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+++ presentation

Operator^ Good day, and welcome to the Telenet Q2 2016 conference call. Today's conference is being recorded.

At this time, I'd like to hand the conference over to Mr. Rob Goyens. Please go ahead, sir.

Rob Goyens^ Thank you, operator. Ladies and gentlemen, good afternoon, everybody. On behalf of the Telenet investor relations team, Thomas and I would like to welcome everybody to our Q2 2016 earnings call.

I trust you all received our earnings release this morning, and were able to download the PowerPoint presentation from our website, it will be used for this earnings call, and you were able to join the online webcast.

Before we start, I'm obliged to advise you that certain statements in this conference call are forward-looking statements. These may include statements regarding the intent, belief, or current expectations associated with the evolution of a number of variables 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 program and speakers. As you will remember from recent calls, we have somewhat changed the set-up to allow for more Q&A time.

So, we'll start with an executive overview by John Porter, our CEO, on the main achievements and developments for the first months, year to date; after which, our CFO, Birgit Conix, will guide you through our financial results. After the formal presentation, we will open it up for Q&A.

So, John, the floor is yours.

John Porter^ Thanks, Rob. And good afternoon, or morning, to everyone on the call, wherever you may be.

Before we jump in to the financial results and in to the Q&A, my job is, briefly, to take a couple of minutes and highlight some important accomplishments and developments we've seen here at Telenet for the first half of 2016.

As you probably know, the past few months have been quite eventful here at Telenet, and probably some of the most gratifying and rewarding in my career at Telenet, and probably in my entire professional life.

Starting in February 2016, when we closed on the EUR1.3 billion BASE acquisition, we secured our long-term access to mobile infrastructure and our ability to take full control of the customer experience on both our fixed and mobile networks.

I'm glad to announce that in just four months, or just before the summer, we were able to develop and implement our new organizational structure. The new organization will ensure a continued focus on both our cable and mobile customers, so that we can achieve our operational and financial goals for the current year, and beyond.

In addition, we remain fully committed to delivering on the 2020 annual run rate synergies of EUR220 million, as a part of this transaction.

As we announced in April, we've moved our strategic headquarters to Brussels, as part of our 2020 Vision to be the leading converged, connected entertainment and business solutions provider in Belgium.

As a next step, we aim to restructure and optimize our current inter-Group structure in early August 2016, with a view to unlocking future value, once implemented.

In the second quarter, as some of you might have noticed, we extended our full MVNO arrangement with Orange Belgium, until the end of 2018. This provides us with additional flexibility to migrate our mobile customers to the BASE network.

While the agreed minimum revenue commitment of EUR150 million was already embedded in our medium-term outlook, at the same time, it doesn't prevent us from migrating customers earlier. And, in this respect, I'm pleased to announce that we recently launched the first friendly user trial for the network migration.

In late June, we successfully launched WIGO, which is the first integrated commercial offering since the acquisition of BASE.

Priced at between EUR100 per month and EUR140 per month, WIGO is Belgium's first all-in one converged offering for both household and businesses. It combines a 200 megabits per second broadband connection;

regional Wi-Fi access; digital TV on all screens; unlimited fixed and mobile calling in Belgium; and a mobile data allowance between 2 gigabytes and 10 gigabytes per month, which can be shared among all members of the family.

I'm really excited about the early results, so far. Having achieved nearly 13,000 WIGO subscribers at the end of June, after just nine working days, boosting our quad-play penetration to around 22%, as compared to 20% a year earlier.

On the entertainment side, we've delivered on our promise to bring high quality local content to our Play & Play More SVoD customers.

In May, our first proprietary local series, Chaussee d'Amour, was made available on our SVoD platform, with over 500,000 downloads in the first two weeks, making it the most viewed series in our history.

We also just announced some additional improvements to our Play Sports packages, which had a successful overhaul last summer. We added new commentators, improved our content mix with new sports documentaries, and made our app available on both our cellular and Wi-Fi networks.

On the operational front, net subscriber growth for advanced fixed services and broadband Internet, enhanced video, and fixed line telephony was up 26% in Q2 versus Q1, whereas Q2 is typically a weaker quarter in our industry.

Also, our mobile products performed well through the second quarter, as we were able to add nearly 28,000 net postpaid SIMs, driven by our family deal and WIGO offers, next to improved momentum at BASE, following some successful handset promotions.

Year to date, we achieved rebased revenue and adjusted EBITDA growth of 4% and 2%, respectively; and also saw a strong free cash flow improvement in Q2 versus a weaker Q1.

Birgit will provide more color in a minute. So, Birgit, the floor is yours.

Birgit Conix^ Thank you, John. Operationally, we had a solid second quarter, as you've seen from our release this morning. And these robust operational plans have resulted in solid financial results over the first six months of the year.

