

DNA Plc

January-September 2018 Interim Report

19 October, 2018

Jukka Leinonen, CEO

Timo Karppinen, CFO

Forward looking statement

This presentation contains, or may be deemed to contain, statements that are not historical facts but forward-looking statements. Such forward-looking statements are based on the current plans, estimates and expectations of DNA's management based on information available to it on the date of this presentation. By their nature, forward-looking statements involve risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. Future results of DNA may vary from the results expressed in, or implied by, the forward-looking statements, possibly to a material degree. DNA undertakes no obligation to update this presentation after the date hereof.

Business review – Jukka Leinonen, CEO

Q3 and January-September 2018 business review:

- Highlights of the third quarter of 2018
- Key operational KPIs and development of subscription base
- DNA's strategic targets and market outlook for 2018

Financial review – Timo Karppinen, CFO

- Key figures' development
- Financial targets and dividend policy



Business Review

Jukka Leinonen, CEO



July-September 2018: DNA's profitability was all-time high

For 2018, as required by the IFRS standards, the graphs and tables contain figures reported according to the IFRS 15 and IFRS 9 standards adopted on 1 January 2018 and, as required by IFRS 15, figures adjusted are disclosed as if they were prepared under 2017 revenue guidance. The comparative analysis in the presentation is disclosed as if the figures were prepared under 2017 revenue guidance.

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Net sales increased 4.3% and amounted to EUR 228.2 million (218.8)

 - Mobile device sales were up 34.9% from the reference period
 - The growth was fuelled by strong mobile device sales and mobile service revenue, which was boosted in particular by the growth of the mobile subscription base and the favourable development of ARPU

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Good development of mobile service revenue improved profitability, EBITDA share of net sales was 33.5%

 - EBITDA increased 5.4% and was EUR 76.5 million (72.6); positive development was driven by growth in mobile service revenue and improved operational efficiency
 - The operating result increased 3.4% from strong reference period and was EUR 38.6 million (37.3), percentage of net sales was 16.9% (17.0%)

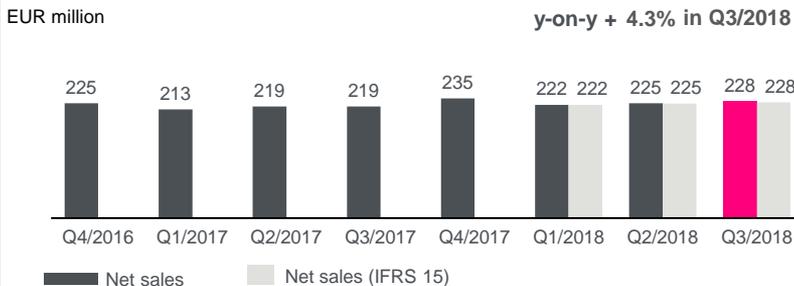
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Strong momentum of operational KPI's

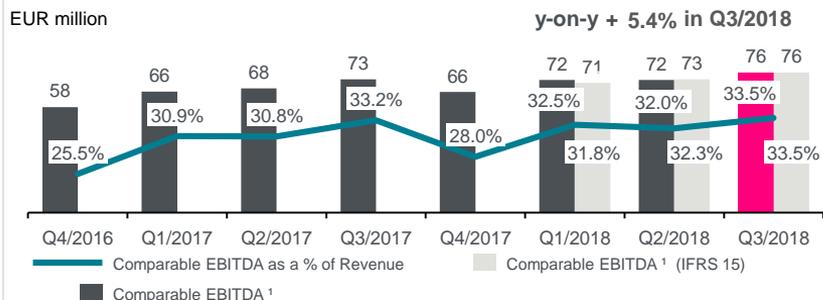
 - Revenue per user for mobile communications (ARPU) increased slightly and amounted to EUR 18.9 (EUR 18.5)
 - The subscription turnover rate (CHURN) was at a low level and was 15.8% (19.1%)
 - Mobile subscription base grew by +65 000 from the reference period and was 2,855,000 subscriptions, growth from the end of June 2018 +28 000 subscriptions
 - Subscription base for fixed broadband and cable-TV services increased by +32,000 and totalled 1,105,000 subscriptions

July-September 2018 – Net sales and EBITDA increased

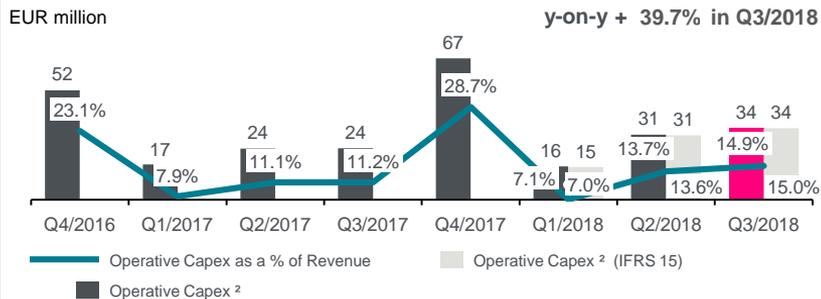
Growth of mobile service revenue (+5.7%) and strong mobile device sales (+34.9%) boosted quarters' net sales



