

The background of the slide is a photograph of two young women sitting at a dining table in a kitchen. They are both smiling and looking at a smartphone held by the woman on the left. The woman on the left has her hair in a bun and is wearing a pink hoodie. The woman on the right is wearing a striped shirt and denim overalls. On the table in front of them are plates of food and glasses of orange juice. The kitchen background features white cabinets, a countertop with various items like a teapot and a coffee maker, and a framed picture on the wall.

# DNA Plc

## January-March 2018 Interim Report

19 April, 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

### Q1 2018 business review:

- Highlights of the first 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



# Q1/2018: Record-high mobile service revenue

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.



## Net sales increased 4.2% and was EUR 222.3 million (213.4)

- Mobile device sales was particularly strong and were up 14.0% from the reference period
- Service revenue\* grew, and the growth came mainly from the improvement in the mobile subscription base and increased share of 4G subscriptions



## Good development of service revenue improved profitability, EBITDA share of net sales was 32.5%

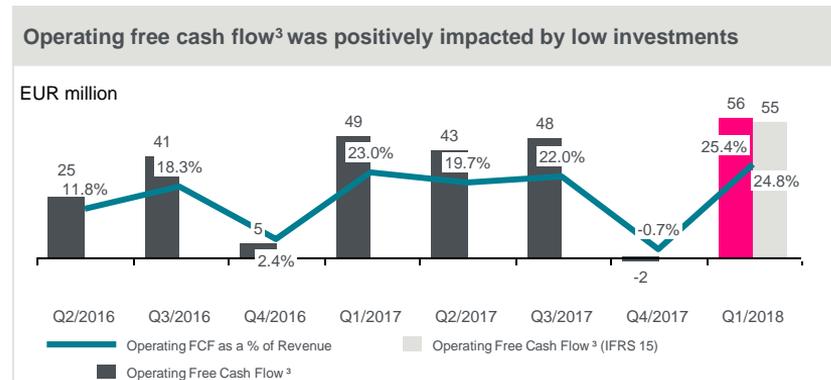
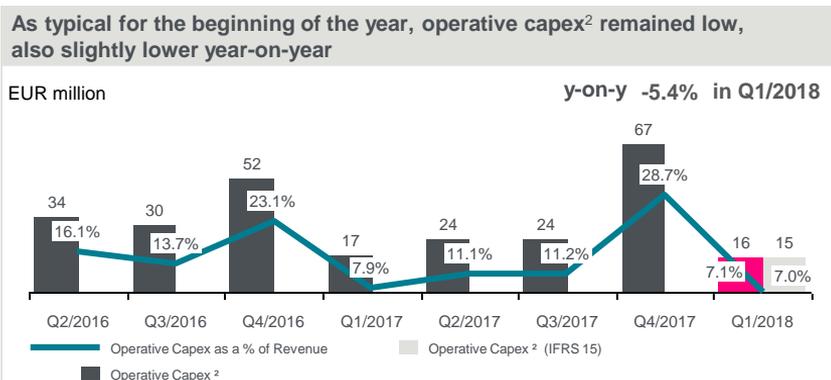
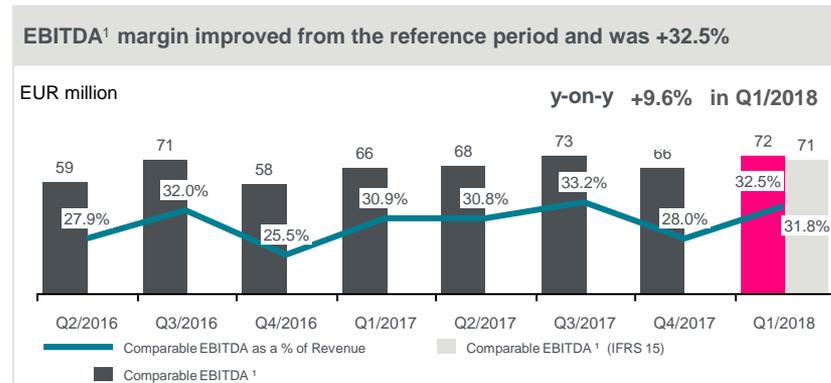
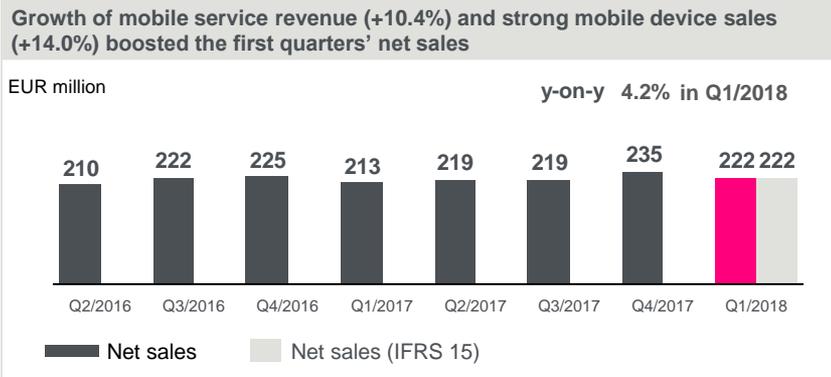
- EBITDA increased 9.6 % and was EUR 72.3 million (65.9).
- The positive development was driven by growth in service revenue and improved operational efficiency
- The operating result increased 23.3% and was EUR 35.6 million (28.9), percentage of net sales was 16.0% (13.5%).



