we did that in cooperation with Alcatel-Lucent and they acted also as an integrator. At the time, because of specifications, we had to take an HLR from a different provider than Alcatel because they could have met our future set.



And that has caused a number of promises over the last two years and therefore last year we decided to replace the HLR and then put in place a new Alcatel system which does contain the features that we were after in the past. That is no small thing to do this migration. It happened flawlessly. I am very proud of our technical team and also of the contribution made by Alcatel.

Next sheet, the next level I would say of the internet experience is very much a Wi-Fi experience and we are in the course of rolling out our hotspots. As you can see, we have done 300,000 in Flanders. We expect to be by the end of this month at 550,000 in Flanders and part of Brussels alone, which I think provides great density. And we also see that the number of customers making use of this service is increasing by the day and it's a very positive sign.

Also in addition to that, we exploit our Wi-Free hotspots, 1,200 of them, and they again will allow our customers to connect to Wi-Fi easier and easier over time. It's probably important to remind you that most market analysis shows that the use of smartphones makes mostly use of 75% of Wi-Fi networks rather than 3G or 4G systems. So the importance of Wi-Fi cannot be underestimated, and therefore, the strategic value of this hotspot network; it's still going to grow over the next few years.

We have announced in a press release yesterday the new agreement that we have reached with Mobistar. Let me give you some flavor of that agreement. First of all, it's an extension by another 5 years, which again can be extended afterwards. It's a full-MVNO agreement and it has a number of new features to it. In the past, we could only buy minutes and data, mobile data from them in a very, I would say vanilla-only version.

We today, because we have many different customers, we have different customer needs and different usages, we can buy everything either in-built or in a very detailed almost individual fashion. That's going to allow us to have a much more sophisticated go-to-market approach and will allow us also to be more innovative over the next few years.

We are also very happy that we will have access to the 4G services as soon as Mobistar will launch them, so we should have access to that simultaneously and that will be important because 4G is expected to be the next big thing in mobile. And Telenet being an internet and a very much data focused company wants to take advantage of that in our converging strategy.

The deal is signed by Telenet. We have signed a back-to-back deal with Tecteo, in the course of finalizing all of that. And Tecteo has expressed the desire to basically use our MVNO platform and get their mobile services provided through Telenet. So they are part of the agreement but really we will be the beachhead towards Mobistar and then we will help our partner VOO. And as you will probably notice, this is just not a small step and probably a bigger corporation than cable guys who are on average a lot smaller than our big competitors should strive for.

Digital TV, page 20. We crossed 1.4 million barrier in terms of subscribers, 40% growth, 45,000 net adds, a nice digitalization rate of 64% now, great attractive campaigns in the sales period to generate. We are now entering the phase of the analog channel reshuffling, a reduction, and from all the signals I get so far, up to today, that is going very smoothly.

We have worked very hard on doing a very effective campaign to our customers and to local authorities. I know people always find it difficult to accept that we would reduce the number of channels. I think more and more people understand the reason why we do this and the digital use of our network will be a benefit not only to Telenet but foremost, to its customers.

Like to turn to page 21 where you can see that our video-on-demand business has grown actually more aggressively than the number of boxes. I just want to remind you that our DTV business grew by 14% in terms of customers, but that the video-on-demand usage grew by 22%, that is about 50% faster. And that resulted in many, many usages of our platform, very happy.

On the right hand side you can see that we continue to add new customers for our Sporting Telenet platform. And Sporting, for those of you who live abroad and don't have access to our services is not only about local or international soccer, it contains a whole range of other rights.

We have the Golf channel in there. We have the NBA rights in there and a few other miscellaneous sports programs, which continue to receive very, very popular reviews. It's one thing to buy the rights, it's a whole another thing to put it together in a channel that gets very, I would say, positive reviews from our customers.



Page 22, Basic Cable TV. The organic loss has been limited to 17,800 subscribers to be exact, which is I guess very much in line with previous quarters. So we are very happy with that result. Of course, we are fending this off to the best of our abilities and try to keep everybody on board at Telenet and keep them so happily, because we believe that that's the right decision.

But inevitably, (inaudible) competition given the intense competitive environment we live in every day. But again, moving people from analog to digital will improve our revenues times 2 as you can see on the right hand side, and if we are able to transfer somebody from basic cable to triple play that will multiply the revenues by 6.

Page 23, you see a snapshot of our B2B business, grew 3%. That seems modest but is actually a very good underlying result because in the quarter -- first quarter of last year, it contained a very vast amount of installation revenues that were done related to rollout of [Exa Bank]. So if we look at it like-for-like, in terms of service growth, it is a very healthy quarter, very happy with the results.

Our B2B customers continue to award us with very high ratings for customer satisfaction and we continue to work hard towards newer implementations of innovative services like you can see on the right hand side our CloudOffice campaign which was launched recently.

