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PRESENTATION

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

Thank you. Ladies and gentlemen, a very good afternoon or morning to you and welcome to our investors and analysts call for the second quarter of 2013. My name is Vincent Bruyneel, and I am the Head of Strategy and Investor Relations at Telenet.

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

Before we start, as usual I am obliged to advise you that certain statements in this conference call are forward-looking statements. These may include statements regarding the intent, belief, or current expectations associated with the evolution of a number of variables within the future growth of our business. For more details on these factors, we refer to the Safe Harbor disclaimer at the beginning of our presentation.

In addition, I would also like to mention that as of Q2, we reclassified our cable TV subscribers to align to the Liberty Global definition. More information and a retroactive re-class of these subscribers can be found on slide number 4.

Let me now hand you over to John Porter, our CEO, who will provide an executive overview of our strategy and second-quarter highlights. After that, I will provide you with some further details on our operational results, and Renaat Berckmoes, our CFO, will go through the financials. Afterwards, we will be pleased to receive questions.

John Porter - *Telenet Group Holding NV - CEO*

Thank you, Vince. Good day, everyone. I would like to start the call with an overview of our achievements in the first half of this year. We continue with some great momentum of the first quarter.

In terms of new product launches, Whop & Whoppa were at the top of our list as these two triple-play bundles have been launched to replace our entire Shakes portfolio going forward.

As part of our fixed bundle overhaul, we also doubled our Internet speeds. Broadband customers are now enjoying download speeds that start at 60 megabits per second, whereas previously this was just 30. I'm also pleased that we were able to secure the exclusive rights for Premier League for another three years, which reconfirms Sporting Telenet as the top pay-TV sports channel in Flanders.

Thanks to a wealth of international football, we continue to offer the top matches of the Belgian league on an exclusive basis and several other sports and matches such as NBA and golf. As we fully believe that digital TV should be accessible everywhere, we also introduced the CI+ card that allows customers to enjoy the benefits of high-quality HD in places where they can't install a set-top box. This solution is particularly suitable for second TVs.

Looking at innovation, we have a couple of them I would like to highlight. In early March, we introduced our new YeloTV over-the-top application with an enriched user interface, additional content channels for live streaming and several new features such as the ability to watch recorded content from the set-top box on a second screen. We already have 400,000 unique customers using YeloTV on their mobile devices. This has doubled since the introduction of our new app four months ago.

Last quarter we started rolling out the same YeloTV user interface on the set-top box and it's backward compatible with the latest generation of our installed HD PVR boxes covering more than 50% of our universe. By doing this, we avoid significant incremental capital expenditures for box replacements.

Two months ago, we launched Triiing, an app which allows our fixed telephony customers to call with their smartphones over Wi-Fi networks at a flat fee fixed rate. As around 50% of calls originated by mobile phones are made from home, Triiing is essentially a money saver for our customers. After only eight weeks since its launch, the app has been downloaded over 50,000 times with 300,000 calls completed.

Last but not least, we made further progress with the deployment of our Wi-Fi homespots across our footprint. We now have over 830,000 active Wi-Fi homespots representing 60% of our Internet subscriber base. By year-end, we target over 1 million active homespots in Flanders.

Finally, we also delivered solid financial results on which Renaat will come back in greater detail.

Taking a look at our Q2 results, we continued to add a solid set of net new subscribers to our core products. We added 15,500 to broadband, which was 17% up year-on-year, and 9,700 to fixed telephony. Telephony was lower as we experienced some cannibalization due to higher ARPU-generating mobile services and less marketing focus on our previous triple play bundles in anticipation of the launch of Whop & Whoppa, which happened in early July.

Since then, we see consumer demand for fixed telephony rise again. We converted over 20,000 subscribers to digital TV, which was lower compared to Q2 2012. Last year's number was significantly boosted by the analog channel reshuffle.

Basic cable TV net loss reached one of its lowest levels in a long time despite more competition in the low-end segment. Finally in mobile, we added another 50,000 net new postpaid subscribers, bringing the total to 675,000 at the end of the quarter.

The ARPU per customer relationship was up 4% and reached EUR47.3 excluding revenue from mobile services. This growth rate is somewhat impacted by discounts on mobile which need to be allocated to our fixed revenues from an accounting point of view. As customers can only benefit from this discount when they combine mobile with fixed services, the IFRS rules are that we need to distribute the discount over our fixed services.

From a financial point of view, our topline was up 12%, driven by mobile and more fixed RGUs and Adjusted EBITDA grew by 11%, yielding a margin of 53%. I believe this is a great result compared our European cable peer and puts us in the top right-hand corner of organic growth rates.

Our EBITDA growth was up sequentially as we rebalanced our mobile acquisition strategy, resulting in more profitable subscriber additions while we continue to benefit from efficiency gains from customers taking fixed bundles. Our free cash flow was up 80% year-on-year as we reversed the working capital effect of Q1 as anticipated.

I would also like to provide you with a quick update on our overall strategy. First of all, the fundamental of Telenet remains its core fixed network. It is our ambition to deliver the best and fastest connection available in our franchise area ahead of competing platforms. 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 to deliver download speeds of 1 gigabit per second within the next couple of years. That includes the rollout of EuroDOCSIS 3.1. Importantly, we will execute this plan within our long-term CapEx guidance of slightly decreasing CapEx to sales ratios over the ensuing years.

In addition to our network, it is key for us to continue to make great products and services available to our customers to make optimal use of our high-speed network. Simple products and conversion innovations will remain the cornerstones for the future.

Last but not least, our ultimate goal is to provide a great and unique experience to both our existing and new customers. As part of this strategy, we have appointed Patrick Vincent, our former Chief Commercial Officer, we have appointed him Chief Customer Officer. He will now oversee and implement improvements throughout the entire customer journey, from sales to churn and win back.

On the back of this, we have also been making some fundamental choices when it comes to products and services. As was already the case with King & Kong and now with Whop & Whoppa, all products will be based on four key pillars. Everything should be simple, transparent, available to all customers, and with a constant flow of improvements. With simplicity, we make it easy for customers to choose the right plan, which includes everything to cater for their digital needs. No complex matrix, no a la carte offerings, just two mobile offers and two fixed offers. A limited number of products do not only make things easier for consumers but also for the Company as we can gain more efficiencies in many of our sales, billing, and IT processes, to name a few.

We also want to be transparent to our customers, no hidden costs. Everything included and no fixed contract duration, as we believe in the strength of our products.

Thirdly, our products and services should be available to both new and existing customers. When new or improved rate plans are introduced, our legacy customers will be automatically migrated to the better option.

Finally, we want to offer our customers today what they need tomorrow and we will improve our products on a constant basis, just like we did a couple of weeks ago when we doubled our broadband speeds.

In line with this approach, we were happy to launch Whop & Whoppa last month, two triple play packs replacing our entire Shakes bundles and based on the same philosophy as our mobile rate plans, King & Kong. The boundaries between the digital applications are beginning to blur. We surf via our smartphone, make calls via the Internet, and watch TV on the tablet both at home and outdoors. Whop & Whoppa will enable Telenet customers to enjoy their Telenet experience worry free, seamlessly now and in the future.

Every bundle also includes Triiing, access to WiFree, our second screen app, YeloTV. Today the key difference between the two bundles is Internet speed, a core driver of the customer experience, but we are planning much more distinctive features in the near future. From now on, customers also have the option to buy or rent a box or acquire the CI+ module, depending on their needs.

