Company: **DNA Plc**

Conference Title: **DNA Plc Interim Report for January – March 2017**

Date: **Thursday, 19th April 2018**

Conference Time: **2:00 PM (UTC+02:00)**

Maria: Good afternoon, everybody. This is Marja Mäkinen from DNA's Investor Relations, and I would like to welcome you all to this conference call regarding DNA's January-March 2018 results. With me here are DNA's CEO Jukka Leinonen and CFO Timo Karppinen. Jukka and Timo will go through the results presentation which can also be found on our investor website. And just to remind you, we will be making forward-looking statements during the presentation, and we have a disclaimer on the second page of the presentation set for that. And please note that this time you can also ask questions through the web cast, and send your questions during the presentation. We will then take those after the presentation on the Q&A session once we take the questions also from the telephone lines. So, please Jukka, we are now ready to start.

Jukka Leinonen: Thank you, Marja. Also welcome from my behalf this result presentation. So, I'm going to go through highlights of the first quarter, key operational KPI's, and also recap the strategic targets and market outlook for 2018. And Timo will then continue on the more detailed financial review. So, let's start.

When we look about the first quarter this year, all in all, we can say that we are very satisfied with the results. Net sales increased 4.2%, and I think that it's important to note here that the full of the growth was organic. It was really driven by the mobile device sales which was increasing 14%, but also the service revenue was growing, the main driver being the mobile service revenues which has grown more than 10%. That was of course to do with the fact that the share of 4G subscriptions was increasing, and also, we were able to increase the number of mobile customers which was contributing also to the mobile service revenue growth.

When we look about the profitability, we can clearly say that the service revenue was improving profitability by higher sales margin but also, we saw that there was a very significant impact into the profitability coming from the improved operation efficiency. So, EBITDA was increasing 9.6% on yearly basis. And also, when we look about operating result, that was increasing more than 23%. So, all in all, from the profitability perspective, we can be very, very satisfied for the first quarter.

When we look about the other operational KPI's, firstly we saw a significant growth in mobile ARPU, average revenue per user, which was increasing to the 19% per subscriber, from the 17.8 from last year. Also, we saw that there was a significant decrease in the CHURN compared to the period last year, and CHURN in Q1 this year was 18.9. However, it increased slightly from the end of 2017 when we saw in Q4 the CHURN being at the level of 18.1%.

At this point, it may be good to note that when we look about the consumer market place, there we actually had the CHURN in a very reasonable level, slightly below the Q4. But we had one significant public sector customer which was leaving our network in Q1, and that was then leading to the higher CHURN compared to the Q4 this year. But as we will see later on, we basically had the positive net growth in the B2B as a whole.

When we look about the mobile subscribers, subscription base was growing 2.9%, and that also increased the share of mobile service revenues. We are also very happy that when we look about the fixed network service subscribers, there we saw the increase on 18,000, and maybe the more important thing is that the future growth areas, fixed broadband, cable TV. We had a growth which was almost 30,000. So, when we look about the revenues, when we look about the profitability of the sales figures or the key operational KPI's, we are very satisfied with the first quarter 2018.

When we look then about the – along the trends, we can see here that the growth of mobile service revenues was increasing as said, and the total revenues continued the steady growth when we look about the comparison to the same quarter previous years. Also, the EBITDA margin was increasing almost 10%, and the EBITDA margin was very high, and went up to 32.5 percent. So, profitability increased very nicely.

When we look about the Capex, the Capex was slightly lower compared to the last year's first quarter, and which is typical for the first quarter. Overall, it was indeed in the very low level. We are expecting that the yearly Capex will be more or less at about the same level than 2017.

Operating cash flow was very good. Of course, the good profitability and a low Capex was contributing to that one. So, all in all, a strong start for the year 2018. When we look about the subscriber development, here you can see the last two years, quarter by quarter, and as you can see, in mobile communication networks, the steady growth of subscribers was continuing 79,000 new subscribers compared to the first quarter 2017.

Fixed voice customers were decreasing at about the same rate we have been seeing earlier, so no surprises there. When we look about the fixed network broadband subscribers, that was a very good result, more than 5% growth compared to the last year, totalling to the growth of 23,000 subscribers. Cable TV which was the platform for the pay TV but also for the ultrahigh fixed broadband, we also saw a growth of 1% which was about 6,000 subscribers more. So, very nice growth both on mobile and on fixed.

