DNA Plc Financial Statement bulletin 2017

Analysts and Investors Conference call on 2 February 2018

Marja Mäkinen: 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 Financial Statements bulletin for 2017. With me here are DNA's CEO, Jukka Leinonen, and CFO, Timo Karppinen. Jukka and Timo will go through the 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 therefore, we have a disclaimer on the second page of the presentation set. After the presentation, Jukka and Timo will answer your questions. So, please Jukka, we are now ready to start.

Jukka Leinonen: Okay. Thank you Marja. And good afternoon also from my behalf. So as Marja said, I'm going to go through the business review and Timo will then continue with the financial review, after which we will have the questions and answers.

So, let's start with the business review. And if you start with the Q4, first of all concerning the net sales, we were very satisfied with our result in terms of the net sales growth – 4.2% from the previous year. A major part of the growth came from two sources. The mobile device sales was especially strong and was increasing almost 15 percentage points from the comparison period. Also, the service revenue growth was significant, especially with mobile service revenue growth was very, very good at the level of 11% in Q4.

When you look about the profitability, the EBITDA development was very good, and EBITDA increased over 28%. The comparable EBITDA was also growing more than 14%. The source for the improved profitability came mainly from two sources. The increase in service revenues was contributing, of course, into the profitability, but we also saw a significant operational performance improvement, especially in our network operations, which was basically caused by the upgrades and the mobile network platforms as we have been also stating earlier during the year.

Comparable operating result was increasing 44%. And that was reaching the level of 12.8% from sales, which is a significant improvement compared to the comparison period.

When we look about the key KPIs, first of all, average revenue per user in mobile was increasing further to the level of €19, which was €1.5 more compared to the last year. The competition was fairly intense strong last year. That also continued in Q4, and that was leading to the slightly higher CHURN compared to the previous year, but we clearly saw a decline in CHURN compared to the Q3, which was a positive sign about the market dynamics.

Mobile subscription base was also increasing 2.5% to the level of over 2.8 million. And also, in the fixed network side, we saw growth, and the total number subscribers in fixed network totally was increasing 14,000 subscribers. So, all in all, we are very happy with the Q4 results.

When we look about the longer-term perspective, as you can see from the slide, the revenue was all-time high, and we have been able to produce growing revenue figures quarter after quarter during the last few years. Also, the EBITDA margin was improving. I said earlier, the comparable EBITDA was increasing more than 14% from the comparison period. And as we were indicating earlier, after Q2 and Q3, the capex which was fairly low level in the early part of the year was increasing in Q4. But, when we look about the full-year capex, we basically were €4 million below in operative capex compared to 2016, which was exactly as we were indicating earlier in the year.

Operating cash flow in Q4 was slightly negative due to the high capex figures in Q4, but when we look about operating free cash flow development in full-year terms, there was a significant growth, which, of course, if very important.

When we look about the full-year figures, 2017, the net sales were increasing 3.2%, comparable EBITDA was growing 10.0%, operative free cash flow was growing 26.0%. And, our balance sheet is very strong, so, the net debt to EBITDA ratio was 1.12. And, that of course, made it possible for our Board to make a proposal for the extra dividends for the AGM.

When we look about the subscriber numbers, we are also very happy on that side. All those areas, which are growing in the future, we also saw a significant growth. So, mobile communications subscribers were increasing by 29,000, fixed broadband and cable TV subscriptions were up 29,000. And then we saw the normal decline in fixed voice, which was then leading to the situation that the total fixed-network subscriptions were up about 17,000.

I said earlier, we have been seeing an intensified campaigning over the whole 2017 and that was also continuing in Q4, especially in the mid-part of the Q4, we saw very, kind of, drastic campaigning from some of our competitors. Although, we have to say that the Christmas sales was more or less normal in terms of the campaign intensity. But on a yearly level, the mobile CHURN was increasing and reached the level of 18.3%, which we think that it's a reasonable result taking into account the intensity in competition.

