

A high-angle photograph of two young girls sitting on the white concrete steps of a swimming pool. The girl on top is wearing a pink and white striped tank top and a dark blue skirt, with white headphones. The girl on the bottom is wearing a blue denim dress and pink headphones. The pool water is a vibrant blue, and the scene is brightly lit, casting shadows on the pool deck.

# DNA Plc Half year 2017 report

18 July, 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

### Q2 & H1 2017 highlights:

- ✓ Q2 highlights
- ✓ DNA's key operational KPIs and development of subscription base
- ✓ Increase in data traffic volumes and EU-roaming
- ✓ DNA's strategic objectives

## Financial review – Timo Karppinen, CFO



A photograph of two young girls running outdoors. The girl in the foreground is wearing a red top and denim overalls, and the girl behind her is wearing a pink and white striped tank top. They are both smiling and appear to be in motion. The background is a blurred green field and trees under a blue sky.

# Business Review

Jukka Leinonen, CEO

# April-June 2017: net sales and profitability continued to increase



## Net sales increased 4.3% and amounted to EUR 219.3 million (210.2 million).

- Strong growth of service revenue\* continued. Service revenue was boosted in particular by the growth in the amount of mobile subscriptions and increased share of 4G subscriptions
- Good development on mobile device sales effected positively on net sales



## Good development of service revenue improved profitability further

- EBITDA increased 15.5% and was EUR 67.6 million (58.6 million) mainly due to increase in service revenue
- The increase was fuelled also by improved cost-efficiency of our modern network platforms
- The operating result increased 36.8% and was EUR 30.5 million (22.3 million). Operating result as a percentage of net sales increased and was 13.9% (10.6%)



## Strong momentum of operational KPI's

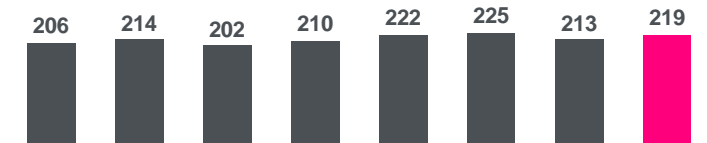
- Revenue per user for mobile communications (ARPU) increased and was EUR 18.5 (EUR 16.8)
- The subscription turnover rate (CHURN), which increased in the first quarter due to changes in the price and product design of certain subscription types, returned to its normal level during the second quarter and was 15.4% (15.0%)
- Mobile subscription base grew by 3.2% from the comparison period and was 2.754,000 (2.668,000) subscriptions
- Subscription base for fixed broadband, cable and fixed voice services subscriptions increased by 9,000 and totalled 1,125,000 subscriptions

