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+++ presentation

Operator^ Good day and welcome to the H1 2015 conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Rob Goyens. Please go ahead.

Rob Goyens^ Thank you, operator. Ladies and gentlemen, on behalf of the Telenet Investor Relations team, Thomas and I would like to welcome everybody to our investor and analyst call for the second quarter of 2015.

I trust you all received our press release this morning and were able to able to download the PowerPoint presentation from our IR website. It will be used for this earnings call (inaudible). Before we start, I am obliged to advise you that certain statements in this conference call are forward-looking statements.

This may include statements regarding the intent, belief or current expectations associated with the evolution of a number of variables that may influence the future growth of our business. For more details on these factors please refer to the Safe Harbor disclaimer at the beginning of our presentation.

Let me now briefly introduce today's speakers. First up we have John Porter, our CEO, who will provide an executive overview of the second quarter. Next, I will briefly walk you through our operational performance for the quarter and afterwards, Birgit Conix, our CFO, will guide you through our financial results and present the drivers behind our upgraded outlook for the full year 2015.

After the formal presentation, we will open it up for Q&A. Due to agenda conflicts, however, we are limited in terms of time to one hour, so we will go to Q&A as soon as possible. So, John, the floor is yours.

John Porter^ Thanks, Rob. For the last two years we've been evolving Telenet's focus from a product centric approach to a customer centric strategy. And you can see that through our ACE program, which is the Amazing Customer Experience. It's about building value, and we're committed to delivering an outstanding service to all of our 2.1 million customers.

We increased download specs in the half from our premium Whoppa bundles by 25% up to 200 megabits per second, and are pleased to share that the average Telenet customer now enjoys an average download speed of slightly over 100 megabits per second, which is a great achievement compared to other European countries.

In the quarter, we also enriched our FLUO bundles for SoHo and SME customers, as they can now do free calling between all Telenet fixed and mobile numbers.

And finally, we recently started a program to visit our customers proactively and I'm very excited with the first set of results, leading to an increased NPS and higher customer satisfaction.

Moving over to slide number 5, you can see that we continue to add more value for our customers. On the B2B side, we started to invest in the extension of our footprint towards both new and existing business parks as we bring fiber closer to these businesses, and can have the opportunity to migrate them to any of our great B2B products. We also increased speeds for our B2B customers, reaching up to 240 megabits per second now.

We continued our Grote Netwerf network investment program, including the rollout of Wi-Free, which is the availability of our WiFi home spots and hotspots throughout certain core cities in our Flemish footprint. As you know, this greatly increases the opportunities for future WiFi offloading, which has been an essential part of our connected strategy.

More recently, we revamped our sports PayTV offer, introducing Play Sports, which brings a whole new TV experience to sports fans, as Rob will show you in a few minutes. As a new Jupiler Pro League season has just started, we look forward to an exciting second half.

On the strategic front, we also had a very active first half. As you may recall, we received regulatory approval in February for our 50% investment in the Flemish media company De Vijver Media, and in April we announced the acquisition of BASE Company, securing long-term mobile access. At this moment, the BASE acquisition is still pending regulatory approval, but we aim to file with the EC in the next few weeks.

We launched Telenet Kickstart, the sequel to Telenet Idealabs, our startup accelerator program, with the aim to stimulate local digital entrepreneurship.

Last, but not least, we successfully refinanced part of our debt at attractive market conditions last week through the issuance of EUR530 million of senior secured notes with improved tenor, while also having secured the funding for the BASE acquisition back in April.

And finally, we started a EUR50 million share buyback program in February, which is now substantially complete.

On slide 6, I want to spend a couple of minutes on the proposed cable wholesale regulation and provide some insights into the recent BIPT draft decision on the proposed retail-minus. I would essentially like to highlight three major themes.

First, there are some flaws in the current retail-minus, starting with the reference values, as not all customers actively have access or use our adjacent services, while the regulator clearly believes they do.

In addition, our retail-minus is referenced against our competitors' retail offering, which would lead to a strange scenario that an increase in their retail price would trigger a lower wholesale rate at our end.

Secondly, there seems to be some heavy referencing to France, which I believe is not the correct reference market for Belgium for three distinct reasons.

First, although retail headline price may seem cheaper, it is also generally accepted that both speeds and customer service are far inferior compared to the Belgian market.

Secondly, the average effective retail-minus in France is at about 47% today versus the regulator's current proposal of around 60% for Telenet.

And lastly, upfront investment costs for alternative carriers in France are much higher at EUR5 million versus EUR750,000 for Belgium today.

And finally, and perhaps the most important point, is our continued belief that the best and most effective competition model is infrastructure based, as this model stimulates innovation and ensures Europe's digital agenda is met.

As a reminder, due to continued investments in our HFC network and the head-to-head competition with the incumbent, our customers now enjoy average download speeds of over 100 megabits per second, which represents one of the best infrastructures in Europe.

With that, let me hand it back to Rob for some operational insights.

Rob Goyens^ Thank you, John. Let's now zoom in on our operational performance for the second quarter. On slide 8, you can find an overview of our multiple-play performance.

We added nearly 14,000 net triple-play customers in the second quarter, which is generally a weaker quarter due to seasonal patterns in our business. We now have nearly 1.06 million triple-play customers and this was up a healthy 8% compared to Q2 of last year.

As you can see on the top right hand of the slide, we now have around 49% of our customers subscribing to all three fixed services of broadband Internet, enhanced video, and fixed-line telephony, compared to around 45% a year ago. As a result, today's average customer takes 2.2 services from us, and this was up 3% year on year.

Going forward, we remain focused on cross-selling the remaining 29% of single-play customers to any of our attractive multiple-play bundles so they can take full advantage of their digital lifestyle.

Finally, the ARPU per customer relationship which, as a reminder, excludes the revenue that is generated by our mobile customers and certain other revenue, came in at nearly EUR49 for the second quarter, and this was up 4% year on year.