On page 24, quick update where you see the most important milestones for the whole regulatory process we are part of. And I'd say there is one important point. We expected a ruling of the Court of Appeals on the 26th of April of last month that did not come through. We were notified by the court that the likely verdict would now be given on the 22nd of May, but it says here on the sheet, it's the possible suspension because we don't know the exact date. And of course, we don't know whether the court will agree with this to suspend the regulatory measures.

It is interesting to note that one of the CEOs of the broadcasters last week said explicitly in the newspaper that TV was too cheap in Belgium. And as a result, his argument was there was too little money passed on to the broadcasters, but it was interesting to hear broadcaster note that TV was too cheap, something that we've argued all along and has hence led us to the question, what is the problem to be regulated here if prices are very attractive, and two, we see in addition to that a very competitive landscape where the conversion in general from analog to digital is happening faster and now going further that the neighboring countries like the Netherlands where they have cancelled any legislation by the regulator of cable. The true question remains very much on the -- in front of our mind, why are people not taking this.

And for those of you look at this from a worldwide point of view, you can argue that you're going to have more than two strong fixed networks but at least in Belgium, we have got two, and that is a very good position to be in for the country and for the consumers. That's creating strong competition, much stronger than resale partners or wholesale customers could provide for as we've seen in the past with ISPs who performed that role.

Ladies and gentlemen that concludes my part of the presentation. I'd like to turn over to Renaat who will discuss with you the financial highlights and the outlook for 2012, and I'll be back later for any question.

Renaat Berckmoes - Telenet Group Holding NV - CFO

Thank you, Duco. Good morning and good afternoon ladies and gentlemen on the call. I'll briefly run over the financials and give you more insights on the different lines of the P&L.

Starting with revenues as you can see like in previous quarters, premium cable TV revenues remain the most important growth driver with a year on year growth of 28%. Three sources of growth; it's the natural conversion from analog to digital. It's of course the position of the Telenet sporting rights and the success of Telenet Sporting on the back of it. And finally, the ever increasing uptick of video-on-demand.

I think a second important source of revenue growth is the fixed and mobile telephony growth that you can see with EUR9.5 million, particularly reflecting strong mobile sales with also the excellent performance of our fixed line telephony business, not only in Q1 but also in the past quarters.

If you look at the revenue growth contribution of broadband, the EUR4.8 million is actually unfair compared to the real underlying success of broadband. But as Duco has already alluded, we have been very successful in converting dual and single play customers to triple-play.

And as the standalone broadband ARPU is the highest of the three products in the triple-play mix, they take the highest share of the bundle discount. And that's also why if you look at the underlying growth of the broadband internet revenues, excluding the discounts, it still shows a very healthy revenue growth, actually being higher than the percentage growth of our subscriber base.

Finally, a very important factor also to explain the topline results of this quarter is the strong performance of our handset sales following the Apple deal in our mobile refill stores, which explains most of the EUR4.7 million increase.

If you look on page 27 you see of course the difference between the organic and the non-organic or the low EBITDA generating revenues, which is a difference of 8% to 10% but nevertheless you see the underlying acceleration of our revenue growth, which we already alluded to but I have to tell you also that in the second half because of the effect of Sporting Telenet only starting to kick in late Q3, and the effect of pricing pieces, which will peter out in the second half of the year, we should not extrapolate the first quarter results into the year but expect a more moderate top line growth in the second half of the year.

If we look at our expenses, the most striking element here is increase in depreciation and amortization, which mainly reflects the IFRS treatment of our soccer rights, which are capitalized at the beginning of the contract term, and then amortized over the life time of the contract. This is the main difference in the increase in network and operating expenses, mainly reflects the underlying growth of our customer base particularly you will find under this category, the increase of the interconnect fees related to our fixed and mobile telephony growth as well as content expenses which go hand in hand with the ever increasing customer base on digital TV.

The shortfall or the reduction in personnel costs is actually a combination of 3.5% wage indexation, which is a cost increase, which was netted off or more than netted off in the first quarter by the bonus accrual release Duco already has talked to you about.

This brings us to the EBITDA, which shows a very nice increase of 0.4% in EBITDA margin from 52.5% last year to 52.9% in the first quarter of this year, and that corresponds to 11% EBITDA growth.

Quickly going to the net finance expenses. Year-on-year, as you can see, the financial expenses have been heavily impacted by the change in fair value of our hedging products, mainly caps and collars and swaps to protect ourselves against interest rate increases on the floating rate debt part that we have, which is still the vast majority. As of course the interest curve has moved down, we've taken EUR17.6 million loss on those hedging instruments versus EUR37 million gain in Q1 of 2011.

If you net that effect out, the underlying real cash and finance expense has gone up by EUR5 million, and that mainly reflects a slight increase of the base rates but more importantly the increase of our overall debt level as we of course try to keep our debts within the 3.5 to 4.5 times range, and as of course our EBITDA is growing, also our absolute debt level has been growing in the past.

