Q1 2018 Investor and Analyst Results Presentation

Thursday, 26th April 2018

Opening Remarks

Rob Goyens

Head of Treasury and Investor Relations, Telenet

Good afternoon everyone, my name is Rob Goyens, Head of Treasury and Investor Relations at Telenet. I would like to welcome all of you to our Q1 2018 earnings webcast and conference call. I hope you have been able to have a look at this morning's earnings release. The release and the presentation for this call can be found in the results section of our investor website. We will start today with the presentation of the main strategic and operational highlights, by John Porter, our CEO. Next, Birgit Conix, our CFO, will guide you through our quarterly financial results. And at the end we will open it up for Q&A.

As a reminder, certain statements in this earnings presentation are forward-looking statements. These may include statements regarding the intent, belief, or current expectations associated with the evolution of a number of variables which may influence the future growth of our business. For more details on these factors we refer to the safe harbour disclaimer at the beginning of our presentation.

So John, the floor is yours.

Executive summary

John Porter

CEO

Key Growth Drivers

Thanks Rob, and welcome everyone to our earnings webcast and conference call. To start let's have a quick look at our key growth drivers which should sound familiar to most of you. Our company strategy is built upon five building blocks. First, converged, connected entertainment. Second, unlocking further the B2B potential. Third, securing profitable growth by selective value creative M&A, such as Base and SFR Benelux. Fourth, further driving the wholesale business, and fifth, developing new revenue streams by deploying new businesses and ventures: IOT, targeted advertising, Belgian mobile ID, for example. All of this is enabled by a gradually converged, fixed and mobile network architecture, and a reliable and flexible IT layer.

Convergence Strategy Paying Off

Converged connected entertainment is clearly paying off. Our all-in-one converged WIGO bundles continue to perform well. In the first three months of 2018 we added 30,000 net subscribers to our FMC bundles, resulting in a total of nearly 334,000, and generating a monthly ARPU of around €91 for our residential customers.

This implies that at 31st March 2018, around 15% of our customer relationships and around 19% of our digital customers were subscribed to any of our WIGO bundles versus around 9% a year earlier.

…Underpinned by the best customer experience

Telenet has a longstanding tradition of putting the customer at the forefront of everything we do. Past initiatives such as our proactive customer visits under the Helemont May Tourney[?], and the footprint-wide availability of high speed internet access of up to 500 Mb/s demonstrate this commitment.

We stepped up our focus to provide the best in home connectivity experience to our customer, underpinned by new modem technologies, speed measurement, as well as smart plug and play Wi-Fi boosters, so that they can get the most out of their digital lifestyle.

And enriched by high-quality entertainment

In March, we launched a second local coproduction, *De Dag*, which is currently available for our customers on a binge view basis. It would be offered over our co-owned commercial free to air channels at a later stage. Just like *Chaussée D'Amour*, our second series was well received, highlighting a demand for high quality creative local content. Around 500,000 episodes were watched during the first three weeks.

We announced earlier in March to acquire the remaining 50% in the local media company deVere Media[?] which is pending regulatory approval. Through this acquisition we would be able to better and faster respond to innovations in the entertainment space, which will enrich the Flemish media ecosystem.

Focusing strongly on B2B

The second growth pillar is B2B. Following the trend of ICT and integrated service convergence, we announced the acquisition of the Belgian ICT integrator, Nextel, back in November last year. This acquisition is pending approval of the Belgian competition authority which we expect in the course of the second quarter. The acquisition of Nextel will enable Telenet business to capitalise on the conversions trend and extend our solutions offering in such services as cloud-based telephone systems, integrated land Wi-Fi solutions, unified communication collaboration, camera surveillance and building access controls; are just some of the examples.

Nextel is already delivering on these types of services to over 5,000 customers and at 10,000 sites.

Solid progress in implementation in commercial strategy Brussels

In the acquired SFR footprint, we originally started rolling out the Telenet brand in selected Brussels communes, such as Wemmel and Dragenbos. The revamp of the acquired SFR network is going well and we expect the modernisation to be completed within the next 12 months. We are also reinforcing our retail distribution network in Brussels to optimally serve our customers at Telenet high quality standards.

Fueld by solid fixed and mobile networks

We continue to make progress with the modernisation of both our fixed and mobile infrastructures. We have already modernised around 95% of all macro sites and have deployed around 220 new sites in our wireless network. As such, we are on track to complete the mobile network modernisation project mid 2018 as anticipated. Although ZTE is a key strategic supplier to us, we have secured the necessary technical equipment and components to be able to finalise the modernisation on schedule.

Moving to our fixed network, the Grote Network, HFC network upgrade programme reached around 75% of total nodes in the last quarter and will be able to deliver data download speeds of at least 1 GB/s, ensuring Flanders and Brussels continue to be in the vanguard of European networks.

Operational Highlights

Fixed multi-play penetration

Stepping over to our operational performance now, our operational performance in Q1 continued to be impacted by an intensified competitive environment. The ARPU per customer was up 1% year on year to almost €55 in the first quarter. This was driven by customers increasingly opting in for more services and partially offset by the absence of a price adjustment in the first quarter. We served nearly 1.7 million internet customers at the end March, including a healthy 2,100 net adds in the first quarter. Annualised churn remains broadly stable to just below 10% and reflected the aforementioned competitive landscape.

Fixed line and mobile telephony

Amidst an overall declining market trend, our fixed line telephony subscriber base continued to contract in the quarter, with a further pickup in the annualised churn to around 12%.

