

A man and a woman are sitting on a modern, grey metal bench outdoors. Both are wearing VR headsets and looking towards each other. The man is wearing a dark suit jacket over a maroon shirt, and the woman is wearing a bright red coat. They are in a grassy area with a large, modern, multi-story building with many windows in the background under a clear sky.

# DNA Plc

## January-March 2017 interim report

London roadshow, arranged by Danske Bank  
26-27 April, 2017

Jukka Leinonen, CEO  
Timo Karppinen, CFO  
Marja Mäkinen, Head of IR

# 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

### January-March 2017 highlights:

- ✓ DNA's key operational KPIs and development of subscription base
- ✓ DNA's strategic objectives

## Financial review – Timo Karppinen, CFO








# Business Review

Jukka Leinonen, CEO

# January-March 2017: DNA's year started strongly as expected

-  **Net sales improved 5.7% and was EUR 213.4 million** (202.0 million)
  - Strong growth of service revenue\* continued. Service revenue was boosted in particular by the positive development of the mobile subscription base and growing use of mobile data as 4G subscriptions become more common
  - Good development on mobile device sales also had a positive effect on net sales
-  **Ongoing improvement of profitability**
  - EBITDA grew 9.7% and was EUR 65.9 million (60.1 million), the increase was mainly driven by growth in service revenue and improved operational efficiency
  - Operating result improved 14.9% and was EUR 28.9 million (25.1 million)
-  **Strong momentum of operational metrics**
  - Revenue per user for mobile communications (ARPU) increased and was EUR 17.8 (EUR 16.4)
  - Price increases in certain older DNA subscription types increased DNA's subscription turnover rate (CHURN) and it was 21.0% (13.6%)
  - Mobile subscription base grew by 3.8% and was 2,732,000 (2,632,000) subscriptions.
  - Subscription base for fixed broadband, cable and fixed voice services subscriptions increased by 8,000 and totalled 1,120,000 subscriptions. Our customers kept moving away from using fixed-voice subscriptions, but at the same time, fixed broadband and cable television subscriptions increased in total by 20,000.
  - In Consumer Business, EBITDA increased 20.3%. The increase was fuelled by the positive development of service revenue and mobile device sales.
  - In Corporate Business, EBITDA decreased 15.2% and was EUR 15.2 million (18.0 million). EBITDA was mostly affected by the decrease in service which included price changes of leased masts and equipment sites.

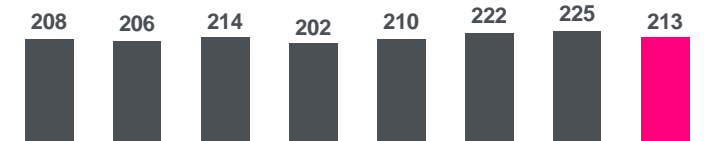
\* Service revenue = net sales – (devices sales and interconnection charges)

# Q1/2017 – good performance across all metrics

## Net sales grew from the comparison period + 5.7%

EUR million

+5.7% in Q1/2017



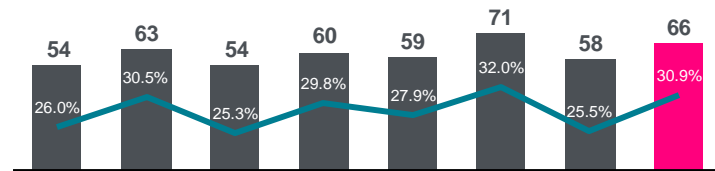
Q2/2015 Q3/2015 Q4/2015 Q1/2016 Q2/2016 Q3/2016 Q4/2016 Q1/2017

■ Net sales

## Strong EBITDA<sup>1</sup> margin expansion in each quarter (year-on-year)

EUR million

+ 9.7% in Q1/2017



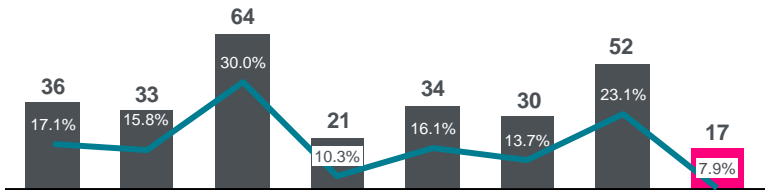
Q2/2015 Q3/2015 Q4/2015 Q1/2016 Q2/2016 Q3/2016 Q4/2016 Q1/2017