So, when we look about the subscription numbers, I said 2.5% growth in mobile, meaning 29,000 new subscribers. In fixed broadband 4.1% growth, 18,000 subscribers. And in cable TV, 1.8% growth meaning 11,000 subscribers. And I said, fixed voice came down almost 20%, but this is basically the rate we have been seeing earlier and we are expecting that it will be continuing also 2018 at about the same level.

When we look about the mobile subscriptions more closely, the net adds we were winning Q4 were 21,000, and that came almost equally from consumer segment and corporate segment. The consumer segment was increasing by 10,000 subscribers and corporate segment by 11,000 subscribers. When we look about the development of the mobile subscriptions over the full year, we basically can see that we had the decline of 12,000 on pre-paid, which then led to the situation that the growth in post-paid was as high as 80,000, which, of course, is very important, because the ARPU in post-paid is significantly many times higher than in pre-paid.

Then we look about the business segments, in Consumer Business, we saw the decline of 10,000, but as you can see form the pre-paid figures, this basically came, first of all, from pre-paid subscriptions, meaning that there is not significant impact on the profitability. Also, we have to remember that in Q1, we made fairly significant price increases to the flow ARPU subscribers, which led to the increasing CHURN at that time. So, all in all, we are fairly satisfied with the Consumer Business customer development in terms of the subscribers. In Corporate Business segment, significant growth of 79,000 subscribers during the full year.

When we look about the smartphone penetration, that continued to increase, again, quarter by quarter, we still can see that almost 30% of the subscribers are still with the feature phones, which means that we have a potential further to sell smartphones with data capabilities, which will be basically increasing the demand for the new 4G subscriptions also in the future. So, all in all, very anticipated development as we can see it.

When we look about the mobile data traffic development, a couple of notes here. We still see that 4G is driving the growth in mobile data, so in our network, 88% of all mobile data used was transferred in 4G network. The other note is that now saw that on network level, the growth in mobile data use, it was up only 39%, which is significantly lower figure than we have been used to seeing in the previous year. Of course, the absolute figures and values in terms of the data usage are increasing very highly, but this kind of relative growth seems to be now starting to slow down a bit.

When we look about the 4G development that continued at the steady level, so we basically were able to increase the ARPU by 8.6%, mainly coming from the 4G migration. Of course, certain impact into this increase in ARPU was coming from the price increases, but the major part came from this 4G subscription migration. The 4G penetration base at the moment is 54.3%, meaning that we still have almost half of the customers to be migrated. And when we note that last year, the subscription penetration in 4G was increasing 9.2%, we can clearly see that we have a significant number of years ahead of us for the continued 4G migration, which basically should be bringing us possibilities to continue to grow the mobile service revenues.

In fourth quarter, a fairly tight competitive environment continued, and campaigns impacted into the CHURN. CHURN was 18.1%, which was slightly up from the previous year, but below previous quarter. So, nothing special about this one. I said earlier we saw very intense campaigning in the mid-part of the quarter, especially Black Friday – single's day – campaigns from the competitors. But the Christmas sales was more on the normal level in terms of the competitive intensity. So, all in all, we see a potential to continue to grow the mobile service revenue because of the 4G migration.

When we look about the fixed broadband subscriptions, as stated earlier, we saw a very nice fixed broadband growth, 4.1%, 18,000 new subscriptions added. And that, of course, means that we are increasing the large customer base, which give us an opportunity in the future to upsell the new higher speeds for those customers. And we believe that the demand is increasing due to the fact that the higher quality HD4K content is increasing all the time.