We continue to outperform in mobile subscriber growth, despite the continued pressure on our standalone mobile businesses. We are happy with the 28,000 net post-paid additions in the quarter which was driven by the continued strong uptake of our WIGO offers. Our pre-paid customer base declined modestly fully in line with the overall market trend.

Video

Subscribers to our basic and enhanced video services reached around two million. We lost nearly 8,000 net digital video RGUs in Q1, slightly higher as compared to recent quarters against the aforementioned competitive backdrop.

Premium entertainment

Our strong performance in premium entertainment continued in the first quarter. Our subscription VOD packages, Play and Play More, had nearly 400,000 customers, up 10% compared to Q1 last year. Our strong local and international content line-up is underpinned by firs- paid window output deals with HBO, Fox and all the major studios, as well as the local broadcasters. In addition, we served nearly 235,000 Play Sports customers, which was modestly up compared to the end of 2017.

In January we launched Play Sports Go, our OTT application, through which our pay television sports content has become available for all consumers irrespective of their network operator.

With that, let me hand it over to Birgit for a deep dive into our financial results.

Financial Highlights

Birgit Conix

CFO

Thanks, John. Let's have a look at our financial performance.

Revenue of €618.4 million

Against the competitive backdrop we can be pleased with our financial results in the quarter. For the first three months of 2018 we generated revenue of €618 million, which was up 1% versus Q1 last year. On a reported basis our revenue movements were mainly inorganic as mentioned in our earnings release. On a rebased basis, our top line slightly decreased by 0.5%. This result reflects the impact of regulatory headwinds, declining mobile ARPU and the absence of a price adjustment. These anticipated headwinds were largely offset by a solid performance in B2B and the larger share from our wholesale businesses.

Operating Expenses

As in previous quarters, we have continued to demonstrate tight control of our overhead and indirect expenses. Our operating expenses for the first quarter of 2018 decreased 6% year over year on a rebased basis. We are very proud of the 14% decline in our direct costs due to the successful onboarding of our full MVNO customers on our own network. In addition, we kept our labour costs flat despite the 2% mandatory wage indexation. Our sales and marketing expenses increased €2.5 million in the quarter and primarily reflected timing variances in our spend.

Finally our network operating expenses showed an 8% increase reflecting certain local pylon tax provisions and higher licence and maintenance fees.

Adjusted EBITDA of €307.9 million

For the first three months of 2018 we realised adjusted EBITDA of €308 million, up 6% compared to Q1 last year. On a rebased basis we achieved a solid 5% growth in Q1 and we show a 270 bps margin in improvement. This is our best quarterly margin since the February 2016 base acquisition.

Accrued Capital Expenditures

In Q1, our accrued CAPEX reached nearly €157 million which was up 25% year on year. We continued to invest in the upgrade of our fixed and mobile infrastructure. As we aim to complete these programmes by mid-2018 and mid-2019 respectively, we expect our capital intensity to decrease as of next year. As a percentage of revenue our accrued CAPEX totalled 25% in line with our outlook.

On the right-hand side you see a snapshot of our CAPEX breakdown. And as of Q1 we have changed the way we present our CAPEX drivers to better align with our capital allocation framework. As you can see, around 73% of our total accrued CAPEX in the quarter was subscriber growth related.

Adjusted Free Cash Flow

In Q1, we generated adjusted free cash flow of €83 million. This represents a significant improvement versus last year. Our adjusted free cash flow growth in the quarter was primarily driven by a robust adjusted EBITDA growth and a €22 million decrease in our cash

interest expenses as a result of recent refinancing. In addition, we benefited from an improved working capital and net additions to our vendor financing programme, as you can see on the slide.

Net Total Leverage

As discussed during the full year results call, our leverage framework will be based on net total leverage as opposed to net covenant leverage, with a target leverage of between 3.5 to 4.5 times. At 31st March, our net total leverage stood at four times which is right in the middle of our leverage framework. Our net covenant leverage ratio reached 3.2 times leaving ample headroom under our financial covenants. Relative to our first quarter performance, we anticipate our EBITDA to accelerate throughout the remainder of the year. As such, we reconfirm our full year 2018 outlook, despite the tough competitive environment which continues to put pressure on our revenue performance.

Q&A

Michael Bishop (Goldman Sachs): Just a couple of questions from me. Firstly, just picking up on the competitive environment, I was just wondering if you could update us with your thoughts around pricing, and also any comments on the levels of competition in the second quarter so far, and whether you are seeing any change.

Secondly, just to pick up on the points about mobile ARPU. It reads in the release obviously that there are lots of different moving parts, but clearly mobile ARPU is under quite a bit of pressure. Perhaps leaving aside the obvious regulatory impact, could you just talk us through what else is driving those declines and whether you expect those factors to unwind a bit going forward and maybe even see some mobile ARPU growth in 2019 as the regulatory headwinds unwind?

And then finally just to ask the question on VOO because clearly there have been a lot of news articles and statements in the local press so it would be useful to get your updated thoughts around whether there is or is not any process going on.

Thanks very much.

John Bishop: Thanks Michael. I will start with your first question on the competitive environment. I will say it is of course a different world when you have three operators in the fixed line business, and of course in mobile even more with a couple of decent MVNOs out there also competing with us, but particularly in the prepaid space.

We did see a fair bit of activity going towards yearend which is typical, particularly from the mobile sector, in terms of shared voice. Our competitors were quite strong through the holiday period and into January. So January and the first bit of February were pretty hard fought but those levels could not be maintained indefinitely. And just to put it in context, although our sales continued to be quite strong during the period and certainly met our expectations, churn started a little bit high. But since March we have seen our churn improving and this trend is continuing in April. So we are quite happy with the performance of our current campaign which focuses on in-house Wi-Fi and broadband performance.