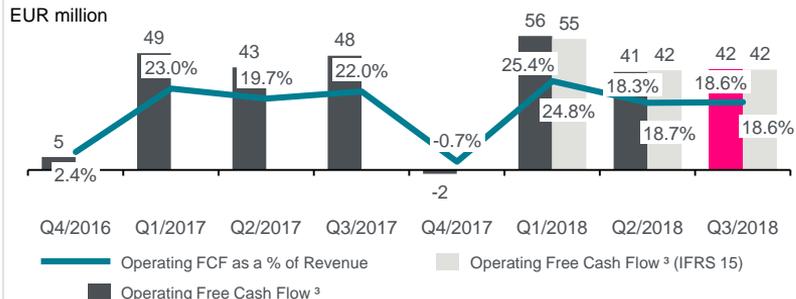
EBITDA¹ improved 5.4% from the reference period and margin was +33.5%



Operative capex² increased year-on-year, whole year 2018 expected to remain at a similar level to 2017



Operating free cash flow³ decreased from the reference period level



Notes

1. EBITDA excluding items affecting comparability
2. Operative capex excluding spectrum license payments
3. Operating free cash flow defined as comparable EBITDA minus operative capex

January-September 2018: Strong development in DNA's key figures

EUR 676.0
million
+3.8%¹

Net sales

2.855,000
+65 000¹

Mobile communications subscriptions

EUR 220.9
million
+7.2%¹

EBITDA

EUR 333.6
million
+7.3 %

Mobile service revenue

EUR 140.1
million
-0.3%¹

Operative free cash flow

16.7%

Mobile CHURN for postpaid subscriptions

EUR 389.3
million
1.32

Net debt

Net debt/ EBITDA

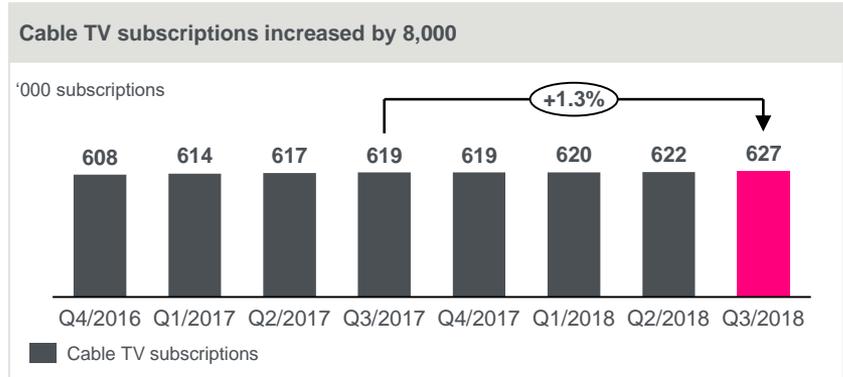
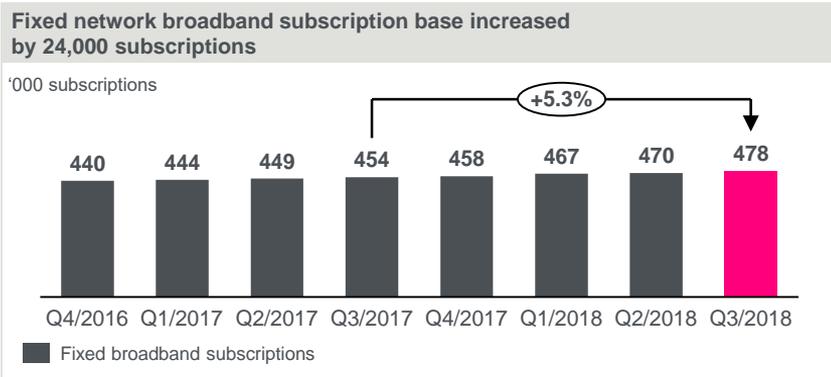
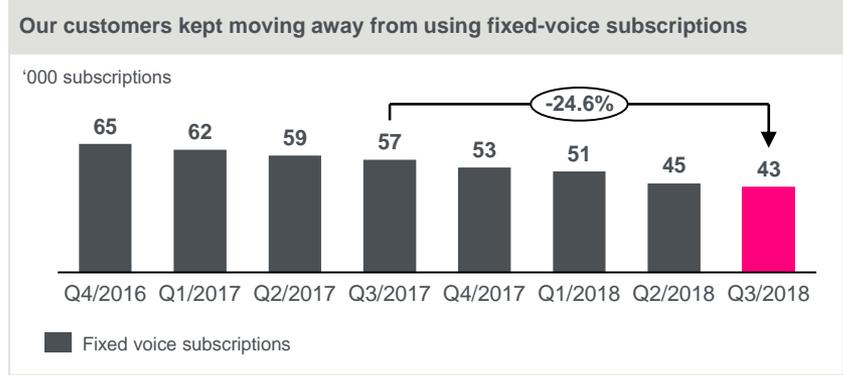
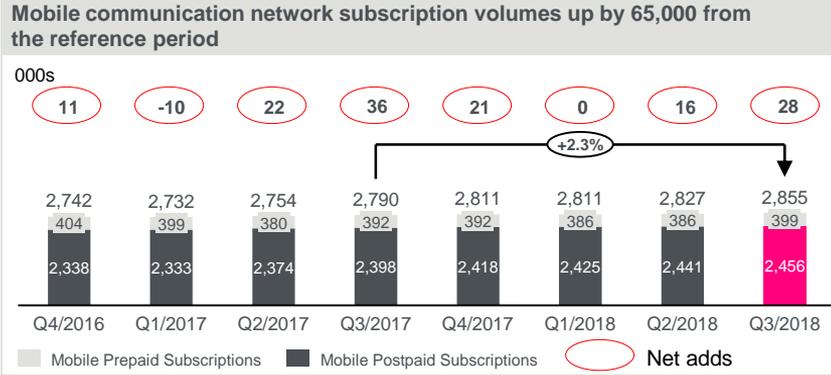
1.105,000
+32,000¹