If we look at net income, you will see again the same impact of the evaluation of the hedges. If you exclude that effect, the minus 71% net income evolution actually translates into an EUR18.7 million net gain increase, and that is just highlighting debts. The underlying profitability of the business also starts to show in the net profit results.

If we then move to the CapEx and capital expenditure on page 32, you can clearly see that there is a big increase of almost 39% in CapEx. The bulk of that CapEx increase however is the reflection of an increased stock of set-top boxes as Duco has already explained a while ago.

At the end of Q4, we were running at minimum stock level simply because there was a shortage of HD drives. We've never had a shortage in boxes, but we usually keep relatively high safety stock, which we couldn't manage at yearend, so those boxes came in at the beginning of the year. Also in anticipation of our so called Acrobat project, which was the analog channel reshuffle, we had to go through, we wanted to make sure that we had sufficient boxes ready at hand.

And this is the reflection in Q1. So if you actually extrapolate it to the rest of the year, you will clearly see that this is only a temporary blip on the radar, and that blip also shows up in the free cash flow of EUR55 million. Again, as Duco has said, if you exclude the working capital effect, which mainly relates to those set-top boxes, which we have paid to a large extent cash in order to make sure that we had the hard drives available. If you



exclude that effect, which will anyway will be netted out over the rest of the year, then actually our free cash flow was fairly stable compared to last year. Even if you would include the payments for the Belgian soccer, the free cash flow remained stable compared to last year.

Maybe a snapshot on our debt profile. For those of you who have recognized, in 2018, we have now a new sliver of debt called Term Loan T, which we raised in the first quarter. The EUR175 million was actually netted off by a buyback of EUR124 million of existing debt. So the net debt balance has only increase by EUR50 million on which we pay a [caddie] cost, but later this year we will actually sell that debt back to the original owner, and as a result we will have EUR175 million additional debt on the balance sheet, which provides sufficient handroom and cushion for next year's payout, because for this year we have sufficient cash flow and cash on the balance sheet. But by doing this operation actually we manage to avoid the negative carry on about EUR125 million of debt.

This brings me to the outlook which YOU find on page 36. As you have read yesterday we have kept our outlook stable. It's the beginning of the year so we think it's a bit premature to start changing the outlook. So we have reconfirmed our revenue growth to 5% and 6%; our adjusted EBITDA growth from 5% to 6%. Our accrued capital expenditures will range between 22% and 23%, and as a result our free cash flow will remain stable.

Maybe a last comment on the payouts that you can expect this year. In the mean time, we fixed the dates. So on May 10th, we will pay out EUR1 per share, which is a regular dividend. On the 31st of August of this year we will pay EUR3.25 per share as part of the capital reduction.

And finally, as you have seen in the annual report our share buyback program of EUR50 million is well on the way, be what about halfway on the 24th of April, and before the summer holidays this program will be fully executed, which means that in total, in 2012, we will return around EUR533 million of cash.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Paul Sidney from Credit Suisse.

Paul Sidney - Credit Suisse - Analyst

Thank you, I just had a few questions please. First one is -- could you give us an idea of what kind of scope do you think there is for further price rises, and -- over the next 12 to 24 months.

And secondly, with Sporting Telenet, and in terms of the Belgian football in particular, you'll be able to offer the full eight matches fairly soon. And we are entering a period where the Belgian playoffs will occur. And could you give us an idea how you expect Sporting Telenet take up to evolve as we go over in the next three to six months? Thank you.

Duco Sickinghe - Telenet Group Holding NV - CEO

Duco here. We have said in the past that it's our long-term aim to follow inflation terms of prices, and not necessarily exactly in the same period as when inflation occurs. In the past we have come close to that. We have actually not implemented price rises to the very equivalent of inflation but we have, I'd say, compensated for most of it. And we'll do that in the future but to be very specific about price rise, I can't be for the time being.

Secondly, on Sporting Telenet, yes, Sporting Telenet as I described is a channel that is gaining traction for a number of reasons. The playoffs that actually are fully in underway right now, are doing the job that we thought they would do. So we see very nice traction of customers continue to occur.



And of course the big next step should be this fall, end of August to early September but we then will have the complete suite of all the local matches as far as Belgian soccer is concerned. I think that barring any (inaudible) events we should continue to have a very benign evolution.

Paul Sidney - *Credit Suisse - Analyst*

Great. Thank you very much.

Operator

Dimitri Kallianiotis from Citi.

Dimitri Kallianiotis - *Citigroup - Analyst*

Two questions please, the first one is on fixed telephony, and the last one on mobile. The first one on fixed telephony which obviously had a very strong quarter, slightly surprising as normally, we -- kind of more expecting fixed telephony to continue to trend down. I mean, how sustainable you think this is. It's obviously driven by some of the offers you pushed in Q4 but for this year and even going forward, do you see much upside in fixed telephony?