So the trends are heading in the right direction certainly in the competitive environment. In terms of who is winning or are there any sort of dramatic things that stand out, I would say

that it is pretty evenly spread. We cannot, because of Chinese walls and everything else, really comment on what we know about the performance of our wholesale customer. Suffice to say there has not been a spike in activity in that area, towards us anyway. And Proximus[?] also has lifted its game and has been quite aggressive.

But in terms of the fixed market, we obviously still think we are well-positioned although we are not immune to more global consumer behaviour trends, which are, for example, impacting fixed-line voice and to a lesser extent, video. So I think with the three operators there is going to be ebbs and flows. January and February[?], like I said, was tough but the trend is strong for us. Where there is fierce competition is in the mobile space and that is to be expected. So we are quite pleased, I think. We might have had the most post-paid net adds in the market in the quarter so we are still continuing to have a very compelling proposition in the fixed mobile conversion space. So we are very happy with that. But the pressure is more on the standalone mobile, not just for us but for all operators.

And we think that in the fixed-mobile converged space there is still an opportunity to market more for more, and we still keep putting more value into the FMC world. The issue around standalone mobile is the mobile industry historically has been on the more-or-less track, and that is exactly what we have been seeing for the last eight weeks or so where we are seeing some unlimited data offers, we are seeing some pricing going down, and in standalone mobile we have to do some of those things ourselves to compete. Double data, these kind of things.

But the good news is that nobody is moving its customer base more rapidly into converged products, and with premium video attached to them, than we are. Once a customer gets into the FMC WIGO model and other examples of that, they are very, very stable. There has been no deviation from the extremely low churn rates that we are seeing in the FMC customer base.

So Birgit can add some colour to the mobile a bit and then I will come back and talk to you about VOO.

Birgit Conix: The mobile revenue being down, what we see and John already talked about is the very aggressive price setting from competition. That is the first element. The second element that we need to take into consideration for the full mobile revenue is the room like room[?] impact which we still see, especially in the first two quarters of this year versus last year. Then we see a general market trend where out-of-bundle[?] is declining. And John talked about that as well. This is customers moving into more subscription-priced models, and this is like what we saw in the fixed market in the past, which is more for less. Another element is customers start including mobile in their offer, in the 3p or 4p bundle. And this leads to discounts on mobile because of that, but obviously growth in our 4p.

And then last, John already talked about that, that is the 1p and more specifically the base standalone in the South[?] where we clearly do not have any converged offers. So there, we are suffering. And we see also a decline in 1p if you look at [inaudible] standalone products. In 2019, maybe already was mentioned, the room like room impact of course will be gone. We do see a continuation of the outer bundle trends because you will see people will continue moving into bundles. And because of that you will see the subscription volume will be growing. That is also what you see in our [inaudible] offers and in our overall mobile volume. That is it.

John Porter: On the VOO front, of course there has been a lot of activity in the last quarter on VOO; I think everybody has gone above the line on what their intentions maybe. Telenet, of course, we are currently a national telecom and media player and we want to ensure that we can provide all the products and services throughout the whole country that we are currently providing in Flanders and in most of Brussels. The most logical way to go about that is through some sort of industrial future-proof telco project in the south of the country and we think the best way to do that is with VOO, a company that we have a long history with and collaborate with on many, many fronts, including recently a renewed MVNO agreement for the next five years.

We also feel that we are the most logical partner to acquire VOO as we have a demonstrated track record of very high performance in the fixed and mobile space. And what has changed, and I would have said the same thing 12 months ago if you had asked me the question, is the fact that Orange went above the line with their intentions and cracked the thing open. We knew Orange would be interested, of course, in VOO, so that was no surprise. But we thought it was very important to articulate the advantages of working with Telenet, which we think are many and spelled out in our communications and spelled out also to some extent in the interview I did in *La Cours[?]*.

The important thing at this stage of the game is the future of the broadband infrastructure, which is a critical public asset in the south of the country, does not get mired down in political machinations. This is too important a public policy issue in that region of the country not to be considered as vital public infrastructure. And as I said once again, we have a 23-year track record of taking public infrastructure and investing significant amounts of capital and, in fact, developing a type of fibre coaxial network which now is complemented by a wireless network that is one of the most high performing networks in Europe – certainly in the top three that we are aware of, and also as measured by the European Commission.

We have a lot to offer in the South. I will say in conclusion that it is going to be a journey. This is one step in what is going to be probably a fairly lengthy process. So, in terms of timing, in terms of requirements for capital, for potential transactions, you will see a lot of to-ing and fro-ing. There is an election happening in Belgium in October and we are handicapping that any transaction or impact any firm position on next steps from the [inaudible] government will not be put in motion until after the election. Now, there is a possibility that their intentions will be well-articulated in the platforms of the various parties. That is one other reason why we felt it was very important to advocate for our position in the run-up to the election.

So if I were to put together a timetable for something like this I would say we would like to see the parties take the position that this is the logical outcome for a subscale publicly owned fragmented cable network in a region of the country. We would like to see that articulated in the platforms of the political parties. Hopefully by this time next year things will be in motion. Give it another six months, give the regulators another nine to 12 months to do their dance. So what you are really seeing is the first moves in probably an 18-month to two-year journey at the least.