— Comparable EBITDA as a % of Revenue ■ Comparable EBITDA

## The focus in operative capex was on network capacity expansion as well as fibre and transmission systems

EUR million

-19.4% in Q1/2017

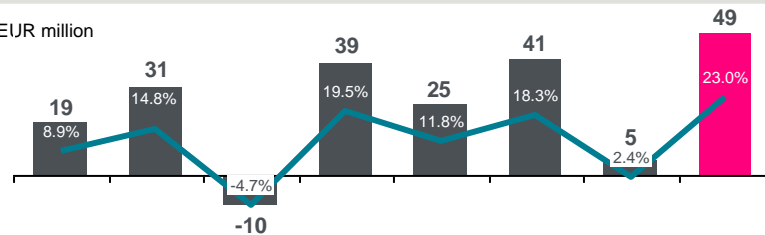


Q2/2015 Q3/2015 Q4/2015 Q1/2016 Q2/2016 Q3/2016 Q4/2016 Q1/2017

— Operative Capex as a % of Revenue ■ Operative Capex

## Ongoing improvement of operating cash flow<sup>3</sup>

EUR million



Q2/2015 Q3/2015 Q4/2015 Q1/2016 Q2/2016 Q3/2016 Q4/2016 Q1/2017

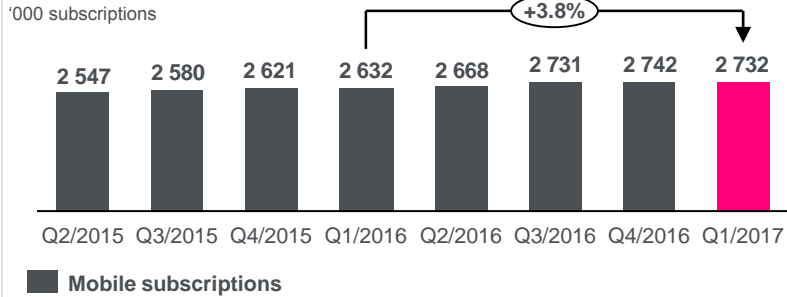
— Operating FCF as a % of Revenue ■ Operating Free Cash Flow

### Notes

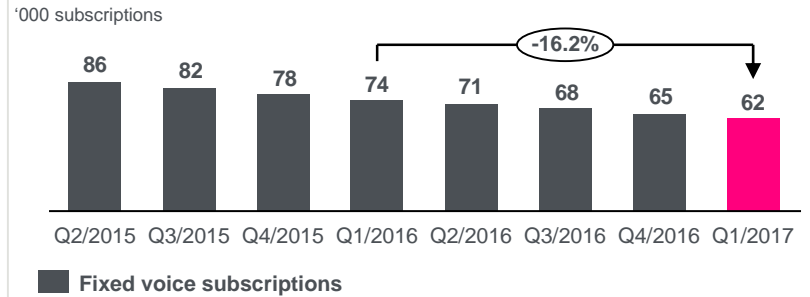
1. EBITDA excluding items affecting comparability
2. Operative capex excluding capex for spectrum licenses
3. Operating free cash flow defined as comparable EBITDA minus operative capex

# Both mobile communications network as well as fixed network subscriptions increased from the comparison period

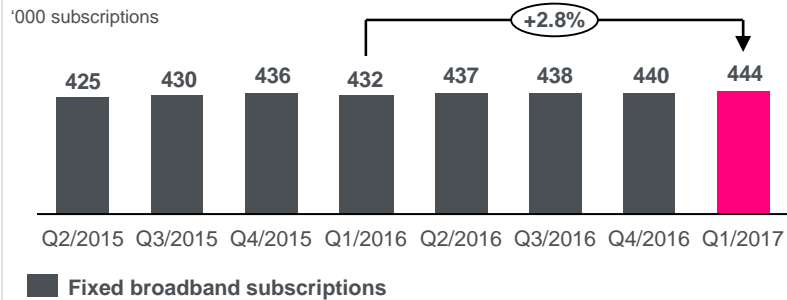
Mobile communication network subscription volumes were up 100,000 from the reference period



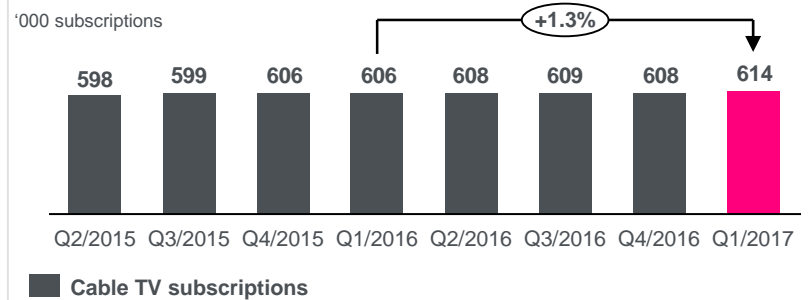
Our customers kept moving away from using fixed-voice subscriptions



Our Fixed network increased by 12,000 subscriptions

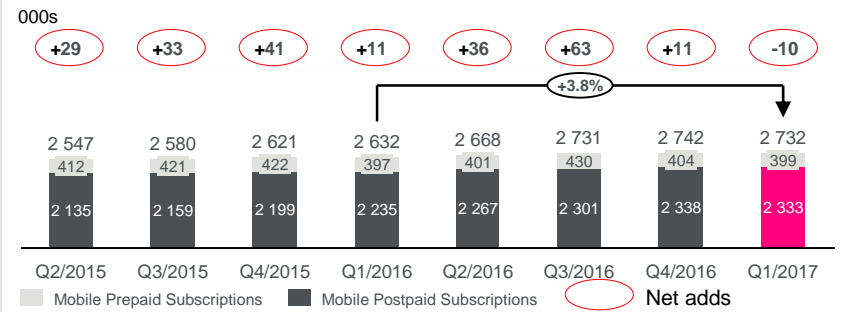


Amount of cable TV subscriptions increased with 12,000 from the comparison period