For the first six months of 2016, we generated revenue of almost EUR1.2 billion, representing a 31% increase compared to last year, and which included the contribution from BASE, which we acquired on 11 February, 2016. When adjusting to neutralize the impact of this acquisition, we achieved rebased revenue growth of 4% for the first six months of 2016.

In the second quarter of 2016, our revenue was EUR626 million; up 38% year on year on a reported basis, reflecting the impact from the February 2016 BASE acquisition. On a rebased basis, however, we achieved top-line growth of 3%, compared to 5% realized in the first-quarter 2016.

The anticipated sequential slowdown in our rebased revenue growth rate was primarily driven by a full-quarter consolidation of BASE, versus only six weeks in the first quarter of 2016.

Let's now have closer look at our revenue performance. As you can see, all our product lines, from video to B2B, contributed to our revenue growth over the period.

Our cable business delivered solid mid single-digit revenue growth in the first half of 2016, and was mainly driven by three elements. First, we realized 4% higher cable subscription revenue as a result of a 6% increase in our triple-play subscribers; continued growth through our entertainment propositions; and a favorable impact from the February 2016 price adjustments, partially offset by a growing proportion of bundle-related discounts.

Second, we recorded higher business services revenue, essentially due to continued demand for our business connectivity solutions and value-added services, such as security.

And finally, we saw improved other revenue, primarily due to the EUR12 million impact from our handset financing program, as the handset amortization revenue under this plan is now recorded in other revenue versus in mobile telephony under our previous plan.

The continued robust performance of our cable business was partly offset by continued pressure on our recently acquired mobile business, impacted by lower usage-related revenue across our prepaid subscriber base; lower roaming revenue, due to a new EU regulation; and lower interconnection revenue.

On the next slide, we provide a breakdown of our operating expenses. As you can see here, the BASE acquisition obviously had a major impact on our cost levels. But when stripping out this acquisition effect, our operating expenses were up around 7.5% year on year.

Our operating expenses, for both the first half 2016 and the first half 2015, reflected non-recurring benefits of EUR6 million and nearly EUR8 million, respectively, linked to the resolution of certain operational contingencies, as explained in more detail in our earnings release.

In addition, we also incurred around EUR5 million higher costs, linked to the integration of BASE, also impacting our adjusted EBITDA performance over the period, as I'll explain in a minute.

Elsewhere, we saw around EUR7 million higher staff-related expenses, of which roughly half was attributable to temporary backfill during the BASE integration period.

And finally, our sales and marketing expenses increased nearly EUR6 million year on year, as a result of our latest triple-play marketing campaign, and timing variances compared to last year.

For the first six months of 2016, we realized adjusted EBITDA of EUR553 million; up 15% compared to the prior-year period.

Our adjusted EBITDA for the first six months of 2016 included the effects of BASE from February 11, 2016, as mentioned above. Excluding this impact, we achieved a rebased adjusted EBITDA growth of 2% for the first half of 2016.

Our adjusted EBITDA for both the first-half 2016 and the first-half 2015, included non-recurring benefits of EUR6 million and nearly EUR8 million, respectively, as mentioned above.

Our adjusted EBITDA growth in the first half 2016 was adversely impacted by EUR5 million higher costs, linked to the integration of BASE; while we also incurred higher commercial costs at BASE in the second quarter of 2016 to fuel net postpaid subscriber growth.

Excluding the impact from non-recurring benefits in both periods, and excluding the aforementioned integration costs, rebased growth in our adjusted EBITDA would have been slightly below 3%.

In the second quarter of 2016, our adjusted EBITDA was EUR290 million; up 18% compared to the EUR246 million we generated in Q2 2015.

Excluding the effects from the BASE acquisition, we achieved rebased adjusted EBITDA growth of 1%, impacted by integration costs linked to the BASE acquisition, and the aforementioned non-recurring benefits in both Q2 2016 and Q2 2015.

Excluding all of these effects, growth in our adjusted EBITDA would have been also slightly below 3% in the quarter.

On the next slide, we provide more details on our accrued capital expenditures. These represented almost EUR304 million for the first six months of 2016, representing a strong uplift compared to the same period last year.

Nevertheless, this was largely driven by the recognition of Belgian and UK football broadcasting rights in Q1, which has been capitalized under IFRS and will be amortized as the season progress. In addition, it also reflected the impacts from the BASE acquisition since February 11, this year.

Excluding football broadcasting rights, our accrued CapEx represented around 18% of our revenue for the first six months of the year.

On the right-hand chart, you can see that around 66% of our accrued CapEx was scalable, and are growth-related during the first six months of the year.

For the first six months of 2016, we generated free cash flow of EUR59 million, compared to Q1 2016, when our free cash flow was negatively impacted by several non-recurring items, as you remember from our previous earnings call. Our free cash flow markedly improved in Q2 to EUR228 million, as a result of strong growth in our operating cash flow.

As of June 30, 2016, the outstanding balance of our 2015 amended senior credit facility and outstanding cash balance resulted in a net total debt to consolidated annualized EBITDA ratio of 3.9 times, compared to 3.4 times at December 31, 2015.