So that is the way we see it. We think we are the logical owners. We certainly offer the most from an experience standpoint but we are also well position *vis a vis* synergies to be a firm bidder. And I think you saw that in the numbers we put above the line. Just to put those

numbers into perspective, there is not clear audited public information about the financial performance of VOO. So we had to make a best guess. But I can tell you that those numbers that we put out are an accretive multiple to Telenet. So we are very comfortable with where we are positioned today and we will see where it goes. And that was a lengthy answer because I hope we do not have to answer the question four or five more times.

Stephan De Jezan[?] (Raymond James): One follow-up please on [inaudible]. You mentioned that it could help you to be more agile in the media market. Could you be a bit more precise on that and what it could mean for your programming cost? I am just trying to understand how synergetic this has been to Telenet so far. And what are your options or what are events in the market that could trigger you to make changes in the strategy [inaudible] deliver?

John Porter: Thanks for the question. I think we have only just begun to explore all the ways in which we think vertical integration with a local broadcaster can be accretive to our company. On a very basic level, of course, you already alluded to the fact that it gives us a much broader platform on which to amortise programming acquisitions but also original content investments. We think strategically cable companies generically should be well aligned with their local broadcasters, particularly the local companies that are originating content. We also feel that the synergies between above-the-line broadcaster and digital universe that we have a substantial position in, has only just begun to be leveraged. And there are certainly opportunities to generate much more significant revenue across platform, not only from a sales standpoint but also powered by our access to data and our access to viewership information that is much deeper, richer, broader than what is available through 600 SIM households across the Dutch speaking part of Belgium.

We have a number of new initiatives that we are contemplating. It is a little bit premature for us to be commenting on those because we do not want to be steering the company prior to getting regulatory approval. You know what happens if you do that. So we are steering away from that. But suffice to say that I think everybody is feeling very positive about that. There are certainly also synergies; there are certainly G&A synergies. But I think strategically what I just mentioned, but also I think one of the reasons we made the original investment is that we were faced by a bit of an oligopoly broadcast environment when we got here, making negotiations very difficult and challenging for us. To be under the tent in the broadcast sector has turned out to be very advantageous for us. So when problems crop up it is not us-versus-them binary solutions; we are sitting down at a table and sorting through the challenges of time shifted viewing and the move to digital, etc.

It is not like we are breaking the bank either. But for what we think is a modest investment we are delivering a pretty unique and positive opportunity. But I can say that there is a lot of interest at Liberty. Liberty is very supportive of this kind of integration. In fact, it is something that Dr Malone is very intrigued by. So we will see where it goes.

Emmanuel Carrier[?] (Campaign[?]): Three questions from my side. First one is on the top line. So rebased sales was down 0.5% in Q1. I think you had the ambition to grow the top line in the midterm by about 2-4%. Could you just explain to us a little bit how you believe you could reaccelerate top-line growth?

Second question is on 5% EBITDA growth in Q1. Guidance is 7-8%. Can you explain the drivers that will reaccelerate EBITDA growth in the coming quarters?

And then the final question is on the discussions Liberty Global and Vodafone are having. How could these discussions impact Telenet? Because it looks like they want to sell Germany, so they would get a big cash in. So from that perspective, they probably do not need dividend from Telenet. So I would be happy to hear your thoughts on that topic.

John Porter: Let me answer the last one and I will hand over to Birgit to get more detail on EBITDA acceleration and [inaudible].

Clearly, you need to ask Liberty about what Liberty is doing and what their expectations are. In terms of its hypothetical impact on Telenet, of course, the transaction itself does not create any impact or requirement for follow-on or for anything else. It is neutral as far as its direct impact on Telenet.

In terms of Liberty's motivation, once again you are going to have to ask them. I cannot tell you. I will say, having worked with Liberty for 25 years, the Holy Grail is the return on shareholder equity. So whether they have more cash or less cash or anything else, as they said before, if they can get the structure right they acknowledge that potentially they never want to have lazy balance sheet. And they will support the company, where we have said in the absence of accretive M&A short term that we think some other form of capital management would be the way forward. And I think Vodafone[?] and the other independents are well aligned with the Liberty directors in terms of optimising return on shareholder equity for Telenet shareholders. I am convinced of that.

Birgit Conix: On the revenue growth, the -0.5%, John already talked about it in the first question. So first of all, what we do see [inaudible] in the first and second quarter is the adverse regulatory impacts from room like room. This has an impact of around €5 million this quarter. And also we see a continued negative pressure on the mobile ARPU. We talked about that as well. This is due to the [inaudible] discounts and also lower out-of-bundle revenue. And then, of course, also we see the 1p being under pressure.

And then last is an important point is the absence of a price increase in the first quarter of this year. And so these impacts actually are reflected in our top-line performance. And what we also said – and you could read it from our press release – is we reconfirm the full year outlook, which means stable, minus-1 to plus-1%. That is the range also last year we gave. It is always within those two percentage points.

Then your other question was what gives us confidence that we will achieve the 7-8% suggested EBITDA growth. There we feel very confident because this is about delivering the synergies and efficiencies and, as you know, we are well on track. You can even see that from the first quarter. So what happened in the first quarter was an unexpected item, which was a pylon tax provision of around €3 million for mobile tower sites in brussels. And you should look at it as a one-off. And then we also have, in the revenue part as well, the impact of the room like room on our EBITDA in Q1. That will continue in the second quarter. Then we still have MVNO-related costs in the first quarter and, as of the second quarter and beyond, this will accelerate – the OCF upside will accelerate significantly because they will be very limited, these MVNO-related costs. And as I just also mentioned, the price increase. And then there was also one element on marketing spend. So this is due to phasing. And

around €2.5 million in Q1 was due to a different phasing in 2018 versus 2017. So you can take that into account as well.

