

A woman with long brown hair, wearing a light blue button-down shirt, is smiling and looking at a white tablet computer she is holding with both hands. She is standing in a room with a white textured wall and a doorway in the background.

# DNA Plc Financial Statement Bulletin 2017

2 February, 2017

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

### Q4 & January-December 2017 highlights:

- ✓ Highlights of the fourth quarter of 2017
- ✓ 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

# Q4/2017: Net sales increased and profitability improved



## Net sales increased 4.2% and was EUR 234.6 million (225.2)

- Mobile device sales was particularly strong and grew 14.9% from the comparison 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 further, EBITDA share of net sales was 28.0%

- EBITDA increased 28.1% and was EUR 65.7 million (51.3).
- The positive development was driven by growth in service revenue and improved cost-efficiency of modern network platforms.
- The comparable operating result increased 44.2% and was EUR 29.9 million (20.8). Comparable operating result as a percentage of net sales was 12.8% (9.2%)



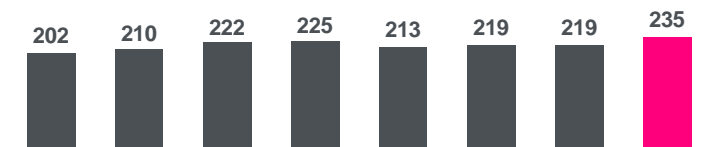
## Strong momentum of operational KPI's

- Revenue per user for mobile communications (ARPU) increased further and was EUR 19.0 (EUR 17.5)
- The subscription turnover rate (CHURN) increased slightly from the comparison period and was 18.1% (17.8%), however, it decreased from the previous quarter (Q3/2017: 19.1%)
- Mobile subscription base grew 2.5% from the comparison period and was 2.811,000 (2.742,000) subscriptions
- Subscription base for fixed network services (fixed broadband, cable and fixed voice) increased +17,000 and totalled 1.130,000 subscriptions

# Q4/2017 – record high net sales, higher investments due to timing towards the year-end

**Strong mobile device sales boosted the last quarters' net sales, +4.2%**

EUR million y-on-y 4.2% in Q4/2017

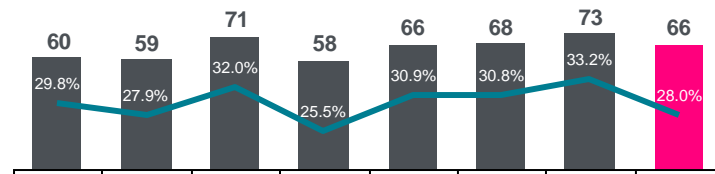


Q1/2016 Q2/2016 Q3/2016 Q4/2016 Q1/2017 Q2/2017 Q3/2017 Q4/2017

■ Net sales

**EBITDA<sup>1</sup> margin improved from the comparison period +14.2%**

EUR million y-on-y +14.2% in Q4/2017

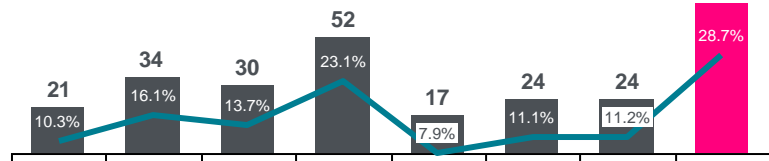


Q1/2016 Q2/2016 Q3/2016 Q4/2016 Q1/2017 Q2/2017 Q3/2017 Q4/2017

— Comparable EBITDA as a % of Revenue ■ Comparable EBITDA<sup>1</sup>

**As expected, majority of operative capex<sup>2</sup> took place during last quarter**

EUR million y-on-y 29.5% in Q4/2017

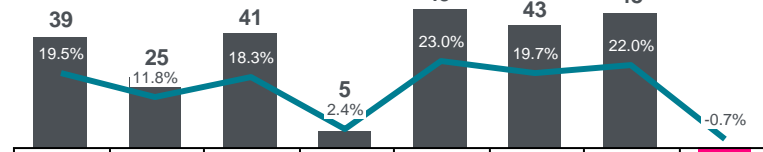


Q1/2016 Q2/2016 Q3/2016 Q4/2016 Q1/2017 Q2/2017 Q3/2017 Q4/2017

— Operative Capex as a % of Revenue ■ Operative Capex<sup>2</sup>

**Operating cash flow<sup>3</sup> was impacted mainly due to timing of investments**

EUR million



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

— Operating FCF as a % of Revenue ■ Operating Free Cash Flow<sup>3</sup>

**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 January-September

## FY2017: Record high net sales and profitability

EUR 886.1  
million  
+3.2%<sup>2</sup>

Net sales

2.811,000  
+69 000<sup>2</sup>

Mobile communications subscriptions

EUR 271.8  
million  
+10.0%<sup>2</sup>

Comparable EBITDA

1.130,000  
+17,000<sup>2</sup>

Fixed-network subscriptions

EUR 138.9  
million  
+26.0%<sup>2</sup>

Operative free cash flow

1.077,000  
+29,000<sup>2</sup>

Fixed broadband and cable TV subscriptions

EUR 304.3  
million  
1.12

Net debt

Net debt/ EBITDA (rolling 12 months)