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

# April-June 2017 – strong development in profitability

## Net sales grew from the comparison period + 4.3%

EUR million +4.3% in Q2/2017

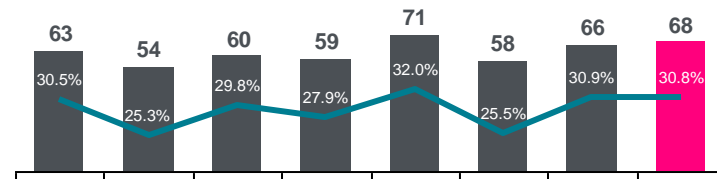


Q3/2015 Q4/2015 Q1/2016 Q2/2016 Q3/2016 Q4/2016 Q1/2017 Q2/2017

■ Net sales

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

EUR million + 15.5% in Q2/2017

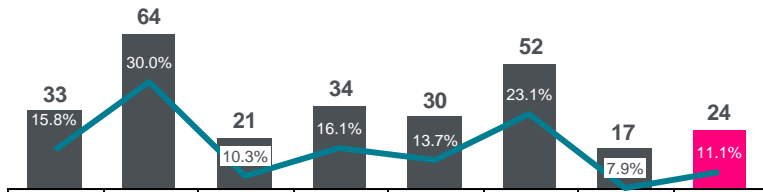


Q3/2015 Q4/2015 Q1/2016 Q2/2016 Q3/2016 Q4/2016 Q1/2017 Q2/2017

— Comparable EBITDA as a % of Revenue ■ Comparable EBITDA

## Operative capex was at a low level during Q2 but we expect it to increase towards the year end

EUR million -27.9% in Q2/2017

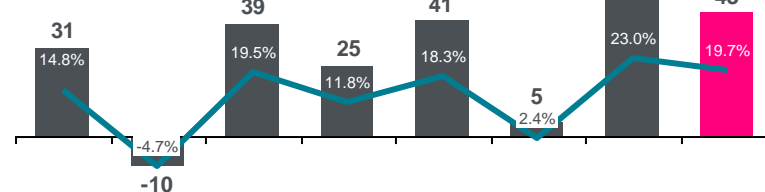


Q3/2015 Q4/2015 Q1/2016 Q2/2016 Q3/2016 Q4/2016 Q1/2017 Q2/2017

— Operative Capex as a % of Revenue ■ Operative Capex

## Operating cash flow<sup>3</sup> improved through increase in profitability and decrease in investments

EUR million



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

— 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

## January-June 2017: DNA had a strong first half year

EUR 432.7  
million  
+5.0%<sup>2</sup>

Net sales

2.754,000  
+86 000<sup>2</sup>

Mobile communications subscriptions

EUR 133.6  
million  
+12.5%<sup>2</sup>

Comparable EBITDA

1.125,000  
+9,000<sup>2</sup>

Fixed-network subscriptions

EUR 92  
million  
+44.2%<sup>2</sup>

Operative free cash flow

1.066,000  
+21,000<sup>2</sup>

Fixed broadband and cable TV subscriptions

EUR 358.3  
million  
1.43

Net debt

Net debt/ EBITDA (rolling 12 months)

18.1%

Mobile CHURN for postpaid subscriptions

### Notes

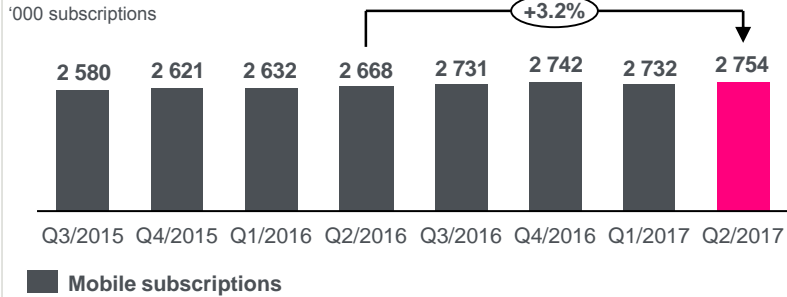
1. Includes subscribers who hold contract for DNA's TV packages transmitted via cable or a bundle package including a Cable-TV product

2. Compared to H1/2016

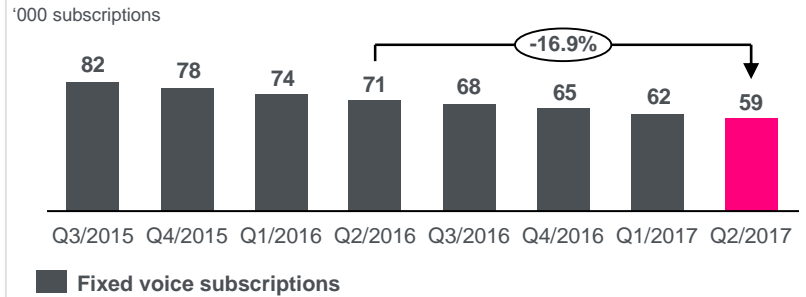
CHURN = Customer turnover rate

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

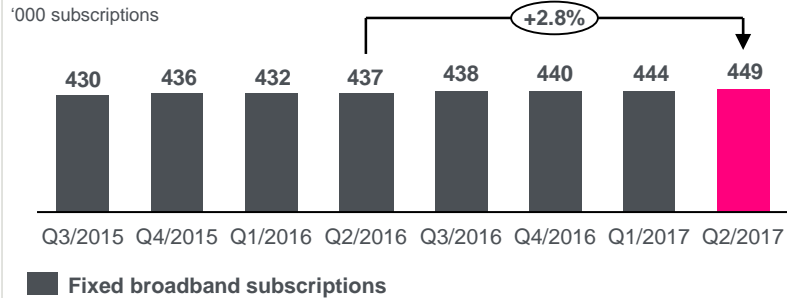
Mobile communication network subscription volumes up by 86,000 from the comparison period



