# Full Year 2017 Orange Polska SA Earnings Call

21-Feb-2018

**Corporate Participants**

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO
- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO
- Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

**Conference Call Participants**

- Maria Veronika Sutedja - Erste Group Bank AG, Research Division - Analyst
- Ondrej Cabejšek - Berenberg, Research Division - Analyst
- Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research
- Herve Drouet - HSBC, Research Division - Head of EEMEA Telecoms, Media and Technologies Equity Research

**Presentation**

- Operator - -

  Ladies and gentlemen, welcome to Orange Polska Full Year 2017 Financial Results Conference Call. Your host today will be Mr. Leszek Iwaszko, Director of Investor Relations. Sir, the floor is yours.

- Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

  Good morning, everyone. Welcome to our Results Conference for the Quarter Four and Full Year of 2017. My name is Leszek Iwaszko, I'm Head of Investor Relations. Our speakers for today are Jean-Francois Fallacher, CEO of Orange Polska and Maciej Nowohoński, CFO of Orange Polska. I hand the floor to Jean-Francois to begin the presentation. Thank you.

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

  Thank you very much, Leszek. Good morning, ladies and gentlemen. Welcome everyone to this conference. As usual, I would say, I would start with the highlights of the last quarter and the check of our performance against our Orange.one commitments, Maciej will follow with the financial commitments and then we will both present the outlook for 2018.

  I propose we directly go to Page 6 of this presentation.

  So to start with, I have the pleasure to say that we have delivered on our financial commitments for 2017. Actually, we finished the year with an adjusted EBITDA of above PLN 3 billion, which is absolutely in line with the guidance that we upgraded, if you remember well, in October last year. As you can see as well CapEx was according to our plan. Fibre was the most important part of it. It grew the fibre investment by 30% year-on-year and was a third of our CapEx last year.

I propose we look at the highlights of this fourth quarter, next page. I think we can say that these results were strong. Our adjusted EBITDA was up 4% year-on-year and the margin, EBITDA margin as you can see there, improved by 1.4 points. And I must say that this was despite the hit that we had on the roam like home costs, as you remember well. So again, we believe this is a strong performance. The driver of this growth was our value strategy that's resulted in big optimization of our commercial cost and the scale of this improvement in this category was higher than in the previous quarter due to, first of all, falling volumes of sales acts with handset and also due to prepaid registration obligation that if you remember well in the fourth quarter of 2016, boosted our commercial and marketing spend.

This result in the growing EBITDA in the fourth quarter is, I think, it proves that our value strategy is working. However, I must say that this is not yet the sustainable growth that we are expecting over the coming years. And also for the record below this -- adjusted below in the adjusted EBITDA, we booked provision related to the new social plan that we have announced in December last year. And now, if you allow me, I would like to comment on our commercial achievements and I'm going to the next page.

I believe this slide, summarizes our commercial achievement, let me start by convergence. Last year, as you will remember, and it's a year anniversary of the launch of Orange Love, our flagship offer, we launched this flagship offer for Polish households. It is the best offer for Polish families to consolidate their spending on telecom services. In 2017, as you can see we closed the year with total number of convergence customers about 1.3 million, which is an increase by 470,000, which is a remarkable number, as you can see the growth was plus 56%.

Quarter 4 was absolutely the best in terms of new sales of Orange Love, which is the evidence that this value proposition was very well received by customers and we attracted actually more than 660,000 Orange Love customers.

Obviously convergence also fuels the customer base with fixed broadband, TV and also with mobile.

Talking about fixed broadband now, 2017 was the best year for our fixed broadband business in the last 10 years. As you can see there, in Q4, net customer additions were better than the year earlier. Thanks to fibre and also less churn, less losses in our legacy technology, ADSL.

Obviously, we see as well, that here that convergence is increasing the customer loyalty, the satisfaction and reduces this churn. Our churn rate in fixed broadband is slowly, but systematically falling, thanks to this convergent exercise. As you can see there as well, it's quite important to state that now half of our broadband base is convergent. And last but not least, I would like to attract your attention on the TV performance. Last year, we significantly improved our pay TV base. I think we are now increasingly recognized as a provider of all possible contents on multiple screen. Q4 was quite a spectacular quarter with the best net additions over the last 7 years on TV, mainly resulting in 2 factors; the attractiveness of the Orange Love promotion for Christmas and also our new announcements and that allow our customers, since the end of last year, to enjoy 4K content with Netflix and Eleven Sports available in 4K on Orange TV, making it, I believe, the best offer of the market.

Now if you look on the mobile and post-paid, we continue with our value strategy there, both in B2C and B2B. We are concentrating now more on selling for full value that the customers are waiting to pay. Please note that our push on convergence, we have a push on the convergence, we do not communicate our standalone mobile offers as much as we used to, and please remember that Q4 2017 is difficult to compare with Q4 2016, because if you remember well in Q4 2016 that was the peak of prepaid registration. However, as you can see there, we counted strong net additions.

Let's go now to the next slide, where we would like here to present you the statutes of our Orange.one strategy and where we are. That's what we presented to you, I remind in September last year. And here we are showing you a number of key performance indicators showing where we are on the road, on the road to these achievements for 2020.

I am happy to comment here and to report that we are on track. I would not comment again the 2 first KPI's that I already commented in the previous slide, but rather concentrate on our achievements on the business market. You can see there in the middle, in the graph, in the middle that convergence is also helping us in SOHO/SME segments with strong progression. You can see as well that our ICT business is doing very well because we are on track to achieve what we promised, which is to double the revenues of this business by 2020. And last but not least, I would like to say a few words about the KPI, so called NPS, Net Promoter Score, which is an indicator that we used to measure our customer satisfaction. As you can see there, we are also progressing because we are now in #2 position. I remind that a few years ago unfortunately we were in the #6 position, so that's quite a strong progression, and that's -- thanks to the fact that customers appreciate the improvement in our networks, in the connectivity, our convergence strategy and increasing simplicity of our offers. So, please note that the NPS measured only for fixed broadband customers, is the one that is the best and where we made actually the biggest progress and we are in this specific category, the leader of the market. On the other hand, all the efforts we have done, to make customer experience as simple as possible by eliminating unnecessary pain points in procedure, is really paying off with this position of #2.