When we look about the cable TV network, there we also got 11,000 new subscribers. And this is, of course, important, because a major part of our fixed broadband customers is really sitting on top of the extremely fast and reliable cable TV platform, and this also gives us a new opportunity to increase the number of fixed broadband customers when the base of cable TV customers is increasing. On DNA TV, a slight decline in number of customers, but this is to do with the fact that we made this distribution change from DVBT to DVBT2 technology in the second quarter and lost several tens of thousands of customers. And in our case, all of those customers – or a major part of those customers are multi-access customers, using also the DNA TV applications. And since we basically terminated those customers, we also lost some of the DNA TV subscribers at the same time. But all in all, fixed network performance was in very good level, and we are very happy with the performance.

When we look about the basics below the financial figures, we see that the customer satisfaction is an important element in terms of being able to continue the growth in the markets in the coming year. And, we are very happy to say that in 2017, our customer satisfaction rates improved further. So, we saw a five-point increase in the customer satisfaction measured by the NPS – Net Promoter Score. In the Consumer segment, we were basically staying at a very high level in the B2B segment, and we also saw that customer satisfaction and recommendation rates – for example, in DNA stores was increasing to the record-high level. So, all in all, we believe that increasing customer satisfaction lays a very good ground for us to continue growing the business and upselling the services for the existing customers in 2018 and further.

When we look about the basic strategy of the company, we don't see any significant changes in our basic strategy. We will continue to strengthen the foundation of the company and our competitiveness, by building into the top of experts. The people, the competencies are the key elements in terms of supporting the growth. We will also take care that we will stay on top of the league in terms of the network performance, both in mobile side and also in the fibre-optic cable network side on the fixed broadband. We will continue to invest into the IT systems and platforms especially related to the data analytics capabilities and online capabilities. And we still believe that since DNA is not the kind of traditional incumbent teleco, our way of working, starting from our values to be bold, flexible and fast, gives us a great advantage in terms of serving our customers even better when we go forward.

When we look about our four core targets on company level. We are on track on achieving those targets, and we think that all of these four areas were achieved in 2017. The most satisfied consumer and corporate customers – I said the NPS figures – the recommendation figures improved significantly from the previous year. We want to have that – want that DNA is the best place to work for the employees, and we were able to hit the all-time high records in terms of customer satisfaction surveys. And I said, we believe that when we look about the organic growth, we were growing fastest in the market, and we also saw that, especially when it comes to the profitability, where our main measure is the operative free cash flow, the growth was by far the largest in the Finnish marketplace. So, all in all, we believed that we achieved our targets for the company in 2017, which gives us the good grounds to continue to develop the company in 2018.

When we look at about the market, the outlook for 2018, I think that from the macroeconomic situation, it seems quite positive. The consumer confidence, the corporate confidence in all-time high levels – expert figures are very good. So, we see that there's no threats for the business when it comes from the macroeconomic figures. We also believe that the mobile service revenues will be growing also in the future, and the 4G migration will be growing. Otherwise, we see that the number of mobile data will be increasing. There will be more and more devices to be connected in the networks. IoT will be increasing and we see that there is more need for the high-quality, high-speed connections due to the fact that the cloud services will be taking place. And the on the other hand, traditional mobile voice, SMSCs and fixed voice will continue to decline. So, all in all, no big changes in the market, but clearly, the positive signs from the macroeconomic figures gives us some safeguards when we start the year 2018.

So, this is now from my part, and I will not turn this to CFO, Timo Karppinen, who will basically continue with the financial review.

Timo Karppinen: So, good afternoon from my part. So, I'll shortly cover the key financials, then go through the guidance for this year and then go through the details of the funds return for 2017 results. So, starting from this, the key financials in this slide 19. So, in terms of net sales, the Q4 was again a very good quarter – 4.2% of growth. And there the main driver for the sales increase came from this mobile equipment sales, and then, of course form the mobile service revenue growth. I will go in more detail of this sales split in the next slide.