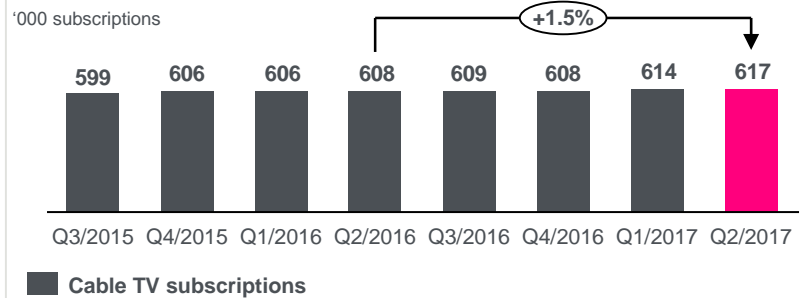
Our customers kept moving away from using fixed-voice subscriptions



Our fixed network broadband subscription base increased by 12,000 subscriptions

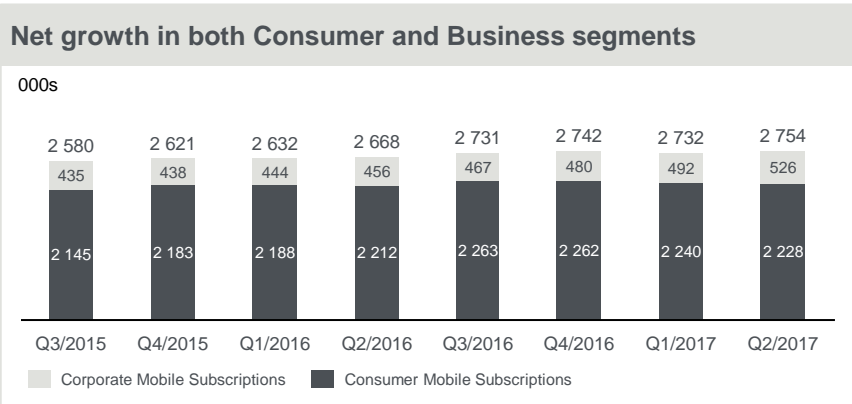
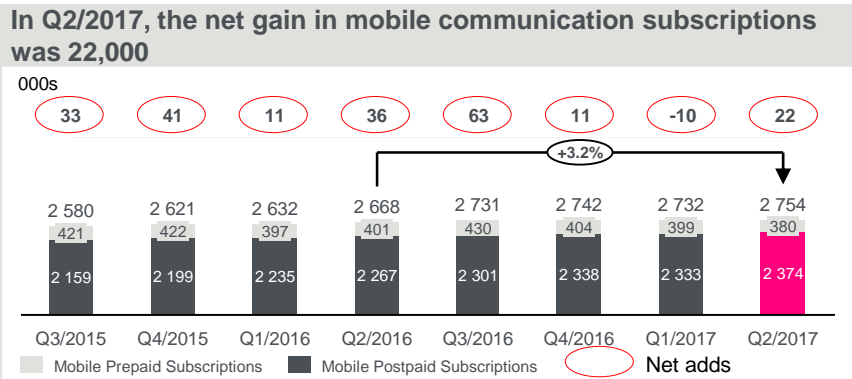


The amount of cable TV subscriptions increased by 9,000 from the comparison period