The increase in our net leverage ratio, compared to year-end 2015, primarily reflected the acquisition of BASE company in February 2016, which was largely debt financed.

In May 2016, we successfully issued an $850 million term loan, and used the net proceeds from these transactions to redeem EUR700 million of senior secured notes, due 2021. As a result, we face no debt maturities before June 2022, excluding the short-dated revolving credit facilities, which we aim to repay before year end.

At the same time, we have been able to extend the average tenor to 7.4 years now, with a weighted average cost of debt of around 4.4%.

At the end of the first six months of the year, we feel comfortable re-confirming our full-year 2016 outlook, as provided at the end of April.

As per our outlook, we believe both revenue and adjusted EBITDA growth will be softer in the half 2 2016 results versus half 1 2016, reflecting adverse regulatory effects, such as roaming and regulated wholesale, as well as some competitive impacts.

With the integration of BASE being on track, and the implementation of our new organizational structure, we believe all the building blocks are in place to deliver on our medium-term outlook of 5% to 7% growth in our adjusted EBITDA over the 2015 to 2018 period on a rebased basis.

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

+++ q-and-a

Operator^ (Operator Instructions). Vikram Karnany, UBS.

Vikram Karnany^ I have three questions. Firstly, on your recently announced MVNO agreement with Orange to pay EUR150 million by 2018, could you share any color in terms of phasing for this payment? I'm just wondering if the amount is more front-end loaded, as you highlighted earlier at your Capital Markets Day the MVNO costs are going up. Or is it because the BASE network may not be ready by Q1?

The second question was on the 2016 outlook itself. Looking at your first-half results, the performance was slightly ahead of the outlook, but you flagged the second-half EBITDA will be impacted by your adverse regulatory and competitive impacts. Could you elaborate on these factors further, and if we have not seen this already in the first half?

And the last question was on your balance sheet, again. Leverage is closer to 4 times, and, with any major M&A not in sight, is it possible to expect a dividend payment in the near term? And how should we think about it in terms of your dividend outlook, going forward? Thank you.

Birgit Conix^ I'll take the first and the second question. On the phasing, we do not disclose any phasing of the MVNO costs. And I can reassure that the MVNO costs are exactly according to what we had planned in our long-term outlook, so there is no change also to the total amount.

Then, for the second half of 2016, so where you see that we go from -- so the lower growth rate in revenue, and also in OCF, is due, as I said earlier, mainly the regulatory impacts. So you see the roaming, and also the regulatory wholesale impact, as you well know. So Orange, that started in several regional areas, but will then most probably be full scope on a national scale, so that is an impact that we already had reflected; and then also, the roaming impact, but no changes to what we originally anticipated.

And then, on OCF, it's actually the same impact, the same regulatory impact. And then, you also have backfill for -- that means higher labor expenses, due to the integration.

That is mainly it.

Rob Goyens^ Maybe, John, if you could maybe provide some more color on the leverage and the shareholder return topic, because that's typically a Board discussion topic?

John Porter^ Yes, that's a decision the Board addresses, usually in the [fourth quarter] meeting of every year. But I think it's fair to remember that we are in a significant investment cycle with upgrades to both our fixed and mobile networks. However, obviously, as we work through that investment cycle, which is most intense in 2017, trailing off in 2018, we're obviously pushing the business to generate significant amounts of cash.

So, I'm sure the Board will take a look at it in an appropriate time frame.

Vikram Karnany^ Okay. Thank you.

Operator^ Nicolas Cote-Colisson, HSBC.

Nicolas Cote-Colisson^ I can see that your network operating expenses were up, driven by maintenance. I was wondering what was driving the same, given the continuous modernization of the network.

Secondly, on almost all your business lines we can observe a mix of a price increases. but also promotions, and I was wondering what was the momentum around promotions these days in the market. And how do you balance price hikes against promotions?

And last, if I can have a bit more color on the cash tax for this year and next, please?

John Porter^ Let me take the second one, and then I'll give it back to Birgit.

In terms of our promotions and our pricing strategy, actually, Telenet's pretty unique in that we don't really have a front-book, back-book situation.

Over 90% of our customers are all charged the same amount, whether they're a new customer or have been a customer for quite some time, and that does a couple of things for us. One, it builds a lot of trust and credibility. We have one of the highest customer relational NPS scores in the industry, and it's a very important part of our strategy.

We don't -- most of our promotion money is spent on the mobile side of our business in terms of our handset discounts, but even that is -- has been reducing over time.

In terms of our pricing strategies, we obviously look at that on annual basis. History is a pretty good guide in terms of what we try to accomplish there, what we think is justified, both based on the CPI, our cost base, but as well as additional expenses. For example, in this month, actually, we are taking a EUR1.95 increase on our Play Sports product, and that relates, of course, to ever increasing rights costs.