Besides the healthy 3P conversion, as I just mentioned, ARPU growth benefited from the January 2015 price adjustments, but also from a higher share of premium entertainment in the overall mix, offset by a growing proportion of bundle discounts and other discounts.

Let's focus now on the individual products and services that we offer, starting with broadband Internet on slide number 9. As you can see in the middle chart, we added nearly 9,000 net broadband Internet subscribers in the quarter, which is generally a weaker sales quarter, as I just mentioned.

At the end of the quarter, we served more than 1.5 million broadband Internet subscribers, and this is equivalent to around 52.7% of the homes that are passed by our leading HFC network. With average data download speeds of just over 100 megabits per second, our customers enjoy reliable and high speed connectivity service, and this makes Flanders one of the best positioned regions within the wider European context in this respect.

The most noteworthy development in the quarter has, for sure, been the strong sequential improvement in our churn rate, which improved 120 basis points quarter on quarter, as Q1 was adversely impacted by the price adjustments.

As John mentioned at the beginning of our call, we have remained focused on providing more value for our customers. And you can see from our churn numbers that all our efforts, whether it relates to speed upgrades, Wi-Free access or proactive customer visits, that all these efforts of our customer-centric strategy are paying off.

On the next slide, you see a picture of a famous yellow Telenet van, as I'm sure many of you have seen while visiting Flanders or roaming the local streets. We have started our Helemaal mee Tournee, which is essentially a major program to visit our customers proactively to check and improve their WiFi coverage indoor, install the relevant Telenet apps, and help them to reset forgotten passwords.

We also make sure that the customer's set-top box is properly connected to their TV set, while checking their current technical equipment and providing alternative CPE if needed. As John mentioned to you earlier, we have had a great first set of results in terms of the improvements to our net promoter score, leading to increased customer satisfaction in the long run.

On the next slide, which is slide number 11, you can see the sound progress we have made over the last quarters in terms of fixed telephony penetration, with just over 40% of our homes passed now being connected. This translates into nearly 1.2 million RGUs and this was up 7% year on year.

In terms of net adds in the second quarter, we added 13,000 net fixed telephony subscribers and as in recent quarters, the rate of net additions was higher than the number of broadband net adds, telling you that underlying, we continue to do well in terms of triple-play conversion.

As for broadband, the quarterly churn trend substantially improved quarter on quarter with annualized churn reaching 7% in Q2. And this was down 190 basis points versus Q1 when the churn rate was adversely impacted by the price adjustment.

Turning over to mobile telephony on slide number 12, you can see that we ended the second quarter with nearly 954,000 subscribers, and this was up 16% year on year.

As a reminder, these are all postpaid subscribers with the vast majority being active cable customers in our Flemish and Brussels footprint. To date, around 20% of our cable customers take mobile services from us, showing you the ample growth opportunity that is still ahead of us.

In the quarter, we added just over 29,000 net mobile postpaid subscribers, which was broadly similar compared to the first quarter and which was achieved despite the intensely competitive environment. The strong performance was directly driven by our new Family Deal offers, but also our attractive handset subsidy plans.

Speaking of Family Deal on slide number 13, you see what this is all about. Essentially, our Family Deal offer provides recurring monthly discounts of EUR1 to EUR2 respectively for both our new and existing Whop and Whoppa triple-play customers, and this as of the second SIM in the home.

Moving over to total video on slide number 14, you can see that the number of video subscribers actually was slightly down in the second quarter, by 8,000, which was a strong improvement versus the first quarter when the net organic loss rate reached almost 12,000.

Of course, in Q1 we still had the adverse impact of the aforementioned price adjustments so, therefore, we are very pleased that the overall loss rate is back in line with the average loss rate we have seen in previous quarters.

On slide number 15, you can have a look at the performance of enhanced video. Net subscriber growth in the second quarter reached almost 6,000, and this was lower, compared to last year, when we benefited from the phasing out of our legacy SD video platform in the third quarter.

Important to highlight is the fact that around 82% of our total video customers have now converted to our enhanced video platform so they can enjoy an enriched viewing experience on all connected devices in the home. And the penetration of our Yelo TV app, which is our over-the-top platform, reached approximately 21% of our enhanced video customers at the end of the second quarter.

The next slide, which is slide number 16, provides you an insight into the trends for our premium entertainment offerings which we have been telling you about in recent earnings calls.

Our subscription VOD packages, Play, and Play More, continue to do well and have almost 221,000 subscribers at the end of June. This was up a strong 25% quarter on quarter and was driven, in part, by temporary promotions for our services. Priced at EUR10 a month, we believe that Play still represents a very attractive entry point for customers who want to take full control of what, when and how they consume TV.

Moving over to sports, we nearly had 204,000 subscribers to our sports paid television channels at the end of the second quarter. The slight decrease quarter on quarter was driven by seasonal factors as both the domestic and also the major international football leagues ended in May. As the new football season in Belgium just started last weekend, we look forward to an exciting second half.

To conclude this operational review, perhaps a few words on our revamped sports television offer. It's not so much about a simple rebranding from Sporting Telenet to Play Sports, but there is much more to it.

Essentially, it's about bringing more value to customers, such as more sports content, Formula 1 racing, golf, hockey, volleyball and cyclocross which, especially in Flanders, is very popular.

But also our revamped offer comes with seven-day catch-up TV, and a fully revamped application to stay continuously updated and connected with your favorite club or sports heroes. And all of this for the same price as before, which is unchanged at just slightly less than EUR16.5 for triple-play customers.

With that, let me now introduce our CFO, Birgit Conix, who will provide a snapshot on our H1 and Q2 results.

Birgit Conix^ Thank you, Rob. As John indicated at the beginning of this call, Telenet can, indeed, look back at a decent first half of the year with solid operational trends, translating into healthy, fully organic financial growth across the board, despite an intensely competitive environment.