# In Q2/2017, subscriptions in DNA's mobile network increased by 86,000

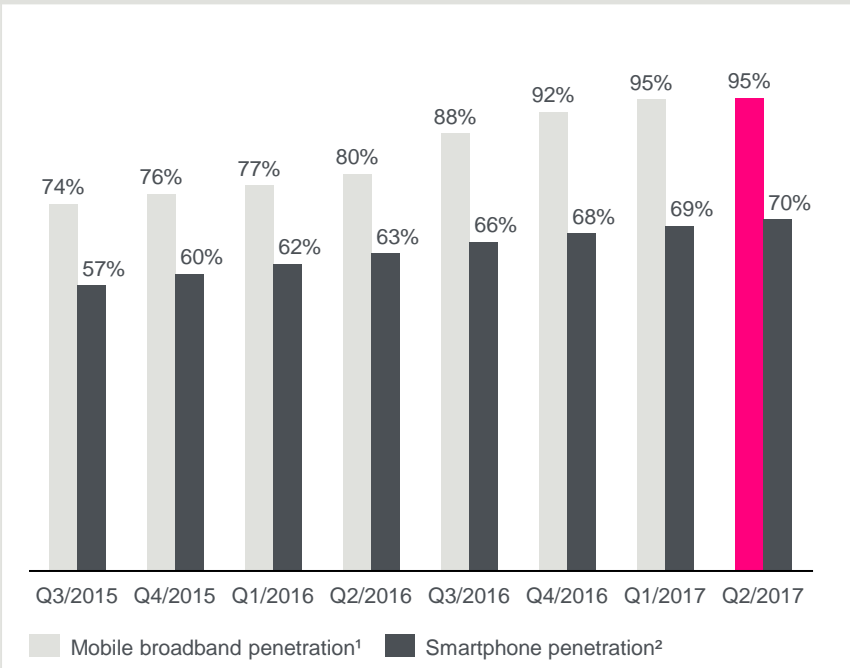


## Key highlights in Q2 2017

- Mobile communication network subscription volumes were up + 86,000 year-on-year
  - ✓ -21,000 prepaid mobile subscriptions
  - ✓ + 107,000 postpaid mobile subscriptions
  - or
  - ✓ +16,000 new Consumer Business customer subscriptions
  - ✓ + 70,000 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.
- The amount of mobile subscriptions increased during Q2/2017 compared to end of Q1/2017 by +22,000
  - ✓ +34,000 new corporate customer subscriptions
  - ✓ -12,000 consumer customer subscriptions (consumer mobile postpaid subscriptions' increase was more than 6,000)

# Steady growth of mobile broadband and smartphone penetration

## Mobile broadband and smartphone penetration



## Key highlights in Q2 2017

- 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 95%

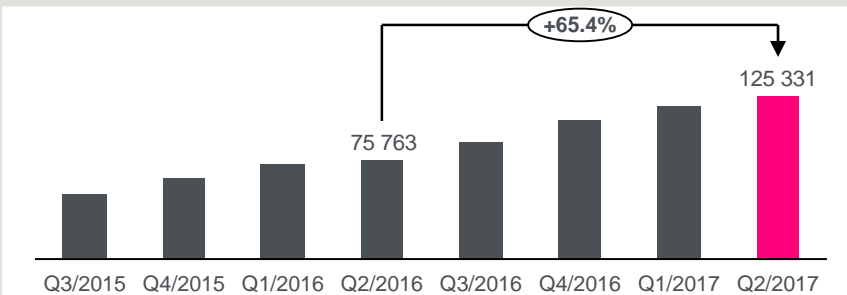
### Notes

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

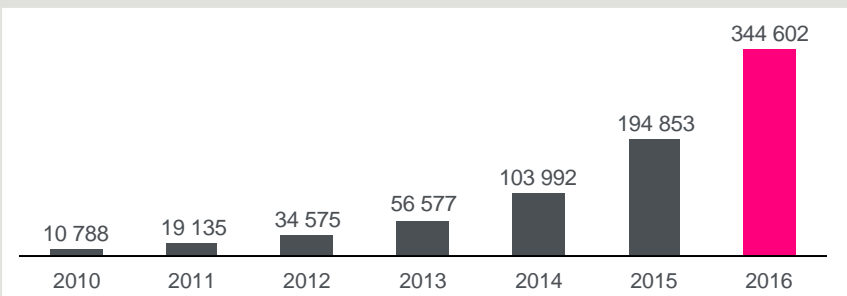
2. iOS (iPhone)-, Bada-, MeeGo-, Android-, BlackBerry-, Symbian 3+ and Windows phones of the total phone base