18.3%

Mobile CHURN for postpaid subscriptions

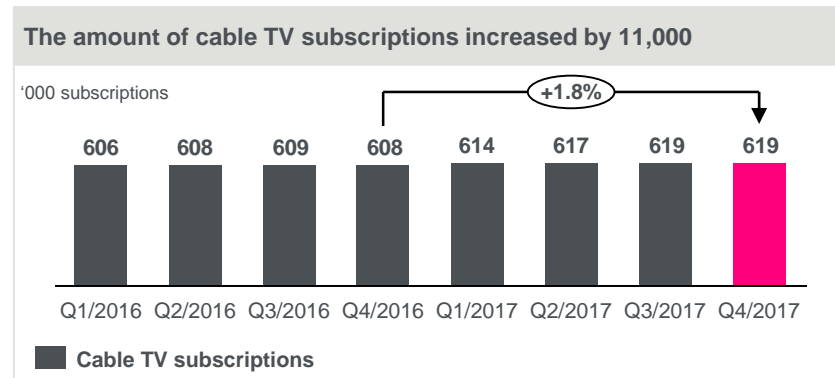
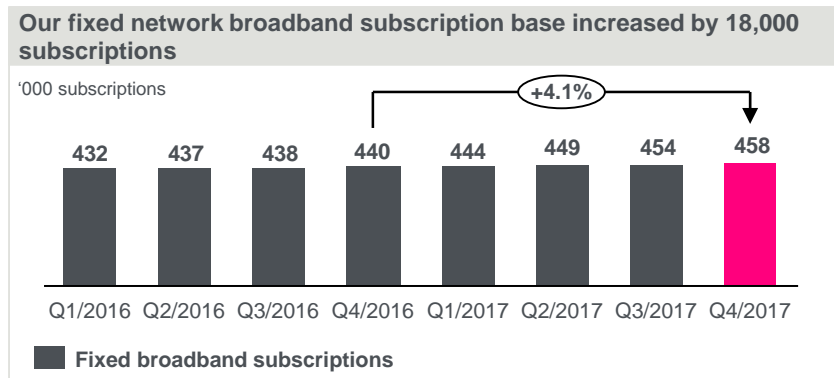
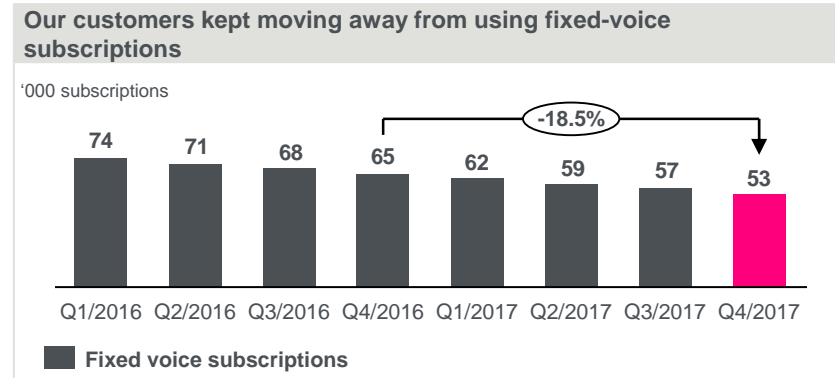
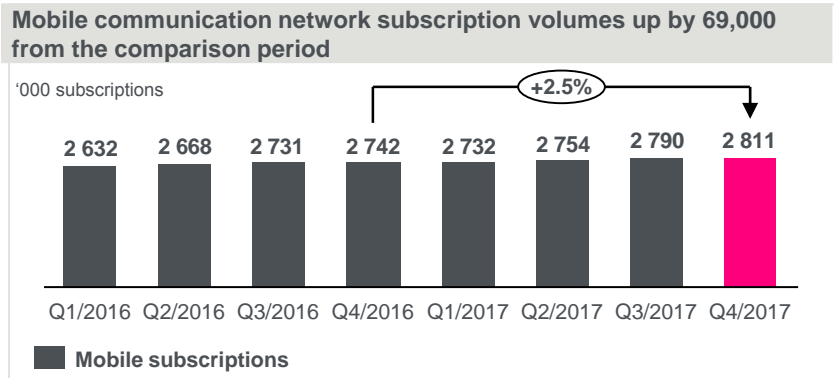
### Notes

1. Includes subscribers who hold contract for DNA's TV packages transmitted via cable or a bundle package including a Cable-TV product