Now, allow me to go to the next slide and to comment more precisely on our fibre investments and on our fibre deployments. As you can see there, in 2017, our fibre network has expanded by a bit more than 1 million households. This was what we've announced, this was our goal. I've to admit that it didn't go without challenges and those of you which are based in Poland, probably most of you in the room here, know very well that there are shortages on the labour market that made it pretty complicated, especially shortages in the construction industry and cost pressure associated to these shortages that made this achievement pretty difficult. Nonetheless, we managed to do this and to handle the situation pretty well because it did not affect our CapEx as you can see.

In 2018, so this year we plan to repeat this achievement. So we have the plan to connect, to pass, sorry, another 1 million households in line with our Orange.one ambition to reach 5 million households by the end of 2020. We are building the network, by building the network, as you can see on the map of this chart, we extended the footprint into new cities. We actually doubled to 75 the number of cities, where our fibre is present in the last 12 months and this year we have plans to move actually to smaller cities and also to connect, sorry to pass single family households -- houses. This is new because the single-family houses represent at this moment, less than 1% of our total footprint. So on one hand these family households are a bit more expensive to pass, to build, but on the other end, the demand is extremely high in this type of houses, due principally to less competition and also the absence of cable operators. So, we hope and we know that the penetration will be actually faster in this category.

This, we will, also partly handle through third party operators because there is quite a big number of small FTTH networks built in less urban areas which used European subsidies and that we are working with, that will be of course a very efficient way for us to get there and for you to know in this 1 million households we are planning to build this year, actually there will be a bit more than 90,000 that will be build alongside -- the so called POPC framework, which if you remember is the program of the government to use European fund to build fibre in more rural places.

Now, as concerned the customer base, as you can see there, the penetration of our -- of the customer numbers in this fibre network keeps increasing quarter-after-quarter. It's just reached 8.7% at the year -- the end of last year, which is absolutely in line with our expectations. These, I mean again those which are in Poland, know that we are operating on a very competitive market with customers that are usually entangled in 2 years contract with cable companies, our key rivals and these companies also tend to be pretty aggressive when they see us coming with retention prices that are much below their public price lists.

However, please remember that we do not fight with offering discount prices on fibre. We stick to our value approach and we had the best quarter ever with 38,000 net additions and also it's to be noticed that 80% of these fibre sales are coming from new customers, coming from our competitors, that I think is a proof that we are gaining market share with this investment and as you can see there we closed the year with now 214,000 fibre customers

A last point as I would like to comment now. As you know just before Christmas we announced having signed the Letter of Intent with T-Mobile regarding giving them wholesale access to our fibre infrastructure. We are, as we speak in the middle of the negotiations that we intend to close before the end of the first semester, so I cannot be more specific, I hope you will understand that. But what I want to state here is that if we are to sign this deal and enter into this deal, it will contribute to a better monetization of this investment and also we believe accelerate convergence on the Polish market. So, despite obviously increasing the competition on the retail market, we believe that overall it's going to be positive for our business.

That's all I wanted to tell you about this commercial performance, I will pass the floor now to Maciej Nowohoński.

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

Thank you, Jean-Francois. So, before we go into details, just a few key messages for Slide #12 for key financial figures. First of all, the full-year guidance on the EBITDA, we did it. Second of all, the CapEx outlook, we did it. The Q4 EBITDA is nicely improving, 4.2%, that's growing, thanks to the sustainable improvement on the broadband revenue front. And second of all, our efforts on the commercial front on the cost side.

The cash flow is, as you can see, just to PLN 123 million for the full year. It's not fantastic, we have to say that. But that was driven mainly by the CapEx activity that we undertook and that we will continue for the years to come.

Now, let's go to the next slide, which is dedicated to the overall revenue evolution. In the fixed business, the performance continues to improve and this is, thanks to the boost of broadband and that is benefiting from our investments in connectivity and from our convergence strategy. And this is increasingly offsetting the ongoing pressure on the legacy services that is with us and will be with us.

We see also in other revenues, robust growth and that is driven by strong ICT, a very stronger ICT and consolidation of newly acquired Energia distribution business. In Q4, as you can see the revenue evolution slightly deteriorated versus previous quarters, and this is mainly driven by the mobile category and more specifically the equipment sales, so maybe let's zoom on that point on the next slide.

Our key focus was, is and will be value and convergence. And it is less and less relevant to have revenue analysed or broken by mobile or fixed business. That's why starting from the first quarter of 2018, we will change it to better reflect our strategy and starting from Q1, the revenue will be reported divided by convergent revenue and mono products, all mono products like mobile and fixed broadband. And we will report that to you on the revenue front and on the customer base, so that you can see clearly the progress of our strategy.

But it's okay. This is still in front of us. So, going into mobile revenue as we see it, now the 3 important trends which are driving mobile revenue; number one, this is our value orientation, which means less net adds, I remind you as well that the pricing of the mobile product has been modified in September 2017. Number two, this is, mobile revenue is the place where we see growing value of convergent discounts and as the convergent base is sharply increasing, this is a place where we see the consequence of the sharp increase of the convergence base.