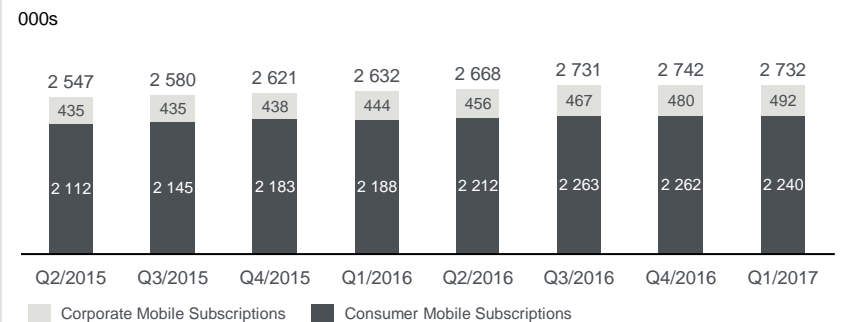


# Corporate mobile subscriptions continued to increase, consumer subscriptions were impacted by price increases

## The mobile communication subscription turnover rate grew in the first quarter



## Net growth in both Consumer and Business segments



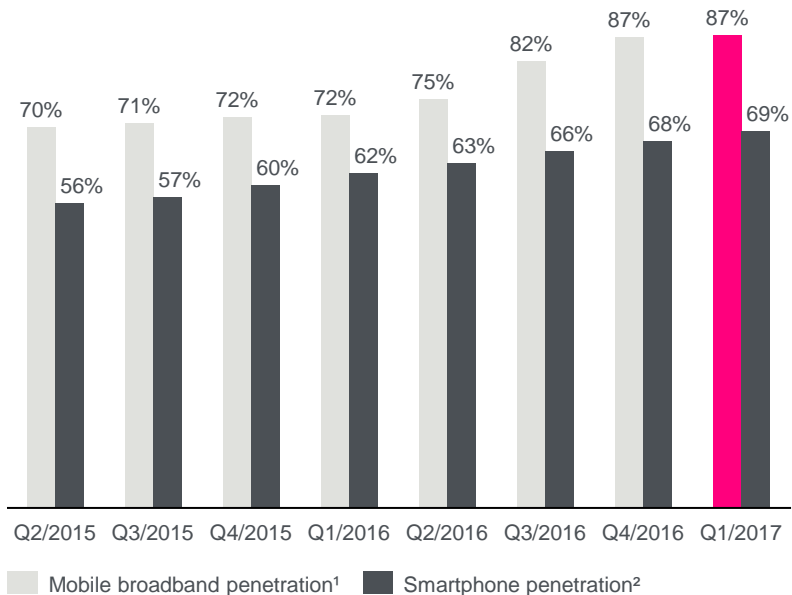
## Key highlights in Q1 2017

- Mobile communication network subscription volumes were up 100,000 from the reference period
  - ✓ + 2,000 prepaid mobile subscriptions
  - ✓ + 98,000 postpaid mobile subscriptions
 or
  - ✓ + 52,000 new Consumer Business customer subscriptions
  - ✓ + 48,000 new Corporate Business customer subscriptions
- The increasingly mobile and versatile ways of working have an impact on the access solutions and data communication services adopted by both the private and public sector as mobile data grows in importance.
- Amount of mobile subscriptions decreased somewhat during the first quarter compared to 2016 year-end situation
  - ✓ -22,000 consumer customer subscriptions
  - ✓ +12,000 new corporate customer subscriptions



# Steady growth of mobile broadband and smartphone penetration

## Mobile broadband and smartphone penetration



## Key highlights

- Smartphone penetration continues to increase
- Practically all phones sold in the market in the first quarter were smart phones and mostly 4G models
- Mobile broadband penetration level was 87%

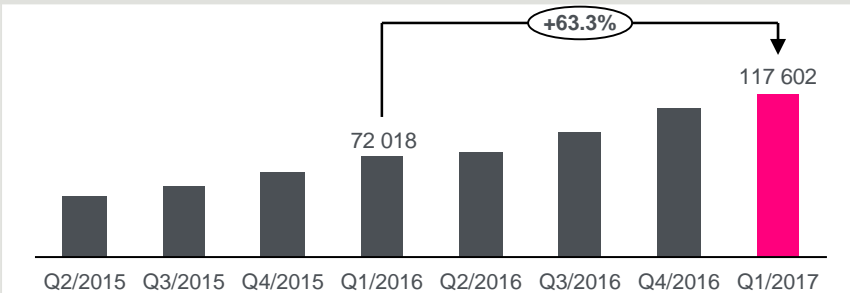
### Notes

1. Share of subscriptions containing Mokka and Liikkuva laajakaista additional services of the total mobile subscription base, excluding M2M (machine to machine), Service operator, Prepaid and Luuri subscriptions