On the next slide, you can see how Telenet is differentiating through real service convergence. Three innovative services are now included in our bundles for free. A couple of weeks ago we launched the first real convergent product, Triiing, connecting the fixed line to the smartphone. Triiing is also the first VoIP app that allows fixed telephony customers to use their smartphone to place calls over Wi-Fi at attractive flat fee rates in Belgium and abroad.

Our own over-the-top app, YeloTV, is already being used by 400,000 people, which makes it currently the biggest OTT platform in Flanders.

Combined with our extensive Wi-Fi network consisting of around 830,000 active homespots in Flanders and around 1,300 public hotspots nationwide, we aim to offer our customers true and unique mobile and fixed convergence services.

So with that, I will hand it over to Vincent, who will take you through our operational results for the second quarter.

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

Thank you, John. Continuing on slide 14, we are showing here the results of our key growth strategy consisting of upselling our existing single play basic cable base to multiple services. Today as you can see, 42% of our customer base already subscribes to three or more products, which is 5 percentage points higher from a year ago. While doing this, we managed also to enhance the share of wallet that each customer is spending with us.

In Q2, the ARPU per unique sub increased by 5% to just over EUR47 and as John already said, somewhat deflated by the bundle discounts on mobile. If you would exclude the effect of mobile discount, the ARPU would have grown 6% year-on-year.

Now almost 890,000 subs subscribe to triple play bundles, which is an increase of 8% year-over-year and although we demonstrated good growth in triple play, we still have quite some opportunities ahead as more than a quarter is still only taking one product predominantly basic cable TV. Converting a single play customer to triple play, as you can see on the right hand side, would multiply the customer ARPU by almost 6 times.

Let's now take a closer look at the different product performances starting with broadband Internet. In Q2, we were able to attract 15,500 net new subscribers to our high-speed broadband products, which is 17% better than last year's net additions. Total customer base was up 6%, which puts us close to a 50% penetration of all our homes passed and which is basically fully in line with the total population in Flanders, as we have a 98% cable penetration our footprint.

Despite the introduction of the new telco law in October last year, our churn progressed very well and is now reaching the bottom of our typical 7% to 8% annualized churn rate, which is one of the lowest in the industry.

On the next slide, you can see that one of the core differentiating elements and strengths of our broadband Internet is the high quality and the leading speeds that we are offering across our entire network and not only in selected cities. As you can see on the chart of the left hand side, our entire customer base is surfing now at speeds of 30 Mbps and 37% even above 50 Mbps. The average speeds of our entire broadband customer base are now around 43 Mbps, which represents one of the most advanced customer bases in the European cable landscape. This is even before our new product launches in which we doubled our speed, starting at 60 Mbps now.

With this significant upgrade, Telenet starts where competition ends. Most of our competitors operate on the VDSL network, which only offers theoretical speeds up to 50 Mbps and in reality, DSL speeds are of course significantly lower than the advertised ones.

Our fixed telephony subscriber base is now nearing the 1 million milestone after having added 9,700 net new subscribers in Q2. This is lower compared to previous quarters as we put less marketing efforts in our triple play bundles in anticipation of the launch of Whop & Whoppa. In addition, we experienced some cannibalization to the higher ARPU generating mobile service.

Our new bundles, which all include the VoIP app Triiing, aim at revitalizing the fixed line and the first results look promising.

Moving over to mobile on the next slide, we attracted another solid set of postpaid subscribers with 50,000 in the second quarter, which is the best result across all national operators, considering that we only sell in Flanders. This result is fully in line with our expectations as the effect from the

October telco law diminished and we rebalanced our acquisition strategy, resulting in more profitable subscribers as you can notice from our margin evolution in Q2.

In Q2 of this year, we spent as much on handset subsidies as last year, yet we were able to attract almost three times more customers compared to 2012 and in a much more competitive environment. Since the launch of King & Kong exactly a year ago now, we more than doubled our subscriber base from 275,000 to 675,000. The revenue generated by our mobile business grew even faster and almost tripled as we attracted more high-value customers. As a result, and you will all see that later, the ARPU of mobile grew 15% year-on-year.

On the next slide, you can see the great progress we are making in the mobile market. Over the last 12 months, we more than doubled our market share in the Belgian postpaid mobile market, which is a segment we are operating in as we do not offer any prepaid subscriptions. As a result, we are also unable to convert prepaid customers to postpaid, which is a common practice at other MNOs in Belgium.

At the end of Q2, our national postpaid market share was around 10%. As a majority of our mobile subscribers are located in Flanders, we believe that our postpaid market share in our franchise area is around 16% now. Then looking at the total value of the mobile market, our share is already up to almost 7% on a national basis.

At the same time, it's clear that we have plenty of growth opportunities ahead. Today, still only 14% of our cable households are quad play and combine our fixed services with a mobile subscription from Telenet, under which they get a discount of EUR5 or EUR20 per SIM card, depending on whether they take King or Kong. Finally to illustrate the increasing value we attract from the mobile market, our King & Kong plans now represent 67% of our total mobile sub base while zero subscription plans were down to 22% from 44% a year ago.

Going forward and in addition to subscriber growth, it's also our aim to further convert these zero subscription plans to King & Kong.

On slide 20, you can see an overview of the different commercial initiatives we launched during Q2, including promotions to bring on family members and a reduction of our roaming rates during the holiday period. As I already mentioned earlier, we also rebalanced our handset subsidies in Q2 with a bigger focus on discounts versus full handset subsidies. This resulted in more profitable subscriber acquisitions in Q2 compared to Q1.

We are also pleased with the progress we are making to attract more valuable customers. Combined with strong subscriber growth, our ARPU increased 15% year-on-year to reach nearly EUR32 now and despite the effects from the new telecoms law, we were able to keep our churn relatively stable compared to a year ago at levels around 15% to 17% annualized.

Moving over to digital TV, we added a net 20,000 new subscribers to our digital TV platform in Q2. The second quarter is typically a seasonally weaker quarter for digital, but last year also showed an atypical pattern as we had our analog channel reshuffle program in which analog customers were able to convert to digital at a great promotion.

In the past quarter, we also started with the rollout of the fully revamped user interface to both new and existing users. The new UI is offering a whole new TV experience and access to our on-demand services has been made increasingly simple with great graphics and recommendations.

We are also pleased to see the churn on basic cable TV is slowing down. In Q2, we recorded only 8,700 net losses, one of the lowest levels since mid 2008. The digitization rate of our TV base continues to grow nicely and now reaches 77%.

A couple of weeks ago, we also introduced CI+, as John mentioned, which will also enable certain customers to move from analog to digital. CI+ will be particularly used for our customers to enjoy digital quality on second TV sets, where for example no broadband connection is available for the return path.

Turning to the next slide, our business segment for business, generated $44 million of revenue in the first half, which was 3% lower compared to a year ago. This decline is entirely due to a deferral of nonrecurring installation and security revenue. Excluding this impact, our business services revenue would have shown a 4% growth year-on-year primarily driven by a solid take-up of our core data products, including IP VPN and iFiber.

However, this revenue only reflects revenue generated on non-coax products including fiber and lease DSL lines, the carrier business and some added value services such as hosting and managed security.

Telenet for business is however much bigger as it also sells coax products especially to the SME segment, which is currently reported under our residential segment. If we would reallocate revenue generated by coax products in B2B, our growth rate would have been 8% for the first half. This is representing a total revenue of EUR158 million.

This is a great number, we believe, despite the difficult economic and very competitive B2B environment we are operating in.