And number three, the volume of instalment transactions, they have stabilized to the level of around 300,000 acts per quarter. And again this is due to our value orientation and despite overall heavy competition on this market, we believe this is a strong performance. So, now, let's go to the broadband business. 2017 this was a breakthrough year, especially for our fixed broadband business. So after a few years of declines, revenues are growing again. Moreover the trend is really encouraging and is improving quarter-by-quarter. In Q4 this was around 8%. So we are more up to customers' expectations and this is, thanks to our connectivity expansion, we have much more attractive product today, which we are selling predominantly in convergent packages. Q4 net customer additions were better than last year and this is despite competition as Jean-Francois mentioned being still fierce especially in wireless domain. ARPU trend is also improving and this is following the monetization of the convergence strategy and the recent changes that we have done to the pricing schemes of the Orange Love offers. In Q4, it was higher than in Q3, if we exclude one-off, it started to improve following convergence strategy and higher take up of our TV offers that, that you can see in Q4 were really, really strong. And 2 more important a bit I'd say long term remarks. Now nearly 30% of our broadband base is already on the high-speed connectivity technologies. So this is the fibre and the VDSL, and ADSL represents only slightly more than 50% of the total base and that changed very significantly in the last 12 months; 12 months ago, it was around 70%, very strong change.

So now let's go to the profitability of last quarter. It reflects the Christmas campaigns, Christmas season, but also it reflects our value strategy. What we see is less subsidies and they worked here well and helped to offset the roaming effect which was still existing in Q4. Roaming negative impact was almost PLN 30 million better, however than in Q3. So that improved. Margin on fixed broadband revenues grew year-on-year and this is despite strong customer investment that we did and we did as well a very good job in savings in indirect costs. And these savings more than compensate decrease coming from the legacy. So maybe, maybe for the profitability let's take a look a bit more global for the whole 2017, which is on the next slide.

So here we see the adjusted EBITDA which contracted, it's much less than previous year, so it contracted 5% versus around 10% in actually 2 last years. So this is a sustainable improvement. The key driver of this, as you can see on the slide, was much lower decline of the direct margin. Where it came from? We have the compost for you on the slide year-on-year change of the direct margin and there are 3 main components important here. The most spectacular improvement was in fixed broadband. In 2016, revenues were falling while costs were growing due to investments in customers and content. In 2017, the expansion of customer base translated into revenue growth and thanks to operating leverage exceeded increasing costs.

In legacy, fixed services, we managed to limit the decrease, thanks to better wholesale performance. In mobile, in 2017, we were hit by roam like at home and that decreased the EBITDA by close to PLN 120 million, but if we exclude this roaming effect, direct margin on mobile would grow but less than in 2016. It is because in 2016, our shift to instalment offers generated robust growth of equipment sales. In 2017, this effect was much smaller.

Indirect costs. And we are optimizing this category on the ongoing basis for many years. In 2017, the reduction was optically lower, however, it is only due to a comparable base in 2016 we have seen a positive one-off, excluding this one off, they were down close to 5%, 4.8% and we are completely on track to deliver 12% to 15% reduction by 2020 as we have committed to you for Orange.one in September 2017. And I just want to reiterate that all important areas of transformation are reconfirmed.

In 2018, we expect stabilization of EBITDA trends, apples-to-apples and we will comment more on that.

Now, a couple of comments on the net profit on the next page. So here the bottom line includes the provision related to the social plan agreement that we have communicated already to you in January, so I will not be extensively commenting that now. That's PLN 200 million position in our net profit. The depreciation in Q4 is still -- still is falling year-over-year that should stop actually because we do not see any new changes in the economic useful life of our assets, they are updated right now. So you can expect in 2018, pretty flat depreciation evolution.

Now a couple of comments on CapEx. So, overall 2017 was a CapEx, which we are satisfied with, this is in line with the expectations and the CapEx was flat. Fibre CapEx, we have invested more in this category in 2017, 30% more than in 2016. And we were able to maintain the CapEx per 1 household connectable. So we still spend around PLN 500 per 1 household connectable.

So what's for the future for the fibre? In 2018, we are going to invest around PLN 800 million, we expect a slight increase of the CapEx per 1 household connectable and that's mainly due to the fact that we will go more into single-family houses as Jean-Francois mentioned, so we will go to areas where it requires to spend a bit more to connect a household to the fibre network.

Okay, excluding the fibre CapEx, the CapEx in 2017 was down 14% and that was mainly due to mobile and there are 2 reasons in mobile category for this decrease. First of all, 2016 we have seen a peak of mobile investments than we have spent less in 2017 for coverage capacity and we also completed one very important project on the voice over LTE, which was ended at the beginning of 2017. Now we have pretty considerable amount of customers using it on an ongoing basis as we speak, it's around 700,000 customers every day actively using the voice over LTE.

In this year we expect, however higher mobile CapEx and there are 2 reasons for higher CapEx. First of all, we plan to optimize the spectrum usage and we will allocate more spectrum to LTE services, so that will be one reason. And then the second is that we will continue the program of coverage and capacity extension to accommodate still very strong traffic increase and to maintain very good customer experience.

Now cash flow, let me comment maybe more the full-year results than specifically quarter 4. Cash flow generation was influenced, no surprise by EBITDA drop and much higher working capital requirement. The working capital requirements, there are a couple of reasons for that. Firstly in 2016 we significantly benefited from the initiation of reverse factoring transactions, we started basically in 2016. And at the end of 2016, the portfolio of the working capital was around PLN 120 million, then in 2017, we continued and even increased to the level of around PLN 160-170 million. So, there is a net gain and increase. However, when you observe the movements 2016 beginning of the year versus end of year and '17 beginning of the year and end of year, we see a decrease, even if we have increased the level of the reverse factoring, because we have not doubled it, but we have increased less, that's why this is a negative element for PLN 100 million. Secondly, in the beginning of 2017, we also have to restock our handsets' inventories. After we ended 2016 with extremely low level following Q4 commercial peak at that period of time and thirdly, it was impacted by the different timing of the settlements with one of our carrier customers also at the beginning of 2017. So, there is a number of different elements, which suggests that they should not repeat in 2018.