Then we continued to focus on the tight cost management, on which we are on track. You can see that from various elements; for instance, the labour costs are flat despite the 2% indexation as January. So we are really well on track on that front as well so we feel very confident on the EBITDA guidance.

Emmanuel Carrier: If I may ask maybe one follow up on the rebased sales growth, the target of 2-4%. It is not something that has been put on paper but during meetings it is sometimes used. Are there any other drivers that could reaccelerate the top-line growth? Innovations or other…?

John Porter: You are right. There is no official guidance. There is nothing on paper to underpin that. So do not rush to change your model. However, we certainly feel that fundamentally the core growth engine of fixed line and mobile is going through an inflection point. As Birgit pointed out, there are some of the regulatory headwinds that are not on a period-on-period comparison working in our favour. Nor are they giving a clear view of what growth we do have in our business. As I said in my opening remarks, there are several substantial growth pillars in our business, not the least of which is our FMC offer. So, as we are able to move more and more customers into fixed mobile conversions, we are comfortable, through a range of research and our relationship with our customers, that a more-for-more strategy in the FMC space is more than doable. We are certainly not targeting a flat to negative revenue position as we look at the next few years; we still believe there is growth. But is it coming from market share? Not so much. It is coming from innovation, it is coming from new products and services. It is coming from our B2B category. It is coming from acquisitions, such as [inaudible] and outperforming in those areas. That is the change.

So clearly, if we were just sitting on a triple play business we would be feeling a bit nervous. But the fact of the matter is that Telenet over the last five years has been exceptionally innovative and aggressive about pulling in a lot of integrated activities that give us a lot of optimism about where we are going to find top-line growth over the next few years. And it is our intention to come to the market, as we did three plus years ago, and in a Capital Markets Day forum give you a longer term profile of where we see new growth streams coming from. So you can look forward to that either towards the end of the year, in the second half or even as late as the first quarter next year. But we are still quite optimistic about keeping the top line churning over.

Nicolas [inaudible] (HSBC): Just to follow-up on the MVNO-related costs, last year you booked some charges for the guaranteed payment [inaudible] Belgium. I was wondering, what is the cash payment left to be paid this year and how much has been paid in Q1?

And I have a follow-up question on the so-called expenses financed by intermediaries. There is a big increase year on year. I just wondered if you could help us to calibrate the amount for the full year please.

Rob Goyens[?]: Yeah, maybe Nicolas, with regards to the first question, so as you recall, last year in the third quarter, we took a [inaudible] provision of €29 million, essentially to cover the fact that from the original [inaudible] contract, due to the accelerated migration and the decision we took to accelerate in order to advance the synergy that we got from the base

acquisition, there was a €29 million restructuring that we took in the third quarter. Nevertheless, the €150 million minimum revenue commitment that we entered into with Orange back in 2017, of course, will be paid in full. So roughly speaking, there will be a cash flow impact for the whole of 2018 of around €40 million that you will see reflected in the cash flow statement toward the remainder of the year. It will not impact our EBITDA performance, as Birgit mentioned.

Then the second question, can you maybe repeat it quickly?

Nicolas: Yes. On the cash flow statement, expenses finances by intermediaries, there is a big increase in Q1 year on year obviously. And I was just wondering what kind of guidance you could give for the full year?

Rob Goyens: So basically what you see reflected in the free cash flow statement is basically the impact of vendor financing. And the impact of vendor financing on the cash flow statement are twofold. So there is, on the one hand, a favourable impact on the cash flow from investing activities, because that actually relates to the assets that we procure through capital related vendor financing. So that goes as a positive against the CAPEX additions in a way. Then the OPEX bid is basically reflected in the expenses financed by intermediary, as you pointed out. So to the extent that we have a mixed profile between OPEX and CAPEX related suppliers that changes from time to time.

But let me also point out that we have also started to do some repayments on vendor financing in the course of Q1 and that will continue. As 2017 was the first year of additions without any meaningful repayments, 2018 will be a year where the total growth will be less outspoken. We will have still in the first half year very decent additions, repayments that will start. But the repayments are more substantial as we head into the second half, so there will be a bit of a tougher comparison. All of that is reflected in our €400-420 million free cash flow guidance and the total estimated impact, if you look at it from a total perspective to vendor financing, will be around €100 million of a total increase in the short-term debt commitments.

Nicolas: Just a quick follow-up. You are talking about vendors. What is the exposure to the [inaudible] any solutions to the current issues that they are facing?

John Porter: I will address that one. We have more than enough equipment to complete the radar modernisation of our wireless network from ZTE. We also have access to more than enough equipment to maintain operations in maintenance mode. As I think we pointed out at the top we are 95% complete through our modernisation. The only risk we see is probably long term [inaudible] strategic risk, which is, obviously, as a key supplier, we see ultimately the migration and technology migration of our wireless network to be somewhat in independent and somewhat in partnership with ZTE. So, although we do not see any threats over the next two, three, four years, there is obviously going to be a technology migration down the road.

That being said, we do know through ZTE that they are back with the US government trying to negotiate some alternative solutions to the seven-year ban and they are extremely well supported by companies like QUALCOMM, Intel, etc. So it has sort of put the cat among the pigeons and it is part of fearless leader trade strategy. And by fearless leader, I mean Donald

Trump. So hopefully it can get resolved and since we do not have any short-term risk we are feeling relatively confident.