My second question was on the MVNO agreement that you've extended with Mobistar, it doesn't seem to include the hosting of the spectrum you acquired. So I was wondering what were you going to do with the spectrum, because now that you've signed a full MVNO for the -- until '17. It just feels a bit hard to see why any of the operators would now be willing to host your spectrum?

And my last question is regarding days which is reportedly for selling in Belgium. Now that you've extended your full MVNO with Mobistar, just wanted to ask you, is there an acquisition of base totally out of the question, thank you.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Dimitri, Duco here. I can only concur with you that it's surprising how well our fixed telephony business has done and continues to do in recent times. I think the reason is that we have included that in our Shakes at a relatively low price. So even though you'll see the standalone pricing if you really take a pro rata pricing approach with the packages you would see that for a couple of euros incremental payments you get access to a fixed line. And that's also why we insert this sheet, with the quadrupling of the minutes of use. You clearly see that when you continue to innovate the fixed line telephony product with these features as described in the presentation people really use them.

It's not that they buy our Shakes and they ignore this feature, no, they actively use it, provided that it fulfills benefit for customers and it does, and will continue to grow this business. The other reason why we do this is that we're entering a late cycle of the market where we now get a lot of analog customers who are typical, let's say, analog only customers with Telenet who have a telephony line with Belgacom, and they will move over to digital and they will take digital TV combined with fixed telephony but no internet.

We have seen that a lot of people we have sold to in the last quarter we said why aren't you taking internet, this seems an anomaly. And then it turns out a lot of these people say listen we just don't have internet, we don't have a PC. So we are now starting to sell to a segment of the market that has a need for TV and for fixed telephony and not beyond. I mean it's surprising in this world, but it is still a significant part of the market.

The second question relates to the implication of extending our MVNO, what happens to our spectrum. Now the first assessment that we have made is that while the spectrum has been I'd say very beneficial to us, because it has introduced a certain dynamic while we talk to all the potential MNOs in the market. And there was an interesting, I'd say profiling. Some MNOs would say to us we love you as a wholesale customer we'll give you great rates but we hate your spectrum for a variety of reasons.



And we would say, you're in a position of -- we love your spectrum, we see great benefit, and putting that on our network, but we're not going to give you any good terms for MVNO wholesaling. So we have dilemma there, and we said we're going to go for a good full MVNO agreement and the economic benefit that we gain from that agreement on a cash flow basis pays for the spectrum.

So you could arguably say, the spectrum is there now and has provided some leverage in negotiations but it still retains its value subject to the regulator taking a more active role. And that is a key point; we have had multiple discussions with regulator here, we have said, listen, you can't first of all regulate cable.

And not want to provide an active role when it comes to MVNO regulation, or the rollout of a fourth operator. Everybody knows that the environmental, let's say requirements in Belgium have been increased last year, or I would say the radiation and the emission requirements have been reduced, that's already causing a bit problem and the current operators need -- they are applying for more antennas but they can't get them.

The municipalities are not providing these permits at the speed that they need to again close their network hauls they experience to date. So we're in an environment where the current operators find it very hard to obtain the antenna permits and build them. And so we have said, forget it that we as a fourth operator, would start to think about building our own network. The only way to market for Telenet and its spectrum is to clearly be able to piggyback on the current antennas.

And if the regulator it is does not provide some tailwind in some very clear regulatory decisions, they shouldn't be doing any wishful thinking, we can't apply that spectrum. Having said that our new MVNO agreement, on the commercial basis will provide good economic uplift to Telenet, and therefore we have compensated at least to a certain extent for the cost of that spectrum.

Thirdly, lots of speculation about Base. From our end we have not been notified of a formal process, I know that [KPN] is doing a strategic review, everybody is asking all the good questions. My position today would be -- I don't know in what form Base would come to the market, how the process will be run, what interest may be from parties; if the asset will be a very decently priced asset, any neighbor would look at his neighbor's ground if that be for sale. But having said that, with new MVNO that we have put in place, we've clearly established a Base camp for Telenet that is an benchmark.

The current MVNO agreement we have concluded will provide a very stable and healthy ground for Telenet. So you can never say never, we'll not look at Base, but again we are very happy with the new agreement and in due time we'll find out the circumstances relating to Base, but it's here very much business as usual furthermore. There is no official process that we are part of.

Operator

Emmanuel Carlier from ING.

Emmanuel Carlier - ING - Analyst

I have two questions, the first one is on the TV side. So could you comment there, maybe on the impact from the analog channel reshuffling. So do you see that the customer churn is increasing because of that or do you see rather the opposite, that people are accelerating now quicker to digital TV. And then the second question is on the mobile side, so you have -- our new MVNO agreement and could you maybe comment there on your financial expectations for the year 2012 and 2013. Thank you.