But we do have a very strong position with the consumer because of our level of transparency. And we managed to implement the rate increase in January of this year, with certainly no impact on churn, and very little impact on NPS as well. We're fully recovered in 90 days, 120 days.

So, on the expenses, I don't know if can you get that one, Birgit?

Birgit Conix^ Yes. The increase in technical expenses is mainly, for instance, [pool rent]. This was also an increase that we saw this year, and also for the second half. And then, we also have new energy taxes; that is -- also impacted our expenses. And then, obviously, we now have higher maintenance expenses; and we will also have them in the second half of this year, due to having more sites, and all the investments that we are making in the network.

Is that okay?

Then, on the taxes, on the taxes, I would say, so we paid EUR77 million in 2015, as you well know. And for 2016, the amount in total will be a bit over EUR90 million. And then, maybe as an additional note, as we said during the -- or in the press release, we aim to restructure and optimize our current intra-Group structure in early August 2016.

Nicolas Cote-Colisson^ Okay. And given, I'm not that clear about the 2015 tax return. When should it hit the -- so the cash tax of EUR90 million in 2016 doesn't include this tax return from 2015, so how does 2017 looks like then?

Birgit Conix^ Yes, typically, how it works in Belgium, the calculated tax, for instance, for 2013 is paid in January 2015; the one for 2014, January 2016, and so forth. So that is what it looks like.

Nicolas Cote-Colisson^ Okay, that's clear. Thank you very much.

Rob Goyens^ Yes. Nicolas, that will hit our cash flow in the first quarter of 2017. And so, in our outlook, we just provided a level of caution in case the fiscal rules were to change, which we do not anticipate at this moment. Given the fact that there is still such a two-year delay period between the tax return filing and the effective settlement of the cash taxes, so, currently, you should expect that the impact of taxes will be in Q1 2017, only.

Nicolas Cote-Colisson^ Okay. Thanks, Rob.

Operator^ Paul Sidney, Credit Suisse.

Paul Sidney^ Just three quick questions, please. Firstly, you lost only 4,000 video customers in the quarter; it's clearly a big stepdown from Q1. I was just wondering is there any one driver of this, given that that 4,000 is below levels that we've typically seen in this quarter? Is it a mix of -- the mix effect, or is it content, or is it WIGO?

And second question, obviously, WIGO's had a very strong start. I know it's early days, but is there any split of that 13,000 between consumer business and new and existing customers?

And just very lastly, can you give us an update on how the BASE station upgrade is going for BASE, please? Thank you.

John Porter^ On the video front, yes, as we increase our triple-play and quad-play customer base, of course, churn goes down. I think there's definitely not as much flux in the market as there has been.

But we also, I think if you look at our results overall in the quarter, had a pretty strong quarter on all of our services, despite the fact that we have increased competition, etc. So whether that's an indication of things to come or not, I can't tell you, But there's definitely less flux in the market, less full moves back and forth between operators than we've seen historically.

As far as WIGO is concerned, I think, the June results are just too early to draw any indications from. But, obviously, it's not the end of June any more, so what I think I have already said is that we see that strong momentum continuing.

The basic mix is, as we anticipated, in our business case. There's no real surprises. Certainly, there are customers who already are in a quad-play, there was a little bit over 20% when we started this thing, and they -- some of them will be able to save money and benefit.

We're absolutely hopeful that by in saving money that they will take more SIMs and/or other products from us at that time, so that net-net, even amongst quad-play customers, the WIGO strategy should be accretive. But then, of course, this is targeted at the 80% of our customers who have more than one telecommunications provider. And that will more than offset any, just, migrations, where customers are just looking to save money.

We're right on schedule: probably ahead of schedule in terms of volume, right on schedule in terms of mix. And we couldn't be more pleased with WIGO so far.

On the BASE side, because of great cooperation at BASE from day one, those guys were in the starting blocks already by the end of February. And we already have, essentially, all of our vendors are in training. So ZTE, Huawei, and Ericsson are all supporting us from a key vendor standpoint.

In addition, we have put together a substantial consortium of construction operators in Belgium, some of whom had come off big projects in both the Netherlands and Belgium, and have also hit the ground running.

So I'm not really in a position to give you exact numbers, but at its peak, we will be upgrading two to three sites a week, I believe; and we're getting very close to hitting that pace over the next month or two.

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

Operator^ Emmanuel Carlier, ING Bank.

Emmanuel Carlier^ Three questions from my side. First of all, on WIGO,

do you see this mainly as a retention tool? Or do you believe that these packs will increase in value?

Secondly, on the intra-Group structure, could you be, maybe, a little bit more specific on the added value of that, on the tax rate? Do you expect the tax rate to go down as of 2018?

And then secondly, do you want to split up the performance of BASE in the north of Belgium and the south? I guess, in the south it's less good. And related to that, why are you not using, for example, cable regulation in the south? Thank you.