Fixed broadband and cable TV subscriptions

Notes

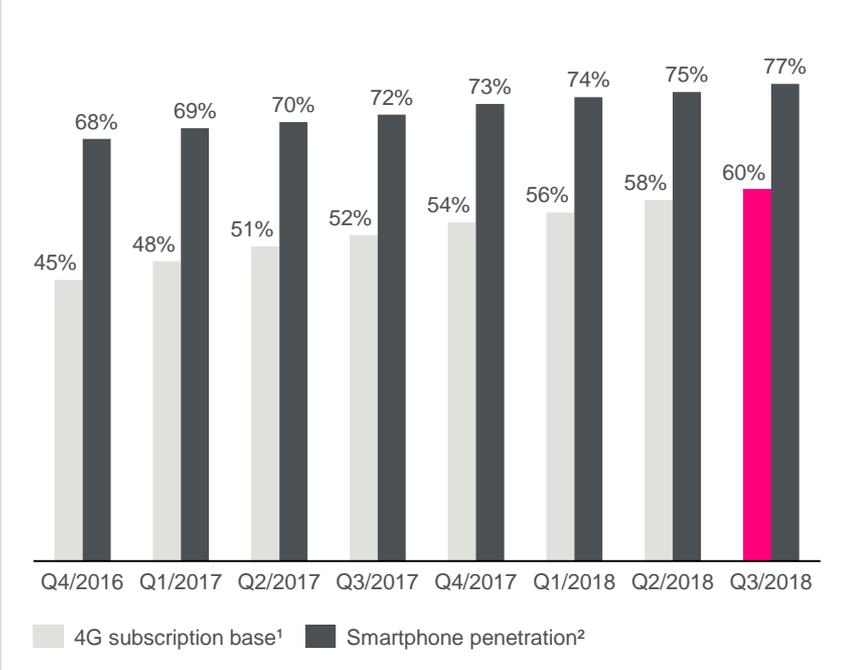
¹ Compared to January-September 2017
CHURN = Customer turnover rate

Mobile communications network and fixed network subscription bases grew



Steady growth in 4G subscription base and smartphone penetration

4G subscription base and smartphone penetration



Key highlights in July-September 2018

- 4G subscription base penetration increased in Q3 and was 59,6%
- Smartphone penetration continued to increase and was 77%
- Practically all phones sold in the market were smart phones and mostly 4G models

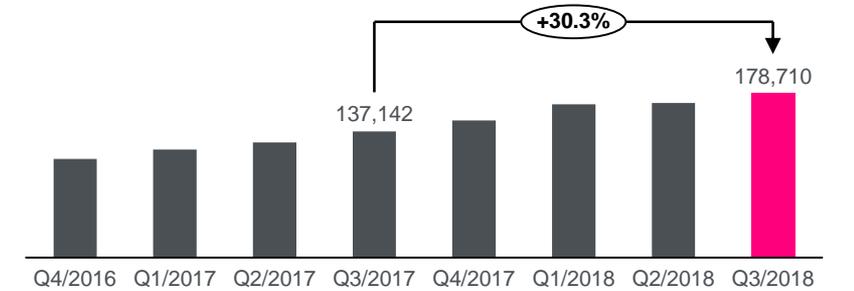
Notes

1. Share of mobile postpaid handset subscriptions in Consumer business, includes subscriptions with data transfer of 50 megabits per second or more