As John stated in the beginning, a very performing network is one of the cornerstones of Telenet. That's why we have started already back in 2010 with an ambitious upgrade plan to triple the capacity in five years time, called Pulsar. This capacity expansion will be reached by bringing fiber much closer to our customers. We did it by deploying more fiber in our network across Flanders and Brussels and by multiplying the number of optical nodes. This results in fewer households being connected to fiber, hence increasing the capacity.

When we started our project back in 2010, we still had 1,400 homes connected to an optical node and today this is already down to 650 on average. More importantly, only 320 active broadband users are sharing the optical node.

Combined with dynamic network management, such as multiplexing, our customers can now enjoy unparalleled Internet speeds. By 2015, it's our goal to get the average number of homes connected to an optical node to be less than 500 on average, with design in place to get easily to 250.

On top of Pulsar, you can see on the next slide that we also have other plans on the bench that we will be rolling out to make sure that we keep our hybrid fiber coax network on top of the league in our footprint. In the coming years, we will further be optimizing our bandwidth capacity to offer more digital service to our customers, replace core components in our network which will allow for more optimal use of our interactive spectrum, and bring fiber close to the doorstep.

In parallel, we will be implementing the next level of EuroDOCSIS, which is called version 3.1, which altogether will enable downward speeds of 1 gigabyte per second in the medium term. All these investments will happen of course within our long-term CapEx projections and without any spikes in our absolute network spending.

Then before heading over to Renaat for the financials, I would also like to provide you a quick update on where we are on the cable wholesale regulation. At this point in time, we are still awaiting the final outcome of the quantitative reference offer including the retail minus pricing mechanism. On the latter, European Union consultation will start in the coming weeks and we expect a final decision by end of October. After that, we'll have six months to implement, which means that a commercial launch will not be available before April 2014.

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

With that, I would like to hand over to Renaat, who will provide some more details on the second quarter's financials.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Good morning and good afternoon to all of you. First of all, with starting I would like to draw your attention of course to the very strong and solid financial results that we have delivered in the second quarter and which also add to a very strong first quarter, which puts us well on the way to deliver upon the outlook we have set forward at the end of 2012 for 2013.

Looking at our revenue on slide 28, you can clearly see that banking on solid growth of our fixed line business, which excluding the bundle that we allocate from the sales of mobile products into our fixed line products, is exceeding 3%. And of course, strong performance of our mobile business you see in accelerated revenue growth of 12% for the second quarter compared to the previous -- the same period in the previous year as well as a 12% growth if you compare the half years with the first half of last year.

On page 29, you can see again the components of the growth and as I already alluded to, although at first sight the bulk of the growth or virtually all growth is related to the growth of our telephony business, both fixed and mobile, because I want to stress that if you look at the net adds that Vincent already discussed earlier in the call, also our fixed line business is growing very well in the second quarter, as Vince has explained, which mainly related to the fact that we held off a bit on marketing our triple plays in anticipation of the new Whoppas. I can tell you that since the launch of Whoppa, we see that the fixed line is doing again back -- is again back on its normal track.

But if you would exclude the bundle discount effect for customers that have fixed line products and also take mobile, also our fixed line business would show a much healthier growth pattern than you see here. And B2B is a bit punished by the fact that we defer certain upfront install fees which we have not done before since the second quarter of this year and therefore, their results would have been plus EUR1.2 million excluding that deferral. So that is a difference of EUR2.4 million compared to what we have shown here.

So the reality is better than what appears on paper.

If we go to page 30, you see the increase of expenses and again as you would expect since the bulk of our operating costs is in network and operating costs, that is of course the biggest growth driver. I would say SG&A in general very well under control, both marketing as well as personnel costs.

We have an exceptional benefit on the line depreciation and amortization because we managed to claim back EUR15.7 million of import duties from the government as the Belgian import regulation or import duty regulation was in violation of the European directive. The cash is not yet reflected in the cash flow. We expect that in Q3 or Q4 to come in.

All in all, our expenses have been growing by 7% and as a result of that of course, our EBITDA margin has become again a bit better and is back at the 53% level, where it used to be last year.

That brings me to page 31, where you can see the very healthy and solid EBITDA growth of 8% on the first half and 11% on the second quarter, which again means that we are delivering in line with our full-year outlook and so we are well underway to deliver the outlook that we have set forward.

I want to also warn you that as usual and you can see that if you look at the results of the previous quarters that the second quarter is usually a strong quarter as well as the third quarter in terms of EBITDA margin if you compare it with the fourth and the first quarters. So clearly this outstanding result in the second quarter should not be taken as a benchmark for the rest of the year.

If we go to page 32, where you see the finance expenses, as usual this financial result is distorted by the effect in gains and losses on our derivative instruments. The net results excluding those one-off gains and losses would have ended at our financial expenses for the first half would've increased from EUR108 million in the first half of 2012 to EUR132 million in the first half of 2013 and that is in line with the increase over the second quarter from EUR55 million to EUR66 million. This increase in financial expenses fully reflects the additional EUR700 million of debt that we put on our books last year and which is not carrying an interest cost while it wasn't there yet in the first half of 2012.

You can see that also reflected on the right-hand side, where we see that we expect our total cash interest expense for the year to grow from almost EUR195 million to almost EUR240 million for 2013.

Now if we go back to page 33, you can see the effect on the net results and here again, you see that the impact of the gains and losses on our derivative instruments have played a significant role. If we exclude the gain on derivatives and the reversal of import duties on the right-hand side on page 33, you see that our net profitability has reduced slightly from EUR63 million in the first half to EUR43 million in the first half of 2013. And again while our EBITDA has gone up at the same time, we have seen of course a steeper increase in interest rates and in depreciation and amortization as our digital TV business has also been growing and therefore we have more depreciations of our shorter time horizon as we write off our set-top boxes over the full year period while of course the bulk of our CapEx investment is depreciated over a much longer period.

That brings us to page 34, where you see the CapEx and so comparing first half to first half 2012, you see a significant increase in our CapEx, 6%. The bulk of that increase is actually in network growth and in content costs, which is included in the category other, but much to a lesser extent into set-top boxes and subscriber growth. That happened mainly in the first quarter as you can see for the second quarter, the CapEx was pretty much in line this year compared to last year and of course, we expect these trends to continue, so we will definitely also stay within our guidance in terms of CapEx expense this year.

Finally, that leads me to the free cash flow, where we had a kind of a hiccup in Q1 and as you can see in Q2, we made up almost entirely for that. We also anticipated in the receipt of the EUR15.7 million custom duties and fortunately they are not yet on the bank account or otherwise our free cash flow would have been close to the EUR120 million as predicted during the last call.

I think all in all, we are well on our way also to deliver here on our full-year outlook of stable free cash flow reached between EUR230 million and EUR240 million of free cash flow, similar to what we have done last year.

Finally on page 36, you can see that our net leverage, which at the time of the payout of the extraordinary dividend was up to 4.5 times EBITDA; in the meantime have been delevering to 4.2 times and you could expect that to be around 4 times by year-end.

We have issued new and new debt and the first important maturity is in 2017, which is EUR430 million under our senior credit facility. The EUR158 million that you see in 2016 is undrawn revolver, so therefore there is no repayment as it is undrawn.

That brings me to page 38, where Telenet is reconfirming its outlook for 2013, which is 10% to 11% topline growth, 7% to 8% EBITDA growth, 21% to 22% of revenues capital expenditures, and finally, the stable free cash flow already alluded to of approximately EUR230 million to EUR240 million.