For the first six months of 2015, we generated revenue of EUR892 million, which was up 6% year on year. This year-on-year growth was underpinned by four main elements.

Firstly, we achieved solid multiple-play growth with the number of triple-play subscribers up 8%, as Rob highlighted earlier.

Secondly, our revenue growth reflected the benefit from the selective price increase on certain of our bundles from the end of January, which contributed around 2% to our top-line growth in the first half.

Thirdly, the revenue contribution from our mobile business was up 16%. And finally, our B2B revenue went up 14% year on year, driven by higher security-related revenue and higher B2B connectivity revenue.

Our revenue growth in the second quarter reflected the same growth drivers I just mentioned. As such, we posted revenue of EUR449 million for the second quarter, a 6% increase year on year.

Slide 20 zooms in on our year-on-year revenue performance for the first six months.

Although our 6% revenue growth in the first half was driven by positive contributions from all revenue lines, three contributors stand out on an absolute basis, namely: broadband Internet, mobile telephony and fixed-line telephony.

Year-on-year broadband revenue growth of 6% was driven 4% growth in our subscriber base and a benefit from the price increase effective from the end of January 2015, in part offset by the increased proportion of bundle discounts.

The second biggest contributor was mobile telephony revenue, which posted 16% growth year on year, reflecting continued double-digit growth in the number of postpaid subscribers, partially offset by a decrease in usage-related revenue per user.

Finally, an 8% increase in fixed-line telephony revenue driven was driven by a 7% increase in fixed-line telephony subscribers, and the benefit from the aforementioned January 2015 price increase, partly offset by a growing proportion of bundle discounts.

This brings us to adjusted EBITDA on slide 21. For the first six months of 2015, we generated EUR481 million of adjusted EBITDA, which was up 5% compared to the first six months 2014.

Excluding a EUR12.5 million non-recurring benefit in Q1 last year, and a EUR7.6 million non-recurring benefit in Q2 this year which was linked to the resolution of a contingency associated with universal service obligations in Belgium, our adjusted EBITDA would have grown slightly faster at around 6% year on year.

In the first half, we achieved healthy adjusted EBITDA growth as a result of, firstly, accretive multiple-play growth including the impact from the January 2015 price adjustments.

Secondly, our continue focus on controlling our overhead expenses, and this was partly offset by higher content-related expenses, higher interconnection and higher costs related handset deals and subsidies.

Our margin for the second quarter alone reached almost 55%, which included the aforementioned EUR7.6 million benefit. Excluding this impact, our underlying margin improved by 50 basis points year on year as higher content-related expenses and interconnection costs were more than offset by lower handset subsidy-related costs in that specific quarter, linked to timing variances in our campaigns and general cost efficiencies.

Flipping over to our accrued capital expenditures now on the next slide, this amounted to almost EUR161 million for the first six months of 2015, and were down 14% compared to last year, representing around 18% of our revenue. The decrease compared to last year was mainly driven by lower set-top box capital expenditures and lower customer installations capital expenditures.

Our accrued capital expenditures for the first six months of both 2014 and 2015 were impacted by the recognition of the Belgian football broadcasting rights, as you can see on the left-hand chart. Excluding this impact, our accrued capital expenditures reached about 15% of our overall revenue for the first half.

As you can see on the right-hand part of the slide, approximately 60% of our accrued capital expenditures for the first six months of 2015 were scalable and subscriber growth related, excluding the Belgian football broadcasting right.

The next slide gives you an update on our free cash flow generation for the first six months of 2015, during which we generated EUR145 million of free cash flow. Despite having paid nearly EUR78 million of cash taxes in the first quarter of the year, we were able to almost fully absorb this adverse impact as a result of three elements.

Firstly, solid underlying adjusted EBITDA growth of almost EUR14 million; secondly, around EUR21 million lower cash interest expenses as a result of last year's refinancing and a partial optimization of our derivative portfolio; and finally, a further improvement in our working capital trend as a result of our tighter working capital management.

Slide 24 pictures the evolution in our net leverage ratio, which is defined as net total debt over consolidated annualized EBITDA.

At the end of June 2015, our net leverage ratio reached 3.4 times compared to 3.7 times at the end of March this year. The sequential decrease in our net leverage ratio was primarily attributable to the robust growth in our consolidated annualized EBITDA in the second quarter, while net total debt remained broadly stable quarter on quarter.

Our net leverage ratio does not yet reflect the acquisition of BASE Company which is pending regulatory approval, as John mentioned in the beginning of our call.

Our current leverage ratio remains well below our covenant at 6 times and the availability test at 5 times.

Slide 25 gives a general overview of how our debt maturity profile changed after having issued EUR530 million of senior secured fixed rate notes due 2027 at attractive market conditions last week, resulting in an increase of our average tenor to above eight years now.

As a reminder, the net proceeds of this new debt issuance will be used to redeem the EUR500 million senior secured notes due in November 2020 in August. As a result, we do not face any debt amortizations before February 2021.

In addition, you can see that, post our refinancing, we have ample of available liquidity under both our revolving credit facilities and fully undrawn term loan, AA, which will be primarily used for the funding of the BASE acquisition upon closing.

On slide 26, you can find a recap of our full year 2015 outlook upgrade.

Having completed the first six months of the year, in which we delivered top line and adjusted EBITDA growth of 6% and 5% respectively, and considering current operating trends and the competitive environment, we feel comfortable in raising our full year outlook. We now see revenue growth for the full year between 5% to 6%, as compared to between 4% to 5% initially.

Like in the first half, we expect our revenue growth in the second half to be driven by a combination of higher cable subscription revenue, partly offset by higher discounts and temporary promotions, a higher contribution from our mobile telephony business on the back of solid net subscriber growth, and a good performance overall for our B2B activities.

Having achieved solid adjusted EBITDA growth of 5% for the first six months of the year, we now see adjusted EBITDA for the full year between 4% to 5% as compared to around 4%, initially compared to the EUR900 million of adjusted EBITDA we reported for the full year 2014.