On one hand in '18, we will have that, on the second hand, we have also improvements on the EBITDA front and then what may impact us still negatively is the CapEx because we continue to invest consequently in the fibre category. We're initiating quite actively the POPC front on the fibre, so all of that will be seen in our cash flow generation.

Before handing to Jean-Francois back, last slide on the financing situation and the net debt, so we have PLN 6.5 billion of debt end of year and that gives us a leverage of x2.2. So, it's slightly higher than the end of 2016, mainly because of the EBITDA impact. And that level of the net debt includes also the PLN 300 million of the investment grants related to the POPC that I mentioned where we will go for in 2018. An important information is that just a few days ago, we have refinanced very important part of our debt, so we have increased the average overall duration of the debt from 2.2 years to 3 years. And new financing is sourced from the main shareholder as the previous financing. The terms are based on the arm's length principle, so this is reassuring the optimal cost of the funding and the terms and conditions are very similar to the existing ones. So in 2017, we have also been increasing the share of debt on the fixed interest rate and we will continue to do so, because we believe that in the long term, the rates, current rates are going to increase.

So, what you can expect on the finance cost from 2018, this is going to remain at a very similar percentage terms, conditions so far versus 2017. So you should expect the range of around 3.4%-3.5% per annum all included cost, as we have seen that in 2017. The level of net debt should not be higher except for one item that we do not control, which is the EC fine, the European Commission fine, we do not know yet what is the outcome for us. We should expect more news on the topic, more concrete news on the topic sometimes in quarter 2 of this year. So that's all from my side at this stage, thank you very much for your attention and I hand the floor back to Jean-Francois.

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

Thank you Maciej. So before we present our expectations for 2018, for this year, let me quickly and briefly summarize again past year 2017 in 5 short points. Point number one, we have announced a new strategy. This is giving a new momentum to our turnaround goal and we're addressing through this -- the need of better execution in higher agility for Orange Polska. Point number two, shifting the commercial strategy that we have started to execute. We are less aggressive in customer acquisition and retention. We are really focused on value. We have less offers and we have simplified our portfolios. Point number three, I think we can talk know about the success of convergence with 1 year from the launch of Orange Love. We see that we managed to change, I would say, the field of the battle with our competitors and that really helps us to achieve our commercial goals more efficiently. Point number four, we really now see a rebound in our fixed broadband activity, this is after years of decline and thanks to our fibre investments and also our investments in 4G networks convergence, our broadband business is finally back to growth. Last point, point number five, we, as you can see, have better financial performance, we contained the EBITDA fall from 2016 to 2017 to less than 5%, thanks to the value strategy in our ongoing cost optimization. So, I'm convinced it was quite a good year for Orange Polska. However, obviously, there are still a lot of things we need to improve, so it's not a self-satisfactory constatation. We know that we have to a lot to do still, we are very motivated and very focused on actually achieving the Orange.one strategy that we've presented to you in September last year.

And now, more importantly 2018, so let's go to the next page of the presentation. In a nutshell, for those of you attended our presentation in September, you will not be surprised by what we present there, because we are consistent with what we told you at that time. So first of all, nobody should be surprised that we will recommend as the management not to pay dividend for 2017, as we already stated in September, our intention is to return to dividend, but once the necessary conditions will be there which are to have a new re-established business model to improve our cash flows and prove that we can grow on a sustainable basis.

Important guidance for this year, so we confirm our ambition to stabilize the EBITDA and also the CapEx range, so if there is one thing to remind for 2018, this is this one. And allow me to be a little bit more specific on how we see this year from a financial perspective. We believe that the top line erosion will most likely stay with this year, we anticipate that to slow down mainly because the further benefits from convergence and monetization of fibre. There is also the national roaming contract with Play that is going to start to kick in revenues this year. And as well there are positives that should offset the structural decline that we still have on legacy services and also positives that should offset the roam like home hit we took last year. So obviously this year we plan to continue our value-driven commercial strategy, but please also note that the commercial costs that we have done in 2017 and that have heavily contributed to this performance in 2017. These effects will not be -- we will not be able to repeat at the scale, obviously this year.

Another topic that I would like to insist upon is that the accelerated optimization of our indirect cost is really a condition for us to stabilize our EBITDA. This will be sustained amongst others by the new social agreement that we announced last year in December and also thanks to mitigation plan that we explained last quarter, we anticipate a much lower impact on the new roaming, roam like home regulation that should be also helpful to stabilization this EBITDA. So once again, we are confirming for 2018 our ambition to stabilize EBTIDA and CapEx level, which is actually in the range that you're been given here on the slide around PLN 2 billion. So you can see that on this slide as well that the expectations, they have footnotes, because this year it will be also for us need to change the accounting standard into IFRS15 and I will let Maciej run you through this change because we do not want to surprise you, so before end and before we'll publishing both references in the next quarter, we would like to start to explain you about this new IFRS15 standard. I will leave the floor to Maciej.

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

Thank you, Jean-Francois. So, on Page 25, we are explaining what is IFRS15, so a couple of, a couple of introductory words before we go into the impact expected for 2018 and further, after the implementation of the IFRS15. So starting from quarter 1 of this year, we are implementing new accounting standard, which is called IFRS15. It concerns, actually the recognition of the revenue and sales commissions. There are 2 items impacted. The standard impacts only the recognition of revenue when we sell mobile service with subsidized handset, so there have to be two. Mobile service plus handset sold together in a bundle. Subsidized means below the cost that we have purchased it, so it does not impact actually such bundled sales when there is no subsidy and it does not impact services that we are selling without equipment.