# Mobile data usage continues to grow driven by 4G

Mobile data traffic (GB, '000)



Mobile data traffic (GB, '000)

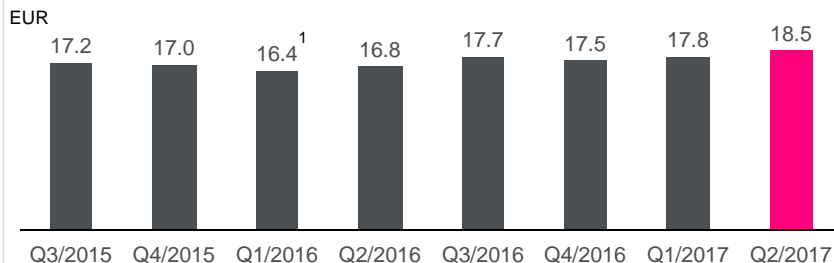


Key highlights in Q2 2017

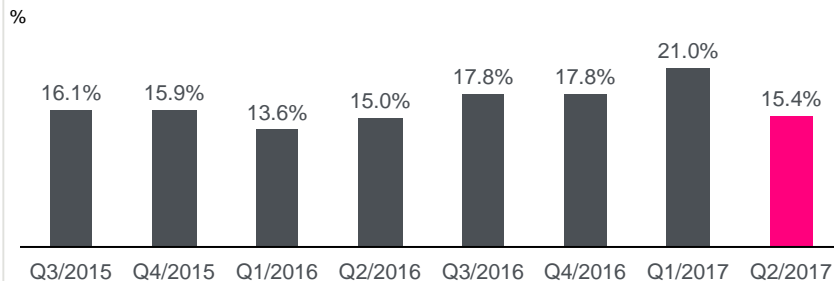
- DNA's 4G mobile data traffic increased 90% from the comparison period
- DNA's total data traffic volume in the mobile communications network grew 65%. Also data volume per subscription continued to grow in DNA's network
- We make continuous investments in mobile networks and fixed-network broadband to support the customers' growing use of subscriptions, devices and services
- We took another step toward 5G by testing a 1Gbps speed on our 4G-mobile network

# Revenue per user (ARPU) for mobile communications improved

## Positive mobile postpaid ARPU development



## Mobile postpaid CHURN returned to its usual level during the second quarter



## Key highlights in Q2 2017

- Steady growth of 4G subscriptions drives increase in ARPU, as customers are prepared to pay more for faster data connections
  - ✓ 9.7% increase in ARPU
  - ✓ 4G subscription base 50.5%
- Mobile communications subscription base grew 3.2% from Q2/2016
  - ✓ +86,000 subscriptions
- The subscription turnover rate (CHURN), which increased in the first quarter due to changes in the price and product design of certain subscription types, returned to its normal level during the second quarter
  - ✓ CHURN decreased and was 15.4% (2016: 15.0%)