## Strong momentum of operational KPI's

- Revenue per user for mobile communications (ARPU) increased and amounted to EUR 19.0 (EUR 17.8)
- The subscription turnover rate (CHURN) decreased from the comparison period and was 18.9% (21.0%), however, it increased slightly from the end of 2017 (Q4/2017: 18.1%)
- Mobile subscription base grew 2.9% from the reference period and was 2,811,000 (2,732,000) subscriptions
- Subscription base for fixed network services (fixed broadband, cable tv and fixed voice) increased +18,000 and totalled 1,138,000 subscriptions

# Q1/2018 – DNA's year 2018 off to a strong start

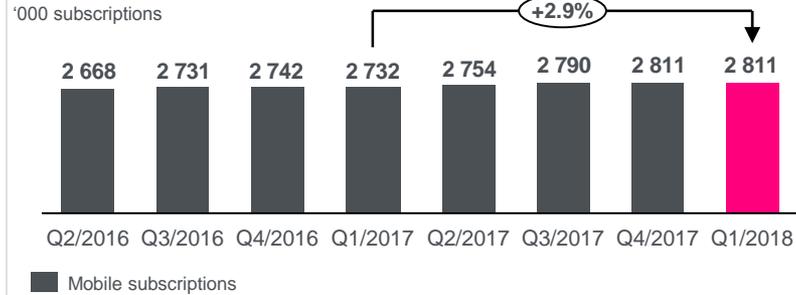


**Notes**

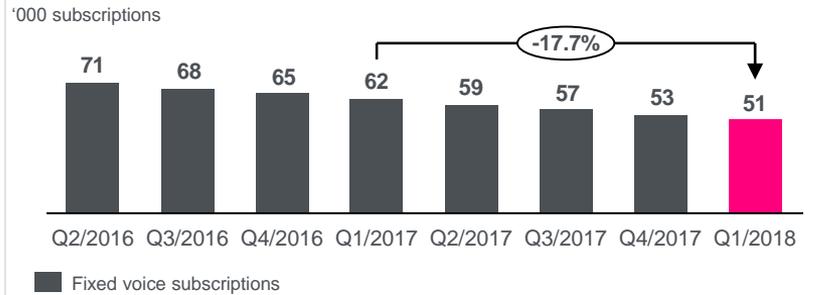
1. EBITDA excluding items affecting comparability
2. Operative capex excluding spectrum license payments
3. Operating free cash flow defined as comparable EBITDA minus operative capex

# Both mobile communications network as well as fixed network subscription bases grew

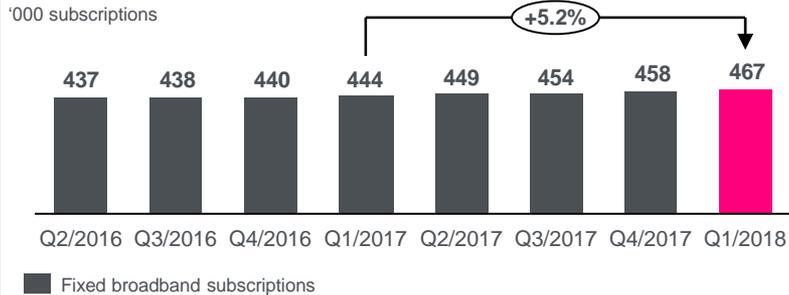
Mobile communication network subscription volumes up by 79,000 from the reference period