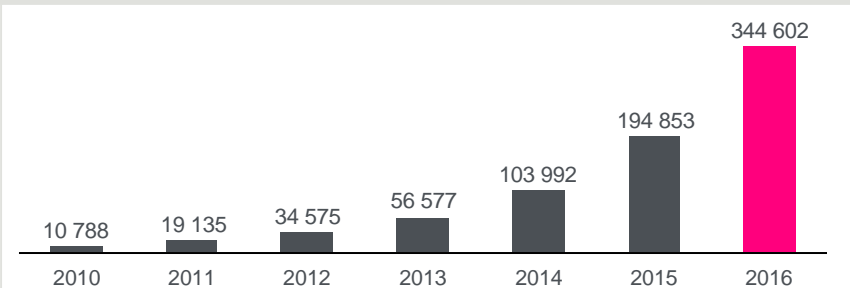
2. iOS (iPhone)-, Bada-, MeeGo-, Android-, Blackberry-, Symbian 3<sup>rd</sup>- and Windows phones of the total phone base

# Mobile data usage continues to grow driven by 4G

Mobile data traffic (GB, '000)



Mobile data traffic (GB, '000)

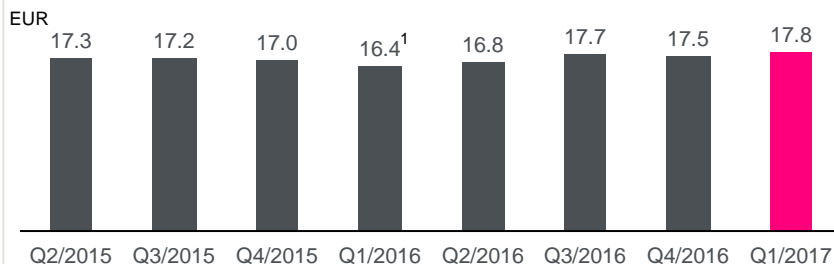


Key highlights during first quarter of 2017

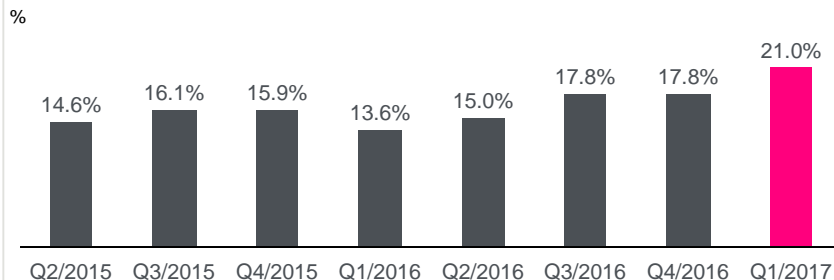
- DNA's mobile data traffic increased 63.3% compared to last year
- At the end of March, 84% of all mobile data was transferred in the 4G network
- DNA tested the potential of the new 5G radio technology with Ericsson.
  - A transmission rate of some 25 Gbps and a delay of less than 3 ms were achieved in the radio connection in the 5G test.

# Revenue per user (ARPU) for mobile communications improved

## Positive mobile postpaid ARPU development



## Mobile postpaid CHURN increased during Q1/2017



## Key highlights during first quarter of 2017

- Steady growth of 4G subscriptions drives increase in ARPU, as customers are prepared to pay more for faster data connections
  - ✓ 8.5% increase in ARPU
  - ✓ 4G subscription base 48.1%
- Mobile communications subscription base grew 3.8 %
  - ✓ +100,000 subscriptions
- Price increases in certain older DNA subscription types increased DNA's subscription turnover rate (CHURN) in the first quarter.
  - ✓ CHURN increased and was 21.0 % (Q1/2016: 13.6 % and in 2016: 16.0%)

### Note

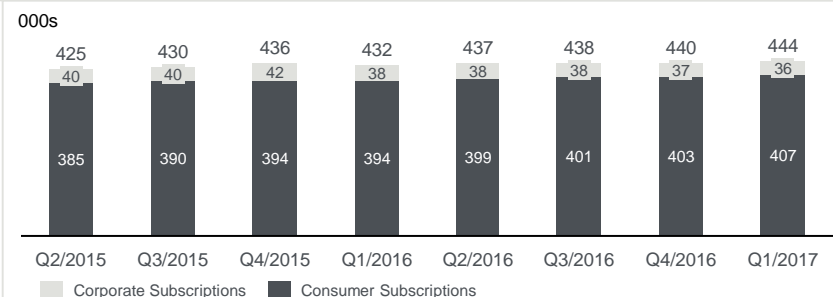
<sup>1</sup> ARPU in Q1 2016 affected as interconnection revenues declined as MTR fees decreased from 1.87 eurocents per minute to 1.25 eurocents per minute in December 2015 (fixed at this level to December 2018)

ARPU = Average billing per user

CHURN = Subscription turnover rate

# Stable growth in fixed broadband and cable-TV subscription base

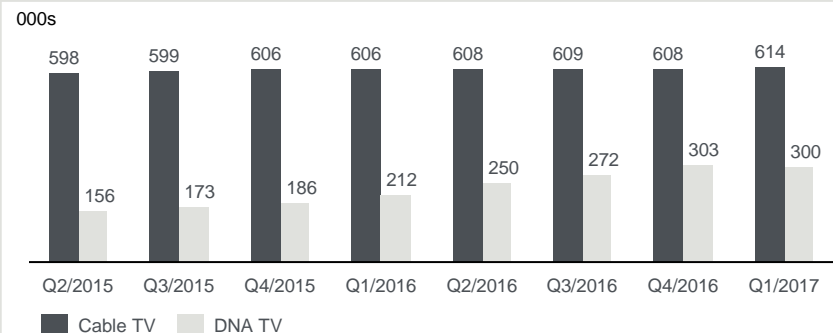
## Fixed broadband subscriptions



## Key highlights during first quarter of 2017

- Ongoing stable growth of consumer fixed broadband subscriptions, with net 12,000 subscriptions added
  - Large consumer customer base provides an opportunity to upsell additional DNA services
- Entrepreneurs in particular are switching from fixed-network broadband subscriptions to mobile broadband subscriptions.