Before handing over back to Vince, I would like to thank all the debt capital markets and equity analysts that have been following us over the past years as this is my last earnings release call at Telenet both on the sell side and on the buy side for the equity guys, and of course more in particular, I would like to thank all the bond debt and equity investors that have been invested, are invested, and probably will remain or will be invested in the future in our bond, debt, and equity instruments.

With this, I would like to hand it over to Vince.

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

We now would like to open the call for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Thomas Deschepper, KBC Securities.

Thomas Deschepper - *KBC Securities - Analyst*

Good afternoon, team. It is Thomas Deschepper with KBC Securities in Brussels. Thanks for taking the questions.

Two questions on my behalf, if I may. First one is on digital TV, it's my feeling that this market in Belgium and Flanders in particular is slowing down a bit. That was also apparent in your figures and those of Belgacom, actually. What we see for the next couple of quarters with Belgacom indicating that they will be focusing more on the residential fixed side given that their net adds were not to go wild about in their latest release.

Also do you plan any special campaigns surrounding the start of football season?

My second question is on mobile. Well, fair to say that the net adds were maybe a bit disappointing versus consensus, but still quite strong given the competitive landscape in Belgium. Are there any plans regarding the repricing of your high-end King offer? I mean studies of the regulator and the national consumer organization all point toward the fact it's about overpriced after three very solid quarters. And also your Walloon counterpart, who is starting to offer practically the same, so unlimited high-end offer at EUR40.

And if I may add to that, so maybe a third question, could you provide us with an update on which measures Telenet and Mobistar are taking to bridge the network quality gap so on the mobile side with Proximus? Thank you.

John Porter - *Telenet Group Holding NV - CEO*

That's a lot of questions, but we will take them one at a time.

First of all, let me comment on digital TV. I personally - coming recently from sort of more media centric cable operation - believe that we have a lot more runway in front of us in terms of digital television. I think for the most part European cable and Telenet specifically have been comfortable with the redistribution of broadcast signals and sort of a more traditional basic cable lineup augmented by thematic channels and in some cases sports. We have certainly made a good move in the acquisition of football and we continue to back ourselves in that area. I think certainly in the future as fiction and drama become sort of increasingly globally commoditized, that's a very important asset in the digital television portfolio and that may be a point of difference between us and Belgacom.

But in addition, I think we are looking at more opportunities to partner in the Flemish television ecosystem on more thematic channels for example, more recently with Studio 100 on our kids channel and also with Libelle TV, which is our lifestyle channel. This is a trend that I'd like to see continue where it makes sense and we certainly think that given the strength of some of our core assets for example, exclusive output deals with all the key studios and an exclusive output deal with HBO and certain other key relationships that we have that we are ahead of the pack on digital TV.

You are going to see, as I tipped in our launch of Whop & Whoppa, we have in the pipeline a product simplification and enhancement for our digital entertainment products, which we are looking to launch in the next quarter. On the back of that, I think you will see an acceleration maybe not of the scale of King & Kong but Whop & Whoppa but certainly an acceleration and a refocus on digital television.

Secondly on the football season, we have kicked off probably our most aggressive campaign in history and behind supporting Telenet, which is our 2222 goals campaign. If there are not 2222 goals in the Pro league, we will refund everyone's money. We are working diligently to take all the goal keepers out for a couple of beers before the games to make sure that we hit that target. So it's a campaign that I think we are comfortable with. And by the way, it is insured so -- and already our experience is we are 30% up on net acquisitions of Sporting Telenet since we started that campaign versus the same period last year.

Mobile is slower, but it is a calculated slight decrease in our acquisition targets. Post, I think a lot of volatility in the mobile market, which is probably instigated to some -- no small part by ourselves, we now find ourselves in a period of stability and consolidation. This is also probably the slowest time in the year for mobile acquisition.

We have added 50,000 net new customers on the back of not particularly aggressive handset subsidies and discounting, so the customers that we have added in the last quarter have actually been added at a much lower cost. And you can see that flow into our EBITDA performance and our cash flow.

We are happy with the absolute number. I think it represents about one-third of the total net adds in Flanders and we have a view here that we want to maintain as much flexibility as we can and the longer we can preserve I think the baseline value of the product that we offer, then when there are opportunities to accelerate net growth, we will certainly take them. But we are not going to take them -- we're not going to have an everyday low pricing strategy. We are going to pick our spots to accelerate growth.

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

Yes, that makes sense. Mobistar Network, basically what indeed Moister is doing and that they do in full transparency with us. They are currently upgrading the network. That's also what is a little too when they were making their results published last week. It's basically what they are doing is some new 3G features that they are activating that should indeed improve the indoor and outdoor coverage in the more rural areas and for example, they are also deploying the UMTS in the 900 megahertz frequency, so that is going to make the reach and the accessibility of the network even better than what it is today.

And at the same time, they are also indeed increasing the throughputs by launching a 3G dual carrier at the same time when they are indeed preparing to launch 4G LTE at a later date. So I think that's fully in line and that is happening in full transparency with Telenet.

John Porter - *Telenet Group Holding NV - CEO*

It's a dangerous game to play the sort of network quality card that Belgacom has built into some of their communications, because these networks tend to leapfrog each other in the investment cycle. Right now we are very engaged with our partner, Moister, in continuing to improve the network and making it the best network in the market. We have no doubt about their commitment both from a management standpoint but also from a capital standpoint to doing what they needed to do to be competitive on the quality front.

Thomas Deschepper - *KBC Securities - Analyst*

Okay, very helpful comments. I would also like to say goodbye and good luck to Renaat, so thanks.

Operator

Henrik Nyblom, Nomura.

Henrik Nyblom - *Nomura - Analyst*

Just a very quick one on mobile churn. Should we expect mobile churn to start coming down as you get now less and less of your zero subscription mobile through your base? And do you see an increased loyalty overall from mobile, given that your churn in other products have been going down? So where do you think mobile churn will be, say, in 12 months time?

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

I think in terms of mobile churn evolution first of all, there's still going to be a disconnect between the fixed and the mobile that is also the reason why we are not bundling mobile together with fixed. So we are not in favor of putting out real [co-play] bundles because indeed there is a difference in how people are looking at the different products there. Longer-term, we expect this is going to remain let's say pretty stable about these levels. Of course the more you will be indeed linking up customers onto your fixed products, it will have an beneficial impact, but today of course we don't have let's say great experience with that because it's only 14% of the total base, which is sitting there.

What of course might have some impact and that's also what we have seen a little bit in Q2 is because we are one of the few operators which are not pursuing any contract duration to our customers, it is of course for them free to go to whatever operator it does for example temporary promotions.

So if of course other mobile operators will start pushing out let's say some temporary promotions, this might be there is going to be a temporary spike in churn. That's one thing we are seeing but other than that I think on a structural basis, it's going to remain pretty stable, so we shouldn't see any big movement there going on, going forward.

Henrik Nyblom - *Nomura - Analyst*

Okay, thank you.

Operator

Michael Bishop, Barclays.

Michael Bishop - *Barclays Capital - Analyst*

Good afternoon. Just two questions, please. Firstly I'm Whop & Whoppa tariffs, could you just give us a bit of color along the lines of how the migration from the old fibernet and triple play tariffs to the Whop & Whoppa is progressing? So what's the impact on ARPU, all other things being equal?