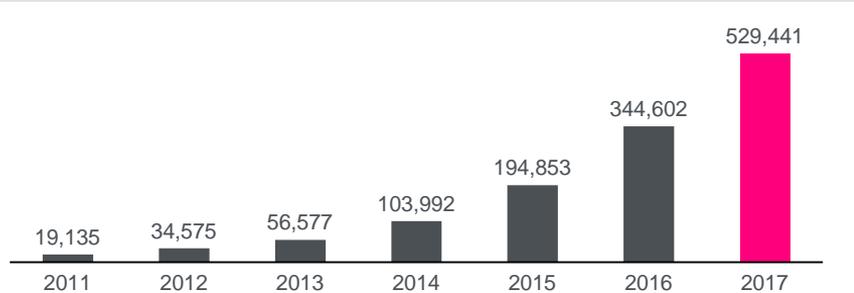
2. iOS (iPhone)-, Bada-, MeeGo-, Android-, Blackberry-, Symbian 3~ and Windows phones of the total phone base

About 91% of all mobile data usage was transferred in 4G network

Mobile data traffic (GB, '000)



Mobile data traffic (GB, '000)



Key highlights in July-September 2018

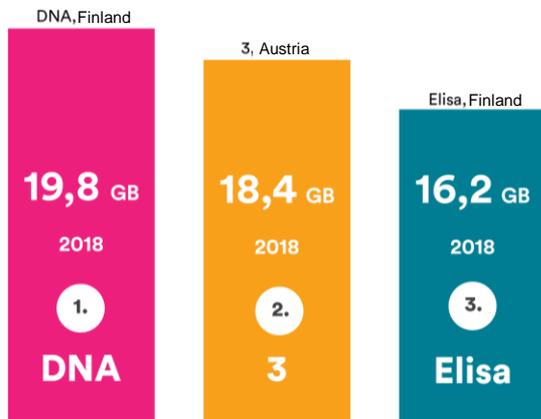
- DNA's 4G mobile data traffic increased in the third quarter 38% from the reference period
- DNA's total data traffic volume in the mobile communications network increased by 30%, also data volume per subscription continued to grow
- In the past two years, the quantity of data transferred in DNA's mobile communication network has increased by 120%, and the trend is expected to continue with the expansion of 5G

DNA's customers use most mobile data per subscription

Tefficient's report: DNA's customers use the most mobile data per subscription

Gigabytes/reported sim/month, reported operators 1H 2018

World's top 3



Mobile data usage per subscription continues to increase

- DNA's average data volume per mobile subscriber in the first half of 2018 was around 19.8 gigabytes/month
 - In 2017, DNA's mobile data usage per subscription was still 15.9 gigabytes per month
 - In August 2018, an average of 21 gigabytes of mobile data per subscription was used in DNA's network
- The proliferation in mobile viewing of moving images is the key factor in the growth of mobile-network data traffic

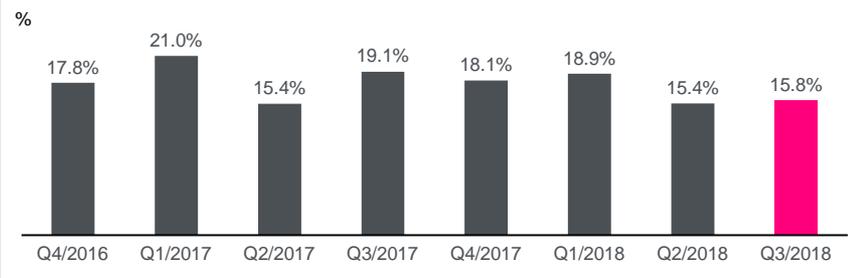
Source: Tefficient: <https://tefficient.com/more-data-always-for-more-it-happens/>

In the quarter, the subscription turnover rate (CHURN) was low; 15.8%

Mobile postpaid ARPU increased year-on-year



Mobile communication CHURN (postpaid) decreased compared to the reference period



Notes

1. Share of mobile postpaid handset subscriptions in Consumer business, includes subscriptions with data transfer of 50 megabits per second or more
 ARPU = Average revenue per user
 CHURN = Subscription turnover rate

Key highlights in July-September 2018

- ✓ Demand of 4G subscriptions continued to grow steadily
 - 4G subscription base 59.6%¹
 - 4G subscription base has increased 7.3 %-points year-on-year (Q3/2017: 52.3%)¹
 - 1.9% increase in ARPU from the reference period

- ✓ High customer satisfaction and our ability to react fast to competitors' campaigns decreased CHURN
 - CHURN was 15.8% (Q3/2017: 19.1%)
 - CHURN was at the level of previous quarter (Q2/2018: 15.4%)

Growth in fixed broadband and cable-TV subscription base

Fixed broadband subscriptions in stable growth



Key highlights in July-September 2018

- ✓ Ongoing stable growth of consumer fixed broadband subscriptions, with net +24,000 subscriptions added
- ✓ Fixed-network broadband customers continue to switch to housing association broadband subscriptions and faster speeds