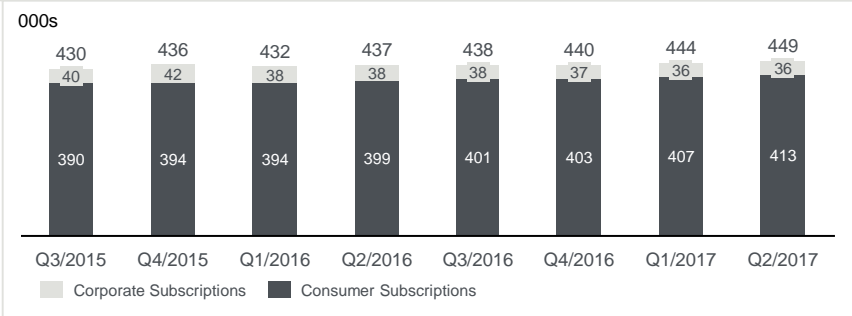
CHURN = Subscription turnover rate

<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

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

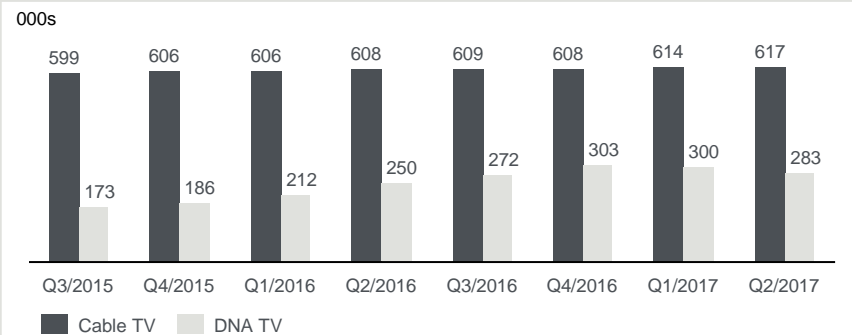
## Fixed broadband subscriptions



## Key highlights in Q2 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 in Q2 2017

- Stable cable-TV subscription base, with net 9,000 subscriptions added
- The use of streaming and on-demand video services continued to grow
- DNA's remaining DVB-T format pay-TV channels switched to DVB-T2 technology at DTT network. Some customers were left outside the coverage as a consequence of the change.
- DNA TV subscriptions decreased from the early part of the year by 17 000

# Data traffic volume in DNA's mobile network reaches record level

- Data traffic in DNA's mobile network grew by 60 per cent from the year before. Also data volume per subscription continued to grow in DNA's network.
- According to a recent report\* published by Tefficient, DNA users are the most frequent mobile data users in Finland.
- In Q2/2017, the average subscription-specific amount of mobile data was 15.2 gigabytes per month (in 2016: 10,7 gigabytes)
- 4G traffic is on a steep growth path: today, over 80 per cent of all data is transmitted over the 4G network
- Traffic over DNA's fixed network is also growing. During the year, DNA's fibre network update was finalized to enable broadband speeds of up to one gigabyte without any changes to the inhouse cabling



\* Tefficient is an international analysis, benchmarking and consulting company in the telecommunications industry, who published report on mobile data usage on 13 July 2017.

# The new EU roaming regulation entered into force on 15 June 2017

- Domestic rate for roaming calls and messages in the EU
- The unit price of data used in the EU fell by more than 90%
  - The new EU pricing scheme is valid within fair usage limits and for periodic roaming
- DNA launched new subscriptions in June that include an 10 gigabytes per month EU data package in the monthly fee
- Our customers' use of mobile data abroad has multiplied, after the "roam like at home" rules came into force, also phone calls and text messages in EU countries have increased by dozens of percentages
- Our roaming costs are compensated by the EU-baseline tariff of old subscriptions and the higher price of the new subscriptions with an EU data package.



# 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 has returned to the growth path and the value of telecommunications market has also returned to the growth path.

Competition is expected to remain intense for the rest of the year 2017.

Mobile data traffic is growing strongly, boosted by the growing number of 4G subscriptions and increased mobile data usage per user.

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.

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

A photograph of two young women lying on their stomachs on a red blanket on the grass. They are both looking at a tablet computer held by the woman on the right. The woman on the left has long blonde hair and is wearing a red top and blue denim overalls. The woman on the right has dark hair and is smiling. The background is a blurred outdoor setting with trees and a building.