2. Compared to FY2016

CHURN = Customer turnover rate

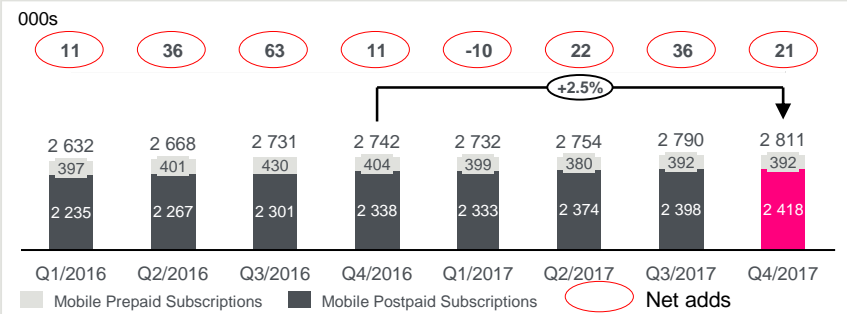
# Both mobile communications network as well as fixed network subscription bases grew



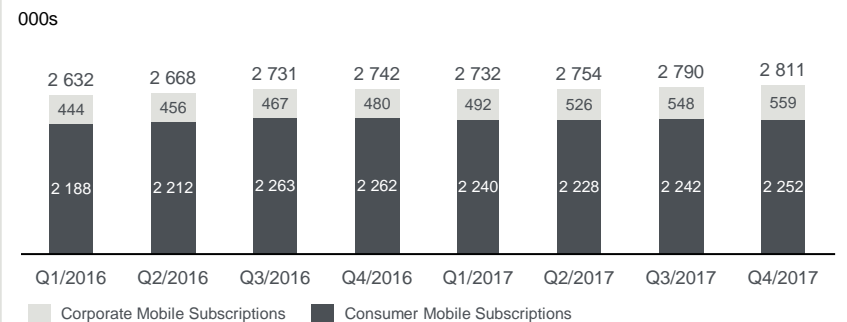


# Subscriptions in DNA's mobile network increased by 69,000 from comparison year

## Our mobile subscription base grew 2,5% year-on-year



## Net growth in both Consumer and Corporate segments

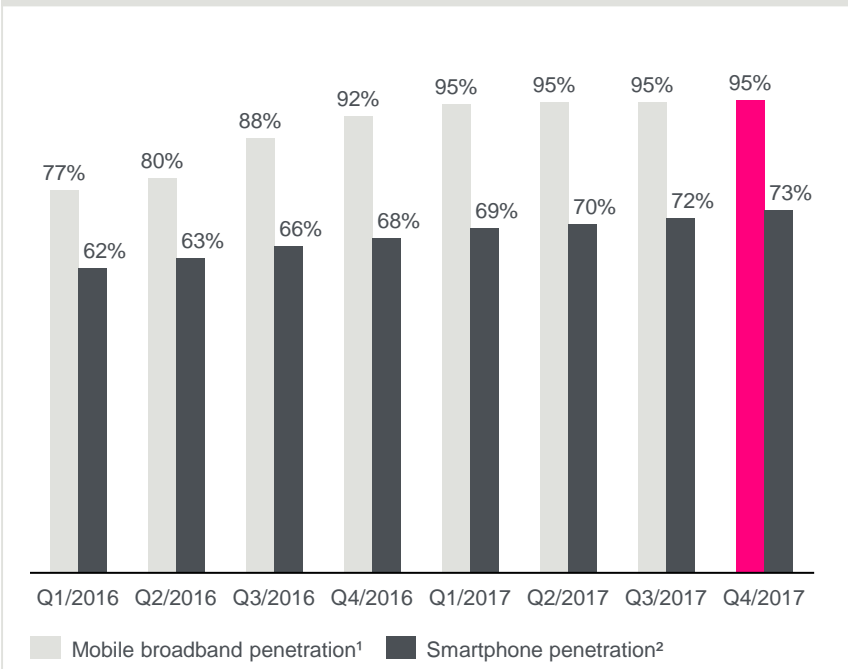


## Key highlights in Q4 2017

- Mobile communication network subscription volumes were up 69,000 year-on-year
    - ✓ - 12,000 prepaid mobile subscriptions
    - ✓ + 80,000 postpaid mobile subscriptions
  - or
  - ✓ - 10,000 new Consumer Business customer subscriptions
  - ✓ + 79,000 new Corporate Business customer subscriptions
- 
- The amount of mobile subscriptions increased during Q4/2017 from the end of Q3/2017 by 21,000
    - ✓ + 10,000 consumer customer subscriptions
    - ✓ + 11,000 corporate customer subscriptions

# Steady growth of mobile broadband and smartphone penetration

## Mobile broadband and smartphone penetration



## Key highlights in Q4 2017

- ✓ Smartphone penetration continues to increase and was 73%
  - Practically all phones sold in the market in the fourth quarter were smart phones and mostly 4G models
- ✓ Mobile broadband penetration level was 95%