So, mobile service revenue really is the key driver for the EBITDA growth itself, which again in Q4 was 14.2% when comparing to the comparable level to the last year, last quarter. And there, we really see this as the service revenue part of the revenues growing – the operating leverage improvement as we get – as we get – as we go is steadily improving. And, we have this sort of continuous cost efficiency improvement, especially coming out from the network equipment costs. We really had the robust platform to execute despite there was somewhat more competitive environment in the market. When looking at the CAPEX itself, as we have said, Q4 is the time mainly because the timing issues that the book as the highest quarter of all quarters as the CAPEX and therefore this – the CAPEX itself was higher in Q4 compared to what it was a year ago; but all in all, whole year level, the CAPEX was like this – 2.9% lower than it was a year ago as we have been indicated in earlier calls.

All of this improvement in results and production in CAPEX is then resulting into excellent free cash flow improvement which for the whole year level was this 26%. And all of this is then impacting to the net debt levels which again was reduction to the – what we had year ago.

If you then move onto this – the sales split, in Q4 really where we are extremely satisfied is the continuous and in the mobile service revenue growth, where in Q4 alone, the mobile service revenue improvement was 11.4% when comparing to the year ago. And then for the whole year level the qrowth was 12.1%. and here the main driver for this growth continues to be the fact that this – the 4G base of our customers is growing, and this is leading to the fact that we actually had one of the highest growth in our ARPU, which grew 8.6% up to €19 when comparing a year ago.

When – like I said earlier, the mobile equipment sales in this quarter was extremely high and the growth itself was this 14.5% when in whole year level it was 2.5%. really the mobile equipments are the main sort of items that we used in the Christmas campaigning and the campaigning overall during the Q4. And this is the way we have sort of looking after our own customer base and making sure despite the competition that customers remain as our customers and they are treated well by getting good – somewhat discounted equipments.

In terms of the revenue from the fixed voice continued to decline as we have been saying, and we will see this part of the revenues to continue to decline also during this year and the future. The mobile inbound – mobile interconnection and roaming itself was around the same level as it been before. Even looking at fixed non-voice revenues here we see the same impact as we had in the whole of second half is that the antenna TV, part of the pay TV customers where the client to the reasons as Jukka explained to the coverage reduction. But when looking at the fixed broadband side of that business, that side remained in Q4 and actually for the whole year flat or somewhat – some growth in it.

Then on the slide 21, we have then business split for consumer and corporate. So in terms of the consumer business, again, net sales growth in Q4 was this 5.1% and there the same drivers as for the whole company level, the mobile service revenue continued to grow. And we had here the really positive impact is also coming from this equipment sales which was one of the record high quarters of all time. This ARPU increase and the mobile service revenue growth is then leading to the fact that this comparable EBITDA in the consumer side is growing and it did grow very strongly by this 13.6%.

On the corporate side, we had to be overall very pleased with how the corporate business overall has developed during the year and especially Q4 is a time when we see the positive outcomes of that – the net sales in corporate side went almost to – over the €59 million, which is almost 2% growth compared to year ago. And the main drivers there is the fact that we have – the mobile subscriptions base has been growing and within that base the ARPU is now increasing. And the increase in Q4 was this 2.9%. So overall this is a good trend which we are quite strong that we will continue to see also in the future. The comparable EBITDA itself was again one of the highest on the corporate side for a long time. So the EBITDA itself improved by 15.5%. and there we see the main issue around this is the fact that the service revenue itself is growing. And we see the cost benefits coming out from the network platform costs.

Operative CAPEX as we said earlier, for the whole year level we now came down by absolute value by €4 million so that the operative CAPEX in total was this €133 million. And now we already reached the level of this mid-term target of 15%. Q4 really was mainly impacted by the timing of booking the investments and therefore the Q4 alone was higher than the Q4 a year ago.

Then looking at the free cash flow and then free cash flow to equity developments. So really the fact that these – the comparable EBITDA was at a record level and then as planned we were able to reduce the spending in CAPEX which then resulted that our free cash flow of 139 million was highest that DNA has ever done in a year. And we are really pleased of that the free cash flow margin of 15.7% again was very strong.