Our adjusted EBITDA guidance for the full year 2015 includes the EUR7.6 million benefit, which I mentioned earlier, while we also expect to incur costs as from the second half related to the acquisition and the integration of BASE Company.

In addition, we will incur higher cost related to the aforementioned proactive customer visits. As we anticipate these integration costs to be fractionally higher than the one-off benefit, I believe this reflects a solid underlying upgrade to our outlook.

We see a accrued capital expenditure, excluding the recognition of the Jupiler Pro League broadcasting rights for the 2015/2016 season, at around 20% of our revenue compared to around 21% initially. This is mainly due to the timing of certain planned network investments and general efficiencies in our network upgrade program.

This implies that we anticipate a higher level of investments in the second half as a result of network-related investments and a ramp up of our proactive customer visits in the second half.

The combination of healthy organic adjusted EBITDA growth, and lower capital intensity, results in an improved free cash flow outlook of between EUR250 million to EUR260 million for the full year, compared to EUR240 million to EUR250 million initially.

This implies robust growth, compared to EUR238 million of free cash flow we generated into 2014, as significantly higher cash taxes paid relative to last year will be fully offset by, firstly, solid underlying growth in our adjusted EBITDA; secondly, a targeted improvement in our working capital; and thirdly, lower cash interest expenses as a result of our optimized derivatives portfolio.

Also note that, while the aforementioned EUR7.6 million benefit will favorably impact our adjusted EBITDA growth for the full year, its impact is fully non-cash and, hence, will not benefit our free cash flow.

On the other hand, the BASE integration costs are expected to have a negative impact on our free cash flow performance. Therefore, I believe underlying free cash flow generation is robust and bodes well for the future.

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

+++ q-and-a

Operator^ (Operator Instructions). Michael Bishop, RBC.

Michael Bishop^ Just a couple of questions, please. Firstly, on the working capital improvement, could you just talk through the main drivers of that, and whether you think that can continue throughout the year and, indeed, whether there's potential for more working capital improvement in the years beyond that?

And then secondly, just following up on the points around the margin; I appreciate the one-offs, but it seems like the margin here is probably higher than we would have thought, at least one to two years ago. So can you just talk to us in terms of the broad picture of the margin and whether there's scope for further improvement?

And then thirdly, just on the handset subsidies, is there any change in accounting that you're using for handset subsidies, going forward, which might allow you to, I guess, have less seasonality in terms of the campaigns and running the campaigns more regularly? Thanks very much.

Birgit Conix^ Okay, so firstly your question on the working capital. Yes, indeed, we have seen working capital improvements; you saw that already in 2014 and we continue to drive this in 2015. Typically, some examples are like, for instance, we are optimizing payment terms, we're further doing that.

And we also have much better inventory management for, for instance, CPE. There I can tell you that we could lower that with almost 30% versus December of last year and we're at the lowest level in five years. So those are typical examples of what we are doing in driving this working capital management. So yes, we're continuously improving on that front.

Rob Goyens^ Michael, if you look at the overall margin development, year on year, and I think important for the half-year is that you need to strip out the one-off effects for both H1 2015, and also the one for H1 2014, because there were one-offs in both periods, actually, related to different natures.

What you typically then see is that there is a slight margin decrease that is actually coming from an adverse impact on our overall revenue mix. As you know, we grow faster into the lower margin businesses such as premium entertainment and mobile versus our cable subscription activities. Of course, this has a tendency then to reduce the margins overall.

But given our internal focus on SG&A related expenses and overhead generally, we have been able to absorb actually most of that negative impact. And also, of course, make sure that we have the necessary capacity to effectively invest into these growth businesses.

So on the margin outlook, I think as you have seen from our overall guidance, as Birgit mentioned to you earlier, we feel comfortable with the 4% to 5% outlook that we put forward for the year, and that is versus a reported number of EUR900 million for last year. That also included a EUR12.5 million one-off impact.

And then on the handset subsidy, so I think from an accounting perspective, no funny items in a sense that whenever the handset is delivered to the customer the cost base is fully incurred. So that cost is not spread, as is the case with other operators. Whenever you do handset subsidies that, of course, tends to have an impact on the overall EBITDA. As you've seen in the second quarter that there has been a bit less handset subsidy compared to Q2 last year and that translates into a healthy EBITDA growth.

Now this being said, at the end of June/early July, we actually started offering handsets to customers on, basically, through a financing vehicle, essentially allowing customers to pay down their handset over different installments at a 0% interest rate. That will allow us actually to smoothen that impact. That only just started and so it's very early day, but it's something that we started in order to boost smartphone penetration in Belgium.

Michael Bishop^ Great. Thanks very much.

Operator^ Joshua Mills, Goldman Sachs.

Joshua Mills^ Just a few questions from me. The first, just on the cable wholesale regulation, I just wanted to know if there'd been any discussion with Mobistar as to whether you might be involved in helping them to actually install the product into the households when they do launch. If so, either from those discussions or from your own experience of truck rolls, whether you could give an estimate as to how much it costs to connect each household to cable in that way.

The second question just regarding the BASE business, which obviously reported yesterday; I think the service revenue declines were slightly worse quarter on quarter, and the net add trends were possibly a bit disappointing. I wondered how that fit into your longer-term plan, whether you've had any assurances from KPN as to what state the business will be in when you, hopefully, take control of it at the beginning of next year. Just those two questions from me. Thank you.

John Porter^ Okay, I'll take those on. In regard to discussions with Mobistar, I guess the way to answer this is to say we are not putting up any artificial barriers to a smooth transition for customers. Our approach to this is customer centric. If the customer wants to change providers, then we have a very clear understanding at Mobistar about where our responsibility begins and ends and where theirs begins.

We also have not locked up our installation workforce. There are parts of the country where, such as in the Interkabel areas, where the same contractors will be handling the transition. I don't know that we've done anything over and above and beyond the call of duty, but we certainly haven't set up any artificial barriers to making this a smooth process for customers.