Duco Sickinghe - Telenet Group Holding NV - CEO

Duco here, on mobile, we are not providing that kind of guidance, are we going to do with mobile. Now it's a small business, it's growing very nicely, the related revenues to date have grown very nicely. We have indicated that we have passed the breakeven point towards the end of last year. And the new agreement will further amplify that. And at the same time it allows to have more flexible rate plans as well.

But we have no intention to give very specific guidance, unfortunately for 2012 but certainly not 2013. But overall, we have a good feeling that the business is going in the right direction. Sorry to not be able to give you more insights there.

On the other point, the first quarter is, as I said, very good in terms of the loss of analog customers, very much in line with previous quarters. It's too early to say what the impact will be on our churn for the channel reshuffling. What I can say is that we started this now in earnest in various regions, and so far so good, everything is happening. People are buying more set-top boxes. We convert them to digital. We are monitoring the inbound traffic on our call center, and it's actually as we speak very benign.

So maybe it's going to hit us tomorrow after this call. There will be Murphy's Law obviously, but all the leading indicators as we call them show a very controlled process. But again May and June are the two months people are going to feel the impact and the seasonality is not a coincidence.

We are entering a phase where the days are getting longer and longer, and therefore the dependency to watch TV (inaudible) is reduced. So I think that the timing of this project is also ideal, but it's too early to tell. The second quarter results will give you a much more clearer view on that.

Operator

Tim Boddy from Goldman Sachs.

Tim Boddy - Goldman Sachs - Analyst

Yes, thanks. I am just on for Mark Walker who is about to get married. I wanted to ask about the potential benefits you see from the upcoming launch of the Horizon platform and the timing around that? I am also hopeful just to better understand the dynamics between revenue growth and EBITDA growth. It seems unusual for this business not to see EBITDA growing faster than revenue.

Duco Sickinghe - Telenet Group Holding NV - CEO

I need to remind you Horizon is a Liberty Global project and is not a Telenet project. So we are developing our digital platforms. You will see of obviously similarities because most providers are all converging around the same technology and conceptual ideas. And so obviously, we take good note of Horizon and we are deeply involved in the longer-term development plans of Liberty and ourselves, and we are not part of the Horizon program and related launch and pricing positioning that they have chosen.

Tim Boddy - Goldman Sachs - Analyst

So do you currently have similar functionality already or where do you think that point of convergence would arise?

Duco Sickinghe - Telenet Group Holding NV - CEO

Let me try to simplify it with risk of making some distortions, but I'd say that our current set-top box compares to about 65%, 70% of the Horizon features, we have historically a much more interactive platform and Liberty is converging there as well. They have a set-top box in Horizon that contains a lot more tuners that will give them some more flexibility in terms of the 3-dimensional graphics they use.

But our box is not, let's say our box is much ahead of their current generation and is going to be a little bit behind compared to Horizon, but that also explains to you why we take a little different route forward. For us, when we got -- we are going to take it in different steps. And actually longer term you will see that some Telenet developments will nicely converge with Liberty.



So it's not that we don't work in tandem. We have a lot synergies. And I am proud to mention that some long-term projects for the Liberty Group are actually now being executed in the engineering team of Telenet. So there is -- so we make optimal use of its other skills but the Horizon program as communicated by Liberty is not on our enrollment.

Tim Boddy - *Goldman Sachs - Analyst*

Thanks. That's very clear. And on the revenue versus EBITDA growth?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Largely of the components that represent your revenue growth. And if you compare our revenue growth with some other cable operators, you will see that of course in our case digital TV, which has a slightly higher direct cost attach to it because it involves more content cost as well as mobile, which is also a lower margin business, if you compare it with the broadband and core TV and fixed line telephony businesses are actually representing the largest factor in the revenue growth and they contribute lower contribution margin than the other products. So this has to be compensated by an increase in the EBITDA of the existing business, and that's also what you have seen year-on-year. You've seen our EBITDA margin growing. And as we have guided for in the beginning of the year, we expect at least to have stable margins this year and that's what we stick to.

Tim Boddy - *Goldman Sachs - Analyst*

Okay, thanks very much.

Operator

Stefaan Genoe from Petercam.

Stefaan Genoe - *Petercam - Analyst*

Yes, good afternoon. Stefaan Genoe from Petercam. I have got two additional questions. First on fixed telephony, which performed very well and which we saw minutes of use rising strongly. Is there a possibility that in the coming quarters as people get -- will activate a free to mobile of the people having already a triple play and activating the free to mobile, we might see moderating impact on the sales growth in fixed telephony?