Then looking at the other items at – it's impacting the – the equity side. The interest that we've been paying remain about the same level as year ago. Taxes are now at a normalised levels as we have consumed all the major tax credits that we have had. So booked CAPEX and paid taxes are now at a normal level and this is why there is a growth of €21 million compared to a year ago. But then at the same time we have an improvement in the way we manage the net working capital and that gave a positive boost of €19 million for last year. Main driver there is that there's an increase in trade payables based as we have.

So, free cash flow – the equity is €190 million giving the margin of 13.4 and this is the strong base to distribute the funds from last year result. The capital structure itself had no big changes in Q4. There's some reduction in the loans that we have and the gas itself sort of accumulated in the high level. Now the net debt to EBITDA is down at 1.12 level, and again this is giving the flexibility of this higher fund return that we will propose to be done for this year.

So moving onto this proposal by the Board for how they distribute the funds in 2017 – so all in all, to total fund return is proposed to be €1.10 per share. And how we see this played is that there is this element of €0.63 per share which should be seen as the fund and return based on our dividend payment guidance. And then with the really strong cash flow from we had last year and a strong balance sheet that we are then proposing an extra payment of 49% - 47 cents per share which is then totalling this €1.10 per share, representing roughly about 7% return when comparing the market capitalisation of last year.

We gave an update into our mid-term [inaudible] sale targets and here the only change that we are doing is that we increase the EBITDA margin guidance from 30% to 32%. This is in the back of the strong EBITDA growth that we have had since 2016 and the previous guidance of 30% was already exceeded in 2017. And this is the guidance that we will then now give for the mid-term which for us means a timeframe of between two to three years.

Finally, the financial guidance for 2018 and then the mid-term targets again. So the financial guidance that we are giving for this year is that the net sales and comparable operating results are expected to remain at the same level, but we clearly see that both of these items will grow this year, but within our time sort of frames that we give these guidances we see them has to be at the same level. Like said the mid-term financial targets where others the same but on EBITDA margin side, we upgraded the margin target to be 32% and then this fund and dividend distribution is what I explained earlier. So 7% return from last year result representing this €1.10 per share.

So thank you.

Speaker: Thank you, Jukka and thank you Timo for the presentations. And now Operator we are ready to take the questions.

Operator: Thank you, Madam. So ladies and gentlemen, if you wish to ask a question, please press star one on your telephone keypad and also state your name and company before posing your question. We will now take our first question. Please go ahead, caller, your line is open.

Speaker: Thanks for taking my question. It's Simon Coles from Barclays. My first one is, I guess we've seen a lot of interest and talk about the competition in Finland in Q4 and the difference between Q3. I was just wondering if you could give us your view on that. And then your churn obviously declined in Q4, yet competition supposedly didn't really change. So I was just wondering if you did anything different between the two quarters to improve on your churn metric.

And then finally on mobile service revenues, we saw that accelerate in Q4 versus Q3, and you mention that 4K and HD video demand is increasing. Are you expecting that to accelerate going forwards? Thank you so much.

Speaker: Okay, thank you. When we look about the kind of competitive dynamics in Q4 I think that it could be described in a way that when we look up out the for example black Friday or singles day times, there we were seeing fairly aggressive campaigning by some of the competitors and we were basically replying to those. But when it comes to the Christmas sales, the selloff, I think that it was a more normal Christmas campaigning. So from that perspective I think that this was one of the reason that the quarterly churn figure was coming down a bit.

When it comes to our activities, as Timo said earlier, we have been really kind of putting a lot of efforts in terms of serving our existing customers better, so we have been addressing our own customer base with very lucrative offers in terms of the mobile phones and other devices, and we also believe that this has been affecting that we have not been seeing such high churn figures than we saw earlier. So from that perspective I think that it was a quite normal quarter in terms of the competitiveness. Now when we look at the January, I think that there has been again some more intense campaigning continuing but I would say that we are still in fairly reasonable situation from that perspective.

Speaker: I think Simon then you ask about the mobile service revenue growth. Am I right?