Let's look where is the difference in revenue recognition. So, under current standard, the one which is passing away, equipment revenue is recognized based on what customer actually pays us, which is lower than the cost of a handset, if what we are selling to him as an equipment is sold with a subsidy. Service revenue under current standard is recognized based on billed amount over the contract period. So, now what is changing? Under IFRS15, equipment revenue equals at least the cost of the handset. I say at least because if we sell equipment with the margin, this will be cost plus this margin, but if equipment revenue is subsidized then the recognition of the revenue equals to the cost of this handset. Service revenue is recognized based on billed amount less the amount of subsidy, which is spread obviously over effective contract period. So the service amount is decreased by the amount of the subsidy and the whole amount of the subsidy is divided into effectively 20 something months that the contract is signed with customer for.

On the right hand side of the slide, you can see a simple example, which illustrates the main differences. Under the new accounting standard, equipment revenue is higher by the amount of subsidy, while service revenue is lower by amortization of the subsidy over the time of the contract.

So, the total contract revenue is obviously the same under old and new standard. What is changing is the timing of the recognition of this revenue. IFRS15 also changes the timing of recognition of sales commission, but here the impact is much less spectacular. Until 2017 we have expensed commissions upon contract signature and IFRS is changing that and commissions will be again similarly to the subsidies spread over contract period. So, this is about the concept and now let's go to next page, which is showing the expected impact on the EBITDA in 2018.

Impact of implementation of IFRS15 on the financial results versus the previous standard depends mainly on trend in the subsidy policy. So the trend is important now. If level of subsidies overtime is stable, the effect expected will be neutral. If subsidies are increasing over time, the effect in the future will be positive. And if the subsidies are failing, the difference between the results in both standards will be negative, difference in time. So, the latter is actually the case of Orange Polska because we had strongly decreased the level of subsidies in 2017. We also continue such policy of not abundant subsidies in 2018. So, as we have repeated several times, this was the main driver for our results improvement in 2017. So, why this difference is negative? On the day of the adoption of the new standard, which is 1st January 2018, the cumulative value of subsidies given in the past to the existing contracts is recognized in the balance sheet as so called contract assets. There is also corresponding increase in the retained earnings, so retained earnings are higher.

In our case, this is an amount of around PLN 600 million and you can find that in the notes in our financial statements. So, this contract asset will be actually amortized in the coming years and it will lower service revenues. On the other hand, as we almost do not subsidize anymore, this reduction in service revenues is not going to be offset by higher equipment revenues from new contracts. So, actually that's why we see such an impact for 2018 and we are expecting around PLN 250 million difference on the two standards for 2018. This difference can be smaller if we limit the subsidies even stronger than we assume or can be smaller if the subsidies will be higher than we expect with this figure.

So, vast majority of this impact is actually coming from different timing of the revenue recognition and if impact of different accounting for commissions is much smaller, so revenue is the major reason for the difference in two accounting standards. We expect that with maintenance of our current commercial policy, this impact will be much lower going forward and it would then disappear. Needless to mention again that the change of the standard is not impacting the cash flow generation, so there is no impact at all on the cash due to the new standard, and we have decided to keep reporting to you actually throughout 2018 in two standards, old way and new way to make sure that full understanding is there and to make sure that also the track record of how we are executing the strategy is there. So we will be reporting to you in both standards and we are actually providing the EBITDA guidance in two standards.

Now, on the next slide, there is a valid question, how does this accounting standard change, affect our financial ambitions that we have shared with you in September? As I mentioned in 2018, we'll continue to provide results under old and new standards, so EBITDA stabilization is confirmed. In 2019 and 2020, we also confirm growth ambitions and this is valid under both standards.

Since 2019, we are obliged to implement another new accounting standard IFRS 16 this time, which relates to the treatment of the operating leases. As we have significant costs of leasing, its implementation and will have significantly, this time, positive impact on the EBITDA. But the ambitions that we are presenting to you on this slide, Slide #27, do not include improvements expected after IFRS 16. So this is not included here. In the appendix to the presentation, you will find also 2 slides which are presenting an example on the influence of IFRS 15 on concrete figures on the P&L and the balance sheet. But since, we know that the topic is not easy, we are going to organize a dedicated session for those of you who are interested and we are targeting 16th of March for IFRS 15 teach-in and we would like also to share with you the reporting changes that I shared with you for convergence and mono products. So that will be on 16th of March. And now we are ready to take your questions.

**Question And Answers**

- Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

  A. As usual we start with the questions from the floor. Anyone please?

- Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

  Q. Let's start from the last topic mentioned, you said that EBITDA guidance on the previous slide, is not affected by IFRS 16? Can I -- but we know also that IFRS 15 implemented as of

January 2018, has got negative, strong negative impact on 2018 figures, less negative impact on 2019 figures and almost no impact on 2020 figures, am I right? If I'm right, well I would like to know your guidance excluding IFRS 15 and IFRS 16, because you've got -- the change coming from IFRS 15 results in natural upside in the scale of PLN 100 million for 2018, if you do nothing, so if this is flat?

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

  A. Can I take it as non-expert. So, to be clear the guidance you have been given by myself here, PLN 3 billion EBITDA in 2018 is in the same standard as today. So the guidance is in the same standard, okay. So, again IFRS 15 is a new way to account, that is not changing the operational performance, that is not changing the way this company is performing, so a new guidance can be given to you in IFRS 15, but we have chosen not to, simply because we didn't want to confuse you and what we promised, we will deliver.

- Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

  Q. Yes, thank you very much for your answer, but that's not the answer of my question. My question is related not to the guidance on 2018, it refers to guidance on '19 and '20?

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

  A. If I can tackle that Pawel, if I understand correctly, the guidance before new standard of IFRS 15 and before of new standard of IFRS 16, the long-term guidance does not change at all. This is the guidance that we gave to you in September 2017, no changes, no business changes at all. So I hope that answers your question.

- Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

  Q. Let me rephrase, you guide for increase in EBITDA in 2019 and increase in EBITDA in 2020. Is that include IFRS 15 or not?