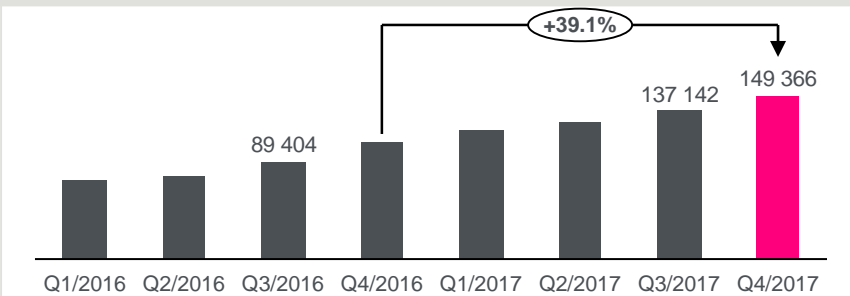
**Notes**

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

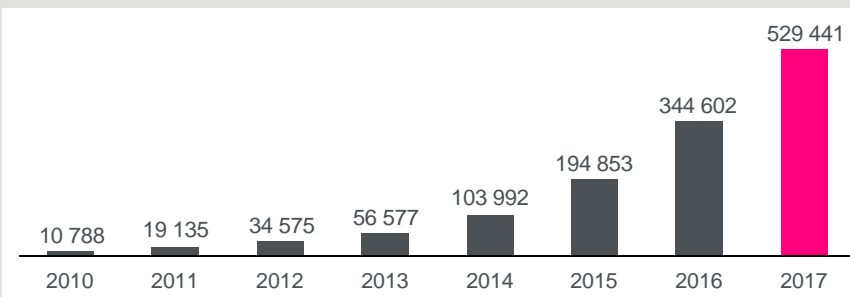
2. iOS (iPhone)-, Bada-, MeeGo-, Android-, BlackBerry-, Symbian 3+ and Windows phones of the total phone base

# 88% of all mobile data usage was transferred in 4G network

Mobile data traffic (GB, '000)



Mobile data traffic (GB, '000)

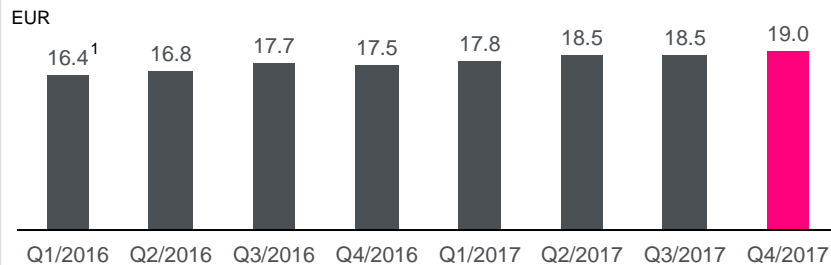


Key highlights in Q4 2017

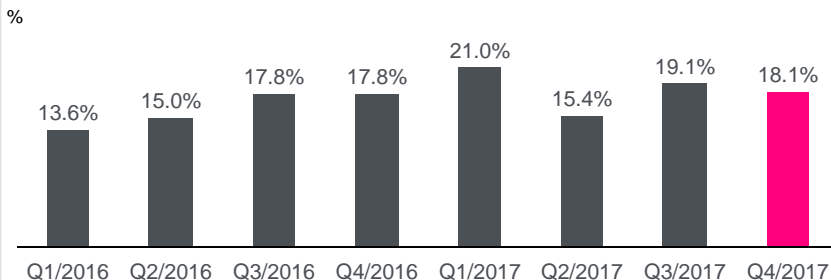
- Mobile data traffic has almost tripled during the past three years
- DNA's 4G mobile data traffic grew more than 51% during the last quarter
- DNA's total data traffic volume in the mobile communications network grew by 39%. Also data volume per subscription continued to grow in DNA's network
- We make continuous investments in mobile networks and fixed-network broadband to support the customers' growing use of subscriptions, devices and services

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

## Mobile postpaid ARPU increased 8.6% year-on-year



## Mobile postpaid CHURN increased during the fourth quarter, but decreased from the end of Q3/2017



## Key highlights in Q4 2017

- Demand of 4G subscriptions continues to grow steadily. Customers are prepared to pay more for faster data connections
  - ✓ 8.6% increase in ARPU
  - ✓ 4G subscription base 54.3%<sup>2</sup>
  - ✓ 4G subscription base has increased 9.2 %-points year-on-year (Q4/2016: 45.1%)<sup>2</sup>
  
- In the fourth quarter, tight competitive environment and campaigns impacted our subscription turnover rate (CHURN)
  - ✓ CHURN was 18.1% (17.8%)
  - ✓ From the end of Q3/2017, CHURN improved by 1.0%-points

<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)

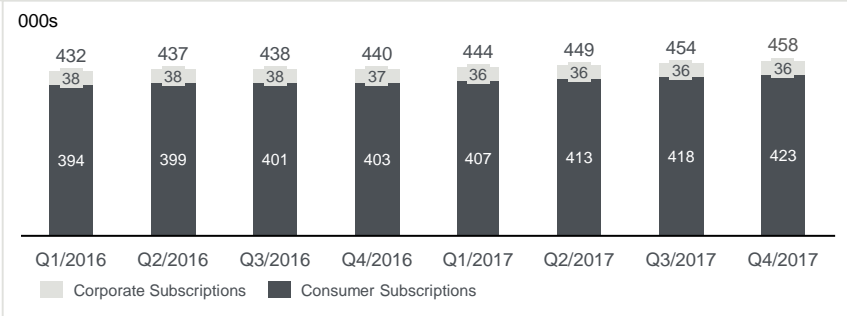
<sup>2</sup> Share of mobile subscriptions in Consumer business