And then secondly, yesterday Belgacom announced some initiatives few days ago on the Wi-Fi cost. This Wi-Fi offloading, do you see this as an opportunity, I would say a sales opportunity in your mobile business or do you see it as a possibility to better position your mobile offering in the future? Thank you.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Duco here. I am not sure I understood your first question. You said great success on fixed and then something like why would that have a positive impact on the future. Yes, so basically that this option of FreePhone Mobile would have a positive effect on getting more customers? Yes, it could. I think it's seen as very beneficial, so it could stimulate the sales. But honestly speaking, I think the sales are more driven by one, the sale and positioning of our packages and two, the effect of digitalization of people who have today analog from Telenet and telephony from Belgacom. I am not sure what the real direct effect on sales will be of this specific option.



Stefaan Genoe - *Petercam - Analyst*

Yes, it could. I mean people that already had a triple play as they start activating because I don't think they get it automatically as to the free to mobile if we could see usage on the telephony side coming down in the coming quarters?

Duco Sickinghe - *Telenet Group Holding NV - CEO*

No, it's going to increase, because it's really linked to -- I mean, you would see the fixed to mobile will increase. So our outgoing fixed telephony will increase. The termination is going to be more on mobile than on fixed lines, which you could argue with that if that traffic starts to multiply, that our mobile termination rates which by the way have come down, which still be relatively more expensive than the termination rates that we experienced on fixed, but we have made our business case, we think that's quite balanced.

On Wi-Fi and Belgacom, yes, I think by now most people in the market and I think it explains interest for cable across the board in Europe because people have understood that more on mobile our world becomes the more important fixed networks that will grow the importance, because today in most parts of the world the mobile usage on smartphones or even PCs or auto devices, the offload is happening. The majority of people's internet use is going over Wi-Fi. So people perceive mobile to be a 2G or 3G and ultimately a 4G device, but if you analyze the traffic, the majority of that traffic goes over Wi-Fi.

Belgacom, I presume, has an interest in there because they may find it easier to offload traffic over Wi-Fi and maybe keep up with the demand of internet, broadband internet compared to the network capacity. I've no insights on that, so it is pure speculation. And therefore as a combined operator they may find it beneficial to drive their customers also to offload a Wi-Fi and that is something that we have argued for the last couple of years and hence steadily built out to the Wi-Fi business, which included in the presentation today is clearly paying off.

Stefaan Genoe - *Petercam - Analyst*

Okay, thank you.

Operator

[Leo Yesselwere] from HSBC. Please go ahead.

Leo Yesselwere - *HSBC - Analyst*

Hi, good afternoon. Congratulations on the results. I have got two questions relating to your debt if I may. First of all, in terms of the interest rate hedges, ARPUs mostly caps or colors. And if they are colors, is there a cash expense associated with them at the moment?

And in terms of the Term T loan and just to clarify my understanding, you issued EUR175 million, we then used proceeds to buy back EUR124 million of Q and R tranches, so that means that if your debt increase by EUR51 million at the end of this quarter I guess based on this transaction? And then my understanding is the tension is for Q2 and R2 to be drawn on the 31st of August 2012. So your -- the full increase in your debt will only happen in August, is this correct?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Definitively on the debt side, I can confirm that your understanding is correct.

Leo Yesselwere - HSBC - Analyst

Okay.

Renaat Berckmoes - Telenet Group Holding NV - CFO

So it's a temporarily increase of EUR50 million and it will be a EUR175 million net increase in the debt by the end of August and that's right.

Leo Yesselwere - HSBC - Analyst

Okay.

Renaat Berckmoes - Telenet Group Holding NV - CFO

If we come back to your first question which relates to the derivative portfolio that we have on our -- to cover actually our floating rate debt on page 30 of the presentation. You have the breakdown, so 78% today is actually covered by swaps so that means that the interest -- the cash impact of that interest is already in the actual cash interest expenses as you see it today, 20% is covered by Collars. We already pay under those collars because the lower end of the collar, so the floor is clearly higher than the current market situation.

So today, we have floor rates on average of around 1.5%. So clearly this is above the current market rates on the three months EURIBOR. That's an average rate and then 2% is on Caps and that's really a very small minority of course under which we don't pay anything. But the bulk of our Collars are also already partially cash paying right now, but that's comfortable.

Leo Yesselwere - HSBC - Analyst

Yes. So in terms of the adjustment that you make the gains or losses on derivatives? What portion of that is actually cash and what portion is marked the market?

Renaat Berckmoes - Telenet Group Holding NV - CFO

The gains and losses on derivatives is 100% cashless.

Leo Yesselwere - HSBC - Analyst

Right.

Renaat Berckmoes - Telenet Group Holding NV - CFO

Purely IFRS accounting it has no cash impact.

Leo Yesselwere - HSBC - Analyst

Okay, all right thank you.

Operator

Usman Ghazi from Berenberg.

Usman Ghazi - *Berenberg - Analyst*

Good afternoon, gentlemen. Thank you for taking the call. Just regarding the initiatives over April to June to convert these analog subs to digital, I was just wondering whether these analog subscribers -- are they mainly people that you characterize as people without PCs and who have telephony lines with Belgacom or are these generally subscribers who have an internet connection with Belgacom and an analog cable with Telenet?