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

  A. Under both situations, with and without, we are expecting increase.

- Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

  A. Anyone else please? If no, then let's switch through the teleconference listeners. Operator?

- Operator - -

  A. (Operator Instructions) Our first question comes from Maria Sutedja, Erste Bank.

- Maria Veronika Sutedja - Erste Group Bank AG, Research Division - Analyst

  Q. My question is related to the Play contract, can you quantify, please, what's the effect of this Play contract on your revenues and EBITDA? The next question is regarding the operating lease, which you just said that this is -- you have a significant operating lease. Please quantify this, so that we can kind of estimate what's the effect would be on 2019 EBITDA? Then the final question is related to spectrum for 5G. Can you give us some update what's the latest status regarding this, the 3 gigahertz or the 700 megahertz spectrum to be released?

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

  A. So, if I may, we will have -- I'll take 2 first questions. Regarding Play contract for 2018, we are expecting roughly around PLN 100 million, and this is almost equal effect for revenue and EBITDA. Regarding the IFRS 16, so the leasing not everything is ready today and the market is still debating about different concepts and judgements that will be taken to implement IFRS 16. But more or less the range of potential positive impact starting from 2019 would be higher than PLN 300 million.

- Maria Veronika Sutedja - Erste Group Bank AG, Research Division - Analyst

  Q. And regarding the spectrum?

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

  A. Well, regarding the spectrum, there is no particular changes in that respect. So we could say that no new messages about 700 megahertz recent news from the regulator are confirming that the spectrum is not ready to be granted very soon, still occupied, still not fully resolved problem with the borders with Eastern neighbouring countries and we are still in front of potential reshuffling of the spectrum for 3.5 gigahertz which must happen before -- we will see a potential to see it allocated between the potential players that will implement 5G.

- Operator - -

  A. Our next question comes from Ondrej Cabejsek from Berenberg.

- Ondrej Cabejšek - Berenberg, Research Division - Analyst

  Q. I want to ask on fibre, you spent about 15% less CapEx this year than you expected, I guess most of that is due to the fact that you have the third-party infrastructure, so wanting to ask, going forward, what is the potential for access and what do you make of the guidance for 2018? Does that include some assumptions for third-party sharing and also what the differences are on margin when you provide services on yours versus third-party infrastructure? And then the second or third question rather, you may have touched upon this, but in terms of working capital, you heard about PLN 500 million or almost half a billion drag on payables this year. So, I was wondering what outlook do you have going forward? Thank you.

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

  A. First question and Maciej will answer the second. So with concern our CapEx decrease 2017 versus 2016, I mean if you look cautiously at the graphs, which are on Page 19, as you will see obviously that again our fibre investment has largely increased and the reason of overall decrease of the total CapEx is more due to the fact that we drastically, I would say, optimized our IT CapEx. So, that's where actually the total decrease of CapEx come from we are still investing a lot to modernize our IT systems, but we have largely optimized the way we used to spend in IT. As concerns the outlook for 2018, in terms of CapEx, we are having a plan, which is to heavily invest in fibre this year again. There is, as well as we commented POPC investments that are going to come this year. Hence, as Maciej Nowohoński was explaining to you, we want to also inform you that there would be more CapEx on mobile side as in 2017 actually, due to the fact that we are planning to have some reshuffling in the current spectrum in order to utilize it better. So, those are the main directions, I would say, a guidance of CapEx that is around PLN 2 billion, we guided PLN 1.8 billion to the PLN 2.2 billion CapEx for 2018, with main focus on fibre and more investments on mobile next year and we still contain the IT investments, contained other investments in core and in devices.

- Ondrej Cabejšek - Berenberg, Research Division - Analyst

  Q. And if I may (inaudible) since, I was asking more about the fibre CapEx so, I think your original guidance was about PLN 800 million for this year, but you ended up at PLN 670 million. So, I wanted to ask if that is primarily a result of this third-party infrastructure?

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

  A. Absolutely.

- Ondrej Cabejšek - Berenberg, Research Division - Analyst

  Q. And so, so going forward, what is the potential?

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

  A. That have two effects, this effect absolutely the fact that we use more and more third party access and also the fact, as I was explaining to you that the Polish market is hitting up not specifically in the telecoms, but there is more and more difficulties to recruit, especially in the construction sector and obviously this is the kind of work force we are also using to deploy fibre. So that's also one of the reasons why I mean this is slightly below in 2017 that what our initial plans were.

- Ondrej Cabejšek - Berenberg, Research Division - Analyst

  Q. And is there potential for this being lower again in 2018, because you have a similar guidance I guess?

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

  A. No, if we give you this guidance, is that we believe, we will achieve it.

- Ondrej Cabejšek - Berenberg, Research Division - Analyst

  Q. And then in terms of the margin on third party and own infrastructure, could you give us some clarity on that, please?

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

  A. It is on the comparable basis vis-a-vis our own investments. It's just a matter of different cost structure because on the third party obviously we have more operational costs because we actually rent the line and on the own investment front, we are having more upfront investments for CapEx and then the maintenance is much lower. But it's comparable.

- Ondrej Cabejšek - Berenberg, Research Division - Analyst

  Q. Just to sum up you -- you would say that the third-party infrastructure sharing opportunities were sort of used up in 2017? You don't see much scope for further sharing in 2018 and beyond?

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

  A. I'm not sure we said it. No, we don't say that. On the contrary, I mean, there will be a third party infrastructure that is going to be built in 2018, 2019, 2020. If you just take the example of POPC, which is this infrastructure that is going to be built, solely based on European funds. I remind that Orange Polska has won more than a third of this infrastructure, but in order to [further] will be constructed by third parties. So every time then we can have access to a third party infrastructure, we will do that. As Maciej was explaining, it's a different business model where we don't invest, but we pay OpEx, more OpEx obviously, but this is we believe very attractive and what we want to avoid and already explained a few years ago, it's kind of double build or in any given area where there is already fibre, we would rather try to have access to it rather than build another infrastructure next to an already existing one.