On the BASE front, we, of course, have our own model when it comes to BASE's performance this year. Some of it is certainly impacted by some of the activities that we ourselves do around mobile acquisition. I think the Family plan had a substantial impact on the prepaid base of BASE, because when you're getting EUR2 discounts on second and third SIMs, which are often in families, prepaid customers, that impacts BASE disproportionately because they have a disproportionate number of prepaid customers.

They were certainly hit by that. But overall, we have standard terms and conditions relating to the performance of the business in our sale and purchase agreement with KPN. We also have an internal, as I say, acquisition model, which we haven't deviated from too substantially yet.

That being said, I'd rather have a Phase 1 approval than a Phase 2 approval from the EU and get on with it. But we're doing a lot of work so that we can hit the ground running when we do take control of the company.

Joshua Mills^ That's very clear. Sorry, if I can just have maybe one follow-up on my first question. I don't know if you've disclosed this before, but roughly what is the cost of a truck roll on the Telenet network today for a new cable customer, just as a benchmark, going forwards?

John Porter^ Good question, I don't have it off the top of my head.

Birgit Conix^ We would ask to come back to you on that one, Josh.

Joshua Mills^ Okay, understood. No problem. Thank you very much.

Operator^ Vikram Karnany, UBS.

Vikram Karnany^ (inaudible) that you have had in Q2. Is there any update on the transaction, BASE deal closure? Is it more towards end of this year or early next year? If so, I was wondering with this integration cost you are booking right now, are you already starting to apply for getting permits and civil works, which often takes time in Belgium?

Rob Goyens^ Vikram, can you maybe repeat your question because I think your line was opened when you were already in the midst of asking a question. Just to make sure we captured it right.

John Porter^ The first question.

Rob Goyens^ The first question, yes.

Vikram Karnany^ The first question was on the EBITDA outlook and the cost related to the integration and customer visits and similar to the positive one-off impact you had in Q2.

Then the follow-up was on BASE, just to get an update in terms of when are you expecting the deal closure.

John Porter^ Yes, all costs associated with the integration and our expectations on cable access are in the outlook for EBITDA.

In terms of the timetable for BASE closing, we would expect the timetable on the end of the Phase 2 -- Phase 2 approval would be at the end of March. That being said, it can happen sooner than that. There's nothing to prohibit it from happening sooner, and we'd like it to happen sooner, but that's our working case scenario.

Is that it?

Vikram Karnany^ If I can ask a follow-up question on a different topic? Wholesale cable regulation, it seems it's here to say and Mobistar are likely to launch the product at retail-minus towards end of the year. From your perspective, I guess the bigger risk is toward any future all cost-plus regulatory regime.

In order to do that, probably you would like to see moderate success of Mobistar. How are we looking at -- what could be the case when the regulator might change their approach and see probably Mobistar's retail management mechanism not working, and we need to move in terms of cost plus.

Within that the current regime, is there more clarity on things like this transition period discount EUR2 or so, do you think there will be an update in the review coming out in October?

John Porter^ Well, there certainly will be an update. As I explained at the top, there are elements of the draft decision which are just fundamentally flawed. So hopefully, we can get those corrected.

We've been going for 2.5 years now since the legislation; we have complied with every element of it along the way. We have had two full market reviews, and we still don't have any access to the service. We've spent millions preparing, which was offset by $750,000 payment from Mobistar, and instead of working on getting something going, they choose to beat a path to the regulator incessantly.

So I can't tell you how it's going to go. Given the fact that we've had two reviews, I would like to think that they would give a chance for the legislation and the framework as a lot of work's been put into it, to give it a chance to really work.

This Telenet didn't make money for the first 10 years of its existence, so to say after six months, oh, we couldn't make it work, let's go back and review and go and do cost-plus is just naive and commercially ridiculous. So that's my opinion on that, but we'll see how it goes.

Vikram Karnany^ That's very clear. Thank you.

Operator^ Paul Sidney, Credit Suisse.

Paul Sidney^ I just had two questions, please. Going forward, how does Telenet see the balance between subscriber growth and price increases given your experience of prior years? And maybe just added onto that, are you actually content to continue to lose video customers for the next few years as you up-sell to triple-play?

And just the second question, where does Telenet see its ideal leverage ratio going, post BASE? Thank you.

John Porter^ The one on growth versus yields, I think Telenet is certainly much more sensitive to how it manages its own customer base, as opposed to how it wins customers off of competitors. I think this is a reasonably mature market, where consumers have a lot of options, broadband's almost fully penetrated, video's fully penetrated, fixed line's fully penetrated.

Our focus is on our existing customer base; we make no bones about that. We are super-focused on the customer promise and the customer value proposition, the promise being simple, considerate and we do more for our customers than they expect.

So if we continue on the value enhancement trail, then we think, with increasing speeds and functionality and features and any entertainment product, these kind of things, we think that we can get customers to opt in. And we can increase yield and increase ARPU on a proactive basis in our existing customer base. So we're definitely much more about yields from our existing customer base than just flat out growth.

Video, I think any sort of forward-looking person can see that video probably will continue to shrink as the variety and quality of OTT or IP services continues to evolve. So anybody with kids between the age of 16 and 30 knows what I'm talking about, because even my own kids don't subscribe to cable. They just have broadband and a smartphone connection, and that's a generational effect that we're not going to be able to resist.

So that was your -- what was your second question?

Paul Sidney^ The leverage --

John Porter^ Leverage, yes.

Rob Goyens^ On the leverage, I think we have previously shared with you that we feel comfortable with 3.5 to 4.5 times; that is actually based on our definition of leverage. So that takes into account the net total debt divided by the consolidated annualized EBITDA. And actually, the upper end of that range is what we would be targeting.