Paul Sidney (Credit Suisse): Just a couple of questions please. The first one is really just a follow-up on some comments that have been made already. I just wanted to see if we could get a bit more detail on what happened in Q1. Your sales and marketing costs were up 13%; you said there were some timing differences in marketing campaigns compared to the previous year. January and February were hard fought, with Belgian Proximus competing hard. I was just wondering could you walk us through the quarter and explain what happened. And then I think you mentioned, March, April you had seen competition levels reduce. Please, just any more detail there.

In Q1, are you seeing any benefit from SFR Benelux yet in terms of SFR Benelux accelerating their RGU penetration and increasing their penetration of their footprint? Thank you.

Birgit Conix: On the first quarter and on the marketing spend, it is just different timing in campaigns. It really depends on your product. So there is really big timing variance which is normal. We do not equalise our marketing spend. You could also choose to do that and [inaudible] variances. But it is what it is. It is just phasing. We have a track record of delivering on costs and synergies from every previous quarter. Also this one. We are actually really proud of the cost savings that we realised both in direct costs and in OPEX. So not sure what you are referring to on the cost side that is there because we are very well on track.

Paul Sidney: I was really just trying to marry up the increase in sales and marketing costs with the [inaudible] pressure on subscriber growth, really.

Birgit Conix: It is just timing of campaigns. It is just a different phasing.

John Porter: It is a different phasing than we had in 2017 because in the first quarter of last year we did a rate adjustment in January and February. And we do not normally market during that period. This year there was no rate adjustment and we marketed in our normal fashion, shall we say. So that is a big difference in the timing of the marketing spend. But in overall marketing spend, year on year will be less than last year.

Paul Sidney: Could you walk us through, John, the competitive trends in January, February March? Sorry to labour the point.

John Porter: No, there was a fairly intensive period, particularly in the first six weeks of the year. January typically is a seasonally high-churn month. So you have a lot of flux in the market. People are getting resituated, coming back from holidays. People move. New schools starting. All this sort of stuff. So it is a fairly high flux period. So the operators tend to go pretty hard at the beginning of the year to capture that flux. And we saw that. We think we got our fair share of gross sales during that period. We are more than happy with our sales results but churn was a little bit higher. Flux was definitely higher in the market. Since about the end of February, throughout March and into April, the trend has been positive in terms of churn and gross sales continue to perform quite well.

There has been some cord shaving during that period. There is always pressure on the triple play product. You see a little bit the sort of structural flux in the fixed line business. So those are some of the things that are going on in the first quarter that made it a little bit volatile.

We like where we are now. We are well positioned. Like I said it has now been 15, 16 months since we did a rate adjustment. Our NTS[?] is quite high and our churn is coming down. So quite a stable environment.

Paul Sidney: So SFR Benelux having much of an impact?

John Porter: We are chasing €15 million of synergies and that does not include any substantial lift of our market share in the [inaudible] territories, which we think is more than achievable. But at the beginning of these things you tend to have the synergies dropped a little bit negative. And we are investing in the platform in Brussels. We have opened three retail stores in Brussels. We have revamped the other retail stores. We are investing in operations and maintenance and really taking the whole platform up to another level. Until we do that we are just starting to convert customers now. So this quarter in terms of synergies, I do not I know the number off the top of my head, but I am pretty confident they were negative. But from here on out, we started converting customers in the region around Brussels and in the [inaudible] region in the south. And we will be moving into Brussels at some point. I cannot give you the exact date for competitive reasons but we expect to have SFR Benelux converted to Telenet products by the end of the first quarter of 2019.

Daniel Morris (Barclays): Thanks for taking the question. I just have a quick follow-up on the B2B segment. Just wondered if you could give us some thoughts about the opportunities to reaccelerate. And obviously historically it has been a mid-to-high single digit revenue growth business. I think you faced quite a tough comp in Q1 2018 and I think you still feel as a kind of solidly growing business. But maybe a little bit more colour about what happened in the quarter and where that business segment can go to in the rest of 2018. Thank you.

Birgit Conix: Let me remind you that our total B2B business segment is actually larger than what we report here because our [inaudible] and [inaudible] businesses allocated to the cable and subscription revenue. So here we only look at large enterprises and value-added services. And the decline you see in the first quarter relates to phasing of the security contracts. So just to reiterate, our B2B business is growing well and is really according to expectations if you look at the full picture.

John Porter: Yeah, we have a quite aggressive view on what we can do in the B2B space over the next few years, starting with, of course, we are cautiously optimistic that we will be able to close the Nextel acquisition before the end of the second quarter. There is a lot of work being done now to reposition Telenet business in a lot more of an aggressive sales architecture in the region but also in Brussels, where it is a very, very low market share in a market with over 250,000 businesses. We think, both from a territorial standpoint and a strategic standpoint, we are ticking a lot more boxes that Nexdel is going to bring to us. Also the innovation and development of new products and services that is happening within Telenet, as well as a whole new sales architecture that we are going to be pushing towards once again.

If you look at our B2B business end to end, it is about a €500 million business, with another 20% lift coming from Nexdel. We are going to be targeting, once again, high single-digit, low double-digit growth there on a compounded basis over the next few years.

So I think we are strategically pretty confident about the future. Proximus is, of course, our number one competitor in that space and they are not sitting still so we will face some healthy competition there. However, we have always been able to perform well with infrastructure-based providers in a competition.

Daniel Morris: That is great colour. Thank you both.

John Porter: Sure.