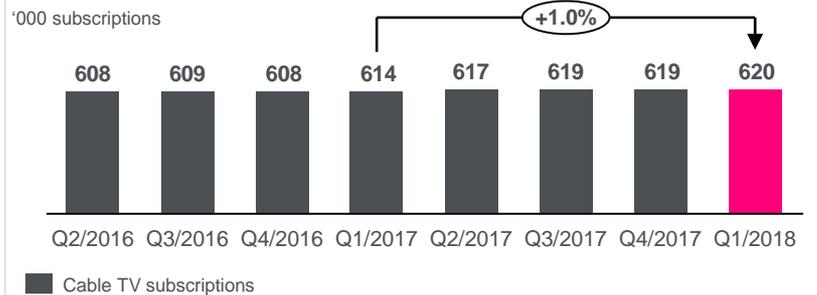
Our customers kept moving away from using fixed-voice subscriptions



Our fixed network broadband subscription base increased by 23,000 subscriptions

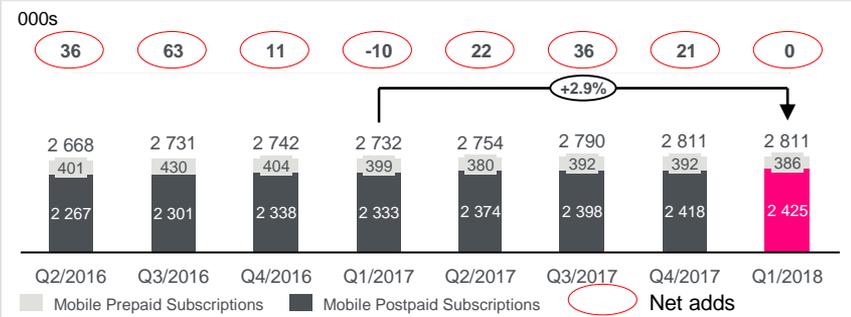


Cable TV subscriptions increased by 6,000

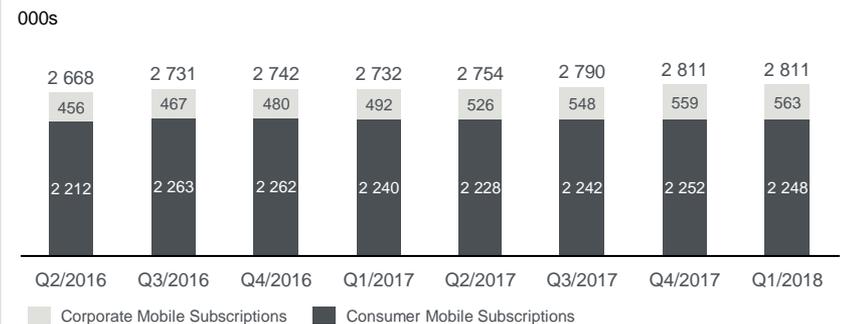


# Subscriptions in DNA's mobile network increased by 79,000 from comparison year

## Our mobile subscription base grew 2.9% year-on-year



## Net growth in Corporate segment's subscription base

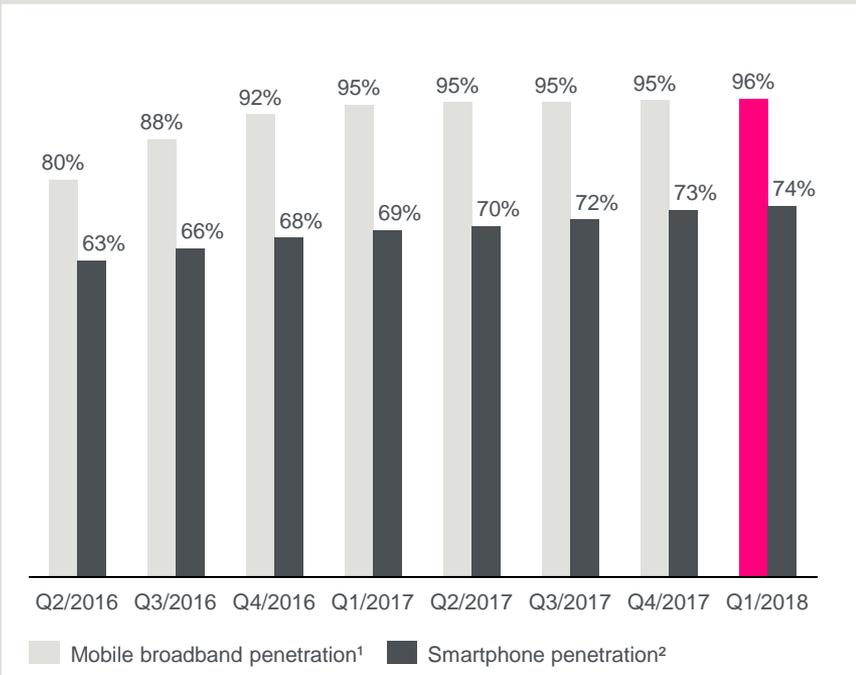


## Key highlights in January-March 2018

- Mobile communication subscription volumes were up 79,000 year-on-year
  - ✓ - 13,000 prepaid mobile subscriptions
  - ✓ + 92,000 postpaid mobile subscriptions
- or
- ✓ +8,000 new Consumer Business customer subscriptions
- ✓ + 71,000 new Corporate Business customer subscriptions
  