Also through the acquisition of BASE Company; that is still pending regulatory clearance, as John mentioned. Pro forma for BASE, the leverage is close in the 4.1 to 4.2 times of range, where it is currently at 3.4 for Telenet on a stand-alone basis.

Paul Sidney^ That's really helpful, Rob. Thank you.

Operator^ [Frank Knowles, New Market Research].

Frank Knowles^ Just had one question left, actually. Just wondered if you could talk a bit about what you learnt through the process of putting the price increases through earlier this year. Obviously, you had some bad press, you had a bit of a churn spike in Q1, that's all nicely reversed in Q2.

So do you think there's been any lasting change or damage to the brand image as a result? And what lessons have you learnt from that experience in terms of future price rises?

John Porter^ Well, good question Frank. We obviously deconstructed every aspect of our rate adjustment in 2014. I think probably the biggest take-away from that is, first of all, that satisfied customers, or customers who are already have a strong NPS mindset vis-a-vis Telenet, are comfortable with rate adjustments in the 2% to 3% range, so that's not an issue.

That is a challenge for us to, essentially, do all the things that we do throughout the year, where we improve the quality of the service, the price/value relationship, where we add additional services for no charge, and these things, we need to do a better job of communicating those things and the value that we provide.

Where we're providing services that allow customers to decrease their overall share of wallet for the telecom services, such as our over-the-top Triiing app for mobile, such as free calling between Telenet fixed and mobile customers. These are things that we just do; we probably don't do a good enough job of letting people know where the value's increased.

Second, I guess the other thing is we have a very good idea of what the range is in terms of tolerance, and we know where the point of diminishing returns is, so we're not going to go there.

And I guess the other thing is that the way we approached the rate adjustment last year, which was essentially just a flat increase on Whop and Whoppa triple-play where we didn't touch mobile, we didn't touch -- we actually reduced entertainment, we reduced other things, is probably not the best way to approach rate adjustment in the marketplace.

We have a very, very thorough understanding of where we are. The fact of the matter is, from a brand standpoint, we took a pretty big hit on NPS, but as of today, we're back to where we were before that rate increase. So we've got a chance to do it better this next time, if there is a next time.

Frank Knowles^ Very interesting. Thank you.

Operator^ Stefaan Genoe, Petercam.

Stefaan Genoe^ In the press release you mentioned, on the mobile, the increased out-of-bundle revenue, and the consequent increase in ARPU. Can you give us a bit more feeling and data on the impact of the out-of-bundle and data growth on your cost base and your revenues in the mobile?

And can you give us an indication -- we've seen a very strong data growth in Belgium, Mobistar, BASE in Q2 and previous quarters, what's the average? Update us on the average data usage in your bundles. That's the first question.

And then, secondly, on shareholder remuneration; the share buyback program is almost finished, can you elaborate a bit on your future shareholder remuneration? You're making the big BASE acquisition, of course, but they generate their own cash flows also. There is CapEx to be done for the integration also. Would you envisage further shareholder remuneration in the foreseeable future, or do you say we want to integrate and wait two years or three years before we reconsider that? Thank you.

John Porter^ Let me take the one on shareholder remuneration. Right now, as you make the point yourself, we are 100% focused on the BASE acquisition integration and investment to take that network to parity with the Mobistar and Proximus networks.

That is going to -- obviously, we have the capacity to complete the transaction and to make the investment that we need to make. Beyond that, obviously, there will be some additional cash flows. But I wouldn't say that the Board is even in a position to review that, as you also suggest yourself, until well after we close the BASE acquisition and we have a good sense of what the pro forma free cash flow is for the merged Company.

So the short answer is: we're more than a year away from even looking at it.

On the data, on mobile, I think, we're experiencing similar client growth to the mobile-only operators, but we have the benefit of the Wi-Free and the Homespot household offloading. I think more than 50% of our total data is offloaded on to a WiFi network. And the biggest, probably, shift in what we've been experiencing is that shift to 4G.

Telenet users, we are 100% postpaid and we are more highly smartphone penetrated than the stand-alone mobile operators because of the nature of our customer base. And they have moved very quickly to 4G, and using a lot of data, but offloading it onto WiFi.

Birgit Conix^ Then you asked a question about the out-of-bundle revenue impact in the second quarter. This is really seasonality driven because, if you look at the full half-year, we actually have less out-of-bundle revenue. And we continue to see that out-of-bundle revenue, and also SMS, for instance, usage is impacting us unfavorably. So for the second quarter, we didn't really analyze the reason for that. So we're not actually sure why that is because we see a reverse trend in the previous quarter.

Stefaan Genoe^ Okay. Thank you.

Operator^ Ruben Devos, KBC Securities.

Ruben Devos^ Two questions, please. The first one on B2B; as part of your revenue guidance, you expect a good performance of your B2B activities, but I'm a bit confused, actually, whether this refers to your coax or non-coax products. You incorporate them, your coax-related business revenues, into one of the fixed mobile buckets, but we don't have much visibility on your performance in this segment. So in general, could you just give some color on the market dynamics of the business market in Flanders and your performance on the coax-related products?

Second question on CapEx; you've lowered your CapEx guidance on the back of a higher revenue outlook, and the fact that you see fewer investments in terms of set-top boxes and customer installations. Could we assume that underlying investment levels for the next few years, so excluding the EUR240 million you will be investing in the BASE mobile network, will be structurally smaller than now anticipated by the market? I believe the consensus is somewhere at 20%, 19.5% of sales for the next two years. Thank you.

Birgit Conix^ A question I can answer. Yes, indeed, we continue to look for efficiency improvements and we do, indeed, see that we have efficiency gains on our CPE inventory and also customer install. Now, as you know, we are also investing in the network, and this is our project called De Grote Netwerf and here, for instance, in 2015, we see that there is a delay on the implementation.

So you have to recruit, like in our case we're recruiting 250 people, I mean not ourselves but our subcontractors, and all of these people need to get trained, etc. So there is some delay on that initiative called De Grote Netwerf, so you'll see a ramp up in the second half of the year. But we also see a continuation of that in the coming years.