Secondly on the mobile strategy going forward, last quarter you gave us the indication that mobile ARPU would I guess start to fall eventually. Is that still the case or are you seeing any change in the mix between King & and Kong? Thanks.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

On Whop & Whoppa, as we have just launched it, I think it's premature to give you any insight as we are gathering the inflow. I think the only thing we can tell you right now is that at first sight and looking at the first numbers, by the way, these Shakes are priced in exactly the same way as the old Shakes, so in that sense if you would be a fiber net triple play customer you would pay exactly as much as you would pay now for the Whoppa, so there is no price difference.

That's why these customers can be migrated even automatically, but in general, we have seen a lot of traction for the Whoppa. As I already alluded to in my comments on the revenue growth, you will also see that in the net adds for fixed line telephony in the third quarter, so clearly the campaign is fairly well-received by our customers, but also by our competitive customers. So we see that the first results look very positive.

I think it's a bit premature to draw really conclude on the first month of sales, but if anything, I think it is exceeding our expectations.

John Porter - *Telenet Group Holding NV - CEO*

I think the only risk in this strategy is that people think that the lower tier is attractive enough where they could conceivably downgrade to the Whop even know they are currently one of our fiber net or bigger triple play customers. We had made allowances for that to happen in our business model, but at first blush, we are seeing very little of that. Most people are embracing the added value of the top package, so we are still very optimistic about it.

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

Then referring to the mobile ARPU, of course, we were expecting first of all a lower ARPU than what we are seeing today. In the business plan, it's still growing, so that's also -- that's contrary to what we expected a year ago. We are still indeed assuming that mobile ARPU will come down in the coming years, so that's still embedded in the long-term guidance and also in our business line. But so far of course we haven't seen that.

Operator

Saroop Purewal, Morgan Stanley.

Saroop Purewal - *Morgan Stanley - Analyst*

Good afternoon, everyone. Thanks for taking my question. It's just on regulation actually. I know you gave us an update just now but I just wondered from your point of view, what do you think is going to be the greatest hurdle for a wholesaler on your cable network? And when do you actually expect a commercial launch and who by? Would that be in April 2014 or would you expect them closer to the mid-2014 following potential appeal by yourselves?

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

The biggest hurdle, but that is of course from our point of view of course and not from a potential wholesale customer, but there are a couple of things. First of all, a wholesale customer needs to get the content rights cleared, so we will give them access to it, but they still need to be cleared by the wholesale customer and that is of course costing a lot of money, so that is going to mean that wholesale customers need to negotiate also with the different content providers. And as we are experiencing already as an established content distributor, it is not an easy thing and it's not even going to become any easier in the future, so that is I think one important element.

Secondly, it's also the whole infrastructure that you need to build. It is for example the development of set-top boxes and also the fact that you need to install or basically get a whole logistics system up and running. For example if you would refer to a mobile operator, which would indeed be interested to offer cable wholesale, it means of course that you need to make sure that there are truck roles, that you have installation capacity, that you know basically how to connect to modem, and provision the modem because that is of course all at the account of the cable wholesale customer.

And that is of course a totally different thing than just selling some SIM cards in a retail chain, so that's going to be I think a very important thing.

And then thirdly, it's also the fact that you need to link your entire backend system to three different cable operators because if you are a national level and you want to become active on the national level on fixed, it means that you need to have direct links established with Telenet in the north, with Voo in the south, and with Numericable in Brussels. So that makes it all much more complex because basically all three companies are working on a different TV system and are also using different IT systems. So that is I think one of the biggest hurdles for people to get up and running with cable wholesale.

The first theoretical dates when there could be somebody coming active is more going to be I think mid-2014 because indeed the commercial offer will be ready April 2014, so next year. But then of course there are still contract negotiations and everything needs to be implemented. So I think in the best case scenario, we are looking at a mid-2014 kind of launch.

Saroop Purewal - *Morgan Stanley - Analyst*

Thanks very much.

Operator

David Wright, Deutsche Bank.

David Wright - *Deutsche Bank - Analyst*

I think it's quite a simple one. Just technically, can you talk a little about the Triiing app and -- or product I should say and just about the handover and how that works. If I'm using the product and I go from Wi-Fi to MVNO back to Wi-Fi, what is the actual customer experience? I'm expecting -- I think there's some kind of delayed effect, a beep or so. How can that improve over time because it's not quite good enough with that kind of delay I guess to really sort of roll out. Maybe you could just talk a little bit about that, that would be great.

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

I'm a little bit surprised that you say it's not good enough for customers because the feedback that we get on the Triiing app is great, I would say even that people are applauding for the application to be available to them. The thing is, it's quite unique because basically what it does is you can use your smartphone using that app. It's basically a copy paste of the iPhone type of dialing screens that you have, so it is basically almost the same as your genuine operating system that you are using on you smartphone.

But the difference with other VoIP apps is that it's using your mobile number so basically when you are calling somebody, people will be -- you will basically be identified as yourself and not by the household, because in many other applications that we have tested and seen, the household, so basically the fixed number is being used. We are differentiating here because we are using the mobile number.

There is a seamless handover between Wi-Fi and the mobile network. If you are getting out of reach of Wi-Fi, it immediately switches over to the mobile seller network, so without any interruptions. I think that is one of the key differentiations that we have compared to the other apps. That's why we also believe that the product is great and is very well received by customers.

David Wright - *Deutsche Bank - Analyst*

There's no delay in the handover and I guess I'm even talking tenths of a second here -- no delay at all?

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

No, and we have tested it extensively. I was even one of the first beta testers as well as. I have even used it out of New York, London when we were on roadshow and it all worked seamlessly even let's say from remote or distant locations.

David Wright - *Deutsche Bank - Analyst*

Okay, thanks, guys. Renaat, congratulations. It's been great working with you. Thanks.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Likewise, David. Likewise.

Operator

Stefaan Genoe, Petercam.

Stefaan Genoe - *Petercam - Analyst*

Yes, good afternoon. Stefaan Genoe from Petercam. A question on the Whop & Whoppa actually. You're launching it at a point in time that mobile is becoming cheaper. You also still have quite some single play, double-play customers which you of course want to upgrade to the triple play, I would say. How do you see the risk of the -- I would say the single double-play customers and then not upgrading but shifting at the point in time that also that we've got Scarlet and Snow coming on the market with very low priced retail offers? That's one.

Secondly, could you update us on the mobile spectrum you have? How are the negotiations with Mobistar or other players are on using the spectrum? Thank you.

John Porter - *Telenet Group Holding NV - CEO*

I will comment on the Whop & Whoppa and the low end migration issue. First of all, it's important to note that we are not being disruptive to our single and our 2P customers. They can sit in the environment that they are in for the foreseeable future. What we are trying to do is to compel migration through the continual improvements in both the Whoppa, particularly the Whoppa package and most of our single play customers are analog TV customers as well. We do have a strategy to move them into digital TV and potentially to provide a low barrier to entry for them to digital TV and to one other of our fixed line products. So that's something that we will be doing over the next 12 months.

We don't have any need nor are we overly aggressive about moving people from where they are today. We think that currently the products that sit underneath, the legacy products that sit underneath Whop & Whoppa are attractive enough and competitive enough with the Snow in Scarlet, the low-end products offered by our competitors, that we won't see any disruption there. Do you want to take the spectrum one?

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

On the mobile spectrum, so indeed, we continue to have negotiations with a couple of parties to see what we can do in a joint way and how we can deploy it in a very capital efficient way. Again I want to stress here that that is in line with what you already said earlier. We don't have any intention to roll out a full network ourselves, but of course are looking into ways of how we can make efficient use of the existing infrastructure that's available and how we can basically make use of that spectrum.