- Mobile subscriptions remained steady compared to the Q4 2017
  - ✓ - 4,000 consumer customer subscriptions
  - ✓ + 4,000 corporate customer subscriptions

# Steady growth of mobile broadband and smartphone penetration

## Mobile broadband and smartphone penetration



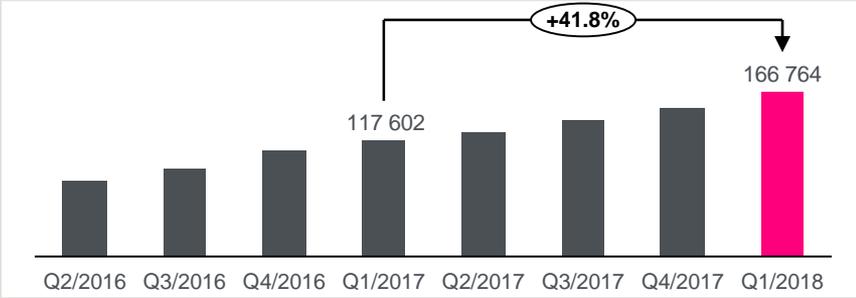
## Key highlights in January-March 2018

- ✓ Smartphone penetration continued to increase and was 74%
  - Practically all phones sold in the market were smart phones and mostly 4G models
- ✓ Mobile broadband penetration level was 96%

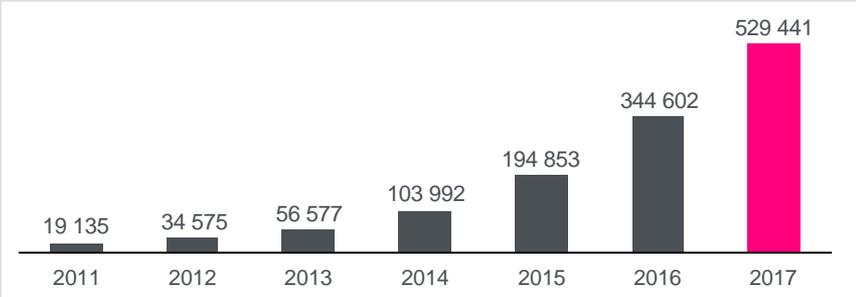
**Notes**  
 1. Share of mobile postpaid and mobile data subscriptions with data services of the total mobile subscription base, excluding M2M (machine to machine), Service operator, Prepaid and Luuri subscriptions. The calculation method of mobile broadband penetration changed and one subscription type added in Q2/2017  
 2. iOS (iPhone)-, Bada-, MeeGo-, Android-, BlackBerry-, Symbian 3+ and Windows phones of the total phone base

# 90% of all mobile data usage was transferred in 4G network

Mobile data traffic (GB, '000)



Mobile data traffic (GB, '000)



Key highlights January-March 2018

- Mobile data traffic has almost tripled during the past three years
- DNA's 4G mobile data traffic grew more than 52% from the reference period
- DNA's total data traffic volume in the mobile communications network grew by 42 %, also data volume per subscription continued to grow
- DNA had the highest average downlink speed in 12 of the 15 cities examined in a survey published by Omnitel in January

# Steady growth of 4G subscriptions drives increase in revenue per user (ARPU) for mobile communications

## Mobile postpaid ARPU increased 6,7% year-on-year



## Mobile communication CHURN (postpaid) was lower than in the reference period, but slightly higher than at the end of 2017



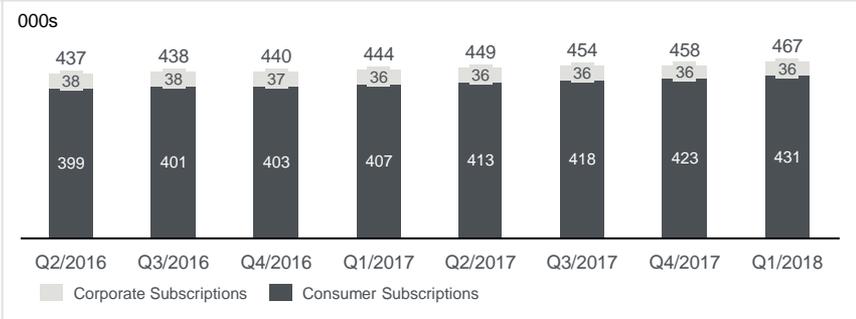
## Key highlights in January-March 2018

- Demand of 4G subscriptions continues to grow steadily. Customers are prepared to pay more for faster data connections
  - ✓ 6.7% increase in ARPU from the reference period
  - ✓ 4G subscription base 55.9%<sup>1</sup>
  - ✓ 4G subscription base has increased 7.8 %-points year-on-year (Q1/2017: 48.1%)<sup>1</sup>
  