Steady increase in cable TV subscriptions

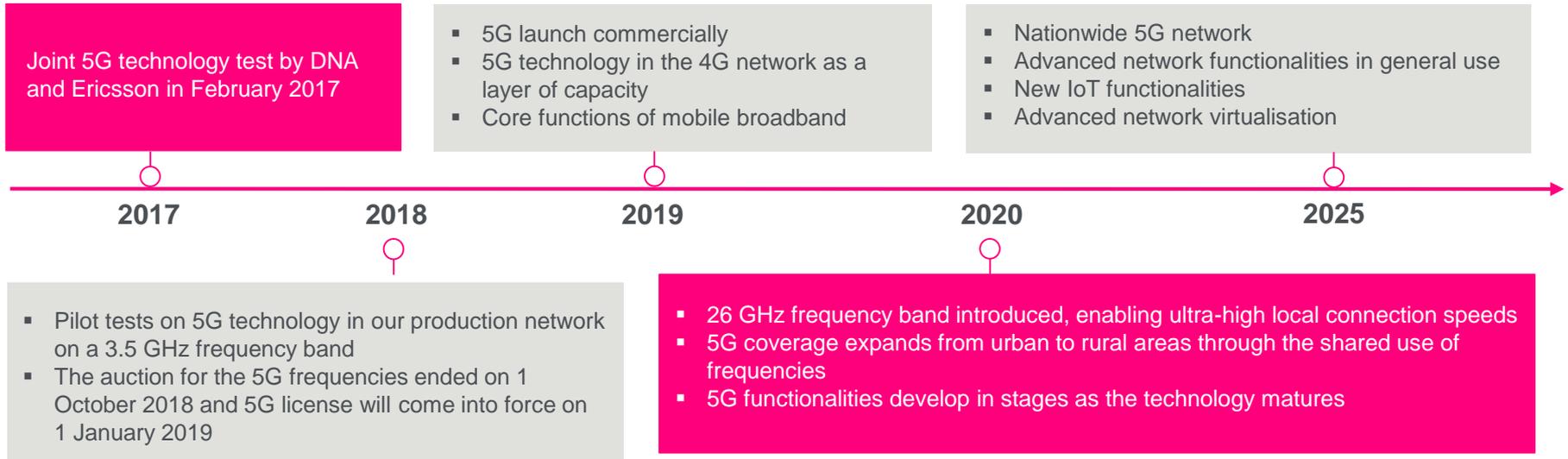


Key highlights in July-September 2018

- ✓ Stable cable-TV subscription base, with net +8,000 subscriptions added
- ✓ The use of streaming and on-demand video services continued to grow, while traditional TV viewing minutes decreased slightly

DNA wins 5G frequency band – 5G will multiply data transfer speeds

- DNA has been preparing its mobile network for the 5G era since 2016 and 5G services will be provided to customers during next year, enabling connection speeds of over 1 gigabit per second
- On 1st of October DNA won 5G frequency band in the Finnish Communications Regulatory Authority's frequency auction for a price of EUR 21 million
- In first phase, 5G will enable fast and stable connections in many properties that cannot get an optical fibre connection



We continue to strengthen the foundation of our competitiveness

Team of top experts



4G, Fibre-Optic and cable networks and service platforms



Modern IT systems and analytics



Speed and cost-effectiveness



We are on track to achieve our strategic objectives



The most satisfied consumer and corporate customers

DNA is a great place to work: DNA aims to be one of the most desired employers in Finland



Industry-leading financial development

Faster than average market growth



Market outlook for 2018

Bank of Finland forecasts GDP growth to be moderate. We expect market for mobile network services to grow in 2018 and competition to remain intense.

Mobile data use will continue to grow as users increase their use of digital services and OTT video services.

Use of mobile devices that have a constant network connection and IP-based communication solutions is increasing strongly among both business and private users.

The SMS and voice revenue in the mobile communication network is forecasted to decrease somewhat.

In the consumer market, demand for broadband and entertainment services in particular is expected to increase.

The market for fixed-network voice services is expected to continue declining. The demand for traditional pay-TV services is expected to decline further.

The demand for Industrial Internet solutions, and subsequently for M2M subscriptions, is expected to grow.

Growing demand of cloud and entertainment services increases the demand for high-speed and high-performance networks.



Financial review

Timo Karppinen, CFO

Positive development in financial KPI's

EUR, million	Q3/2018*	Q3/2018 adjusted	Q3/2017	Change %	1-9/2018*	1-9/2018 adjusted	1-9/2017	Change %	1-12/2017
Net sales	227.5	228.2	218.8	4.3%	674.8	676.0	651.5	3.8%	886.1
Comparable EBITDA	76.3	76.5	72.6	5.4%	219.5	220.9	206.1	7.2%	271.8
% of Net Sales	33.5%	33.5%	33.2%		32.5%	32.7%	31.6%		30.7%
Comparable Operating Result	39.3	38.6	37.3	3.4%	110.5	108.6	96.6	12.4%	126.6
% of Net Sales	17.3%	16.9%	17.0%		16.4%	16.1%	14.8%		14.3%
Net Result	29.6	29.1	27.8	4.4%	81.1	79.6	71.5	11.3%	93.1
% of Net Sales	13.0%	12.7%	12.7%		12.0%	11.8%	11.0%		10.5%
Operative Capex	34.0	34.1	24.4	39.7%	80.2	80.8	65.6	23.3%	132.9
% of Net Sales	15.0%	14.9%	11.2%		11.9%	12.0%	10.1%		15.0%
Operating FCF ¹	42.3	42.4	48.1	-12.0%	139.4	140.1	140.6	-0.3%	138.9
Net Debt					389.3	389.3	302.0		304.3
Net Debt / EBITDA					1.33	1.32	1.10		1.12