- Ondrej Cabejšek - Berenberg, Research Division - Analyst

  Q. And last question, please. So, the PLN 800 million for fibre CapEx that you plan to spend in 2018, you plan to spend that no matter what and then on top of this, whatever amount of homes you managed to connect via third party infrastructure is going to be sort of bonus on top of that, is that what you're thinking about this?

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

  A. Not really, because you have to know that this kind of investments they are planned at least 6 months in advance, 1 year in advance, so we know exactly we are end, almost end of Feb. We know exactly where we are going to build in at least upcoming 6 months, so this is for us very clear and these plans are prepared very much in advance.

- Ondrej Cabejšek - Berenberg, Research Division - Analyst

  Q. If you could comment on the working capital please?

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

  A. Thank you for the question. So what we can expect is actually, by the end of the first semester, still this working capital will be, I believe on the negative side because, as I was commenting already in the past, we are still expecting that installments even if at lower levels, they will increase this exposure on the working capital and then this exposure should go down. We, overall for 2018, expect still negative impact on the working capital, but much smaller versus what we have been showing to you for 2017. Just to inform you the overall equation for the cash also depends on the EBITDA trajectories and here we are expecting a flat situation and another point is on the CapEx, we mentioned a couple of times that 2018 will be a very intensive year for us, for fibre and mobile CapEx.

- Operator - -

A. Our next question comes from Herve Drouet, HSBC.

- Herve Drouet - HSBC, Research Division - Head of EEMEA Telecoms, Media and Technologies Equity Research

  Q. Couple of questions on my side. The first one is with the increase of CapEx, especially still for the fibre roll out, you were mentioning you are increasingly targeting more isolated household. I was wondering how much do you think the take-up rate will be and will increase in term of the adoption rate looking forward, I believe in Q4, it was around 8.7%. I was wondering where do you think that will increase as is a cost to connect those households is going to increase. So I mean, according to the numbers, you are guiding an additional 1 million that will imply something in the region 700 to 800 range per connection compared with, I believe, is directly it was around the 500. So I was wondering how on the retail side, it could be offset by potential increase of the adoption rate? The second question is back to the working capital. I understand it was the build-up phase that will put pressure on the working capital in term of negative increase as a negativity of the working capital for the full year 2018, especially if we start to see interest rate starting to increase and I was wondering also how important it is for you to deleverage potentially the balance sheet if interest rates got to rise and where do you believe the net debt to EBITDA ratio is comfortable in term of the balance sheet? Thank you.

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

  A. I will take the first one. So again about the single family households, we just --- let me be clear, it is not a major focus, we just wanted to make clear that we today almost have any single family households in the current infrastructure is less than 1%. So starting this year, we will try to build single family household, so that's not a focus because 90% of our builds will be still multiple family households, so just for you to know, we are planning to have few percent more next year of single family household, so we obviously believe that the penetration will be much higher than the multi plus family households, but that doesn't change the overall picture of our deployment. It's just a shift, a slight shift.

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

  A. Regarding the question on the net debt and deleveraging, looking at the structure of our financing which you can see on one of the slides of our presentation, it's actually 78% already fixed long term through hedging from the interest rate perspective. So, we are 100% fixed from the currency exposure and 78% from the fixed from the interest rate exposure. And this percentage on the interest rate will increase in the future. We want to go for more, maybe even up to 85% or even higher, just to secure us that's on the debt, we are not too fragile when the interest rate will start to grow. For the deleveraging, well, I don't want to pass to you too many decisive messages, but I would not be surprised to find ourselves during 2018 with some additional news on the instalments receivables that, that we are still working on, but we are progressing and not excluded that we will find a proper scheme with banking institution to basically starts to sell it faster than to wait, for that being cashed in from our balance sheet with the current base that we have. So that could happen, but I would like to guide you too much about that since I prefer to strike the deal first and then to communicate on that point. Then regarding the working capital, I guess it is still around instalments receivables, first of all, and our ongoing progress that we are going to make on the factoring, the reverse factoring that we still hope to progress in, obviously not at the level that we have done in 2016 and maybe smaller levels than we have done in 2017, because that's also has its end. We cannot say unstoppably increase the factoring.

- Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

  A. If I may comment on your question -- on your calculation actually, correct, your calculation on the CapEx of fibre per household, your calculation was incorrect because not all fibre CapEx goes to the CapEx per household calculation. We expect -- there is also delivering CapEx related to CPE, so the total CapEx per household this year, we expect to grow, but slightly only, so it's not PLN 700 to PLN 800 per household.

- Herve Drouet - HSBC, Research Division - Head of EEMEA Telecoms, Media and Technologies Equity Research

  Q. And just maybe a follow-up question, in term of, do you have any mid-term objective in term of the adoption rate for the fibre you can communicate in term of where do you see the adoption rate on average stabilizing mid-term?

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

  A. Okay, so I will take this question. The business case for us is to find the adoption rate between 25% to 30% for a typical investment on average, for the single-family houses, this is higher, this is about 40% and the target to reach that is after 6 years of the investment. We are completely on track with the current penetration, current adoption rate, as you call it that we have today.

- Operator - -

  A. (Operator Instructions) Our next question comes from Armita Satari, Ovum. Please go ahead.

  Armita Satari, Ovum.

  A. You mentioned earlier that with reference to roam like at home, the outlook for 2018, is that there will be a stabilization in the revenue impact? Could you expand on that what factors will contribute towards the stabilization?