## TV subscriptions



## Key highlights during first quarter of 2017

- Stable cable-TV subscription base, with net 8,000 subscriptions added
- Traditional TV viewing minutes have dropped slightly while the use of streaming and on-demand video services has increased, driving strong growth of DNA TV subscriptions

# We continue to strengthen the foundation for our competitiveness

## Team of top experts

### We develop our personnel

- Every task is performed by a dedicated and qualified person
- We aim to be one of the most desired employers in Finland

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

### We invest in a very competitive and cost-effective network and service platform infrastructure

- Good networks
- Cost-effective, linear TV distribution
- Service platforms that enable high-quality entertainment distribution and competitive business solutions

## Modern IT systems and analytics

### IT systems, customer, product and network databases and analytics tools to enable

- Measurably good customer experience
- Efficient and agile productisation and packaging, sales, invoicing and customer service

## Speed and cost-effectiveness

### We beat the competition in terms of speed and cost-effectiveness

- The most customer-oriented and agile processes
- Increased automation
- Rapid dismantling of ageing technologies and systems as well as continuous internal optimisation
- Boldly making changes, even major ones

## 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 2017

The Finnish economy is slowly returning to growth and the value of the telecommunications market has also returned to the growth path. Competition is expected to remain intense for the rest of the year 2017.

Strong growth of mobile data traffic is set to continue, boosted by the growing number of 4G subscriptions and increased mobile data usage per user.

In the coming years, mobile data use will shift mostly to 4G networks.

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

More mobile and versatile ways of working will boost demand for services such as cloud and video conference services.



# Financial review

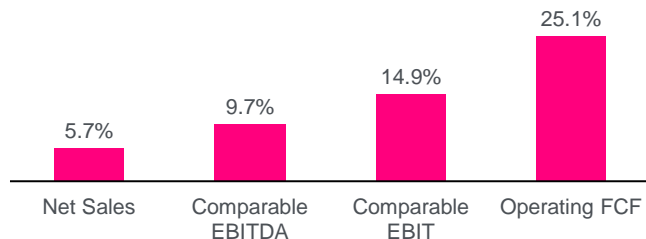
Timo Karppinen, CFO



# Strong momentum in net sales, profitability and cash flows

EUR, millions	Q1/2017	Q1/2016	Change %	FY 2016
Net sales	213,4	202,0	5,7%	858,9
EBITDA	65,9	60,1	9,7%	236,3
Comparable EBITDA	65,9	60,1	9,7%	247,1
% of Net Sales	30,9%	29,8%		28,8%
Comparable Operating Result	28,9	25,1	14,9%	102,1
% of Net Sales	13,5%	12,4%		11,9%
Net Result	21,2	18,2	16,7%	65,2
% of Net Sales	9,9%	9,0%		7,6%
Operative Capex	16,8	20,8	-19,3%	136,9
% of Net Sales	7,9%	10,3%		15,9%
Operating FCF	49,2	39,3		110,2
Net Debt	314,3	383,4		321,7
Net Debt / Comparable EBITDA	1,2x	1,7x		1,3x

## YoY change, Q1/2017 – Q1/2016



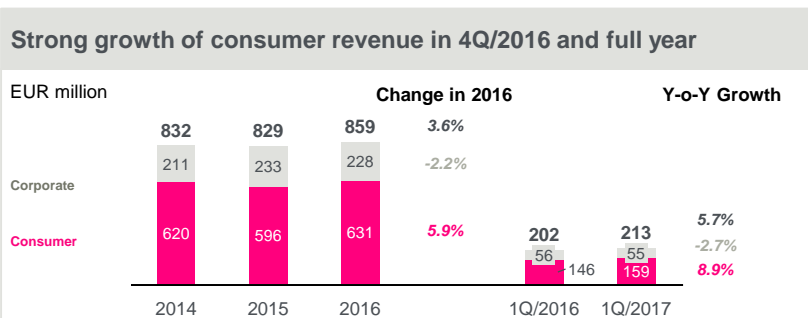
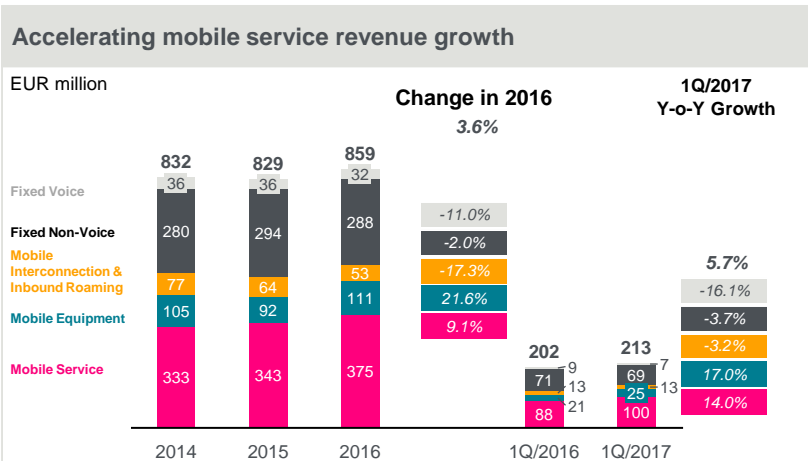
### Note