Roshan Ranjit (Deutsche Bank): Hi, afternoon, just a very quick question from me please. I think you are launching a new set-top box early this year. Should we think about that as just purely a hardware launch or is it likely to be a bit more of a revamp of the product offering? I know you have previously talked about enriching and, John, you talked about more for more. However, is this purely, as I said, a hardware-type exercise? Thanks.

John Porter: No, definitely, since the EOS box development began a couple of years ago, we have been very much stressing that this cannot be just another cycle in the hardware. From a hardware standpoint, there is a lot of good news about it, which is that it, of course, is going to be cheaper than the boxes that we are buying today. It is also a substantial step-up in terms of the type of chips that are getting put in the box. Historically there have been computer chips and there have been broadcast chips and they were in completely different categories. These are really more like computer chips that are going in, enabling applications like voice recognition, remote controls, fully integrated search, APIs into the web and things like that.

So the hardware is exciting in and of itself and there are going to be a lot of features and functionality that are going to come along with it. However, we are also looking at it from a content standpoint. For competitive reasons I will not go into too much detail. However, we have already said there will be apps on the box. One of those apps will certainly be Netflix. There will be, like I said, integrated search, which is the idea that if you are searching for a particular type of thing, it will identify things from the web, it will identify things from OTT providers and it will clearly identify products that we are providing as well. If you are familiar with the Comcast X1 experience, it is not that dissimilar on that front.

There are a number of other content-related solutions, both on-net and off-net that will be part of the launch. You can be content that we are thinking about it as a step change in video experience. We are not thinking about it as a hardware introduction. Thank you for asking that question.

Roshan Ranjit: Just to get a sense of timing, have you given a timing for this launch? I guess, [inaudible] migrate it into the base. However, when we can we expect the majority of customers to be on this new hardware?

John Porter: Yeah, I will not give you the launch date. However, I will say that we will have beta boxes in the market in the summer period.

Roshan Ranjit: Okay, thank you.

Stefaan Genoe (Degroof Petercam): I have two questions, actually. First you mentioned the willingness of LGI to optimise shareholder return on equity, if no M&A in the short term. Do you believe LGI considers the 18, 20%, 40% month period[?] you indicated on VOO[?] as being short term; yes or no? Secondly, you have acquired some investments in content

recently. If you look at the Play and Play More subscribers in recent quarters, they are more or less flattish, I would say; some slight improvement but rather flattish. How do you see the Play, Play More and video on demand transactions in general accelerate or improve as a revenue generator going forward? Related to that, do you believe the OTT competition is perhaps a bit fierce to see accelerated growth here? Thank you.

John Porter: Sure, good questions. No, I think Liberty will take our guidance on capital allocation for prospective acquisitions. I think, if you look at our cash flow profile, even if we were to empty out the cupboards, we could generate the cash over the regulatory review period to complete any hypothetical transaction. So I think they will take our guidance on that. I do not think anybody, at this stage or even in the next 12 months, 'keeping their powder dry' for prospective VOO transaction. I hope that answers your first question.

The way we think about SVOD and the way we think about our content strategy is not restricted to the gross margin contribution from premium video. That is one very important component of it. However, we obviously see it as what its impact can be across our entire business. We know people that use SVOD; we know people that have attachment to Play or Play More, not just for the content but for the features and functionality that they deliver, are much happier customers and the churn is significantly less.

The other thing is that we should be the best video provider in the market. We have been the best video provider in the market. We will continue to see that as one of our tent pole strategies: to be the very best in the market by far so that if a consumer cares about television at all. And if they are within our footprint, they will be our customer. That is the way we think about it.

In terms of its ability to grow and deliver incremental contribution, whether it be of a financial nature or transactional nature, if we do nothing and we just sit on what we have, then probably we would be limiting our capabilities there. However, suffice it to say that, as I just mentioned, we have a whole new platform coming out which creates a lot of potential for us. I am not going to go into any detail at all but suffice it to say this is not a static product. It is a product that we can be very dynamic with. It is a product that we can shift in the price value range. Our intention is to continue to try to have our positioning in the content universe be a substantial USP for us in the future, as well as continuing to contribute to the bottom line. There is a lot of moving parts in content. Maybe we will have fewer basic linear channels. Certainly, the value of a basic linear channel is decreasing, to us. The value of local programming, original programming, things that are relative to our customer base, is increasing so there are a lot of moving parts. Hopefully that gives you a flavour for what we are thinking of.

Richard Boada (Morgan Stanley): Hi, thanks for taking my questions. Maybe I can ask a couple of big-picture questions on the mobile side. Could you maybe share some thoughts on what drives, really, stabilisation in the mobile-only revenues? Obviously we have seen the clear impact of the regulatory drag. However, structurally speaking, what is the reason why things can get better, considering that in the past several quarters we have not seen any underlying, or any positive, growth in this segment?

Then, on convergence, obviously you talk about that convergence is a growth engine going forward. However, we have failed to see convergence at the same level of penetration as

other players, like Telefonica in Spain at 70–80%. What drives an acceleration in the migrations to WIGO going forward? Thank you.

John Porter: To me, that is one question because the way I would answer it is to say that you said stabilisation in the mobile-only business; I want to get out of the mobile-only business. I do not want to be in the mobile-only business; that is crap business. The mobile-only players, if you look across Europe, are the ones that are leading a race to the bottom. They are in the more-for-less camp. FMC[?] is in the more-for-more camp so the faster I can get customers into some form of FMC. We have only tapped one segment of the FMC marketplace already in WIGO, which is clearly homes with more than two people in it. There will be a much more aggressive push in FMC now.