So that is still ongoing but of course we can't provide any details at this point in time on how these negotiations are evolving, because there we have confidentiality agreements in place.

Stefaan Genoe - *Petercam - Analyst*

Okay, thank you.

Operator

Marc Hesselink, ABN AMRO.

Marc Hesselink - *ABN AMRO - Analyst*

Two questions, firstly for the single-play customers you still have, last year you were quite successful with the (inaudible) of the analog customer base. Any plans there are also in relation of freeing up capacity in your network from analog?

The second one earlier obviously the Telenet is going to be more integrated into Liberty Global and that it will also have some cost savings benefit. How are you there and what's happened? When do you expect to see some savings there?

John Porter - *Telenet Group Holding NV - CEO*

Do you want to take the first one?

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

Yes, on the analog reshuffling, indeed last year we had a program. Today there's nothing let's say on the short term on the radar screen. Of course what we will be doing and that's something that we are constantly evaluating is if there's going to be a moment at a certain point in time where indeed it makes more sense to migrate the remaining customers onto digital, then of course you might do it because indeed in the longer term, that will free up a lot of capacity on our network. That will be able to use then for other digital services, more bandwidth, more broadband, more digital channels, that kind of stuff, more HD.

So there's a lot of stuff that you can do with that. Again at this point in time, there's no need capacity wise and also short-term, we haven't made any plans for that. But we are not going to exclude that, so over time that could of course happen.

John Porter - *Telenet Group Holding NV - CEO*

And on global, there's a range of initiatives probably the ones that will bear fruit most quickly is in the area of procurement where we now have a much more integrated global procurement strategy for Liberty Global. And I think our guys here with working with Renaat have really been leaders in terms of identifying real opportunities to build scale with our key suppliers around the world

I think secondly in the area of content, in the procurement of content and some of the relationships that we have with the multinationals and with studios, those things are very, very leveraged to scale and we already have several joint initiatives underway to try to drive down costs in that area as well.

So there's a range of other initiatives going on, but it is early days in that area but very constructive dialogue so far.

Marc Hesselink - *ABN AMRO - Analyst*

Okay, thank you.

Operator

Barts Jooris, Bank Degroof.

Bart Jooris - *Bank Degroof - Analyst*

Yes, good afternoon. I have three questions. First of all, on the cable upgrade through download speeds on above 1 gigabit per second, you stated (inaudible) would be medium-term. What can we understand in medium-term? I understood that Belgacom's upgrade plans are post until 2018. Will you be there also at that time?

Second, seeming the interest and the attention that is post on Whop & Whoppa, could we understand that there will be a little bit less focus on mobile King & Kong in the second half?

Thirdly, given the push that Moister will be doing on its network and later on launching 4G that will bring up data usage probably also with your clients, as I understand the data usage is a big part of your cost of the payments you need to make to Mobistar. Is that contract renegotiable tariff-wise? Thank you.

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

Back on the cable upgrades, so basically the plan that we have in place is indeed ultimately to go to 1G bps and even beyond. The timing we are looking at is going to be a little bit depending on the availability of DOCSIS 3.1, so basically it's still in development phase. It still has time to be certified and modems need to be available on the market. If things go well, it could be that we will be able to offer that before -- or around, let's say 2017. That's the timing we were looking at.

But again, don't let's say put that as a fixed date because that could still shift depending indeed on the availability of hardware and indeed how we are progressing also with swapping the CMTS to C-Cap kind of technology. But indeed, it's going to be in that timeframe of course. In the meantime, we will be doing some other stuff so it is not that we're going from 150 now to 1 gig all in one step. We are going to make gradual steps so it's going to be a phased kind of upgrading. That we will all be doing in terms of speed.

So we will be moving indeed very shortly to 250 MB, then over to 500 MB, and then ultimately to 1 Gbps, so that's how we should look at this. It's not going to be one step, but multiple steps that we will be taking at the time.

John Porter - *Telenet Group Holding NV - CEO*

In terms of any lack of emphasis on mobile and net adds, I think probably mobile is more impacted by the seasonality than a lack of focus. We certainly aspire to continue to a sustainable and profitable growth profile for mobile similar to the way we have been this last quarter. And the two big periods for mobile acquisition seem to be the lead up to Christmas and then the post-Christmas sales periods. So we are kind of keeping our powder dry and when the opportunity comes so people are paying more attention, we will ramp up the offers and the focus.

Then on the data usage, we already some I think some impressive statistics about how much data we are able to move over to our fixed network and that's certainly our strategy. That's our strategy with Triiing. That's our strategy with homespots and hotspots. You know, I think it's fair to say that Telenet is ahead of the curve when it comes to Wi-Fi, mesh, or broad extensive Wi-Fi networks in this core territory. Other cable companies are starting to wake up to that fact that they have this opportunity to offload a lot of their data from their mobile, (inaudible) MVNO agreements onto the fixed network. A lot of the things that we do will from a product standpoint, from an app standpoint will be all about moving the traffic over to the fixed network to reduce our exposure on data.

Of course, we haven't completely finalized the economics of 4G and that's probably where the biggest opportunity to re-cut or recalculate the cost base for data for the mobile network.

Bart Jooris - *Bank Degroof - Analyst*

Okay, thank you, and also a special thanks and good luck to Renaat.

Operator

Sasu Ristimaki, Merrill Lynch.

Sasu Ristimaki - *Merrill Lynch - Analyst*

Thanks, a couple of things. Firstly, I would like to come back to the premium tabled CB business where your growth has been slowing down now for five or six quarters. So do you see that actually going negative in terms of year-on-year revenue change? And kind of tied to that, I think I have understood, John, that you need to continue to stand out in cable TV with differentiated content, so how do you see the kind of content CapEx developing in a kind of two-, three-year context based on that view? Thanks.

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

Maybe first on the ARPU trends on premium cable, there is indeed let's say a slower growth that we are experiencing. That is I think also as we always anticipated because the more you are penetrated, the remaining customers that you are attaching onto your cable platform especially on digital TV are of course laggards and they don't take as much products so let's say on-demand or additional packages as the initial customers did. On the other hand, we have to say of course because that's only one segment, we also have to take a look at the basic cable ARPU, which is then combined for digital customers and there we see that also with price inflation that the ARPU there remains pretty solid and pretty stable.

Going forward to of course continue to take initiatives to further boost that. As we have said, the YeloTV user interface has now basically been rolling out to all our customers. That is going to put the on-demand service in the spotlight, is going to have some recommendations on there, some better graphics. So that is of course going to improve on the (inaudible) things going forward. That's also what we've seen when we did it three years ago with the other version. And on top of that, there's also going to be of course a repackaging and revamping of our content offers. That is of course also something that will benefit to further growth in the premium cable segment.

John Porter - *Telenet Group Holding NV - CEO*

On content, it's certainly a global trend that the balance of power seems to be shifting to content owners and every time we have a renewal, we have a challenge. But I think we do need to get more surgical about our channels and which are performing and which aren't. I think generally speaking, I could say there are a group of international channels that we are probably overpaying for and we are probably underinvested in more locally oriented thematic channels or general entertainment channels. We rely too heavily on the broadcasters. That is the view from 3000 kilometers up.

But it's impact on our cost base probably in the total scheme of things, some of the things I'm talking about are not that substantial. The big swings are going to be obviously on sports rights and how aggressive we want to be in that area. We certainly have the capacity to do it. I think we've got to think about it strategically, but generally speaking, that is a business that we like.