John Porter^ Just on the WIGO strategy, it's definitely not just a retention tool. As I said, WIGO, we expect to be a substantial stimulus to our revenue per household across the board. And that is because customers will be opting in to this unique customer relationship, which is a data-centric platform diagnostic approach, which is unique; not just to the Belgium market, but it's not happening in very many places in the world right now.

With price points, it starts at EUR100. You know that our ARPU right now is around EUR56 on fixed; and I don't have the mobile off the top of my head, but it doesn't reach EUR100 to EUR140. So, clearly, we're getting more. We'll be getting either customers opting in for just more SIMs, for more devices that maybe they don't have SIMs in right now, or winning market share from our mobile competitors. So we expect it to be substantially accretive per household, over time.

Birgit Conix^ Emmanuel, as already said in April, during the press conference for the first-quarter results, we are in the process of aligning our Group's structure, so given the acquisition of BASE company; and in the third and fourth quarter, we will finalize the process.

But I can already tell you that next to aligning the operational structure with the strategic structure, that's what we are doing here, we also moved our headquarters to Brussels, we can also fully realign our financial structure with the operational organization. As such, we will bring Telenet BVBA under Telenet Group BVBA and align the structure actually entirely with these strategic ambitions. But we will tell you more about that in the next calls, because it hasn't been implemented yet.

Rob Goyens^ Then finally, on BASE, the performance in terms of overall momentum, in terms of customers, actually, what you say in Q2, and John alluded to that in the beginning, is that overall the Group, so both being Telenet and Telenet Group, so the former BASE unit, having a fairly solid Q2 in terms of postpaid net adds, doing almost 28,000 in Q2.

If you look for the specific breakdown, as also highlighted in our investor presentation, you see that Telenet standalone did around 24,000 in the quarter. So that presents a bit of an uptake compared to previous quarters.

Of course, that is the continued impact from our campaigns, which in Q2 were typically around our triple-play and attractive mobile offers. But also, at the end of June, our WIGO campaign that was launched, that drives additional SIMs that are coming in as part of the product.

Actually, we got the highest postpaid net adds level since 2014, at BASE as well, because actually in Q1, at the end of Q1, we took measures, implemented a plan to boost the smartphone subsidiaries and promotions within the BASE network. And actually, that led to an increase in overall postpaid momentum at BASE compared to the previous quarters. And so, in total, that led to 28,000 at postpaid net adds.

On the prepaid side, we continue to see losses in line with industry trends, because, on the one hand, people are migrating from prepaid and from prepaid to postpaid. But also, let's not forget that BASE, historically, has had a very high base of both [branded fee] sellers, and also partners, and so, therefore, also some volatility in that subscriber base.

I should remind you, but I guess all of you are familiar with the fact, that there is a substantial difference between postpaid and prepaid ARPU levels.

When you look at the value of a customer, it's clear that a postpaid customer represents a much higher value to us, so, hence, our increased focus on that segment. That's also what WIGO's all about, capturing that 4G penetration in the market, which in our customer base, as John mentioned in the beginning, is at 22%.

Further details on regional splits we cannot provide, in line with other operators, who also don't disclose regional splits.

Emmanuel Carlier^ And could you maybe elaborate a bit on how you intend to tackle the quadruple-play market in the south? So you can do cable regulation, you can, of course, do M&A, or a closer corporation agreement with the cable [papers]. Have you made up your mind on that, or is that too early?

John Porter^ Yes, I think what we've said already is that, obviously, as you just commented on, there's a number of options that are available to us.

Our overall intention is to be a nationwide converged, connected entertainment company. But we're playing a long game here. We're not going to massively disrupt the market. We've got a lot to do right now in integrating the company that we've acquired and [marching] our new WIGO approach to the market. But we will be vigilant for opportunities to support our wireless business in the south through either strategic relationship, commercial relationships, or other means.

Emmanuel Carlier^ Thank you.

Operator^ Matthijs Van Leijenhorst, Kepler.

Matthijs Van Leijenhorst^ First question is for Birgit. Can you remind me, is there any provision for the [balloon] pylon tax in Q2, or Q1? Have you provisions for that? Or is there is any reversal?

Birgit Conix^ Not in the second quarter. But then previously, in the past, obviously, this was fully provisioned.

Matthijs Van Leijenhorst^ In Q1 you mean?

Birgit Conix^ Yes.

Matthijs Van Leijenhorst^ And can you remind how much?

Birgit Conix^ Do we disclose that information? I'm not sure we disclose the information. I would have to get back to you offline on that one.

Rob Goyens^ Because the pylon tax actually, Matthijs, was actually incurred before the acquisition took place.

Birgit Conix^ Yes. Because under IFRS, if in January, that is paid in January. It's only under US GAAP that you have that -- that you actually -- the tax is paid over monthly installments. So that was, yes, just before. So we would need to get back to you on that one. But it's a total, probably, of around [EUR16 million].

Matthijs Van Leijenhorst^ Okay. Yes, I'll get back to you on that one.