Probably the biggest reason we want to acquire VOO is we do not want to have hundreds of thousands of mobile-only customers in the south of the country. We need to have an FMC solution in the south of the country. I would say that if we do what we want to do, we are going to get out of the mobile standalone business to a large extent in the north of the country and we will leave that to the MVNOs, the Mobile Vikings and the JIMs of the world who have a different approach.

I think you need to look at some definitions comparing us to other operators. We are not claiming three plus-ones as converged. So we are not claiming triple play plus a base mobile phone, or plus a King & Kong as a converged customer. That is a quad play and we report that as an attachment rate. Take the Netherlands, there is a company we know well. They basically say, if you a Ziggo customer, we will get you a good deal on a mobile phone and if you are a Vodafone customer, we will get you a good deal on Ziggo. That is not fixed-mobile convergence. That is not offering customers fluid movement between a wireless and a fixed network and the ability to partition their data usage and their voice over whatever network suits their requirement at the time. I think if we took every fixed home that had a mobile either from BASE or from Telenet, it would be well in excess of 50%. However, we do not see that as fixed-mobile convergence.

So, it is a little bit definitional but suffice it to say that, once again, we see this as really the future basis for growth in our business and our industry because we know that true fixed mobile customers, we can have a more-for-more strategy in the universe of true fixed-mobile conversion customers. That is why we are pursuing it as aggressively as we are.

Richard Boada: I think that is very interesting colour. Can you maybe, as a follow-up, touch on the case of Spain? Is this a desired outcome, to reach 70–80% penetration like Telefonica? It may be a different definition, obviously, but the degree of convergence is radically different than the one in Belgium. However, obviously, as Telefonica management has pointed out in the past, that has come at the expense of some short-term price discounts. With that in mind, is it something that you see as a desirable? Thank you.

John Porter: Let us get back to the point I just made. I am not fully *au fait* with what happens in Spain. However, putting a voice, video and data fixed product together with mobile and discounting it is not fixed-mobile convergence. That is product-centric pricing strategy. We are going for a customer-centric experience strategy which actually can command a premium. I think if we disaggregated our financial results and you had a look at our WIGO base versus our non-WIGO base, I think WIGO ARPU is €91, stable and very

low-churning. Obviously, the rest of our business is substantially lower than that because our average ARPU is €55. So I think it is important, definitionally, for the industry, to really get their heads around what fixed-mobile convergence is. Whether 70% is the target for us, or 80%, yeah, we would like to have 100%, as we get into the next round of FMC, we are going to have to get a lot more segmented. We are going to have products that are much more configurable to individual customers' needs but still have the customer experiential benefits of an FMC.

Richard Boada: Many thanks, that is very helpful.

John Porter: I love talking about this; it is my favourite subject – the philosophy of telecommunications.

Richard Boada: Yeah, that is certainly an area to watch.

John Porter: Okay. Thanks man.

Speaker (Redburn): Afternoon everyone. I just wondered if you could give a feeling for the quantum of what the balance sheet can take. I am thinking in terms of the special dividends or just recapitalising it, but leaving enough room for any kind of acquisition that you might want to make. I think you talked in the fourth quarter about how you could take around 25 30% of the free flow out but you did not think that was healthy for the medium term. Has that changed in any way, given this set of results? What is your current thinking on the capacity?

Rob Goyens[?]: Yeah, hi [inaudible]. When you look at this from a net covenant perspective, the net covenant leverage came in at 3.2 at the end of the first quarter, which was basically stable compared to the fourth quarter end. When you look at our incurrence, we can actually move the senior secured debt up until 4.5 times, which would basically imply a 1.3 times uplift potential from a total EBITDA of roughly €1.3 billion, so that is a substantial amount. Obviously, as you know, the board of directors in February of the year also decided that the company's leverage framework should be based off the net total leverage. The difference between the two has been totally explained in the last quarter call. However, in essence, it boils down to the fact that the net total leverage captures all the liabilities on the balance sheet, whereas the net covenant leverage does not capture, for example, the vendor financing liabilities or certain lease[?]-related liabilities. There is also a divergence in the EBITDA we use.

To make a long story short on this one, we can all refer back to the investor and analyst toolkit on the investor website where you can find a special chart that shows the two calculations. The net covenant leverage is the one that really matters under the finance documentation. However, from a phasing perspective and especially when you talk about shareholder remediation, as John mentioned, the board of directors will consider the net total leverage as being the most important one.

Speaker: Sorry, so the four times being the most important or the 3.2?

Rob Goyens: Yeah, correct.

Speaker: Sorry, the four times they would take as being –

Rob Goyens: Yeah, the four times. Correct.

Speaker: Is that within your target, so we should not see any room for taking that up? So your target is between, sorry, 4.5–5?

Rob Goyens: No, the direct leverage, as was confirmed by the board of directors is 3.5–4.5 times, based off the net total leverage.

Speaker: So it is in the midpoint of that?

Rob Goyens: So we are bang in the midpoint, yeah.

Speaker: Okay, so you are in the midpoint. Okay, thanks.

Rob Goyens: Thanks everyone for joining today's video webcast and conference call. We look forward to maintaining an intense dialogue with you going forward and we look forward to meeting you soon during one of our upcoming investor conferences and roadshows. As a reminder, you can find the schedule for the upcoming events on our investor relations website. However, should you have any additional questions in the meantime, please feel free to reach out to the IR team at Telenet. Thanks again for joining and have a nice day.

[END OF TRANSCRIPT]