ARPU = Average billing per user

CHURN = Subscription turnover rate

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

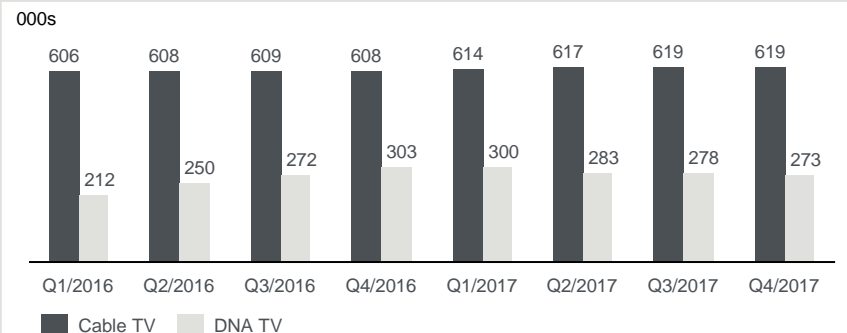
## Fixed broadband subscriptions



## Key highlights in Q4 2017

- Ongoing stable growth of consumer fixed broadband subscriptions, with net +18,000 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

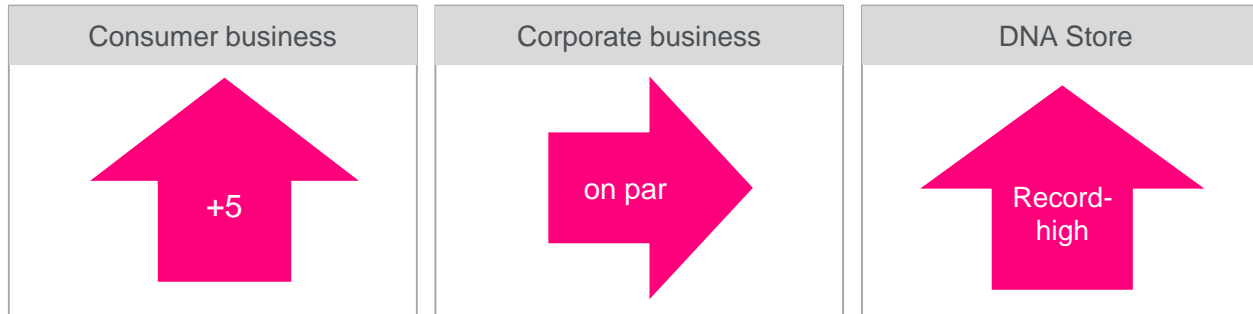


## Key highlights in Q4 2017

- Stable cable-TV subscription base, with net growth of +11,000 subscriptions added
- The use of streaming and on-demand video services continued to grow
- DNA TV subscriptions decreased year-on-year due to reduction in terrestrial tv coverage

# In 2017, our customer satisfaction rates improved further

- Net promoter score (NPS), which measures customer satisfaction by likelihood that a customer would recommend the product or service, improved further
- In Consumer business, NPS improved in all main product categories and the total satisfaction improved by 5 points
- In Corporate business, NPS remained at the same strong level as previous year
- In DNA Stores, NPS was at a record high level



# 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 that 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 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.

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



# Financial review

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## Timo Karppinen, CFO

# Positive development in all financial KPI's

EUR, millions	Q4/2017	Q4/2016	Change %	1-12/2017	1-12/2016	Change %
Net sales	<b>234.6</b>	225.2	4.2%	<b>886.1</b>	858.9	3.2%
EBITDA	<b>65.7</b>	51.3	28.1%	<b>271.8</b>	236.3	15.0%
Comparable EBITDA	<b>65.7</b>	57.5	14.2%	<b>271.8</b>	247.1	10.0%
% of Net Sales	<b>28.0%</b>	25.5%		<b>30.7%</b>	28.8%	
Comparable Operating Result	<b>29.9</b>	20.8	44.2%	<b>126.6</b>	102.1	24.0%
% of Net Sales	<b>12.8%</b>	9.2%		<b>14.3%</b>	11.9%	
Net Result	<b>21.6</b>	9.6	123.8%	<b>93.1</b>	65.2	42.8%
% of Net Sales	<b>9.2%</b>	4.3%		<b>10.5%</b>	7.6%	
Operative Capex	<b>67.3</b>	52.0	29.5%	<b>132.9</b>	136.9	-2.9%
% of Net Sales	<b>28.7%</b>	23.1%		<b>15.0%</b>	15.9%	
Operating FCF <sup>1</sup>	<b>-1.7</b>	5.5	-130.8%	<b>138.9</b>	110.2	26.0%
Net Debt	<b>304.3</b>	321.7		<b>304.3</b>	321.7	
Net Debt / EBITDA	<b>1.16</b>	1.57		<b>1.12</b>	1.36	