- In January-March 2018, tight competitive environment impacted DNA's CHURN
  - ✓ CHURN was 18.9% (Q1/2017: 21.0%)
  - ✓ From the end of 2017 CHURN increased, Q4/2017: 18.1

<sup>1)</sup> Share of mobile postpaid handset subscriptions in Consumer business  
 ARPU = Average billing per user  
 CHURN = Subscription turnover rate

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

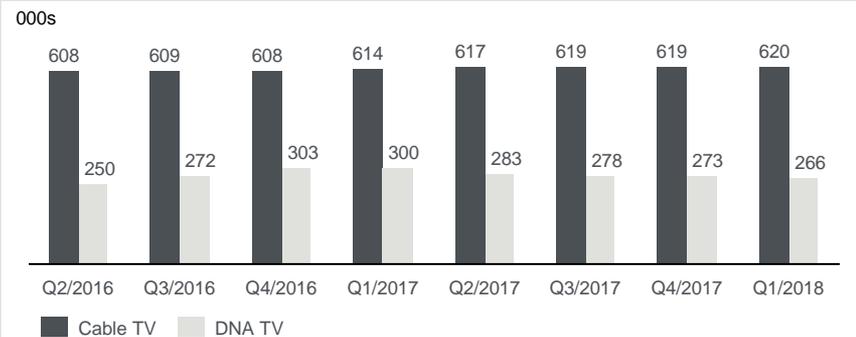
## Fixed broadband subscriptions



## Key highlights in January-March 2018

- Ongoing stable growth of consumer fixed broadband subscriptions, with net +23,000 subscriptions added
  - ✓ Large consumer customer base provides an opportunity to upsell additional DNA services
- Fixed-network broadband customers are anticipated to continue to switch to housing association broadband subscriptions and faster speeds

## Steady increase in cable TV subscriptions



## Key highlights in January-March 2018

- Stable cable-TV subscription base, with net +6,000 subscriptions added
- The use of streaming and on-demand video services continued to grow, while traditional TV viewing minutes decreased slightly
- DNA TV subscriptions decreased year-on-year due to a reduction in terrestrial TV coverage

# We continue to strengthen the foundation for our competitiveness

Team of top experts



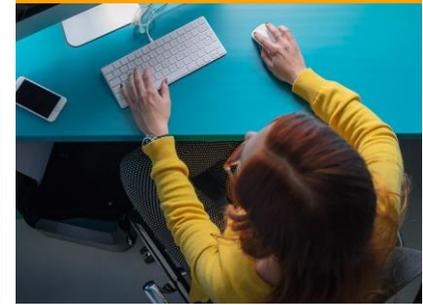
4G, Fibre-Optic and cable networks and service platforms



Modern IT systems and analytics



Speed and cost-effectiveness



# We are on track to achieve our strategic objectives



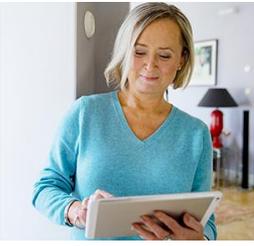
The most satisfied consumer and corporate customers

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

The Finnish economy has returned to growth and we expect market for mobile network services to grow in 2018. Competition is expected 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 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 all financial KPI's

EUR, millions	Q1/2018*	Q1/2018 adjusted	Q1/2017	Change %	1-12/2017
Net sales	222,3	222,3	213,4	4,2 %	886,1
EBITDA	70,7	72,3	65,9	9,6 %	271,8
Comparable EBITDA	70,7	72,3	65,9	9,6 %	271,8
% of Net Sales	31,8%	32,5%	30,9%		30,7%
Comparable Operating Result	35,2	35,6	28,9	23,3 %	126,6
% of Net Sales	15,8%	16,0%	13,5%		14,3%
Net Result	24,4	24,7	21,2	16,6 %	93,1
% of Net Sales	11,0%	11,1%	9,9%		10,5%
Operative Capex	15,5	15,9	16,8	-5,4%	132,9
% of Net Sales	7,0%	7,1%	7,9%		15,0%
Operating FCF <sup>1</sup>	55,2	56,4	49,2	14,7%	138,9
Net Debt	304,0	304,0	314,3		304,3
Net Debt / EBITDA	1,08	1,05	1,19		1,12