Speaker: Yeah, exactly, thank you.

Speaker: So the mobile service revenue growth will continue as we have been saying all along. So the – right now the 4G base on the consumer side is only this 54% and we see that to sort of continue to grow in the same pace as it's been in the past [inaudible] basically represent a 2-3%

increase on the base every quarter. And they are going to further elements to increase the [inaudible] itself coming from the fact that they are now new types of 4G and tariffs in the market and these are selling quite well. It also typically includes the roaming itself.

Speaker: And maybe to add to this one I think as you know, the mobile service revenue growth for 2017 was very high. More than 30% on a yearly level and when we look about the 2018 estimates I think that we are expecting that the migration will continue. We are also expecting that mobile service revenue growth will continue. But there may be a couple of factors which needs to be reminded. The first one is that our kind of subscription growth in 2017 compared to 2016 was kind of slightly slower than in earlier years, so the kind of base was not increasing that much. And that of course will be affecting the kind of mobile service revenues. And then also we can see that when we look about the customers who are migrating at the later dates, they typically are maybe not taking as high quality and high speed services that the first ones which are typically ore advanced users. But we can say that we expect that the mobile service revenue growth will continue but it will not continue at the same 12% rate that we see in 2017.

Speaker: That's very clear. Thank you very much.

Operator: thank you. We will now proceed to our next question, please go ahead caller. Your line is open.

Speaker: Thank you. I would have a couple of questions. Firstly, maybe on the guidance. So if you expect EBIT to be at the same level in 2018 as last year but then you increase the mid-term financial targets, what is happening in 2018 and what is the timeframe for the new midterm targets?

Speaker: When we talk about the mid-term, we typically are talking about the two to three years as a timeframe in order to reach the targets what we have been setting. When it comes to the guidance we have been giving for the 2018, I think that first of all we have to say that we believe the growth in terms of operating result – it will be positive. But we have a certain type of frames and ranges within our terminology and according to those we are abasically stating that they are more or less at the same level. But as said, it's growing and it's positive but not significant increasing. There are a couple of reasons for this one: the first one is that we had remembered that when we made this distribution change, it happened in the late of Q2 last year. So we are still going to see an impact of lost customers in the first half of this year. And secondly as we have been all along telling we saw an increase in the competitive dynamics in terms of 2017 and the churn in 2017 in our case for example was more than two percentage points higher than what we had been seeing normally. So maybe we are cautious, but we are prepared that basically the competition will be continuing at the intensified level which of course will be affecting to the profitability. And these are the elements why we are basically very cautious in terms of the profitability development. We believe that it will be growing and it's positive, but it is within our frame of at the same level terminology

Speaker: Thanks. I would have a follow up related to that latest comment on competition. I mean, we saw a pretty attractive campaigns in Q4 but the impact on earnings was not so big. So was there any kind of spill over impact to Q1 or later when you see it as lower price campaigns hitting it? Or was it that – what is so in Q4 already?

Speaker: I think it's fair to say that when we look about the – the kind of churn in whole market, when we look about the for example [inaudible] portability figures, we clearly saw that they were in Q4 significantly higher level than in the previous year. And when we look about the high level of churn, it means high level of sales, and that basically means that they are basically a more or less immediate cost effect which is related to the sales commissions. And if you are using for example some discount vouchers on mobile devices, those basically costs have been seen already in Q4. But when it comes to the service revenues, that of course will not be seen because of Christmas sales in Q4. But it will be impacting Q1. Then of course we have to remember that when we talk about the customer base – in our case for example, we have 2.8 million customers. So those customers which are basically affected with the campaign price, it's a fairly low figure. So one Christmas sale or one quarter is not going to affect significantly to those figures. But of course whatever the effect is, it will be more seen in Q1 than it was seen in Q4.