The second one is just, if I'm right, the Belgian regulator just restarted a review of the fixed market. The last time they did this, it was the base for this (inaudible) [miner] proposition. What is your view on this current analysis? And what are your expectations? Could the fixed market move to a cost-plus model? And in case that would happen, what would be your strategy? How much market share may --?

John Porter^ Of course, anything is possible from the regulator. We are prepared. We think we have some very good position on why the status quo is more than adequate, and certainly should be given a chance to continue to have a competitive telecommunications market, which we believe we already have.

Also, Telenet, having historically been a regional provider, and telecommunications being regulated nationally, we also are still the number two broadband supplier in the country.

We don't think that -- we think that there's not a lot of basis on which to change the current regime. Because video is regulated on a regional basis, that they would think that we have some exposure on video. But certainly, on telecommunications, we are still very well the number two player in the country.

These things take time. And we will do our jobs, and make our points, and we'll see where it goes. But it would be a pretty foolhardy to predict the direction of regulation, which is going to take several years to play out.

Rob Goyens^ Also, Matthijs, if I may add to that, don't forget that we are regulated on the broadcasting market.

Of course, the broadcasting market has changed significantly since 2011, which is when the whole regulation actually started, back in the beginning. Because if you look at the market right now compared to a few years, it's clear to see that while analog TV was already declining at that point, like five years ago, of course, its importance has further diminished considerably.

If you look at our subscriber base, we have almost [200,000] analog TV subscribers left, which is a very small proportion, only representing 15% of our video customers. It's undeniably true that on-demand, and actually non-live viewing, has actually been gaining in importance.

At the same time, we have seen new content players emerging. Everybody is familiar with Netflix. But also, in the Belgian market a couple of specific initiatives have happened. For example, Proximus, the incumbent operator, has taken a large chunk of the TV market. We have had some over-the-top players entering the market.

So when you look at the broadcasting market right now, actually, you could argue it has still a need for regulatory intervention in this broadcasting market. That's something that may be is also worthwhile to reflect upon.

Matthijs Van Leijenhorst^ Okay. Thank you.

Operator^ Frank Knowles, New Street Research.

Frank Knowles^ I had two questions, actually. One, I think you mentioned that Orange had already started, on a regional basis, pushing their wholesale offer. I just wondered if there were any initial findings in those regions as to what the impact is. Is it affecting your ARPU, or customer numbers in any way at this point?

Then, my second question was just a little bit of housekeeping, really. Obviously, we had a number of these one-off items impacting EBITDA in the last 18 months, or so; the settlement of operational contingencies, and the BASE integration costs. I wonder, for the operational contingencies, could you remind me whether there was any of those in half 2 2015 which will impact the comparison with half 2 2016, when we get that; and what your expectations are for that?

Then, what BASE integration costs in half 2 should we expect, compared to the EUR5.2 million in half 1? Thank you.

Birgit Conix^ I'll take the last question. No, there are no substantial out of period adjustments in the second half of 2015. That's the answer on that one.

Then, the other question was (multiple speakers).

Rob Goyens^ Yes, the other question was with regards to the impact of Orange Belgium.

Birgit Conix^ I'm sorry, there was another question on the integration costs. That will be around, let's say, pure integration costs, meaning combining the two entities, another EUR5 million is what we foresee for the second half.

But, mind you, there is also other costs always. Like, for instance, backfill, etc., that you will see more reflected in the [field], and in the employee expenses.

Rob Goyens^ I think, Frank, with regards to your question about the commercial momentum at Orange Belgium, I think this is not the appropriate place to discuss about any of our competitors' performance.

What I can tell you from our release, what you have seen, that Q2 has been very strong in terms of net adds on the fixed side. So if you look at our advanced fixed services there's the combination of broadband internet, fixed line telephony, and digital TV], directionally up 26% quarter on quarter, which is a bit unusual, because Q2 is typically somewhat softer, as John mentioned in the beginning of the call.

So very strong momentum being really driven off our marketing campaigns, our focus on innovation, and customer experience overall within the Company.

You've also seen, as a result, video losses, that were discussed earlier during this call, are coming down from the Q1 levels, because then they actually increase somewhat as a result of competition, the loss of a contract, but also the impact of the price increases. And they have actually been moving back to the historical levels.

Of course, that's just a snapshot. We do expect video losses to pick up somewhat in second half of the year, in line with our outlook. But at this point, I think, as John mentioned, we can be very pleased with the operational momentum that the Company has been showing in Q2 on fixed, and on mobile as well.

Frank Knowles^ That's helpful. Thank you. Can I just check, if Orange does actually get any meaningful amount of wholesale cable operation in your region, will the wholesale revenue that you get from that be reported in other? Or how would that be reported in your revenue line?

Rob Goyens^ That's actually reported in the B2B segment, Frank.

Frank Knowles^ B2B? Okay. Got it.