**Note**

<sup>1</sup> Operating free cash flow defined as comparable EBITDA minus operative capex

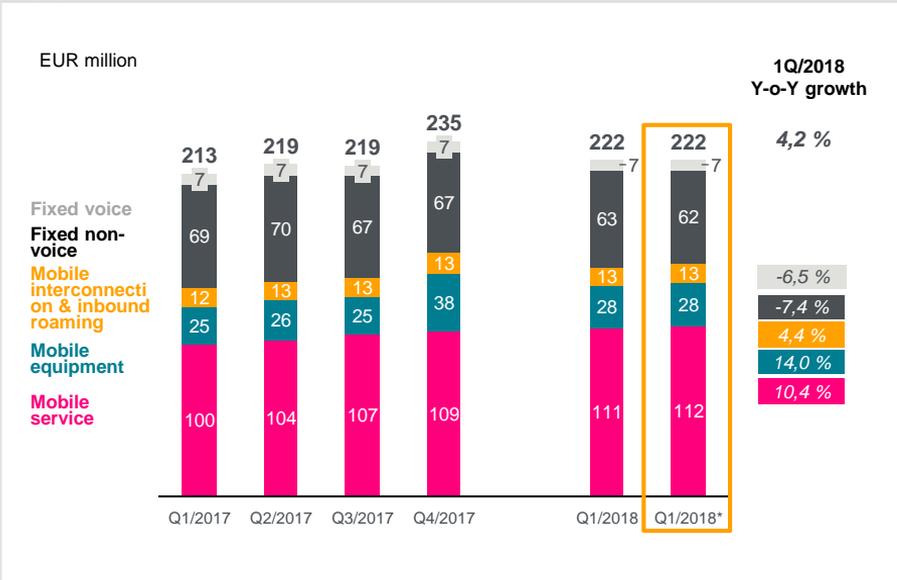
Figures adjusted are disclosed as if they were prepared under 2017 revenue guidance, excluding the impact of IFRS 15 standard adopted on 1 January 2018.

\*Including IFRS 15



# Record-high Mobile service revenue

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



\*Including IFRS 15

## Key highlights in January-March 2018

- Mobile service revenue was on a record-high level and grew 10.4% from the reference period
  - ✓ Average revenue per user (ARPU) grew 6.7% and was EUR 19.0
- Mobile equipment sales were on a good level and increased by 14.0%
- Revenue from fixed voice continued to decline as expected
- Mobile interconnection & inbound roaming was at the same level as in the reference period
- In 2017, comparison of fixed non-voice revenue was negatively impacted by a decline in the coverage of pay TV in terrestrial network during the second quarter

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

## Consumer business in Q1

Net sales EUR 165.4 million (+4.3%)

- + Net sales were driven by the growth in service revenue and good mobile device sales
- + Revenue per user (ARPU)<sup>1</sup> increased +8.4% and was EUR 20.5

EBITDA EUR 55.2 million (+8.8%)

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

## Corporate business in Q1

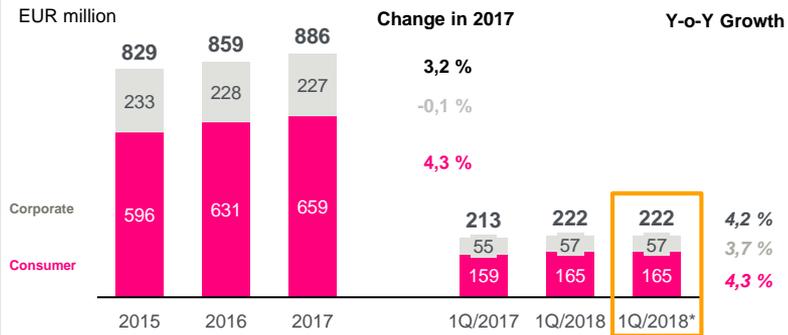
Net sales EUR 56.9 million (+3.7%)

- + Net sales were driven by the growth in service revenue
- + Corporate customers' mobile ARPU remained steady and was EUR 13.7

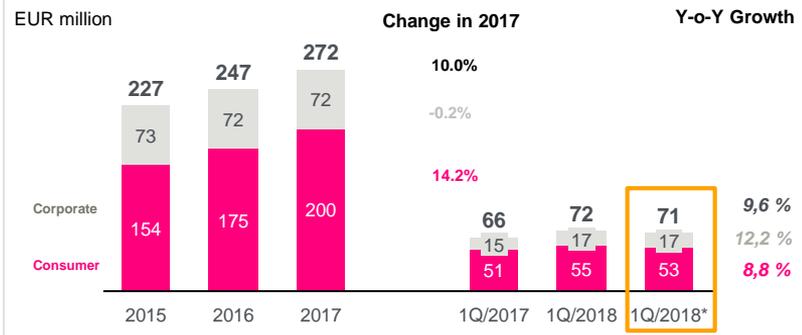
EBITDA EUR 17.1 million (+12.2%)