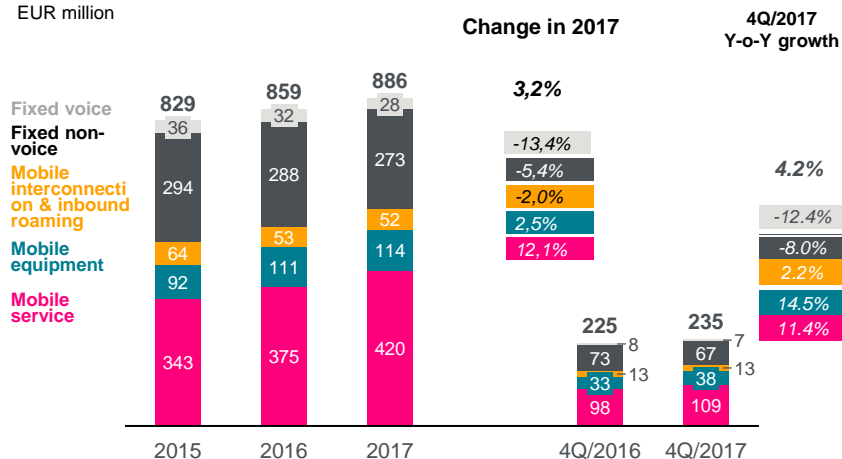
**Note**

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

# Growth in high-margin mobile services

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

EUR million



## Key highlights in Q4 2017

- Mobile service revenue grew during the last quarter
  - ✓ Growth was 11.4% in Q4/2017
  - ✓ Average revenue per user (ARPU) grew 8.6% and was EUR 19.0
- Mobile equipment sales were on a record high level
- Revenue from fixed voice continued to decline as expected
- Mobile interconnection & inbound roaming was at the same level as the comparison 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 Q4

Net sales EUR 175.4 million (+5.1%)

- Low-margin equipment sales was at a record high level
- + Revenue per user (ARPU)<sup>1</sup> increased +9.7% -> EUR 20.4

Comparable EBITDA EUR 46.7 million (+13.6%)

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

## Corporate business in Q4

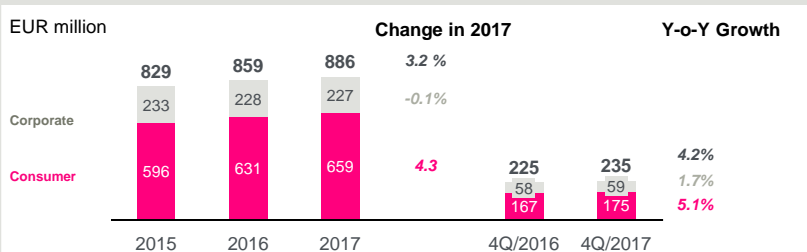
Net sales EUR 59.2 million (+1.7%)

- + Net sales were positively impacted by the increase in mobile subscriptions and strong equipment sales
- + Corporate customers' mobile ARPU increased 2.9% and was EUR 14.0

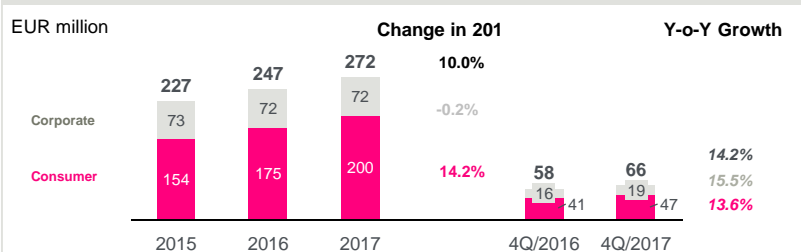
Comparable EBITDA EUR 19.0 million (+15.5%)

- + Improved cost-efficiency of our modern network platforms and increase in service revenue

### Net sales, EUR million



### Comparable EBITDA, EUR million



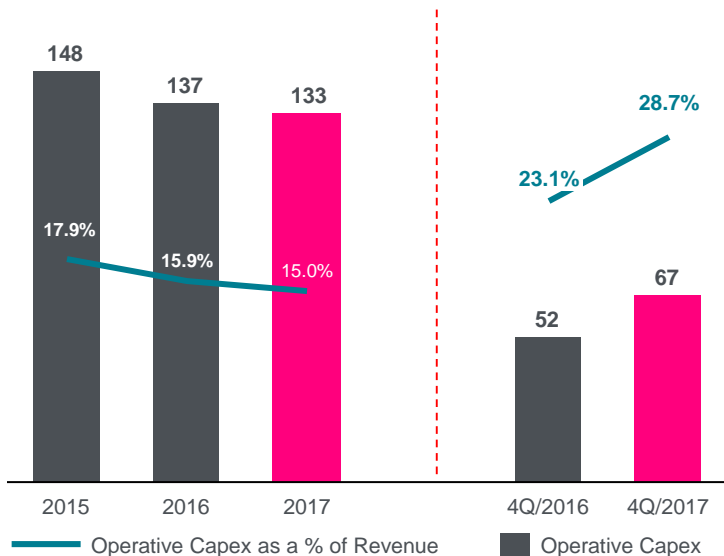
ARPU = average revenue per user

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

# Operative capital expenditure

## Operative capex<sup>1</sup> decreased for three years in a row

EUR million



## Key highlights in Q4 2017

- Operative capital expenditure increased 29.5% from the comparison period and was EUR 67.3 million (52.0), or 28.7% of net sales (23.1%).
  - ✓ Timing of investments are typically dated towards the year-end