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

## Key highlights during first quarter of 2017

- DNA had strong beginning for the year, net sales grew 5.7%
  - ✓ Service revenue was boosted in particular by the positive development of the mobile subscription base and growing use of mobile data, as 4G subscriptions become more common.
  - ✓ Also mobile device sales developed well
  - ✓ 74.3% (72.1%) of net sales was generated by Consumer Business and 25.7% (27.9%) by Corporate Business
- EBITDA increased 9.7% and it was 30.9% (29.8%) of net sales.
  - ✓ The increase was fuelled by growth in service revenue and improved operational efficiency.
- The operating result increased 14.9% and it was 13.5% (12.4%) of net sales.
- Operative capex decreased 19.3% and was EUR 16.8 million (20.8 million), or 7.9% of net sales (10.9%).

# Growing high-margin mobile service revenue



### Key highlights during first quarter of 2017

- Mobile service revenue continued to grow strongly during the first quarter
  - ✓ Growth was +14% in Q1/2017
  - ✓ Average revenue per user (ARPU) grew 8.5%
  - ✓ Average billing per user of new subscriptions contributed to higher average customer billing than in the average on the whole subscription base per user
  
- Net sales in the Consumer Business grew strongly and were boosted by the positive development in mobile subscriptions sales, increased share of 4G subscriptions in the subscription base, and the positive development of mobile device sales.
  
- Corporate Business net sales decreased slightly year-on-year and amounted to EUR 54.8 million. Net sales was mostly affected by the decrease in service revenue and interconnection sales.

ARPU = average revenue per user

# Business segments in Q1/2017

## Consumer business

### Net sales EUR 158.6 million (+8.9 %)

- + Net sales were boosted by the positive development in mobile subscription sales, increased share of 4G subscriptions in the subscription base, and the positive development of mobile device sales
- + Revenue per user (ARPU), EUR 17.1 -> EUR 18.9

### Comparable EBITDA EUR 50.7 million (+20.3 %)

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

## Corporate business

### Net sales EUR 54.8 million (-2.7 %)

- + Growth came mainly from the customer segment of small and mid size companies
- Net sales was affected by reduction in interconnection volumes
- Service revenue was impacted by the decline of voice services in mobile network as well as price changes of leased masts and equipment sites

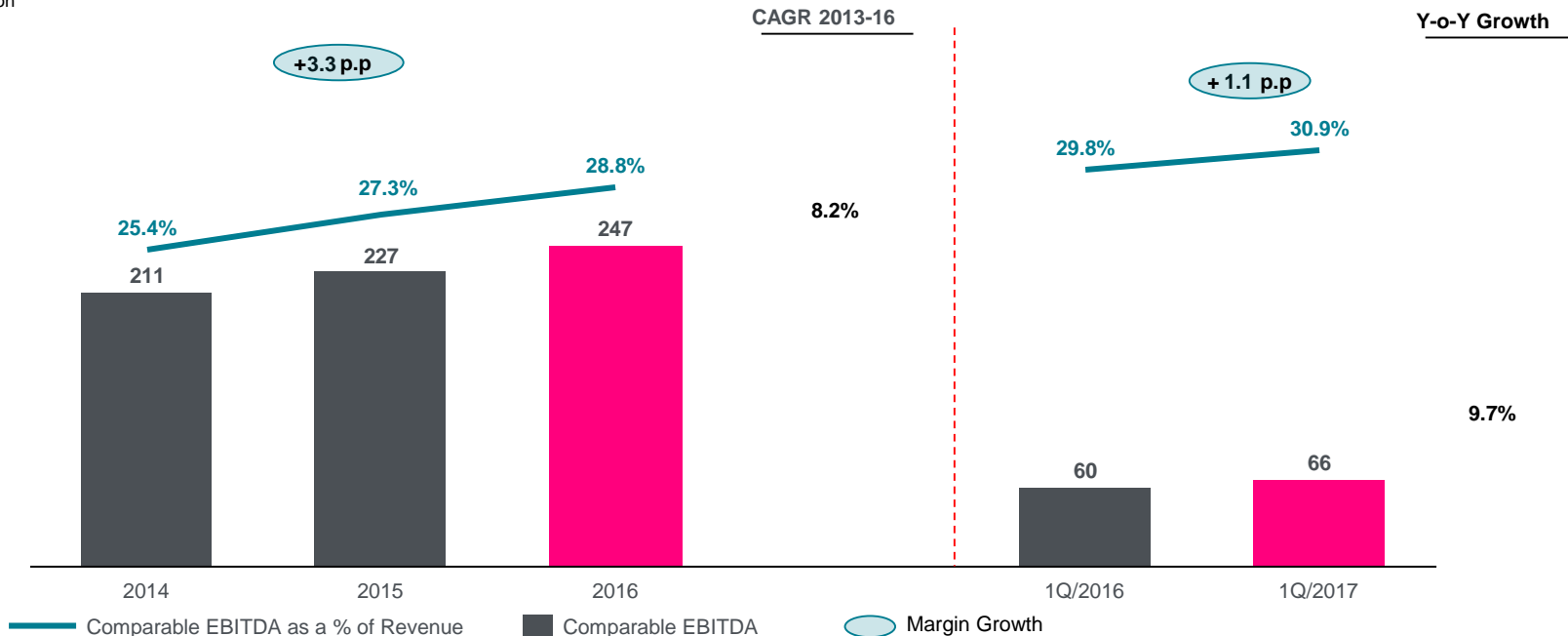
### Comparable EBITDA EUR 15.2 million (-15.2 %)