- + Increase in service revenue and improved operational efficiency
- + Growth in the customer base

### Net sales, EUR million



### Comparable EBITDA, EUR million



\*Including IFRS 15

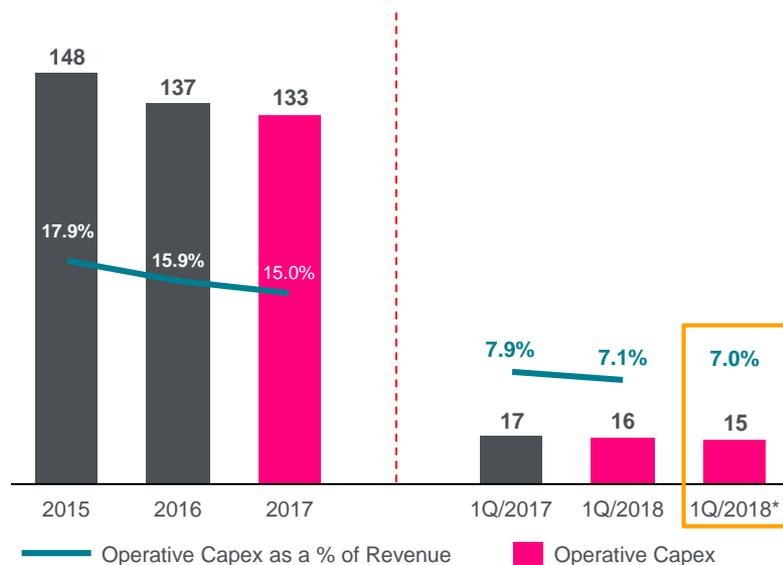
ARPU = average revenue per user

<sup>1</sup> Consumer mobile postpaid handset subscription ARPU

# Operative CAPEX decreased slightly year-on-year

Typical for the first quarter, our operative capex<sup>1</sup> remained low

EUR million



\*Including IFRS 15

Key highlights in January-March 2018

- Operative capital expenditure decreased 5.4% from the reference period and was EUR 15.9 million (16.8), or 7.1% of net sales (7.9%).
  - ✓ operative Capex in 2018 is expected to remain at a similar level than in 2017

Key investments in the first quarter of 2018

- 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 were EUR 4.4 million

Note  
1. Operative capex excluding spectrum license payments

# Operating free cash flow at a good level

## Cash flow summary

EUR million	2015	2016	2017	1-3/2018	1-3/2018*
<b>Comparable EBITDA</b>	<b>227</b>	<b>247</b>	<b>272</b>	<b>72</b>	<b>71</b>
Operative Capex	(148)	(137)	(133)	(16)	(15)
<b>Operating FCF</b>	<b>79</b>	<b>110</b>	<b>139</b>	<b>56</b>	<b>55</b>
<i>Margin %</i>	9.5%	12.8%	15.7%	25.4 %	24.8 %
<i>Cash Conversion %</i>	34.7%	44.6%	51.1%	78.0 %	78.1 %
Interest paid, net	(8)	(9)	(9)	(15)	(15)
Income taxes, paid	2	(5)	(26)	2	2
Adjusted Change in NWC	38	(1)	19	(47)	(46)
Change in Provisions	(9)	(2)	(5)	(0)	(0)
<b>FCFE</b>	<b>101</b>	<b>93</b>	<b>119</b>	<b>(4)</b>	<b>(4)</b>
<i>Margin %</i>	12.2%	10.8%	13.4%	(1.6%)	(1.6%)

\*Including IFRS 15

## Key highlights in January-March 2018

- Operating free cash flow at a good level
  - + High EBITDA
  - + Low operative capex
  
- Free cash flow to equity was negative
  - Higher paid interest due to release of new bond and partial repurchase of existing notes
  - Growth in working capital due to decrease in trade payables → high investment period in Q4

## Low cost capital structure

Weighted average cost of debt has decreased: 1.48% (Q4/2017: 2.33%)