## Key investments in 2017

- In 2017, operative capex decreased 2.9% from comparison year and was EUR 132.9 million (136.9), or 15.0% of net sales
- Major individual items included in capital expenditure in the review period are 4G network capacity expansion, fibre optics networks and transmission systems
- The focus of DNA's mobile communication network investments has shifted from coverage to capacity expansion

Source: Company Information

**Note**

1. Operative capex excluding spectrum license payments

# Free cash flow to equity at a good level

EUR million	2014	2015	2016	2017
<b>Comparable EBITDA</b>	<b>211</b>	<b>227</b>	<b>247</b>	<b>272</b>
Operative Capex	(143)	(148)	(137)	(133)
<b>Operating FCF</b>	<b>68</b>	<b>79</b>	<b>110</b>	<b>139</b>
<i>Margin %</i>	8.2%	9.5%	12.8%	15.7 %
<i>Cash Conversion %</i>	32.3%	34.7%	44.6%	51.1 %
Interest paid, net	(9)	(8)	(9)	(9)
Income taxes, paid	(11)	2	(5)	(26)
Adjusted Change in NWC	(2)	38	(1)	19
Change in Provisions	3	(9)	(2)	(5)
<b>FCFE</b>	<b>49</b>	<b>101</b>	<b>93</b>	<b>119</b>
<i>Margin %</i>	5.9%	12.2%	10.8%	13.4 %

## Key highlights in Q4 2017

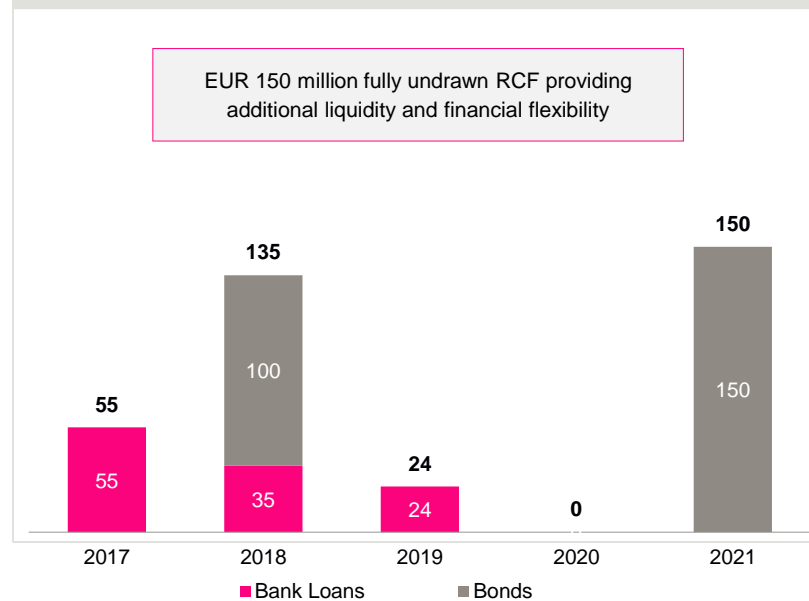
- Operating free cash flow to comparable EBITDA was high due to favorable EBITDA and lower operative capex
- Paid taxes were higher than in the comparison period, but on a more normal level (the comparison period included tax refunds from previous years)
- Adjusted change in net working capital was affected by an increase in trade payables

## Low cost capital structure

Low weighted average cost of debt of 2.33%

	Maturity	Nominal Amount € MM	Book Value € MM	Cost of Debt
Unsecured € Bond 2.875% Coupon	Mar-2021	150	149	2,93 %
Unsecured € Bond 2.625% Coupon	Nov-2018	100	99	2,73 %
Bank Loans and Commercial Paper		79	79	0,74%
<b>Total</b>		<b>329</b>	<b>328</b>	<b>2,33%</b>
<b>Cash &amp; Cash Equivalents</b>			<b>-24</b>	
<b>Net Debt</b>			<b>304</b>	
<b>Net Debt/EBITDA<sup>1</sup></b>			<b>1,12</b>	

Debt maturity schedule, EUR million



### Notes

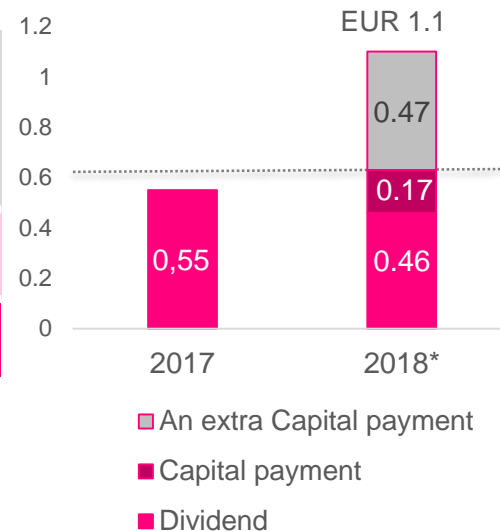
1. Defined as net debt divided by comparable EBITDA, rolling 12 months.