Speaker: Thanks. I would still have one question on the dividend [inaudible]. Why is the – it's a dividend and capital return combination and not just dividend. And then also now you chose to do an extra distribution. How kind of a recurring thing should we expect this to be as you will still remain at the low end of the – or have very low depth. What is the M&A outlook for this year for example?

Speaker: So the – why the – distributed – distribution from last year is divided in the dividend and the capital payment simply, from the technical issue that we haven't a – equity reserve in our balance sheet which can be used for this type of thing. So we allocated this time more of the return not coming through the capital payment, rather than classified as a dividend. But is of course in the same element which has the technologic technical issue how we describe it. So – but then how you should be seeing this is that we are following the – tightly the dividend distribution guidance that we have been given. And here you should see there is this 70% of free cash flow to equities not distributed as the normal return. And then like said, we had an extremely good year and our sort of cash flow was on high level and the balance sheet itself has the room to pay extra return as we call it. So this is the reason why it was returned like this.

When going to this year we will – and the future as well, a couple of things need to be reminded. So one is that we continue to follow the dividend distribution guidance that we have been given and even with this extra payment now we have a strong balance sheet and we will have room to look for any M&A activities that we can do in the market, which again would only be on an bolt-on and in market type of things. And continuing the same thing that if our balance sheet remains strong in the future we always look at different ways of returning capital to the shareholders.

Speaker: Okay. Thank you.

Operator: Thank you. We will now take our next question. Please go ahead, caller. Your line is open.

Speaker: Hi, thanks for taking my question. This is Sunel Patel from Bank of America. I just have two questions actually. One is on the fixed line business. I mean the declines are still quite steep, and I understand non-fixed voice you still have the carrier for pay tv declines after the cut off. But as we look into 2018, I think fixed revenues were down in 2017 6.2%. should we be looking at 2018 being a recovery year for fixed, and therefore approaching stability on year on year growth?

And my second question really was on the mobile side. First of all, so incredibly well in 2017 on the service revenue side but you are facing extremely difficult comps now as well. Specially in the first half where - you know, first half of 2017 was 14% service revenue growth. Does sort of a mid to high single digit revenue growth for at least the first half of 2018 sound correct? Or are you not expecting that sort of level of slow down? Thank you.

Speaker: Okay. If I take first the fixed network question I think that you are correct in these that when we look about the pay tv decline on the DTT distribution chains, it took place in the latter half of Q2 last year. That basically means that we are going to see a significant decline for the first quarter and partly for the second quarter. But then of course the decline will be slowing down when we are basically having the comparison quarters, Q3 and Q4, where we already saw the impact. So on yearly level I think the decline will be significantly smaller in 2018 in pay tv than what we saw in 2017. Also when we think about the fixed voice I think that it's fair to say that we will expect that the fixed voice will continue to decline in about the same rate. But of course because of the low starting volume the impact in terms of the euros will be probably smaller.

Then at the same time we are also seeing a slight improvement in terms of the fixed broadband in consumer side and also I think that this macroeconomic situation will be helping also the kind of corporate segment in positive way. So all in all I think that it's fair to say that we are expecting that the fixed network services as a whole probably looks much better in 2018 than it was in 2017. When it comes to the mobile we are not basically disclosing any specific numbers in terms of the mobile service revenue growth. But as I said earlier I think that the smaller growth in terms of the mobile subscribers, the kind of fact that the slower customers to migrate are typically buying more cost effective solutions, and then as you said the comparison periods are significantly higher, this will lead of course that the growth rate is much smaller than in 2017. But we are not basically giving out any specific figures on that one.

Speaker: Thank you.

Operator: Thank you. And as a reminder ladies and gentlemen it is star one if you wish to ask a question on today's conference call. We will now take our next question. Please go ahead; the line is open.