Vince Bruyneel - *Telenet Group Holding NV - Head of IR*

Vince here. On the people that we are trying to convert, basically the people are still there with analog only. It's basically a combination of what you named or of course a half of that. We expected and these are going to be people without internet, so I think that's also going to be an opportunity to sell our broadband to those customers as well and basically convert them immediately to triple-play pack. And that's basically also in line with what we have seen in terms of inflow on the broadband side previously, so half was coming from market developments and new people who didn't have any PC before.

And on the other hand, the other half was basically people coming from competition. So also on the TV side, it is going to be basically the same. So people indeed who still have some fixed line telephony with Belgacom, and I think that's also been shown now and demonstrated in the fact that we were able indeed to already start to track some additional customers on the fixed line telephony in Q1. And that of course on the other hand, people that we are trying to sell new broadband products.

Usman Ghazi - *Berenberg - Analyst*

Okay, thank you and I've two more questions please. I mean the second one was just on the recent noises being made by the deputy prime minister and the new telecom minister on a new report to be conducted by the [BPT] on high mobile and fixed telephony prices in Belgium and to be followed by action if it is proved in the analysis that Belgium prices are too high. I was just wondering how seriously we should be taking the news flow or if you regard it is just politic maneuvering.

And then just finally I had a question on the guidance, I mean, in one of the slides, you mentioned that there is some economic conservatism baked into the guidance. Can you share with us -- maybe quantify if you can how much conservatism is actually baked in and whether it'll be 1 percentage point or so et cetera, thank you?

Duco Sickinghe - *Telenet Group Holding NV - CEO*

It's Duco here. I think the politicians are really focused on the energy market and indicate they want to look at the banking, retail banking market as well. There has been a lot upheaval with regard to the energy market, but if you look at the energy market for a minute, there will be very few customers switching provider from left to right, right to left.

So the liquidity of that market is much lower than ours, and we spoke to one journalist last week and we said we've been losing 60,000 to 75,000 analog customers per year and that was to many people's surprise. So I think in the Telecom market there is much more flexibility. There is arguably also much more competition.

And the comments with regard to mobile, I think really focus on the ability of customers to be able to switch providers; to really say, I'm not going to be locked in in a contract for about two years. I always have the option to get out. That seems the popular thing to do. I think Telenet is not very much impressed, most of our customers can leave.



The only reason you cannot leave Telenet easily is when you brought obviously a subsidized handset, then we can still let you go or you're still entitled to go but you just have to pay the difference between what we invested in the handset and what you haven't paid for yet as part of your monthly subscription. So we provide all those people who want to leave prematurely, we say this is the quote, this is what you have to pay us for using or for buying out handset, and that's it, you can go.

So for Telenet not much impact, for other providers much harder to say. And in general, pricing levels have nicely trended down. I think that Telenet can take some credit for that. We position our products in a very aggressive fashion, and I think it's pretty positive.

I want to manage those results -- I've seen a comment by the regulator BIPT who also made a point actually that you can't compare the mobile market to the energy market, that's very different situation. And there is more drives in the mobile market and that the comparison internationally isn't that straight forward because there are many local circumstances. It's always very popular to compare it easily, but as always the bellows line kind of thing that you have to look at as well.

I don't know, but I think it's going to be mostly focused on can we get out of our current subscription?

The second one on guidance, we always said it -- we give guidance at the beginning of the year and that's already a major step to help investors, but to fine tune that further to make quarterly adjustments is just not something we think (inaudible).

It is going to feed into a game of quarterly adjustments last year. Actually, we got some negative feedback from our investor base and analyst base last year. At some point we adjusted our guidance a little bit and people felt there was a little much ado about nothing and said you should have not done that.

And so I think lesson learned, we stick to our guidance. If you take a more positive reading for the rest of the year, you can do that. We haven't done that. It's the beginning of the year and like every year we have said many things can happen. Our competitors may take moves that we haven't anticipated. It's -- the prizes are always handed out at the finish and not at the start of the race.

Usman Ghazi - *Berenberg - Analyst*

Thanks, Duco. Just to clarify then, so this new report that BIPT is working on behalf of telecom minister, are you saying that that's mainly focused on the mobile market?

Duco Sickinghe - *Telenet Group Holding NV - CEO*

That's what they have indicated.

Usman Ghazi - *Berenberg - Analyst*

Okay, okay, all right thank you very much.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Well, our fixed prices are pretty low. I mean, if you do the EU benchmark they offer various sources, but in particular the OECD report, puts Telenet and the country prices in a pretty favorable position.

Usman Ghazi - *Berenberg - Analyst*

I guess you can -- I mean if you compare Belgium to France you could argue the other way, but I take your point.