Rob Goyens^ That's also where our carrying business has been, historically.

Frank Knowles^ Understand. Thank you.

Operator^ Stefaan Genoe, Degroof Petercam.

Stefaan Genoe^ I've got a follow up on the optimizing of the intra-Group structure and the tax assets. Do you have any view on the potential impact on the tax assets that could be recognized, because there are still a lot of tax losses carried forward that you are unable to compensate in the current structure? That's one.

Second, on SFR, would you be willing to pay down the price of EUR500 million that's mentioned in the press currently? If so, or if not, would your decision depend on your future possibility to get a hold on the [full] business?

And then finally, third question on WIGO, did WIGO have an impact on the KPIs, and specifically the mobile additions in the quarter, because you also have more than one SIM, of course, per family? Thank you.

Birgit Conix^ I will take the question on tax, Stefaan. As I said earlier, next to aligning the operational structure with the strategic structure, we align the financial structure. So it's not necessarily a tax asset.

What will happen is when we bring Telenet BVBA under Telenet's Group BVBA and we align the structure that will move to the operational level, which is where debt should normally be. And that's where the operations are; and also, where the interest can be paid, for instance; and also, where the realization of interest deduction happens.

But, as I said, the structure has not been implemented yet. And once done, we will update you further. So you hear more, like, towards the second half of the year.

John Porter^ Yes, and the other two are pretty easy, because we cannot comment on any merger or acquisition opportunities that are ongoing in regards to SFR Belgium, Luxembourg.

And as far as WIGO is concerned, very, very minor impact in Q2 of WIGO, because, [obviously], it takes a few days to fulfill, as well as the sales, making the sales. You'll get a much better picture of WIGO in the next quarter.

Stefaan Genoe^ Okay. Thank you.

Operator^ Marc Hesselink, ABN AMRO.

Marc Hesselink^ I got one question left. I was looking at the -- your commercial activities in mobile. Is it because of the integration issue? Can you do it like full-fledged? Or is it also you're being a little bit more quiet, given that you're also having a lot of focus on your own integration? Does it really impact your commercial activities at the moment?

Rob Goyens^ I think on mobile, I'm not sure where your question actually comes from, because we you look at mobile we do see ourselves as being very active.

Actually, at the end of Q1 we introduced a remediation plan within BASE; a boost plan to actually fuel postpaid net adds. That has actually led to an improvement in traction with the highest level of net adds that we have seen at BASE since 20014. So, overall, a good performance over there; a lot of attractive campaigns having been launched.

And, I guess, within Telenet, although we haven't been focusing on mobile specifically with a dedicated campaign, we have been out there with our Vollenbak Voordelen campaign. So, clearly showing the benefits that you can get as a converged household if you take more than the first [shake] of triple-play products. You recall that we also offered a discount on multiple SIMs in the home.

Then, of course, there is WIGO that was launched on June 20, which actually got some press coverage very nicely since the launch; but admittedly, in terms of marketing campaign, did not impact that much in June, because it was more like a July type of event.

I think from our side it's clear that, okay, we are focused on integrating BASE. We have taken the necessary steps to do so very quickly by creating this new joint organization, as John mentioned in the beginning. At the same time, we continue to be focused on the business usual, because we also are quite keen, as you know, to deliver on the operational, and also on the outlook, that we have been providing to the markets.

Marc Hesselink^ That's clear. Just, maybe, as a follow up, I was just thinking, given the situation where you are in today, indeed, impressive net adds. But is it something that you even are going to speed up as soon as you're done with the back end of your integration?

John Porter^ I think we've demonstrated a pretty good capacity to manage our commercial strategies and to integrate these companies, As demonstrated by the fact that literally within two weeks of each other we launched WIGO, which is probably one of the most innovative and aggressive commercial strategies in integrated telco land; and announced a new fully integrated structure involving 3,600 employees.

We managed the integration quite discretely. Our former COO, Patrick Vincent, who runs our transformation and integration team, which is quite distinct from our commercial activity.

So I don't think you'll see -- it's not an either/or thing for us. We're going to go pretty aggressively. But I think what -- the two pieces of volatility in going forward are, of course, WIGO and the competitive environment. So we'll just see how those two play out. But early indications are that we're quite comfortable with the pace of change of both of those things. And we're entering the second half with a pretty confident mindset.

Marc Hesselink^ Okay, thanks.

John Porter^ Before we get to the end of the Q&A, I wanted to correct a statement I made earlier to Paul, from Credit Suisse, which is on the pace of the BASE upgrade.

The actual pace of upgrade of existing sites is one per hour; and the lower number that I gave is actually the pace of installation of new sites. So, just wanted to correct that point, before people signed off.

Operator^ Ruben Devos, KBC Securities.

Ruben Devos^ Two questions left from me. First one, with regards to your medium-term adjusted EBITDA guidance, just wanted to make sure. Since the Capital Markets Day in April, you've agreed on a one-year extension of the MVNO contract with Orange Belgium. I was wondering, did the extension of this contract change anything of the underlying assumptions you've made back at the Capital Markets Day compared to the situation today?