Notes

1. Operating free cash flow defined as comparable EBITDA minus operative capex

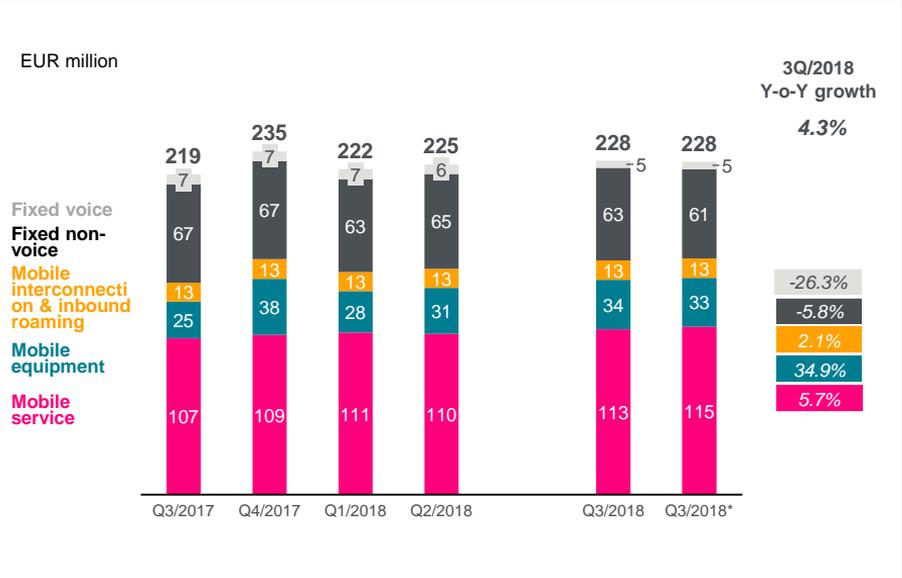
Figures adjusted are disclosed as if they were prepared under 2017 revenue guidance, excluding the impact of IFRS 15 standard adopted on 1 January 2018.

*Including IFRS 15



Mobile service revenue increased 5.7% year-on-year

Net sales for the quarter were supported by strong growth in mobile equipment sales and mobile services



Notes
*Including IFRS 15

Key highlights in July-September 2018

- Mobile service revenue grew 5.7% from the reference period
 - The growth was fuelled particularly by the growth in mobile subscriptions base and increased share of high-value 4G subscriptions
 - Average revenue per user (ARPU) grew 1.9% and was EUR 18.9
- Mobile equipment sales were strong and increased by 34.9%
- Revenue from fixed voice continued to decline as expected
- Mobile interconnection decreased slightly from the reference period
- Fixed non-voice has been impacted in particular by declined sales of pay TV

Profitability was boosted by increased mobile service revenue and improved operational efficiency

Consumer business in Q3

Net sales EUR 172.6 million (+6.2%)

- + Net sales were driven by the growth in mobile service revenue and mobile device sales
- + Revenue per user (ARPU)¹ increased +2.3% and was EUR 20.5

EBITDA EUR 59.1 million (+11.4%)

- + The increase was fuelled by the positive development of mobile service revenue and operational efficiency

Corporate business in Q3

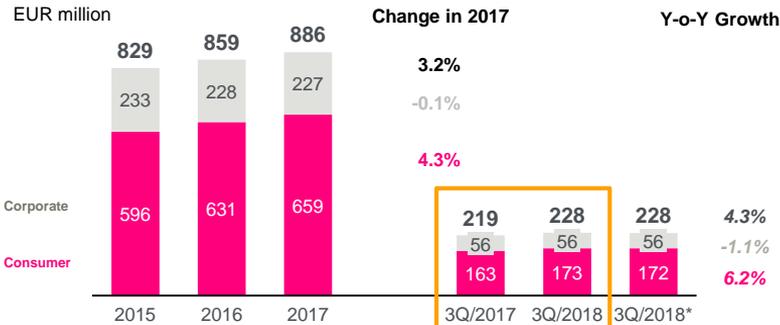
Net sales EUR 55.6 million (-1.1%)

- + Corporate customers' mobile ARPU remained in the reference period's level and was EUR 13.3
- Fixed voice net sales continued to decrease