But overall, you're right, we will be looking for efficiency improvements overall in CapEx. So this may be a bit lower, going forward, than in the coming years.

Rob Goyens^ With regards to your question on B2B, it's true that our B2B performance is actually scattered in the overall revenue reporting, because it actually drives different revenue lines. It's important to highlight that the B2B revenue that we report externally on the B2B is the non-coax revenue. So, essentially, this is the fiber-related revenue; it is the revenue that is generated on value added services, so basically being non-coax.

And there you saw a strong 14% growth for the first six months of the year. The main drivers there for that business have been higher security-related revenue in the period, as well as higher carriage-related revenue, and also some mobile revenue coming in from the partnership we have with the Walloon cable operator, VOO.

And then the SoHo SME revenue that is typically generated over our FLUO bundles, so this is actually the equivalent of our Whop and Whoppa bundles for the B2B market, that performance is actually driven in the residential segment.

But when we discuss B2B and the outlook, it actually relates to both. So it means that, especially for coax, we anticipate higher growth in the B2B segment, because we do believe that our B2B connectivity solution is a very powerful and appealing one to SoHo and SME customers, especially given the fact that we have revamped our FLUO bundles to include the Anytime option which enables Telenet customers to make unlimited calls to both fixed and mobile Telenet customers. That's something that has happened very recently.

But also apart from that, in the larger corporate segment with regards to security businesses, we would still expect a decent growth to come in, in the second half of the year. Perhaps not at the same rhythm as we have seen in the first half because I think that the 14% growth we have shown is a bit exceptional. But still looking at high single-digit growth for that business for the second half of the year as well.

Ruben Devos^ All right. Thanks, Birgit and Rob, very helpful.

Operator^ Marc Hesselink, ABN AMRO.

Marc Hesselink^ The first question is on the position versus the incumbent at the moment. It seems you're reporting lower churn; there's also reported that in the past few quarters the maturity of the market. How do you see that going forward, and do you believe that there will be an uplift for your profitability, or that it will be an impact on you that you have to spend more to keep your current customers happy?

And second question is on, can you talk a bit more about the financial behind the household products in mobile? I think you now already have typically a little bit more than two phones per household, if your penetration is 20% of your households with mobile. How will it work? The discounts, will it initially hit your profitability there. How do you see that, going forward?

And final question is on BASE. Already any idea that you want to share with what you're going to do with the out-of-footprint customers?

Rob Goyens^ Okay, so on the competitive environment, what I would say is, generally, that we sail our own course in the sense that we know actually what drives the customer satisfaction. And the initiatives that John mentioned also in the beginning of the call I think are very crucial for every one of you to understand that what we are doing here at Telenet is create a long-term profitable business to be sure that we manage our customer relationships in the best possible way, not only to maintain them, but also to be able to up-sell and cross-sell them to any other services that we think are valuable to them. So think of the premium entertainment and the connected entertainment strategy that we have been putting in place.

So yes, there will be costs that we incur as a result of this strategy because, as other cable operators have demonstrated, you can probably run this business at a higher margin, but not necessarily with the same sustainability on a longer-term perspective, so we want to make sure that customers stay with us. Not to forget that, in Belgium, we are one of the rare operators who no longer have a fixed contract duration, so if customers feel not well treated they can actually leave without any penalty.

So from that perspective, it keeps us sharp every day and we have to fight for every customer on a daily basis. So the proactive customer visits that we have started doing is something that -- I think, we are one of the few and rare cable operators to do that, simply because the first trials have demonstrated that the interaction with customers is very valuable and it drives actually the net promoter score to a very strong level. And I think this is the right strategy to do in a market that is maturing where you need to focus also on your churn levels to make sure that they stay within certain boundaries.

With regard to your last question for the BASE out-of-footprint subscribers, we haven't taken a final decision on that yet, as you know. We shared that also in the previous earnings call. We are looking at a variety of strategies for that business so we will update you as soon as we have more news on that transaction. But first, let's wait for the regulatory approval to come through.

There was one question you still had with regard to the Family deal offer that we put in place. So yes, I think here, from a strategic perspective, it's fairly straightforward. We want to boost the number of SIMs in the home, because essentially, cable operators are targeting households, or have historically been targeting households, whereas mobile operators have been targeting individuals and individualized segments. So what we want to do here is make a bridge from a household to an individual type of level, and we are about to crack that nut to the first offer of our Family deal offer, which offers a recurring discount as of the second SIM in the home.

As John mentioned earlier, a lot of that traffic is being offloaded over WiFi network. So the WiFi offloading strategy continues to be core to us within that overall strategy of being able to increase the overall number of SIMs in the home, and it's something that we will be doing, going forward, as well from that perspective.

Marc Hesselink^ Okay, maybe to follow up, does that mean there are probably now already quite some households that have multiple mobile subscriptions? Will they receive a discount with this new offer that you will see in your ARPU, your mobile ARPU, in the next few quarters?

Rob Goyens^ Yes, also the discount, Marc, so EUR1 to EUR2 for Whop and Whoppa customers, is available for both in new and existing customers. So whenever you have a customer opting in for the Family deal, he or she will get the discount as of the second SIM, and that is also applicable to existing customers.

Marc Hesselink^ Okay, clear. Thanks.

Operator^ Stephane Beyazian, Raymond James.

Stephane Beyazian^ I have one question left on the cable resell product. Can you help me understand how the switching process is handled and if there's any risk of Mobistar being directly mandated by the customer to handle the process, rather than you? And whether the quality of service and deadlines that you have been imposed by the regulators are now those set in stone or there may still be some discussions around those rules? Thank you.

Rob Goyens^ Stephane, thanks you for your question. I think in the presentation we actually showed a visual slide also on the timeline of the cable regulation. And what you actually saw is that, since more than a year now, we here at Telenet are fully ready with the cable access regime. So that means that, from a technical perspective, the network is fully ready to cater for alternative carriers, and so we are fully ready and set up.