	Maturity	Nominal Amount € MM	Book Value € MM	Cost of Debt
Unsecured € Bond 1.375% Coupon	Mar-2025	250	241	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		125	125	0.49%
<b>Total</b>		<b>475</b>	<b>466</b>	<b>1.48%</b>
<b>Cash &amp; Cash Equivalents</b>			<b>-162</b>	
<b>Net Debt</b>			<b>304</b>	
<b>Net Debt/EBITDA<sup>1</sup></b>			<b>1.1x</b>	

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

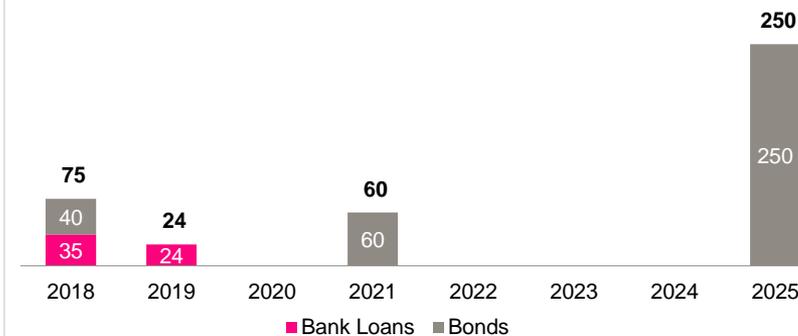
Assigned Rating	BBB (S&P)
Outlook	Stable

#### Notes

1. Defined as net debt divided by comparable EBITDA, rolling 12 months.

### Debt maturity schedule, EUR million

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



## Financial objectives and dividend policy \*

### Financial guidance for 2018 unchanged

- DNA's net sales and comparable operating result in 2018 are expected to remain at the same level as in 2017. The Group's financial position and liquidity are expected to remain at a healthy level.

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.

### Mid-term financial targets

- Net sales growth – faster than average market growth
- EBITDA margin of at least 32%
- 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 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, EUR 1.10 /share, 7.0% payout ratio (as of 31 Dec 2017)

<sup>1</sup> Operative capex excluding spectrum license payments

\* 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.



Thank you!

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# KPI Overview

## Mobile KPIs

	2015	2016	2017	1Q/2017	1Q/2018	1Q/2018*
<b>Mobile Revenue (€ MM)</b>	<b>499</b>	<b>539</b>	<b>586</b>	<b>138</b>	<b>152</b>	<b>154</b>
Service	343	375	420	100	111	112
Equipment Sales	92	111	114	25	28	28
Interconnection & Inbound Roaming	64	53	52	12	13	13
<b>Mobile Subscriptions (000s)<sup>1</sup></b>	<b>2 621</b>	<b>2 742</b>	<b>2 811</b>	<b>2 732</b>	<b>2 811</b>	<b>2 811</b>
Postpaid	2 199	2 338	2 418	2 333	2 425	2 425
Prepaid	422	404	392	399	386	386
Consumer	2 183	2 262	2 252	2 240	2 248	2 248
Corporate	438	480	559	492	563	563
<b>ARPU, Mobile Handset Subscriptions (€/month)<sup>2</sup></b>						
Postpaid	17.0	17.1	18.4	17.8	19.0	18.9
Prepaid	4.1	3.8	3.8	3.6	3.8	3.8
Consumer (postpaid)	17.7	18.0	19.6	18.9	20.5	20.4
Corporate (postpaid)	14.6	13.9	13.8	13.8	13.7	13.7
<b>Annualised Mobile Handset Subscriptions Churn (%)</b>						
Postpaid	16.0%	16.1%	18.3%	21.0%	18.9%	18.9%

\*Including IFRS 15

## Fixed KPIs

	2015	2016	2017	1Q/2017	1Q/2018	1Q/2018*
<b>Fixed Revenue (€ MM)</b>	<b>330</b>	<b>320</b>	<b>300</b>	<b>76</b>	<b>70</b>	<b>69</b>
Non-Voice Revenues	294	288	273	69	63	62
Voice Revenues	36	32	28	7	7	7
<b>Fixed Broadband Subscriptions (000s)</b>	<b>436</b>	<b>440</b>	<b>458</b>	<b>444</b>	<b>467</b>	<b>467</b>
Consumer	394	403	423	407	431	431
Corporate	42	37	36	36	36	36
<b>Fixed Voice Subscriptions (000s)</b>	<b>78</b>	<b>65</b>	<b>53</b>	<b>62</b>	<b>51</b>	<b>51</b>
Consumer	37	30	25	28	24	24
Corporate	41	35	29	33	26	26
<b>Cable-TV Subscriptions (000s)</b>	<b>606</b>	<b>608</b>	<b>619</b>	<b>614</b>	<b>620</b>	<b>620</b>

### Notes

1. Excludes M2M subscriptions
2. Includes interconnection revenues