Vince Bruyneel - *Telenet Group Holding NV - Head of IR*

Well, we would like to comment because we often get this question. If you compare the ARPUs on broadband of [three] and Telenet, I can only see that the [one of three] is higher than ours. If I compare the ARPU on broadband of France Telecom and Telenet, I can only conclude that the one of France Telecom is higher than Telenet. So it's not because of the standard prices are -- A or B in country A or B, but you have to look at the total cost that is paid by the customers.

And if you do that math, and that's usually the approach that is taken by the OECD for instance to put it on a neutral basis, you can clearly see that the cost people pay in Belgium is not higher than they pay in other countries, but you have to make an apples for apples for comparison.

Usman Ghazi - *Berenberg - Analyst*

Okay, thank you very much.

Vince Bruyneel - *Telenet Group Holding NV - Head of IR*

I think also to add on this, Renaat, also the comment that BIPT even gave to a journalist I think last week when there was also question about the comparison of energy prices versus telecom prices. And they are also -- the minister of -- basically no, the BIPT regulator Luc Hindryckx also replied there that you shouldn't compare those because also if you look into France, for example, you have companies like Free are only offering broadband on a very specific footprint like for example in cities.

And therefore it's much cheaper to offer a broadband service versus in our case in Belgium here Belgacom and Telenet and the cable operators do offer that on 100% footprint basis. So that's also I think elements that need to be taken to the equation and I think that's also what BIPT underwrites.

Usman Ghazi - *Berenberg - Analyst*

Great. Thank you guys for the clarification. Thank you very much.

Operator

Siddy Jobe from Bank Degroof.

Siddy Jobe - *Bank Degroof - Analyst*

Good afternoon and also congratulations from my side. During the last call, you promised us to give us more info on mobile and I guess you have kept word because you have announced the MVNO agreement and you have also indicated on an earlier question regarding the spectrum what your plans are. But I still have some two additional questions on the MVNO.

First, with regards to the corporation with VOO, I was wondering how that deal will trickle through to the P&L of Telenet. For instance, will you be reselling hardware equipment like for instance the iPhone to VOO and will that have an impact on your revenue? And also in terms of revenue linked to -- wholesale revenue linked to on traffic to disagreement, that's basically my first question.

And then second question in 2009 when you first announced the full-MVNO agreement, there was also a second leg in the deal in the sense that Mobistar was also able to use Telenet's fiber optic network. Now, I was just wondering in terms of pricing, has anything shifted in the agreement that you have signed or announced yesterday?

Duco Sickinghe - *Telenet Group Holding NV - CEO*

I will take the first question Siddy. Referring to the VOO and Telenet Corporation on mobile, no offense, it would be premature to give you some comments on how that will be reflected in our P&L as we are of course currently discussing with VOO how to structure the whole corporation agreement de facto. And then we will discuss together with IFRS specialist on how it should be reflected in the P&L, because you sometimes have options between adding certain revenue, subtracting it in cost just net it out, or actually for compensation for expenses, capital expenditures it can be netted off in CapEx or it can be shown in revenues.

So there are various ways to get to the final accounting treatment, but we are, as we speak, discussing that internally with VOO, with our own IFRS specialist and of course we want to make sure that we are importing in line with also our parent company and there are as legal as possible GAAP differences between what we report in IFRS and what we have to report also under US GAAP. So it's work-in-process, but as we move forward, we can give you more update on that.

Siddy Jobe - *Bank Degroof - Analyst*

But perhaps just a small follow-on. Am I correct to say that Telenet will act as a reseller of, for instance iPhones for VOO?

Duco Sickinghe - *Telenet Group Holding NV - CEO*

No, that is not, I -- maybe it could happen. I am not aware that our Company -- it's good to happen because we are buying a lot of handsets right now, and we've got some very good deals. And I wouldn't be surprised if we open up that to VOO, but whether we have an (inaudible) right from Apple to sell to VOO, maybe we have, maybe it's an interest of Apple to let us do that. But on the iPhone specifically, no deal to be announced, and other handsets, I am not aware of a big part of those discussions. But I suspect that that could well happen, but it's still early because remember VOO is not going to launch mobile service deal early next year. So it is still some time to kill.

Siddy Jobe - *Bank Degroof - Analyst*

Okay.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Then you referred to the backhaul situation with Mobistar, that hasn't been modified. We have a overall framework agreement with Mobistar and Telenet on the backhaul we provide. We continue to see good uptick from the mobile operators because not only Mobistar we provide the backhaul to and you can see that mobile internet is going to take more data traffic, they need more feeds to the antennas, they need more antennas because of the low radiation emission standards. So the business grows very nicely.

Siddy Jobe - *Bank Degroof - Analyst*

Okay, thank you.

Operator

That concludes today's question-and-answer session.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Gentlemen, again for your participation on this call, we hope to welcome you on our investor call around the end of July when we will be presenting our second quarter results. In the meantime, I would like to wish you good bye.

Operator

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

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