- EBITDA was affected mainly by decreased service revenue

# Improving profitability driven by a changed revenue mix, operating leverage and cost reduction

Effective control over operating costs and change in revenue mix provide ground for comparable EBITDA improvement<sup>1</sup>

EUR million

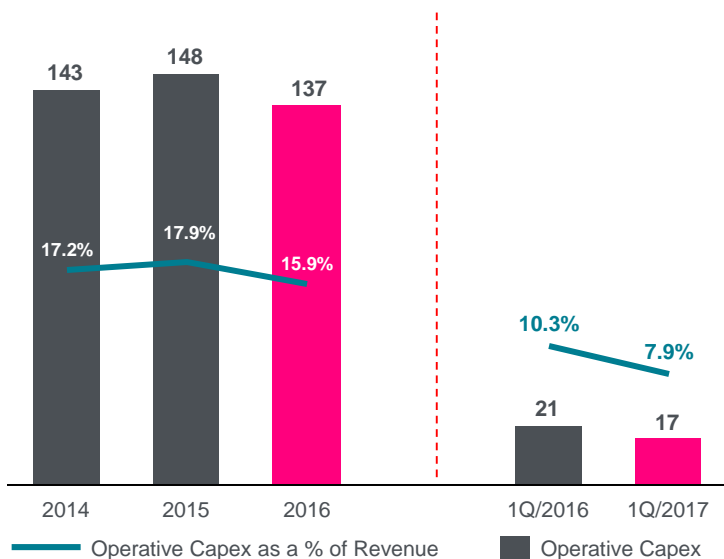


Notes  
1. EBITDA excluding non-recurring items

# Operative capital expenditure

## Operative capex evolution<sup>1</sup>

EUR million



Source: Company Information

**Note**

1. Operative capex excluding capex for spectrum licenses

## Key highlights during first quarter of 2017

- Operative capex reduced to 15.9% of net sales, or EUR 137 million in 2016
  - Operative Capex reduction materialized in Q4 as the majority of the 4G roll out was completed

## Key investments in Q1 2017

- The focus of DNA's mobile communication network investments has shifted from coverage expansion to capacity expansion
- the Gigabit class speed became available to all 600,000 households in the DNA network
- Payments for 700 MHz spectrum started in Q1 2017 and were 4.4 million euros
- Total consideration of EUR 22 million payable in 5 equal annual instalments

## Rapidly improving cash conversion and free cash flow to equity generation

CASH FLOW SUMMARY				
€ MM; FYE: Dec-31	2014	2015	2016	Q12017
<b>Comparable EBITDA</b>	<b>211</b>	<b>227</b>	<b>247</b>	<b>66</b>
Operative Capex	(143)	(148)	(137)	(17)
<b>Operating FCF</b>	<b>68</b>	<b>79</b>	<b>110</b>	<b>49</b>
<i>Margin %</i>	8.2%	9.5%	12.8%	23.0%
<i>Cash Conversion %</i>	32.3%	34.7%	44.6%	74.6%
Cash Interest	(9)	(8)	(9)	(5)
Cash Tax	(11)	2	(5)	(4)
Adjusted Change in NWC	(2)	38	(1)	(25)
Change in Provisions	3	(9)	(2)	(1)
<b>FCFE</b>	<b>49</b>	<b>101</b>	<b>93</b>	<b>15</b>
<i>Margin %</i>	5.9%	12.2%	10.8%	6.9%

### Key highlights during first quarter of 2017

- Operating free cash flow conversion is high due to strong EBITDA and low operating capex, change was mainly due to increase of EBITDA and low operating investments
- Interest payments are high in Q1 due to payment due date
- Net working capital change negative in the first quarter because of payments of trade payables, mostly investments, from 2016. Also most of the listing costs have been paid in Q1 this year.