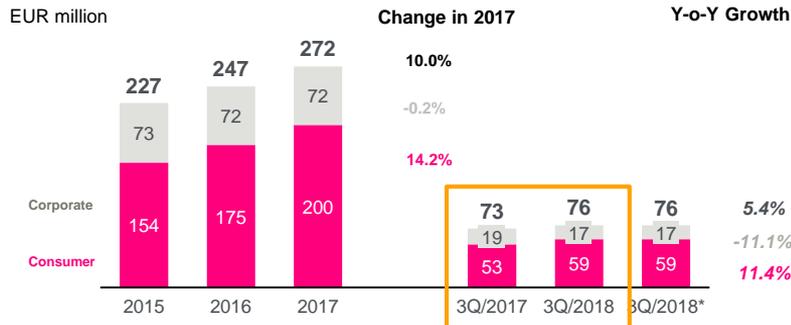
EBITDA EUR 17.3 million (-11.1%)

- EBITDA decrease was due to the decreased fixed voice service revenue and slightly higher costs of changes to customer products

Net sales, EUR million



Comparable EBITDA, EUR million

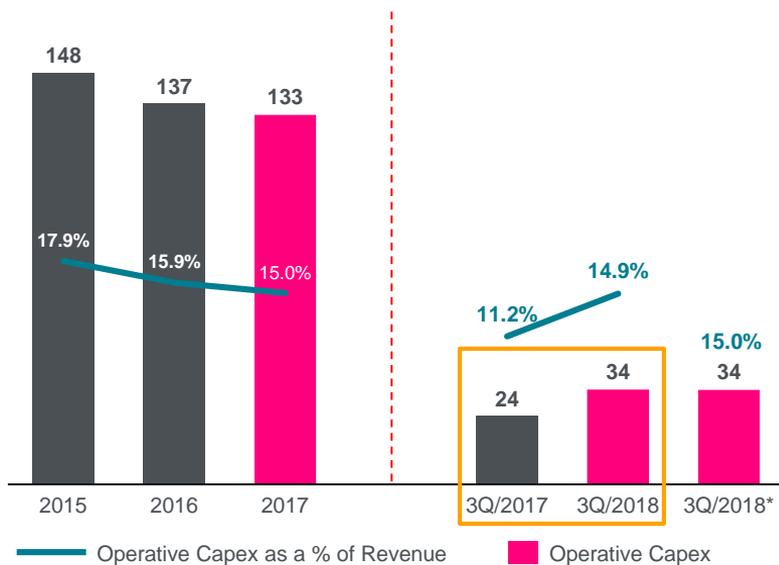


Notes
 1. Consumer mobile postpaid handset subscription ARPU
 ARPU = average revenue per user
 *Including IFRS 15

Operative CAPEX increased year-on-year

Operative capex¹ were 14.9% of net sales in July-September

EUR million



Notes

1. Operative capex exclude spectrum license payments

*Including IFRS 15

Key highlights in July-September 2018

- Operative capital expenditure increased 39.7% from the reference period and were EUR 34.1 million (24.4), or 14.9% of net sales (11.2%)
 - Operative Capex in 2018 is expected to remain at a similar level than in 2017
- Major individual items included in capital expenditure in the review period are 4G network capacity expansion, fibre optics networks and transmission systems
- Payment for 700 MHz spectrum (in February) were EUR 4.4 million

Operating free cash flow at a good level

Cash flow summary

EUR million	2015	2016	2017	1-9/2017	1-9/2018	1-9/2018*
Comparable EBITDA	227	247	272	206	221	220
Operative Capex	(148)	(137)	(133)	(66)	(81)	(80)
Operating FCF	79	110	139	141	140	139
Margin %	9.5%	12.8%	15.7%	21.6%	20.7%	20.7%
Cash Conversion %	34.7%	44.6%	51.1%	68.2%	63.4%	63.5%
Interest paid, net	(8)	(9)	(9)	(5)	(16)	(16)
Income taxes, paid	2	(5)	(26)	(18)	(7)	(7)
Adjusted Change in NWC	38	(1)	19	0	(58)	(58)
Change in Provisions	(9)	(2)	(5)	(4)	(2)	(2)
FCFE	101	93	119	114	57	57
Margin %	12.2%	10.8%	13.4%	17.5%	8.5%	8.5%

Notes

*Including IFRS 15

Key highlights in July-September 2018

- Operating free cash flow at a good level
 - + EBITDA significantly higher year-on-year
 - + Operating FCF remained on the reference period's level
- Free cash flow to equity EUR 57 million (end of June 2018; EUR 27 million)
 - The higher costs resulting from the re-financing of bonds in the first quarter weakened cash flow
 - Working capital related to trade payables increased due to the payment of previous year's high investments
 - Investments distributed more evenly this year

Low cost capital structure

Weighted average cost of debt: 1.62% (Q2/2018: 1.53%)

	Maturity	Nominal Amount EUR million	Book Value EUR million	Cost of Debt
Unsecured € Bond 1.375% Coupon	Mar-2025	250	242	1.43%
Unsecured € Bond 2.875% Coupon	Mar-2021	60	60	2.93%
Unsecured € Bond 2.625% Coupon	Nov-2018	40	40	2.73%
Bank Loans and Commercial Paper		68	67	0.54%
Total		418	409	1.62%
Cash & Cash Equivalents			-20	
Net Debt			389	
Net Debt/EBITDA¹			1.32	