When we look about the mobile growth in more details, we can note a few things. The first thing was that the total growth was 79,000, but it's important to note that the more valuable post-paid subscribers were increasing 92,000 compared to the last year. And this is of course important in terms of the generation of mobile service revenues. Most of the growth came from the corporate customers segment, 71,000, but we also had a growth in consumer business by about 8,000 when we compared to the first quarter of 2017.

When we are looking about the development from the last quarter, the net growth for CIRO[?], we had 4,000 new subscribers in corporate business, and 4,000 negative in consumer business. But when we look about the overall growth, we have to say that on post-paid, we had the 7,000 net additions from Q4 last year to Q1 this year. So, all in all, this is a sign of the fairly tight competition in Q1. And we also have been trying to be very cautious in terms of responding to the most aggressive offers which has been turning the growth slightly down compared to the previous quarters.

When we look about the mobile growth and Smartphone penetration, no big surprises there. We had a very slight – a very small growth up on both areas. And this basically shows that there is more and more demand for the mobile data. One fourth of the customers are still in the feature phones, and that is of course a business opportunity for us when these customers are moving into the smartphone customers.

4G is the platform for the data, and today, 90% of all mobile data usage was already running on 4G network. We saw the total of 41.8% growth in total data consumption compared to the first quarter last year. So, we can see that the – and as a relative growth is starting to be – pending down, but of course, the absolute number of megabytes or gigabytes is fairly significant. Maybe, important thing to note here is that even though we have been able to increase the number of customers, we have been able to move customers into the 4G which has been growing the usage of data on our network, we have been able to still maintain the very high quality of the network capacity of the mobile network. And according to the Omnitele consulting company which made the comparison of the Finnish operators, DNA had the fastest download speed in 12 out of 15 largest[?] cities in Finland. It really shows that despite the fact that we have been increasing the customers at the rate that [inaudible] is growing, we are able to kind of manage the growth in terms of building the new capacity according to our Capex guidance.

When we look about the mobile business in more detail, there was a steady growth in ARPU. So, 6.7% from last year. And that of course was the major contributor into the mobile service revenue growth. Currently, when we look about the consumer mobile handset subscribers, 55.9% are already on 4G, but we still have about 45% of the customers which are not 4G. So, we still are seeing a significant potential for upgrades which will be of course serving the growth of the mobile service revenues in the quarters to come.

When we look about the CHURN, as said earlier, CHURN was 18.9%; that was significantly lower compared to the Q1 last year but slightly increasing compared to the Q4 2017. When we look about the CHURN in more detail, we can say that in consumer segment, we were able to hold on to our customers very nicely, and CHURN was actually slightly lower in Q1. The increase in total CHURN was mainly to do with the fact that we lost one public sector customer from our network during Q1. But this is kind of a one-off effect and will not be kind of continuing in Q2 and forward.

On fixed side, nice growth asset, 23,000 new fixed mobile – fixed broadband subscribers. And this is of course important because we are clearly seeing that when the high quality new content gains, etcetera, are coming into the play, we will see a kind of a growth in data consumer consumption; and it also will mean that there is a more demand for the ultrahigh speed fixed broadband services. So, the large basic customer base will be a great asset for us in terms of starting to upgrade those customers when the natural demand will be increasing.

Also, the cable TV platform increased about 1%, 6,000 new subscribers. And this is, of course, the basis for our broadband business, and also our kind of ability to sell base content for our customers. When we look about the TV, there we can clearly see that we had a reduction of the DNA TV subscriptions compared to last year. But as explained in the previous quarter, this is mainly to do with the fact that in Q2 last year, we made this DVB-T2 change in our DVB network distribution, and that was leading to the situation that we lost several tens of thousands of customers, which also were the DNA TV customers. So, in that sense, again, no surprises on that front.

When we look about our kind of a basic strategy, we basically see that there is no need for making big changes on that one. We still continue to strengthen our foundation based on putting resources into the personnel. We want to have the best possible people working in each and every position in DNA. We are going to continue to invest into 4G. We are preparing to invest into the 5G, and we will be investing into the high-quality high-speed fibre optic platform, regional network and access networks as well as service platforms to make sure that we are able to serve our customers in good quality.

When we'll talk about the cost efficiency and also the customer satisfaction, we see that the IT is playing a key role in this, especially data analytics, robotics, artificial intelligence are the tools to improve efficiency of the processes. But also, to be more personalised in terms of serving the customers, which of course will be serving the improving customer satisfaction.