From a practical perspective, so imagine if alternative operators would launch on our network, basically, as I just mentioned in the previous question, there are no contract durations for customers so they can basically cancel without any charge.

Of course, the equipment that they have in their home such as modems, WiFi routers, set-top boxes that are the property of Telenet, need to be returned to us and then it's basically up to alternative operators to install the customer within the home. So to actually take over from the drop cable point and to make sure that they are properly installed and up and running in terms of service, that's something that alternative operators need to take care of.

Stephane Beyazian^ Okay. Thanks.

Operator^ Emmanuel Carlier, ING Bank.

Emmanuel Carlier^ I have three questions left. The first one is on the outlook. So you used to guide for mid single-digit earnings growth in the next couple of years. You made that statement last year; since then, what is really new, I would say, is the new proposed retail-minus regulation and the acquisition of BASE.

So the question is, what kind of impact does these two elements have on your midterm outlook? Do you still target mid single-digit, or do you think that the BASE transaction has improved the growth profile of Telenet?

Second question is on Rex & Rio, could you maybe quantify the number of customers that are already paying?

And the third question in on BASE, if the pylon tax gets canceled, would you have to compensate KPN for that? Thank you.

Rob Goyens^ Okay, so on the first question, the impact of the BASE acquisition on growth, I guess it's probably a bit too premature to talk you through the main big drivers of how that will impact our financial model, but some areas I think are worthwhile of clarification. I think first of all that we have identified, as a result of the acquisition, our annualized run-rate synergies of EUR150 million. That will kick in substantially after the MVNO contract with Mobistar has ended at the end of 2017.

So that impact is a bit back-end loaded which, I guess, when you speak to investors is maybe a bit unfortunate, but on the other hand, it's also a pretty sure type of synergy to be realized because, apart from the MVNO subscribers that we currently have and that we will aim to generate in the future, and the traffic that is on the network, it's a synergy that is manageable. So it requires a little execution and risk here, I would say.

In addition to that, there are, of course, synergies that we will be able to generate earlier, which is especially the integration of both companies. And internally here at Telenet, we don't necessarily call it an integration program, because it's much more than just integration, it's the transformation of a cable company that has bought a mobile company, and we will actually fully integrate and transform both companies into one strong operator. That's the aim that we are targeting.

So I think, from a contractual point of view, it's, of course, true that the BASE business that we acquired is a lower-margin business compared to the cable business that we have been running historically. So just by the nature of adding on the BASE business to our business, you would see a lower effect on the overall margin. Nevertheless, when the synergies kick in, there is a substantial improvement in the margin to be expected to actually drive us back to the 50% level, as you would expect us to be.

But we will talk more about the BASE impact as soon as we have the regulatory clearance, but this are actually our first quick read across of how that acquisition will impact our financial model, going forward.

Then there was another question on the buy on tax which is something that we cannot elaborate on, as this part of the NDA with KPN, so we cannot share much information on that at this stage.

Emmanuel Carlier^ And on Rex & Rio?

Rob Goyens^ So Rex & Rio, so the Play & Play More, the 221,000 subset we have, we alluded to 25% growth that was actually realized quarter over quarter. Part of that growth was driven by temporary promotions but here, we won't give any additional insights for commercial reasons.

Emmanuel Carlier^ Okay. And one follow-up on BASE. Of course, you are trying to have a Phase 1 approval, what would be the timeline with a Phase 1 approval? If I'm correct, it would mean that you close the transaction by the end of 2015, is that correct?

Rob Goyens^ Yes, so I think what we have stated also in the press release is that, at the very latest, we anticipate the closing of the transaction to happen at the end of March next year. That takes into account a Phase 2 review. But as John mentioned earlier, we don't necessarily exclude a Phase 1 type of review so that actually the closing of that transaction can go somewhat sooner. And if that were to happen, then most likely, by the end of this year, that transaction should close.

Now, of course, we want it to happen, I would say, earlier rather than later, because we have started working on the integration of both companies, this whole transformation program, to make sure that, as soon as we get approval, we can take the business plan out of the shelf and start implementing that new company.

On the other hand, as you have seen also from previous announcements, the funding for the acquisition is fully in place. So from that perspective as well, we have it fully in place. I think we are all anxiously waiting for that approval to come in so that we can start working on the next leg of growth for Telenet.

Emmanuel Carlier^ And then one really final question from my side. On the handset subsidies, you mentioned that they were lower in the second quarter year over year. Most of the times you quantify them, do you want to do that as well this time?

Rob Goyens^ Yes, given the nice nature of your question, Emmanuel, we will do so. The delta in Q2 was around 3 million lower compared to last year. Now as Birgit as mentioned as well, there is some seasonality and phasing in those handset subsidy campaigns, so if you do a lot of subsidies in one quarter and you don't necessarily repeat them in another quarter, there is a lot of variance.

So therefore, there is no real read across because, for example, if you look at the first half of the year, in the release we are still guiding for higher subsidy costs and, indeed, you see still a substantial uplift in subsidies from the first half of this year compared to last year. So it's really a bit of a timing effect in terms of the campaigns.

Birgit Conix^ I'll just add, the major subsidy campaign last year was more around June -- was later in the year, May/June if I recall correctly, and then this year was the first quarter.

Emmanuel Carlier^ Okay. Thanks a lot for that.

Operator^ Thank you. As there are no further questions in the queue, I would like to turn the call back to Rob Goyens for any additional or closing remarks.

Rob Goyens^ Okay, thank you, operator. And thanks, everybody, for your participation to this investor and analyst call. For those of you still with holiday plans, including I think all of us here around the table, we wish you nice holidays during the summer and we look forward to meeting you again soon in September during one of our new conferences or roadshows, or at the end of October when we discuss our Q3 results.

Thank you and bye-bye for now.

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