Roman Arbuzov: Thank you very much. It is Roman Arbuzov from J P Morgan. I wanted to continue the discussion on mobile service revenues please. You maintain your ambition to grow your top line overall faster than the market. I was wondering if you could potentially extent that statement to mobile service revenues as well. Is it fair? Because if we look at your competitors, they're growing at probably mid-single digit. Let's call it 4-5%. Do you think that it's also reasonable to assume that you actually grow faster than your competitors? That's the first question. And the second question is just around the competitive trends and your observations on January in terms of what you've seen this year. Have you seen any positive changes in January versus Q4 please?

Speaker: Okay. First look at kind of revenue content as a total. So when looking at this year especially there are elements that continue to decline which are impacting negatively. The fixed voice continued to decline and then they also – this mobile interconnection revenues are declining for two reason. One is that so this billing part of those elements are going down, meaning the voice traffic and SMS traffic. And then we expect that in – by the end of this year there will be a rate reduction in the interconnection traffic revenue. So you will see this fixed voice and interconnects revenues to decline. And interconnects perhaps more than we have seen in previous years. Then coming out of these positive elements, so when it comes down to this mobile service revenue like said earlier, we really expect that to continue to grow. But as we grow, this comparable sort of numbers are getting harder and harder now that the mobile service revenue this year, in 2017, was already at the high level. But we will like said expect that to – for reasons given earlier that continue further. But when you put – and then fixed non-voice side still for the – at least for the first half of this year will be impacted by this antenna TV distribution reduction that we did April last year. So we only really start seeing a growth in that part of the revenue side in second half of this year.

So putting all this together that's why the revenue in total are expected to remain about the same level as it was a year ago. But of course like said, the mobile service revenue part will definitely continue to grow. I think –

Roman Arbuzov: Can I just follow up on that? I guess the implication of what you said is also that, given that you had some headwinds in the non-mobile service revenue part of the business, in your fixed line, and you have some regulation headwinds, I guess what you've implicitly said is that, you know, you will be growing faster than the markets, given the headwinds in your other businesses. Right? Is that a fair interpretation or what?

Speaker: Yes, so kind of the main reason why we're saying that we will grow faster than the market are the things that – we are – our market share is strong in the areas which are growing. And rather than this share in this elements of the business that are declining. So on our mobile handset service revenue side, we are – our market share is quite strong. But especially on the mobile broadband side our market share is higher and these are the areas that are growing. And then our declining elements like fixed voice, our market share is very low compared to the competition.

Roman Arbuzov: Thank you very much.

Operator: Thank you. We do have another question. Please go ahead, caller. Your line is open.

Speaker: Thank you. I would still have one question on MVNO revenue. Could you – could you tell us how much of your revenue came from MVNO given that it seems that MVNO took quite a big part of your mobile subscription intake last year?

Speaker: Okay, we – like in the past we have not been telling the details of the MVNO business. Of course we are tied in the commercial agreements and the confidelity of those, so we cannot expose them too much. But they are, I would say, and during last year the MVNO part of the business which are – we record at the – on the corporate side. Were growing.

Speaker: Okay. Thank you.

Operator: Thank you. We do have another question from the other line. Please go ahead caller, your line is open.

Adam Fox-Romilly: Thank you very much. It's Adam Fox-Romilly here from HSBC. Could you talk about your investment priorities in 2018 please? Where are you looking to spend your CAPEX budget?

Speaker: Okay. Yeah. The majority of the CAPEX will continue to be spent on the mobile network and there the main focus will be on the capacity increases, and then making sure the service level will remain at the good level. Then second part will be on fixed broadband side, mostly on making sure that this connectivity in the [inaudible] mobile network itself will remain strong. And the service level there will be strong. So but these are the sort of main elements in the CAPEX.

Speaker: Okay. Thank you.

Operator: Thank you. Gentlemen, that was our last question, so at this point I'd like to turn the call back to you. Thank you very much.

Speaker: Thank you everybody for your participation and your good questions. And thank you Jukka and Timo for the presentation. This concludes our conference call today and I just would like to remind you that DNA's January-March 2018 results will be published on 19th April. Thank you and good bye and have a good weekend.