And finally, we still think that we're a challenger in the Finnish marketplace. We want to basically operate according to our values. We think that speed and cost effectiveness is a area where we have an advantage, and this is something that customers are also appreciating.

On a company level, we're continuing to follow four strategic key targets. The most satisfied consumer and corporate customers, we have been seeing a very positive development in our NPS [inaudible] in most of the processes. Our brand awareness has been improving and we also see that customers have been making decisions to go towards the DNA since we have been able to grow at a number of customers of both on mobile and on fixed side. So, we clearly see that we have been going to the right direction in terms of having the more satisfied customers.

Q1, we were basically winning a second place in the great-place-to-work competition among the large customer segment. This is of course a great achievement and shows the commitment of the company to create DNA as being a interesting place to work and a place where people want to work. This is important to have a platform for the future in the company.

When we look up at the financial markets, we have been setting a target to grow faster than the market. And when we look about the organic growth in the market in Q1, we clearly believe that we are absolutely number one in terms of the organic growth, which basically means that the target has been set. Also, the increase of almost 10% in EBITDA and also the growth in operating result of 23.3% shows that we have been also able to relatively improve our position in terms of the profitability better than market as an average.

So, we can say that all four targets are – have been met and we are moving in all those areas into the right direction. When we look about the market outlook, I think that the positive side of that one is that Finnish market is in very good condition. The growth this year is supposed to be also very high as it was in 2017. So, we believe that it has a positive impact into the demand of the products and services from the consumer customers and business customers, especially mobile services growth will be a driving to growth of the total market.

However, we are seeing that the competition in Q1 was continuing to be fairly tight and we are prepared that this competitive situation will be continuing and that tight level also in the quarters to come. Otherwise, I think that we can see the same trends as earlier fixed voice, mobile voice, SMS going down, video services, digital remote work, cloud services, etc., increasing.

All in all. we see that there is a great demand for the fast and higher quality both mobile and fixed services which should give the whole industry a very nice potential for the growth in the coming years. So, this was basically my part. And Timo will now continue with the more detailed financial review.

Timo Karppinen: Good afternoon also from my part. So, I will cover a few slides all related to the key financials. And we can from the page 17. So, here let's go through on the key items here. So, we report both on the new IFRS 15 standard and then the adjusted numbers which are then giving the comparison to the last year numbers. So, if you start from there, adjusted like said earlier by Jukka, net sales was all organic and in a good growth. We were growing 4.2%.

And then looking at the EBITDA itself, we had again significant growth of 9.6%. This is really is driven by the good growth in the service revenue and then secondly on our kind of improvement in – continuous improvement in our operational efficiency. The key items there is improvement that we have had in terms of the network cost and actually quality in IT transformation itself and the digitalisation impact that are giving us more effective kind of operation.

That good EBITDA growth is then leading into the fact that net result is continued to grow and we had this strong 23.3% growth over there. The operative Capex in this quarter was actually about the same level as it was on a year ago. This is following that [inaudible] normal trend that we have in Capex whereby after Q4 being the kind of highest in terms of booking the Capex, typically Q1 starting in a more modest level. But like we have been saying earlier our operating Capex level in this year will be around the same level as it was a year ago.

The good margin or good EBITDA growth and then the lowering of the Capex itself was leading to the fact that again our operating free cash flow was one of the highest quarters that we have ever had and the growth there was this 14.7%.

The net debt is with the help of the cash flow and kind of margin that we do is continuing to go down and we were about €10 million lower than we had then a year ago. And, therefore, the net debt-to-EBITDA has came down to 1.05 level. After we have paid the dividends in Q2, we will end up somewhere around 1.6.

A couple of things about this IFRS 15 reporting. So, we started the reporting in Q1, and we'll continue naturally to do that during this year. This involves a massive amount of different kind of transactions that need to be kind of recalculated based on the new standard, but an actual impact will mainly come from the dealer commissions and that are for the fixed contract and which we have previously capitalised and we've seen a Capex. But on going forward, this will mostly put[?] into the – above the EBITDA and therefore having an EBITDA impact. But then we will continue to have a reduction in the depreciations whereby the impact on the net result is more or less neutral. And in Q1, we're having and the bookings are related to the fact that the balance items need to be re-accrued. And therefore, the impact on the Q1 is somewhat bigger than it will be at later on the year. And therefore, we actually see that this [inaudible] new standard impact for the whole year will be very minor whether it's in EBITDA or actually also in the net result level.