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

  A. So on the roam like home initiative, which was a big hit for us in 2017, if you -- you will find the numbers in our financial comments, it was PLN 120 million loss for 2017. There are a number of topics that we have put in place, which are going to actually soften the hit, but only soften it, which are; first of all, the fact that the BEREC rules are entering in -- have entered into concrete completion, meaning that if you roam more than half of your time in a 4 months' period then we are allowed to invoice you for your roaming costs, so that has started a few months already that softening the impact, that's one. The second one is the fact that we renegotiated with our passing, sorry roaming partners across Europe our roaming contract, so obviously looking at the explosion of the volumes that mean multiplied by factors of 10 to 20s, we obviously at higher volume, so we negotiated much lower unit prices, so that is also one of the factors that allows us to mitigate these losses and the third one which we're still expecting the feedback is the request we placed to the UKE as many operators already did to get the special authorization to invoice those of our customers, which are heavy roamers, very heavy roamers, but not strictly in the rules, not strictly in the BEREC rules, so there is a category of customers that are actually, we would like to invoice for roaming. So that's not going to impact the majority of our customers will be untouched, but there is a few percent of our customer base that we would like to be able to invoice and that we have filed a request at UKE which is pending and we are expecting their feedback in, in the upcoming weeks.

- Operator - -

  A. Great. Thank you very much.

- Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

  A. And we need to be clear that we are not guiding for stabilization, we are saying that roaming will continue to put a drag on our performance in 2018, but to a lesser extent due to the fact that Jean-Francois just mentioned.

- Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

  A. If there are no questions from the teleconference systems, we see few questions on the electronic channels. One question is from, on employee cost, which is as we reported them they employee cost grew 3% in 2017. Could you please comment on the trend for this category in 2018, taking into account on one hand reduction in the number of employees and the pressure on wages on the other.

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

  A. So Q4 was driven by some one-offs. As you recall, we have initiated the social plan. We are in the progress of execution of the social plan in the company and overall net-net of everything including the salary increases, we can expect the total position can decrease in 2018 by something like 2%, so the labour cost will go down.

- Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

  A. Next question is on 2018 EBITDA guidance, does this guidance include inflow from T-Mobile on currently negotiated agreement to access FTTH network?

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

  A. No. We don't believe it's going to kick in any how to say, significant amounts in 2018, if we would sign this deal.

- Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

  A. And there is another question on IFRS 16 implementation, what is the guidance for increase in indebtedness after IFRS 16 implementation?

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

  A. Well, as I commented already, the market and ourselves, we are not yet completely square in terms how the IFRS 16 will be implemented. So, we can expect still a lot of discussions about different concepts and judgment, what is falling into application of IFRS 16 and what is not falling, but we could expect some impact coming from the implementation of the IFRS 16. Obviously, on the level of debt that would be well then most probably around above PLN 1 billion, but it's difficult to say how much of that will finally be included, because as I say still concepts are in the preparation. So increase of EBITDA, increase of the level of the net debt due to the fact that some of the items are shown on the face of the balance sheet.

- Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

  A. And the last question from electronic channel, is about EC fine, if EC fine is annulled what is the chance that we will pay a dividend in 2019 for the results of 2018?

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

  A. We never said that the EC fine happening or not is the only element which is impacting the dividends, so I wouldn't be drawing conclusions from any decision on that front for the dividend. Jean-Francois mentioned clearly that in his part.

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

  A. And talking about EC fine, we are expecting some fair indications actually today, but the final, I would say, judgment end of Q2 I understood.

- Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

  A. If we have any follow-ups from the audience, Paweł please.

- Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

  Q. If I read your guidance for 2018 correctly, you guide for net debt up to PLN 7.7 billion to PLN 7.8 billion, in contrast to PLN 6.5 billion net debt in year-end of 2017, that would imply very substantial net debt increase, could you guide me where this growth could come from? I know that fine is one answer what could be the other part?

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

  A. Well, there is nothing really specific. So we could probably see together Paweł and count it once again.

- Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

  Q. Well that originates from your figures, you're suggesting up to 2.6 net debt to EBITDA based on old EBITDA and 2.6x free is 7. something or 2.8 EBITDA on new EBITDA which is 2.75 and 2.75x, 2.8 also guides me for 7.7, 7.8 figure?

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

  A. So we are basically not guiding for negative cash flow this year. So there is no other reason except potential European Commission fine that could be the reason for the additional debt?

- Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

  Q. So what could be the rationale for showing us 2.6x and 2.8x net debt to EBITDA levels?

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

A. European fine.

- Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

  A. European fine, one thing and the only thing is that the denominator is changing. So if you take the guided PLN 2.75 billion under the new standard, you will see how it works for net debt to EBITDA and that's the bracket that we see.

- Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

  Q. Okay. There is one more question, I've got. I've noticed you've got very generous offer in prepaid very fat one. At PLN 25 you offer 15 gigabyte and I’ve checked your offer versus your competitors and all your competitors offer either higher price or same price, but much lower volume of data transfer. Why are you, well in fact spoiling the market that could be a good strategy for new entrants, but not for an incumbent?

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

  A. So we will pass you the benchmark on the market because believe me, we are not spoiling the market at all. Just for you to know, we have been holding for more than 6 months, with prices that were at PLN 35 whereas the entire market was at PLN 25. So looking at our MNP during the last 5 months, which already we bleeding in prepay, we decided at the end to put ourselves at the market level. But we will pass you a benchmark of the marketplace because believe me, we are not spoiling the market at all, not at all. And this is a regret that I'm having but after 6 months, we had to align. So that's what we did actually.

- Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

  Q. I was understanding matching the market --

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

  A. You have understood that our will and our strategy is really to fight for value and obviously not to burn the market. So, I will pass you the prepay bench that I have to share it with you on the competitive offers in the market, I have a slight different view.

- Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

  Q. I'm just checking, what the official page (inaudible).

- Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

  A. It's fair enough.

- Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

  A. If there are no further follow-up from the floor, thank you for attention and we will be coming back on Q1 results presentation at the end of April. Thank you, bye.

- Operator - -

A. Ladies and gentlemen, this concludes our conference call. You may now disconnect.