In March 2018, DNA got a long-term credit rating

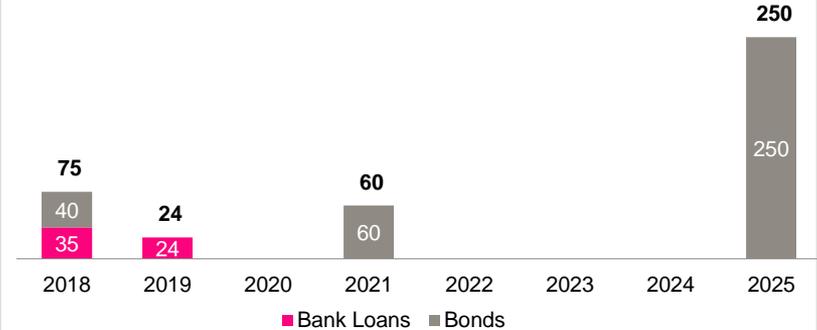
Assigned Rating	BBB (S&P)
Outlook	Stable

Notes

1. Defined as net debt divided by comparable EBITDA from the beginning of year (adjusted), excluding IFRS 15 impact

Debt maturity schedule, EUR million

EUR 150 million fully undrawn RCF providing additional liquidity and financial flexibility



Financial objectives and dividend policy¹

DNA raised its financial guidance² for 2018

- Updated guidance 11 October 2018: DNA's net sales and comparable operating result are expected to improve somewhat in 2018 compared with 2017. DNA's financial position and liquidity are expected to remain at a healthy level.

Mid-term financial targets

- Net sales growth – faster than average market growth
- EBITDA margin of at least 32%
- Operative capital expenditure³ less than 15% of sales

Leverage policy

- Net debt/EBITDA less than 2.0
 - Can be temporarily exceeded in case of potential attractive bolt-on in-market M&A opportunities

Dividend policy and distributable funds in 2018

- Target dividend payout of 70%-90% of free cash flow to equity
- DNA distributed dividend of EUR 0.46 /share and a capital payment of EUR 0.17 /share, in total EUR 0.63 /share. Also, an extra capital payment of EUR 0.47 /share was paid.
- Total payout EUR 145 million, 7.0% payout ratio (as of 31 Dec 2017)

Notes

1. DNA's mid-term financial objectives do not incorporate the impact from the adoption of IFRS 15 on 1 January 2018 and IFRS 16 on 1 January 2019. DNA continues to evaluate the impact of the adoption of these standards and will update its objectives as needed.

2. DNA's guidance for 2018 is disclosed as it was prepared under 2017 revenue guidance and does not currently incorporate the potential impact from the adoption of IFRS 15 as of 1 January 2018.

3. Operative capex excluding spectrum license payments

Thank you!

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KPI Overview

Mobile KPIs						
	2015	2016	2017	3Q/2017	3Q/2018	3Q/2018*
Mobile Revenue (EUR million)	499	539	586	145	160	161
Service	343	375	420	107	113	115
Equipment Sales	92	111	114	25	34	33
Interconnection & Inbound Roaming	64	53	52	13	13	13
Mobile Subscriptions (000s)¹	2 621	2 742	2 811	2 790	2 855	2 855
Postpaid	2 199	2 338	2 418	2 398	2 456	2 456
Prepaid	422	404	392	392	399	399
Consumer	2 183	2 262	2 252	2 242	2 272	2 272
Corporate	438	480	559	548	583	583
ARPU, Mobile Handset Subscriptions (EUR/month)²						
Postpaid	17.0	17.1	18.4	18.5	18.9	18.8
Prepaid	4.1	3.8	3.8	4.3	4.5	4.5
Consumer (postpaid)	17.7	18.0	19.6	20.1	20.5	20.4
Corporate (postpaid)	14.6	13.9	13.8	13.2	13.3	13.3
Annualised Mobile Handset Subscriptions Churn (%)						
Postpaid	16.0%	16.1%	18.3%	19.1%	15.8%	15.8%

Fixed KPIs						
	2015	2016	2017	3Q/2017	3Q/2018	3Q/2018*
Fixed Revenue (EUR Million)	330	320	300	74	68	66
Non-Voice Revenues	294	288	273	67	63	61
Voice Revenues	36	32	28	7	5	5
Fixed Broadband Subscriptions (000s)	436	440	458	454	478	478
Consumer	394	403	423	418	443	443
Corporate	42	37	36	36	35	35
Fixed Voice Subscriptions (000s)	78	65	53	57	43	43
Consumer	37	30	25	26	22	22
Corporate	41	35	29	31	21	21
Cable-TV Subscriptions (000s)	606	608	619	619	627	627

Notes

1. Excludes M2M subscriptions
 2. Includes interconnection revenues
- *Including IFRS 15