And then on slide 18, the more detailed breakdown of our revenue development. So, the key driver again for the good growth in revenues is coming from the mobile service revenue which then in Q1 was again very strong growth over there, where the growth was this 10.4%. This is driven from the migration to 3G customers into 4G and actual fact that we continued to do upselling within the 4G together with an increase of our subscriber base. So, I'm very pleased with that growth.

Mobile equipment sales increased by 14%; and this is extremely good result. And the mobile equipment sales itself always support significantly subscriber acquisition and actually also lower the CHURN when we are giving good offers on our customers continuously. The revenues from the fixed voice continue to decline as expected.

The mobile interconnection and inbound roaming was roughly about the same level as a year ago. Then when it comes to the fixed non-voice revenues, the decline there is all due to the fact when our pay TV subscribers and revenues were lowered during the second quarter of the last year, and therefore the comparing numbers are now – saw a negative trend.

When looking at the fixed broadband revenues, that has remained about the same level as it was a year ago.

And then looking at the two divisions that we have starting with the consumer business, all this is that we explained earlier most related to the consumer business where the net sales continued to have a strong growth of 4.3% and an EBITDA improvement of 8.8%. In terms of sales, the increase was driven by the service revenue growth and the fact that we had a very good mobile device sales. The ARPU itself and the consumer business increased more than 8% and ended up at this one of the highest levels that we have ever had at €20.5. EBITDA improvement of this 8.8% is really coming from the fact that the service revenue part of the – the whole revenues are growing and we see a continuous improvement through the operational efficiency.

What we are really pleased about is the trend that we have started to see end of last year and continuing now beginning of this year in the Corporate business where both in terms of the sales and EBITDA we saw, I would say, insignificant growth. Net sales growth was this 3.7% and it was really driven by the service revenue growth and the fact that our customer base has been growing.

The EBITDA in corporate business was – growth was 12.2% and, like I said, the main driver there is the fact that our customer base has been growing and the fact that the service revenue part of the whole revenues are growing and same as the whole group of operational efficiency is improving.

Then when it comes down to the Capex, like I said earlier, the Capex was around the same level as it was a year ago of this €60 million, it is roughly the 7.1% of the sales. And like I said, Q1 is one of the lowest Capex booking quarters that we have, and we will then end up for the whole year in absolute operating Capex levels around the same level as it were a year ago. And again, the key investments are focusing into the capacity expansion and maintenance into the 4G network.

Then moving on to the page 21 and looking at the cash flow report, the operating free cash flow was highest that we ever had in any quarter that we have had in DNA's recent history. This was driven from the fact that the EBITDA was at high level, and, again, the fact the Capex was relatively low this quarter resulting that the operating free cash flow itself was 56 million, meaning 25.4% of the sale.

Then moving – looking into the other items that – impacting the free cash flow to equity, there are two items that are – need to be highlighted. So, in the interest paid was high in this quarter due to fact that we launched a new phone, and at the same time and the repurchase of the existing notes. And we had some extra costs that are only for this quarter that are related to the repurchase cost, and then also somewhat higher interest costs.

In the network in capital, we had a high change of this 47 million. But this is – majority part of that is due to the fact that we had high investments both in Q4 which were then mostly paid during Q1 and then resulted in a decrease in a trade payables. But for the whole year, for the network capital, movement will see that to be around at the same level as it was last year and this is coming from the fact that these investments are then given out towards the end of the year and the fact that we continued to gain from network capital improvements as we go forward.

And on page 22 is showing the new capital structure. There are two things that need to be highlighted here. One is that during Q1 DNA took on a credit rating and we got that during – by the end of Q1. The rating was triple B with outlook of stable and that has already now a positive impact on the new bond that we raised and the interest level there. But also as the fact that going forward, we would see that our, you know, interest costs going forward will bring us savings in the future with help of this rating.

So, second item is that we issued this new bond and purchased back on the previous bonds. And this has result in the fact that our overall cost of debt has decreased significantly from a end of the year level of 2.33 down to 1.48. And this, obviously, means that going forward in the future, we will have a lower cost of our debt and a lower interest cost.