And then I think the other sort of big swing will not come until after 2014 because we have mostly our agreements in place in 2014, but we will have studio renewals, we will have a range of -- we will have certainly a much more aggressive and probably substantial transactional sort of on-demand video environment that we are going have to re-cut our deals and support and that to date, that has been reasonably expensive for companies like ours.

So net net, I don't think you will see content costs going down too much over the next couple of years. Hopefully that won't get a lot higher.

Sasu Ristimaki - *Merrill Lynch - Analyst*

Okay, thanks. Just very briefly if I may ask now down that you've been so successful in Belgian mobile, what lessons do you think Liberty has taken from your experience there?

John Porter - *Telenet Group Holding NV - CEO*

In Telenet?

Sasu Ristimaki - *Merrill Lynch - Analyst*

Yes.

John Porter - *Telenet Group Holding NV - CEO*

I think the biggest thing and I think it's not just Liberty but I think the whole industry is taking notice of our productization approach, which is about smart simplification for the customer and smart simplification for the customer in the form of King & Kong and Whop & Whoppa, which is about developing products that the 10% of products that appeal to 90% of the market, simplifying product offerings also simplifies your business process model which means you save money and it means you have happier customers. It's very much of a win-win proposition.

So Telenet has taken products in the range of sort of mid-20s down to essentially 6 plus mobile. No, sorry, 6 all together including mobile and I think that's a substantial breakthrough. They have certainly sat up and taken notice.

But Telenet is a very unique property and it stems from I think a real -- the Company has always taken a very aggressive and totally spot on approach to its brand and its level of engagement in its market, it's sort of universal presence in its market. From Liberty's standpoint, I think those are probably the biggest attributes and USPs of Telenet that if applied across their other properties, they could derive substantial benefits from.

Sasu Ristimaki - *Merrill Lynch - Analyst*

All right, thanks very much for that.

Operator

Alex Grant, Macquarie.

Alex Grant - *Macquarie Research - Analyst*

Alex calling from Macquarie. Two questions, please. On mobile strategy, do you think relying on an MVNO is a permanent mobile solution? And sort of what criteria are there for buying a mobile operator and when does that become attractive?

Secondly, just on mobile pricing, do you within your business plans expect -- now expect a stable pricing dynamics before the sort of major launch of national 4G? Thanks.

John Porter - *Telenet Group Holding NV - CEO*

I think that from what I've heard from the market in Belgian but also more broadly, that we are entering a period of stability for the mobile network operators. The massive sort of disruptive freeze and price drops and things like that, I think there's a number of reasons why these companies require some stability. I'm not talking just about us. They have -- not only are they facing hyper competition, historical hyper competition and repricing of their back books on the back of that, they are also facing big investments in 4G auctions. They are also facing a substantial overhang from the regulatory assault from the EU, and in some cases, the countries they operate in. They have enormous amount of headwinds.

And so I think that's dictating some pricing rationality and stability and it actually leads to your first question, which is do you want to own one? I am saying I am thinking in this environment, it is the -- when do you catch the falling knife? It is a difficult investment to rationalize when you have got a nice deal, an MVNO that represents a bit of a safety net and if things continue to go south, on any of those fronts that I already mentioned, then it's not really your problem. You just keep operating it with your margin and hopefully you can kind of keep things moving along.

Now that being said, I think we will find we will have an increasingly strategic relationship with our mobile network operator. It doesn't do us any good to have a mobile network operator that is not robust and investing in the future. We have ongoing discussions with Mobistar and they have got a very substantial shareholder, same way we do, so we have a lot of confidence in their ability to continue to improve their business.

They have gone through a bit of a rough patch, no question about it, and the market has downgraded them, but we see inside the tent and we know they are doing a lot of work to set themselves up for the future.

So I think the inflection point of when do you buy a network, I haven't seen it yet and once again, particularly in the context of some of these major headwinds that these companies are facing, it's hard to really put your finger on value today.

Alex Grant - *Macquarie Research - Analyst*

Okay. Is it fair to say you would probably rather have a bias towards more enhanced commercial agreements both on fixed and mobile rather than actually being an absolute network owner?

John Porter - *Telenet Group Holding NV - CEO*

I think today that would be the logic, yes. No question.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

The question over the past four years, I can tell you that nobody or no scenario has ever even been close in terms of return on investment to an MVNO, so by far the most profitable way of rolling out a mobile business on a large scale for a fixed line operator so far.

Alex Grant - *Macquarie Research - Analyst*

Perfect. Very clear. Thanks.

Operator

Edward Donohue, One Investments.

Edward Donohue - *One Investments - Analyst*

Good afternoon, a couple of questions, if I may. Just when calculating the incremental profit from mobile sales, it looks like the Q2 mobile EBITDA margin was north of 40%. Just a clarification, is that correct? The other one staying in mobile sphere, should we expect the mobile subsea cost to be as high in H2 2013 as they were in the launch phase of H2 last year? That's the first one, thanks.

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

With respect to the EBITDA margin of our incremental mobile business, I think you have been very optimistic on the EBITDA margin we make on our customers. So no, the answer is it's not 40%. It is substantially lower, but it's clearly within the 20% to 30% range and it is on the high-end of that range.

With respect to the second half and how aggressive we will be with handset subsidies, I think it would be the most appropriate that we discuss that at the end of Q4 of this year and then we will tell you how aggressive we have been in the second half of 2013 rather than giving that up front.

John Porter - *Telenet Group Holding NV - CEO*

Yes, we don't want to tip our hands to our competitors too early now.

Edward Donohue - *One Investments - Analyst*

Okay, the second question was just looking at the phrasing in the press release, guiding for lower free cash flow growth in Q3, does that mean you are actually still expecting growth year-on-year in Q3 despite the EUR22.5 million payment on the new bond? Do you expect the EUR31 million H1 working capital outflow to reverse in H2?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

I think what it was referring to was that we have the big lump-sum payment of the stock rise in Q3 on top of one of the biggest interest rate quarters as well in Q3, so that's why we will do still EUR140 million of free cash flow if we want to make the EUR240 million for the year because net net, we are plus EUR100 million for the first half, which I think is even slightly bigger than we've done last year.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

(inaudible) the phrasing in the press release is only referring to the sequential growth, not year-on-year.

Edward Donohue - *One Investments - Analyst*

Right, okay, last one on the net debt to EBITDA target going forward, is that now 5 times?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

The formal target of Telenet is 3.5 to 4.5 times, but I think everybody is aware of the fact that for LGI they would see this number preferably higher than lower. I think for the time being we are fine with the 4.2, so we are at the high-end of the range. And we will see how it evolves. But I would expect it to be at the high-end of that range, the 3.5 to 4.5, which means close to 4.5.

Edward Donohue - *One Investments - Analyst*

Okay, then finally just to thank you very much for all the help and contribution over the years, Renaat. It's appreciated on this side.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Thank you.

Operator

Emmanuel Carlier, ING.

Emmanuel Carlier - *ING Financial Markets*

Good afternoon, still two questions from my side. The first one is on the ARPU of digital TV, so that was down I think some 7% year-over-year and in the press release you mentioned that part of that is due to some free vouchers that you have given in February. So in other words, could you maybe make some comment on what the underlying trend is? Is it still increasing or do you really see that people are consuming less on the video-on-demand product?

Then secondly, in the Netherlands, Netflix has been launched, so how do you prepare yourself to defend your TV business on a potential launch in Belgium? Thank you.