## Board proposal for 2017 distributable funds

Dividend	EUR 0.46 /per share	} EUR 0.63 /per share
A capital payment from the reserve for invested unrestricted equity	EUR 0.17 /per share	
An extra capital payment from the reserve for invested unrestricted equity	EUR 0.47 /per share	
<b>Total:</b>	<b>EUR 1.10 / per share</b>	

- Total payout (EUR 1.10) 7.0% (as of 31 Dec 2017)
- Dividend and capital payment (EUR 0.63) is 70.0% of DNA's free cash flow to equity
- In total, dividend and capital payments from the reserve for invested unrestricted equity (EUR 1.10) is 122.2% of DNA's free cash flow to equity



\* The Board of Director's proposal for the Annual General

## EBITDA margin to reach at least 32 per cent in mid-term

We have updated our medium-term financial targets:

Target	2017	2016
Net sales growth faster than average market growth		
<b>EBITDA margin of at least 32%</b> (previously at least 30%)	<b>30.7%</b>	27.5%
Operative capital expenditure less than 15% of net sales excluding spectrum licence payments	<b>15.0%</b>	15.9%
Net debt/EBITDA ratio of less than 2.0 which may temporarily be exceeded if DNA finds appealing acquisition opportunities that allow the company to complement its offering in existing markets	<b>1.12</b>	1.36

## Financial objectives and policy

### Financial guidance for 2018 revised

- DNA's net sales and the 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.

### Mid-term financial targets re-iterated

- 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
- Board proposal is to distribute dividend of EUR 0.46 /share and a capital payment of EUR 0.17 /share from the reserve for invested unrestricted equity, in total EUR 0.63 /share. Also, an extra capital payment of EUR 0.47 /share to be distributed from the reserve for invested unrestricted equity. In total, EUR 1.10 /share.
- Total payout is EUR 145 million, EUR 1.10 /share, 7.0% (as of 31 Dec 2017)

# Thank you!

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# KPI Overview

## Mobile KPIs

	2015	2016	2017	4Q/2016	4Q/2017
<b>Mobile Revenue (€ MM)</b>	<b>499</b>	<b>539</b>	<b>586</b>	<b>145</b>	<b>161</b>
Service	343	375	420	98	109
Equipment Sales	92	111	114	33	38
Interconnection & Inbound Roaming	64	53	52	13	13
<b>Mobile Subscriptions (000s)<sup>1</sup></b>	<b>2 621</b>	<b>2 742</b>	<b>2 811</b>	<b>2 742</b>	<b>2 811</b>
Postpaid	2 199	2 338	2 418	2 338	2 418
Prepaid	422	404	392	404	392
Consumer	2 183	2 262	2 252	2 262	2 252
Corporate	438	480	559	480	559
<b>ARPU, Mobile Handset Subscriptions (€/month)<sup>2</sup></b>					
Postpaid	17,0	17,1	18,4	17,5	19,0
Prepaid	4,1	3,8	3,8	3,8	4,0
Consumer (postpaid)	17,7	18,0	19,6	18,6	20,4
Corporate (postpaid)	14,6	13,9	13,8	13,6	14,0
<b>Annualised Mobile Handset Subscriptions Churn (%)</b>					
Postpaid	16,0%	16,1%	18,3%	17,8%	18,1%

## Fixed KPIs

	2015	2016	2017	4Q/2016	4Q/2017
<b>Fixed Revenue (€ MM)</b>	<b>330</b>	<b>320</b>	<b>300</b>	<b>81</b>	<b>74</b>
Non-Voice Revenues	294	288	273	73	67
Voice Revenues	36	32	28	8	7
<b>Fixed Broadband Subscriptions (000s)</b>	<b>436</b>	<b>440</b>	<b>458</b>	<b>440</b>	<b>458</b>
Consumer	394	403	423	403	423
Corporate	42	37	36	37	36
<b>Fixed Voice Subscriptions (000s)</b>	<b>78</b>	<b>65</b>	<b>53</b>	<b>65</b>	<b>53</b>
Consumer	37	30	25	30	25
Corporate	41	35	29	35	29
<b>Cable-TV Subscriptions (000s)</b>	<b>606</b>	<b>608</b>	<b>619</b>	<b>608</b>	<b>619</b>

### Notes

1. Excludes M2M subscriptions
2. Includes interconnection revenues