Then finally, into our final set objectives and the guidance for this year and midterm targets. So, the guidance for this year of net sales and operating results being at the same level as opposed a year ago and the final supposition to be remained at the healthy level. So, we, – at this stage, we are not changing the guidance and we'll see how this year will develop overall in terms of the competition intensity and subscriber maintenance. Like said earlier by Jukka, this – when we're saying remaining at the same level is on a positive territory and we see growth on both of these items.

The midterm target we upgraded at the beginning of Q1 with the change was that the EBITDA margin target was increased from 30% to be at least at 32%. All the remaining midterm targets have remained the same and continued to be the same. So, this was the end of our presentation.

Maria: Alright, thank you, Jukka and Timo. And operator, we are now ready to take questions.

Operator: Thank you. If you'd like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. A voice prompt will indicate when your line is open and please state your name before posing your question. Again, press star one to ask your question. We'll now take our first question. Simon, your line is open. Please go ahead. There are no response. We'll go to our next question.

Terence: Hello?

Maria: Hi, yeah, you're online. Please.

Terence: Oh, hi. Yeah, it's Terence here from Morgan Stanley. I just got a couple of questions around the market dynamics. Just during the quarter, can you give us a little bit of flavour about what you are seeing around the competition in the third-party distributors? And then, maybe, further out, just some thoughts about Telia having the exclusive rights to the ice hockey. You see that's going to change the market dynamics in the medium-term?

And then secondly, just focusing a bit more on DNA. Can you just give us a bit idea – more of an idea about how you are getting on with upselling customers onto faster 4G services? So, I understand a lot of your customer base are taking on limited 4G, but what about the proportion taking faster speeds and how has that evolved over time? Thank you.

Jukka Leinonen: Okay, thank you. When you look about the market dynamics and competition, I would say that all in all, we feel that the competition during Q1 has been quite intense. Maybe a bit different structure. When we look about the Q4 last year, there we saw this kind of very aggressive campaigns like the single, say, EUR11.90 which were very short. We have not seen any similar price level for Q1 but it seems to be so that the campaigns are more continuous, meaning that the average campaign price has been kind of slightly, maybe, even more aggressive in Q4. So, in all and all, I think that we can say that it's been quite heavy competition in Q1.

Concerning the longer-term competitive situation related to the Talia's ice hockey deal, it's interesting to see, of course, that what will happen but I would say that we are not all that concerned, mainly due to the fact that Talia is basically kind of putting it out as an OTT offer which basically means that anybody can kind of purchase that content as an OTT subscriptions from them. And when look about the overall uses of different types of either mobile or fixed connectivity services, it is very hard for us to, kind of, think that one single content would be such an importance that it would be leading to the situation that significant amount of customers would be migrating to the other provider. So, we are seeing that as a limited impact into the market dynamics; but we'll see.

Then when we look about the upselling, you're quite right. Major part of the current customer base are these kind of 50 megabit per second basic 4G subscribers; but we already have been seeing an increase in terms of customers moving into the higher speeds, especially this new packages where we have the e-roaming which are higher speeds. This has been taking very nicely. And we are clearly seeing that when we talk about the mobile service cross-opportunities, it is not only the 3G customers moving into the 4G but it's also going to be more and more that this basic 4G customers will be taking the higher speed packages. We already have been seeing the signs of that, and I think that the rate of this kind of a migration is increasing.

Terence: Thank you, that's very clear.

Operator: We'll take our next question.

Sami Sarkamies: Okay. Hi, it's Sami Sarkamies from Nordea. I have three questions. Firstly, on guidance. Flat guidance looks quite conservative given that you had more than 20% EBIT growth in Q1 and you have recently upgraded your EBITDA margins targets. So, can you open up a bit what are the uncertainties you still have regarding the remainder of the year?

Jukka Leinonen: Yeah, to be honest, we here have a quite conservative view on how we have given the guidance. The fact is that Q1 was extremely good. But then what are the kind of the conservatism that we have is all related to the few things. One is the fact that we want to be ready and we'll be ready for any competitive movements that would be in the market. And secondly, want to definitely make sure our subscriber base is defended or continue to grow with that. But then thirdly, we need to remember that the comparing quarters in the end of the year will be at the high level, especially in Q3 and Q4 were extremely strong during last year. So, naturally there, they, you know, comparing growth on those quarters can be at a lower level as it be in Q1. So, we look at for the whole year guidance here and want to see really how the year will develop after Q1.

Sami Sarkamies: Okay. Then another question. You didn't anymore provide split between your own customers and rental customers. You added 7,000 post-paid customers in Q1. What was the split between own and rental?