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

On the digital ARPU trends, I said basically it's not a lower consumption of our customer base on digital. It's basically the new customers and that's typically in each one you are eating into let's say the laggards kind of subscriber on digital. That you see of course longer period -- it takes basically a longer period for them to get educated on how the platform works.

I said we are taking out a couple of initiatives like with the new user interface that should indeed put video-on-demand even much more on the front page of your new YeloTV kind of experience. And on top of that we are also going to repackage the content product as well in the coming months, so that should also drive again the digital ARPU. But it's purely the fact that new customers, it takes a little bit more time for the laggards to get their nose around in terms of how digital TV is functioning. That's all.

John Porter - *Telenet Group Holding NV - CEO*

On the Netflix situation, I do think we have a pretty good situation here in Flanders compared to some other countries in that we've got a single operator here with a substantial penetration in the core market. Obviously Belgium is complicated by the languages, it's size. There's an argument to say that a smoother entry for Netflix into Belgium would be under the tent instead of over the top, which is something that we consider whether we are up for or not. But in looking at sort of international Netflix, I think the biggest thing a cable company can do is essentially give its customers that transactional over-the-top experience, which is something that we are certainly trying to do in terms of -- it starts with rights -- and as I said, we have exclusive output deals with essentially all the key studios and HBO and all the independents as well. We have a substantial commitment to local programming. We also have agreements with some, not all, of the broadcasters for both -- for catch up and passthrough rights on their programming and in some cases, with their library programming.

I also think that we can certainly trade on the parochialism of the Flemish television viewer in that not only do they prefer Dutch language, but they prefer Flemish language Dutch, which may be a bridge too far for our friends at Netflix.

So for all those reasons, we think we are in as good a place as anybody vis-a-vis Netflix. That's not to downplay them as a potential threat, but they are still -- they've got a lot more headwinds here in Flanders than they do in some other markets.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Maybe one last point is also that the cost of the TV subscription is substantially lower also in Flanders compared to the Netherlands.

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

I think also to conclude on that, I think with the YeloTV platform that we have pushed out since at the end of 2010, we now have more than 400,000 subscribers or basically users of that application who is indeed able where you are as a customer to watch linear and also get on demand. I said we're going to put even more content on that platform.

So that is I think already something which is pretty impressive, that we have one of the biggest OTT penetrations in our industry. That is I think the best security that we have for any inroads from foreign platforms in the future.

Emmanuel Carlier - *ING Financial Markets*

Okay, thank you. Maybe one additional question. With respect to M&A, so you will have to start paying taxes pretty soon, actually. There are still some cable operators active in Belgium with a lot of tax losses and also operators who can still make quite some operational improvement I think. So how are you actually looking at consolidation in Belgium on the cable side? Thank you.

John Porter - *Telenet Group Holding NV - CEO*

Let's put it this way, we are very aware of the benefits of a transaction on the Company's balance sheet going forward. That being said, and we have substantial resources. We've got headroom under our facilities agreement. We've got cash. We have very supportive shareholders, so we are focused and poised should there be an opportunity to look at a transaction.

I think the current Belgian cable operators seem to be reasonably content with their current situation, so we are just taking a wait-and-see approach, but you've got to have two sides to a trade. So right now there's nothing in the pipeline.

Emmanuel Carlier - *ING Financial Markets*

Thank you.

Operator

Usman Ghazi, Berenberg.

Usman Ghazi - *Berenberg - Analyst*

I just have two questions, please. The first one is on the ARPU and mobile. If I strip out the interconnection revenues that you report in mobile, the build ARPU is coming around EUR22. If I look at your competitors for example with Belgacom, Mobistar, their build ARPU including all the revenues that are already bundled that are at risk right now come out around EUR20. So I'm just wondering if you can tell me if there's any handset recovery that's included within the mobile revenues service revenues that you report or if that is all included elsewhere? That was the first question.

And then the second question is just on the value that you see in your current spectrum holding, you have -- you refer to the fact that you have a nice MVNO deal in place already. So could you perhaps just shed some light on why you are so keen on keeping the spectrum? Thank you.

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

Okay, on the mobile ARPU, there is indeed let's say a small component in there, which is reflecting the handset subsidies. So of course the discounts and anything else that we are doing is not reflected in this, but let's say a full handset subsidy cost, which is let's say still was the minority of all the rate plans that we had or the promotion that we had in the past that was predominately only on the Kong.

Second is that we did in the past is included in the ARPU. But again, that's a very minor component out of the total ARPU.

In terms of the spectrum, why we are holding on, basically of course having spectrum is a benefit and I think it's even an asset going forward, because if you are looking indeed at the growth that we are seeing in many cases on mobile data traffic around the world, I think spectrum is going to become even more valuable in the future. And we will see for example when new spectrum becomes available, that a lot of money is being put to bed for securing those -- the spectrum rights. So that's basically why we are continuing to exploit that.

Of course if we would be able to deploy spectrum in a very capital efficient way, that could of course also mean that we have the infrastructure in our own hands. But of course again that all depends on what level of agreement that you can reach with an M&O who has basically network infrastructure because that's the way are going to do it.

So again, our intention to build a full-fledged fixed network out there but do it always in cooperation and make as much as possible use of existing structures.

Usman Ghazi - *Berenberg - Analyst*

Thank you.

Operator

Mark Walker, Goldman Sachs.

Mark Walker - *Goldman Sachs - Analyst*

I just wanted to follow-up on the questions around Triiing and the hand over from Wi-Fi to mobile. Is it also possible to migrate from the mobile network to Wi-Fi? How far away are we in being able to seamlessly migrate from Wi-Fi hotspot to Wi-Fi hotspot? And related to that, you have mentioned before that around 75% of your traffic is offloaded onto fixed network. I just wondered if you could tell us how much of that is within the mobile customer's own home. Thanks very much.

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

On the Triiing application, so the seamless hand over is indeed only going into one direction, so it's going from Wi-Fi to a seller but not the other way around because there of course it is difficult to get back connected onto the Wi-Fi. Of course if the customer is switching away from Wi-Fi, there is going to be not in many cases when you are going to be in reach of another Wi-Fi spot because basically what we have seen is that customers are using the Triiing application mainly when they are somewhere let's say sitting at home or basically at the office or when they are at vacation.

So basically people are practically seeking for a Wi-Fi station and that is also why the other side is not that -- let's say that demanding for consumers.

John Porter - *Telenet Group Holding NV - CEO*

The seamless authentication is a bit of an aspirational target for the industry and in fact, I just got briefed last week on the fact that Cablevision in New York is apparently testing a seamless authentication passport where essentially you can move from hotspot to homespot to wireless network and back again. But it isn't available commercially that I know on a wide basis.

Certainly we would be a red-hot candidate for that technology given the degree of deployment that we have with our Wi-Fi network. But it's early days, but there's a lot of focus on it in the industry to get it to happen.

Mark Walker - *Goldman Sachs - Analyst*

Thank you, and of the 75%, how much is that -- how much of that would you say is the customer's own home? Thanks.

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

I don't have these statistics at hand but we can definitely come back on this one with the details later on.

Mark Walker - *Goldman Sachs - Analyst*

Okay, great. Thank you very much.

Operator

Thank you, there are no further questions.

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

Ladies and gentlemen, I would like to thank you again for your participation on this call. Should you have any outstanding questions or other follow-up, the investor relations team is of course more than happy to answer them.

We say goodbye now and we hope to see you back soon during one of our road shows or conferences in September. Thank you and goodbye.