## Low cost capital structure

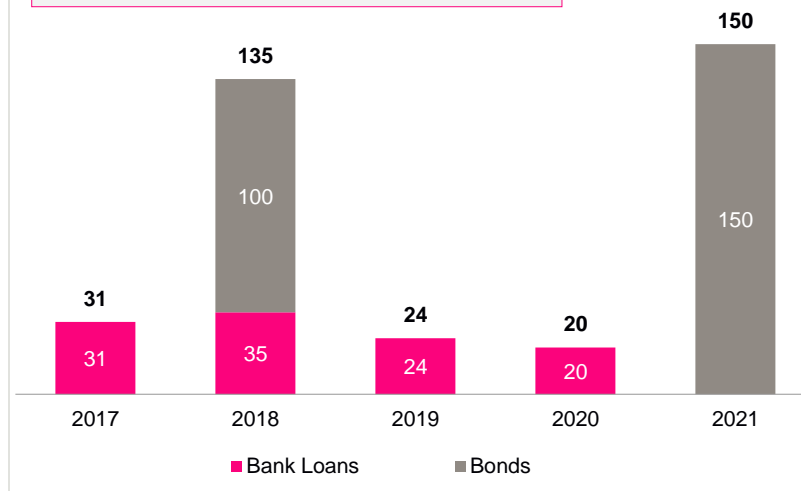
Low weighted average cost of debt of 2.22%

	Maturity	Nominal Amount € MM	Book Value € MM	Cost of Debt
<b>Unsecured € Bond 2.875% Coupon</b>	Mar-2021	150	149	2.93%
<b>Unsecured € Bond 2.625% Coupon</b>	Nov-2018	100	99	2.73%
<b>Bank Loans and Commercial Paper</b>		110	110	0.83%
<b>Total</b>		<b>360</b>	<b>359</b>	<b>2.23%</b>
<b>Cash &amp; Cash Equivalents</b>			<b>-44</b>	
<b>Net Debt</b>			<b>314</b>	
<b>Net Debt/EBITDA<sup>1</sup></b>			<b>1.2x</b>	

## No large near term maturity payments

Debt Maturity Schedule, EUR million

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



### Notes

1. Defined as net debt divided by comparable EBITDA

## Financial objectives and policy

### Financial guidance for 2017

- DNA's net sales are expected to stay at the same level and the comparable operating result is expected to improve somewhat in 2017 compared to 2016. The Group's financial position and liquidity is expected to remain at a healthy level.

### Mid-term financial targets re-iterated

- Net sales growth – faster than average market growth
- EBITDA margin of at least 30%
- Operative capital expenditure<sup>1</sup> less than 15% of sales

### Leverage policy

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

### Dividend policy and dividend proposal

- Target dividend payout of 70-90% of free cash flow to equity
- The Annual General Meeting decided a dividend of EUR 0.55 per share for 2016.
- The total dividend of EUR 73 million was paid on April 7, 2017 - dividend yield 5.4% (per 30 Dec 2016)

<sup>1</sup> Operative capex excluding capex for spectrum licenses



# Thank you!

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# KPI Overview

## Mobile KPIs

Mar-31	2014	2015	2016	1Q/2016	1Q/2017
<b>Mobile Revenue (€ MM)</b>	<b>515</b>	<b>499</b>	<b>539</b>	<b>122</b>	<b>138</b>
Service	333	343	375	88	100
Equipment Sales	105	92	111	21	25
Interconnection & Inbound Roaming	77	64	53	13	13
<b>Mobile Subscriptions (000s)<sup>1</sup></b>	<b>2 505</b>	<b>2 621</b>	<b>2 742</b>	<b>2 632</b>	<b>2 732</b>
Postpaid	2 086	2 199	2 338	2 235	2 333
Prepaid	419	422	404	397	399
Consumer	2 070	2 183	2 262	2 188	2 240
Corporate	435	438	480	444	492
<b>ARPU, Mobile Handset Subscriptions (€/month)<sup>2</sup></b>					
Postpaid	17.8	17.0	17.1	16.4	17.8
Prepaid	4.6	4.1	3.8	3.8	3.6
Consumer (postpaid)	18.3	17.7	18.0	17.1	18.9
Corporate (postpaid)	15.8	14.6	13.9	13.9	13.8
<b>Annualised Mobile Handset Subscriptions Churn (%)</b>					
Postpaid	16.9%	16.0%	16.1%	13.6%	21.0%

## Fixed KPIs

Mar-31	2014	2015	2016	1Q/2016	1Q/2017
<b>Fixed Revenue (€ MM)</b>	<b>316</b>	<b>330</b>	<b>320</b>	<b>80</b>	<b>76</b>
Non-Voice Revenues	280	294	288	71	69
Voice Revenues	36	36	32	9	7
<b>Fixed Broadband Subscriptions (000s)</b>	<b>415</b>	<b>436</b>	<b>440</b>	<b>432</b>	<b>444</b>
Consumer	374	394	403	394	407
Corporate	41	42	37	38	36
<b>Fixed Voice Subscriptions (000s)</b>	<b>100</b>	<b>78</b>	<b>65</b>	<b>74</b>	<b>62</b>
Consumer	51	37	30	35	28
Corporate	49	41	35	39	33
<b>Cable-TV Subscriptions (000s)</b>	<b>593</b>	<b>606</b>	<b>608</b>	<b>606</b>	<b>614</b>

### Notes

1. Excludes M2M subscriptions
2. Includes interconnection revenues

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### Next events:

January - March results on 21 April 2017

Half Year Financial Report on 18 July 2017

January - September results on 20 October 2017



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