Jukka Leinonen: Yeah, we didn't provide this difference anymore and that was actually to do with the fact that it's about the customer confidentiality reasons. We were basically kind of getting feedback that we are too openly kind of giving out numbers which can be guided into this one specific customer. So, that's basic reason. But when we look about the overall situation, I can say that absolutely most of the growth – as you remember, we had 7,000 new subscribers in post-paid from Q4 to Q1, and absolutely the largest number of that was our own subscribers. So, very small amount on the external one.

Sami Sarkamies: Okay. And then third question. The Finnish regulator recently announced plans to lower the fibre rental prices by 30-80%. Can you elaborate on how this will impact your business going forward and are you planning on appealing similar to what Elisa communicated yesterday?

Jukka Leinonen: No, we will not complain about the proposal. I think, that the short-term impact is very, very small; reason being that the prices of the fibre access has been so high that effectively, it has been a very small number of trend [inaudible] happening so far, which means that even though the prices are now going down, it doesn't have any much a real impact on our kind of profitability when we talk about the current situation.

Then, of course, when we look about the future, if the system proposed by the FICORA will take place and the prices will be lowered this summer, it of course opens up more kind of a competitive potential in the marketplace; and I think that we are basically welcoming all activities which are increasing the possibilities to kind of bring the competition forward. So, it might be having certain types of positive impact for DNA in the future. But at this moment, it's very difficult to kind of quantify that, and it will certainly not happen in next few quarters. It's a longer term question.

Sami Sarkamies: Thanks. I have no further questions.

Operator: As a reminder, it is star one to signal for a question. We'll take our next question.

Siyi: Hello. Hi, this is Siyi from Citi Group. I have a couple of questions, please. The first one is on mobile. You mentioned in your press release that you have done some price changes – price adjustments in your base. Would you like to elaborate on that? And also, if you can comment on how much back-book repricing opportunity you see in your base, that would be great. Thank you.

Jukka Leinonen: We haven't been doing any kind of a price increases into the existing base in Q1. The last ones we made were basically in Q3 last year. However, we are looking of course very closely our existing customer base and see whether there are possibilities. Basically, might make price increases. Generally, we are seeing that there are basically both need and room for the price increases. But when we look at DNA's position in the Finnish marketplace where we are number three player, we basically are pretty clearly seeing that there needs to be an initiative started by maybe bigger players in order to kind of take this forward. But we are basically prepared for this one and we have been looking at our customer base to identify those possibilities as such.

And the second question was –

Siyi: Yeah, the second question is on your fixed business. I understand the trend is – this quarter because of the pay TV clean up last year. And if I think about the trend going forward, would you like to point out the headwinds that we should – that's going to stop us to believe that the fixed trends won't materially improve during the rest of 2018?

Jukka Leinonen: Well, when we look about the kind of fixed business as such, there are basically kind of three elements which are affecting the fixed non-voice. The first one is this kind of pay TV business. And as we have been discussing earlier, the major reason for the lower revenues in that business was happening last year, second quarter, when we basically made this pay TV [inaudible] change and we had to terminate about 30,000 customers. Since then we have been seeing fairly steady revenues on pay TV.

The other element is then B2B. And as you were seeing, this quarter, we had a very nice growth on B2B business as a whole. And in B2B area, the fixed part is relatively much higher than in the B2C area. So, I think that this positive economical situation in the Finnish market place gives us and whole industry opportunities to kind of start new projects and grow on the B2B areas. So, we are fairly kind of positive in terms of seeing growth and not decline on B2B side. Also, concerning the fixed services.

And then the third area is the consumer fixed broadband. And there we have been concentrating really to kind of build the customer base. And you saw he growth of 23,000 from last year. There of course the key element is the customer need for upgrading the fixed broadband connections. And I think that there our strategy is such that we don't want to sell high speeds on discounted prices. We want to basically kind of wait for the natural demand which we already are starting to see since the growth of upgrades has been increasing last year. And it's increasing currently, even slightly faster than we have been budgeting ourselves.

So, I think that there we can also say it is not going to be a decline; it is going to be a stable or slight growth. And then it is a question of time at what time we are going to see this kind of hockey-stick type of demand growth coming which will be kind of accelerating the sale of upgrades into the higher speeds. But all in all, I think this is the reflection I have at the moment about these three elements which are contributing to the fixed non-voice revenues.