Then the second question, just in terms of your other revenue line. There are a lot of moving factors there, given that it represents roughly 15% of revenue and has grown by 7% year to date. Could you give some more granularity on this revenue line? Thank you.

Birgit Conix^ With respect to your first question, no, nothing changes on the EUR150 million. As I said earlier, this was planned for. And even the -- the prolongation of the terms doesn't really change anything to our financials; no, on the contrary, it gives us more flexibility to ensure that our customers will receive the same quality as they are used to.

And then, with regard to your second question, indeed, there is a EUR12 million shift between mobile and other, and let me clarify that.

In the past, under a handset subsidy model, the discounted handset was repaid and recognized over an instalment of 24 months, and that was through a subscription fee. And now, we switched, so the handset subsidy model to what we call handset financing, and this is considered as a repayment of a loan for the customer. Therefore, the revenue is recognized upfront, and the revenue is, therefore, also classified in other, instead of in mobile.

So a EUR12 million shift from one bucket to another is quite substantial and, therefore, I wanted to give color to that earlier as well. That's the major change.

Ruben Devos^ Okay. So, basically, in terms of the other revenue line, we should see that run rate level go down, going forward, right?

Birgit Conix^ Yes. Indeed.

Ruben Devos^ Okay, thank you.

Operator^ [Myan Gitar], Black Diamond.

Myan Gitar^ Thanks for the presentation. Most of my questions have been answered, actually. But just wanted to understand, with the extension of the MVNO with Orange Belgium, does this mean that you can actually, well, as you stated, start the migration of your subscribers earlier? And so does that mean that, actually, you can realize the EUR220 million synergy target a lot earlier than your previously guided time line?

John Porter^ The current plan is reflective of what we had anticipated our operational plan to be. If you recall, our agreement was through 2017, so it's an important point for clarity on 2018, and we've done that.

We've also resolved several other outstanding operational issues, at the same time. And we have created a very clean and clear predictable glide path for both ourselves and for Orange Belgium.

So this is a very, very good win-win agreement. It's completely within the envelope of all the guidance that we've given, whether it be just this year, or for the medium-term guidance.

And it ensures that we don't have to, we can, but we don't have to, accelerate the migration of our customers until we are very confident that the customer experience will be the same or better than the one that they currently have.

So, it's an excellent outcome for us. But it's also a good outcome for Orange Belgium, because it creates much more predictability for them over the period.

Myan Gitar^ Understood. And then, just a follow up on the guidance. I think you mentioned that -- you've mentioned before that H2 would be weaker, but -- sorry, you mentioned earlier it would be weaker year on year to H2 last year, or sequentially, to H1 this year?

Birgit Conix^ No, I primarily was talking about H1 2016 versus 2015, but also sequentially.

Mind you, anyhow, in the second half, we have six months of this included; and then, in the first half we have 4.5 months included also. That in itself has an impact, if you look at it sequentially.

But then, also, the other impacts, obviously, are different. In terms of roaming, it's an acceleration, because that was not, during the full first half year of 2016, that impact. And also, as we said earlier, the regulated wholesale impact, that is also a different number in the second half than in the first half. So it's both versus the previous half, and also versus last year's half.

Myan Gitar^ Understood. Great. Thank you very much.

Operator^ [Veran Utanov], Alcentra.

Veran Utanov^ Just very quickly, is it possible for you to disclose what the different ARPUs are for mobile postpaid and mobile prepaid customers?

Rob Goyens^ Yes. I think when you look at the overall blended ARPU, that's also something we have been putting in our overall release, you see that the overall ARPU came in at EUR21.5. That actually includes inter-connection.

That was a decline of 2% year on year, essentially driven by the fact that we have had some migrations from customers moving to our latest tariff plans; but also, some structural pressures we do see on out-of-bundle regulation, and as a [lesser]-related revenue.

If you were to zoom in, of course, it's fair to say that prepaid, as I mentioned earlier, has a much lower value as compared to the postpaid, and that seems to be a factor of three times.

And, going forward, we haven't been reporting detailed split at this point; but if that's useful, that's something we can provide in our investor tool kit, going forward, if you appreciate some of (inaudible).

Veran Utanov^ Thanks very much.

Operator^ There is no further questions at this time. I'd like to hand the call back to Mr. Rob Goyens for any additional or closing remarks.

Rob Goyens^ Okay, thank you, operator. And thanks, everyone on the call. I guess, this wraps up our formal Q2 2016 webcast and earnings call.

We are looking forward to the summer holidays, together with most of you, I guess, after this busy earnings season. We hope to welcome you in September, though, during one of our future roadshows or conferences. Should you have any further questions in the meantime, don't hesitate to contact either Thomas or myself.

And for now, I would like to say thank you, and goodbye.

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