Siyi: Okay. Thank you very much. And if I can just follow up with housekeeping questions. And would you mind to comment on what you think the MTR drag[?] are going to be for next year and how that's going to impact both of your revenue and EBITDA?

And finally, on the net working capital, your comments that you expect net working capital trend to be similar as last year – you did 19 million positive last year. Should we consider that that will be the ballpark for this year as well? Thank you.

Timo Karppinen: Yeah, and related to the MTR cost; so, it was announced this week that the MTR rates will come down on the voice side by 1st December this year. So, the rate itself will come down by 25%. And, of course, after that, the revenues from these interconnections will continue to go down. Together with the rate changes, what's the market trend is that the voice uses itself is on a declining trend. So, the interconnect revenues overall will continue to decline during this year and further on after this rate change comes into force.

But there will be really no margin impact, or at least no material margin impact to – in our case during next year. And also, there will be another rate reduction by the end of our next year which will be around 4-5% more. And then in 2020 another 5-7% more into the rate. But really these have no margin impact into our case.

When it comes to the networking capital change; so, there are always a few elements that are impacting the network capital itself. So, one is that where the investments are booked and what's the kind of payment terms of those and then overall where other areas where we can make some networking capital improvements. So, they – and that's why when you go towards the end of the year, the changes start to materialise, because majority part of our investments are booked towards the end of the year. But we can sort of roughly say that we should be seeing around the same level of our network capital change as we did last year. Maybe actually even two million more than we did year ago.

Siyi: That's excellent. Thank you very much.

Operator: We'll take our next question.

Sunil Patel: Yeah. Hi. It's Sunil from Bank of America. Most of my questions have been answered. But one is on the fixed non-voice revenues. You did answer this earlier. But I just wanted some more clarity on sort of when you put together flat consumer broadband growing B2B and easing of the DVB-T2 declines, does that mean that in 2018 we should see fixed non-voice revenues get to approach stability; so, a mild, 1-2% decline; is that the right way to think about it? Because the Q1 declines are obviously quite steep at minus 7 and I just wanted to understand how that trends.

On this point around the upsell of customers, do you see any sort of slowing down of the upgrade pace from the two to three percentage points? I think you've talked about of 3G to 4G conversion every quarter. When's the natural ceiling that gets to? Is it 80% of the base? Is it 90%? So, just how to think about the service revenue growth. Thank you.

Jukka Leinonen: Okay. When we talk about this fixed non-voice side, I think that as you saw, there was a fairly significant decline in Q1. These changes what we made in Q2 last year, that took place actually in May. So, it was in the latter part of the Q2, which basically will mean that we are going to see in Q2 still a decline in fixed non-voice revenues, but it is going to be slightly smaller probably than we saw in Q1. When we look about the second half of the year when we don't have any more this DVB-T2 change effects, we are expecting, let's say, slight increase in the revenues of fixed non-voice revenues as a whole.

Sunil Patel: That's really helpful.

Jukka Leinonen: [inaudible] upsell capabilities, you were asking. I think that what we can see at the moment is that there might be now a slight slowdown of the migration to 4G. As we were reporting, we had about 7.8 percentage points increase in last 12 months in terms of the 4G subscribers. If you look about the previous two years, it was close to ten or in some cases even smaller than ten. So, we are now seeing basically a slight decline which is quite natural because when you look across the customer profiles, it is typically saw at the more advanced customers who have the higher data needs are going to be moving first. And of course, we always have inter-customer base like in every operator a certain amount of laggards which are not so heavy on data. And that of course meant that they will be basically kind of seeing the need for the higher speed [inaudible] maybe at a smaller and maybe at later. So, it is slightly a slowing down but still we are seeing a very clear trend at the moment that customers are still in quite good numbers migrating into the 4G. So, we are not kind of worried about the impact of that in 2018.

And then of course when we look about the 2019 and further, it is also a question of how do we productise the services. I think we are going to see in the future that all the subscribers are going to be 4G, and it is a question of how to price those services when we go forward. So, it's slightly slowing down but still at a good level.

Operator: It appears there are no further questions. At this time, I will turn the conference back to management for any additional or closing remarks.

Maria: Thank you. If there are no further questions – Thank you everybody for your participations and good questions. And thank you, Jukka and Timo. This concludes our conference call today. Our next result publication is for half-year report on 19th of July. Thank you and goodbye.

Operator: This concludes today's conference. Thank you for your participation. You may now disconnect.