# Financial review

Timo Karppinen, CFO

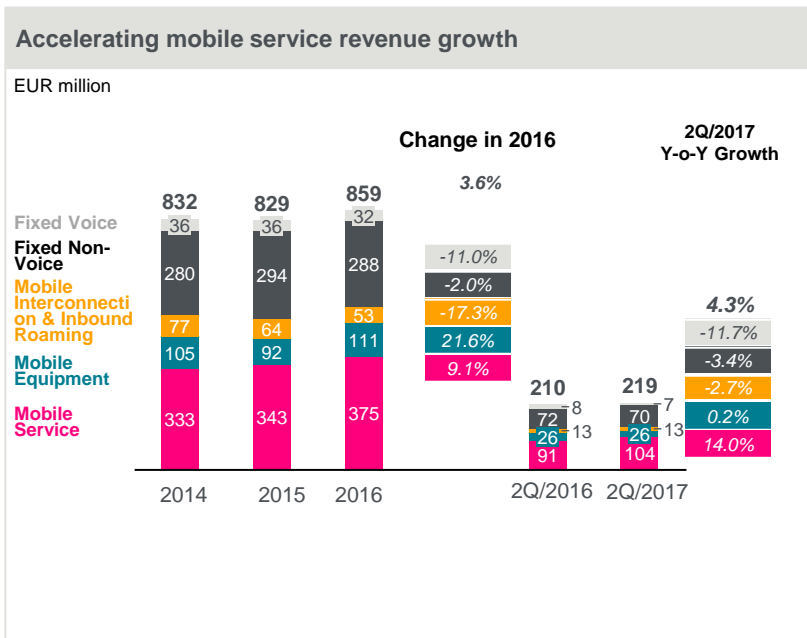
# Strong momentum in net sales, profitability and cash flows

EUR, millions	Q2/2017	Q2/2016	Change %	1-6/2017	1-6/2016	Change %	FY 2016
Net sales	<b>219,3</b>	210,2	4,3%	<b>432,7</b>	412,2	5,0%	<b>858,9</b>
EBITDA	<b>67,6</b>	58,6	15,5%	<b>133,6</b>	118,7	12,5%	<b>236,3</b>
Comparable EBITDA	<b>67,6</b>	58,6	15,5%	<b>133,6</b>	118,7	12,5%	<b>247,1</b>
% of Net Sales	<b>30,8%</b>	27,9%		<b>30,9%</b>	28,8%		<b>28,8%</b>
Comparable Operating Result	<b>30,5</b>	22,3	36,8%	<b>59,4</b>	47,4	25,2%	<b>102,1</b>
% of Net Sales	<b>13,9%</b>	10,6%		<b>13,7%</b>	11,5%		<b>11,9%</b>
Net Result	<b>22,5</b>	15,9	41,6%	<b>43,7</b>	34,0	28,3%	<b>65,2</b>
% of Net Sales	<b>10,2%</b>	7,5%		<b>10,1%</b>	8,3%		<b>7,6%</b>
Operative Capex	<b>24,4</b>	33,8	-27,9%	<b>41,1</b>	54,6	-24,7%	<b>136,9</b>
% of Net Sales	<b>11,1%</b>	16,1%		<b>9,5%</b>	13,2%		<b>15,9%</b>
Operating FCF	<b>43,3</b>	24,8	74,6%	<b>92,4</b>	64,1	44,2%	<b>110,2</b>
Net Debt	<b>358,3</b>	412,4		<b>358,3</b>	412,4		<b>321,7</b>
Net Debt / EBITDA	<b>1.32</b>	<b>1.76</b>		<b>1.34</b>	<b>1.74</b>		<b>1.36</b>

**Note**

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

# Growing high-margin mobile service revenue



- Key highlights in Q2 2017**
- Mobile service revenue continued to grow strongly during the second quarter
    - ✓ Growth was +14% in Q2/2017
    - ✓ Average revenue per user (ARPU) grew 9.7% and was EUR 18.5
    - ✓ Average billing per user of new subscriptions contributed to higher average customer billing than in the average on the whole subscription base per user
  - Revenue from fixed voice and interconnection continued to decline
  - Fixed non-voice was affected by decline in pay TV, eg. due to the DVB-T2 change.

# Strong growth in Consumer business, Corporate business also in the growth-path

## Consumer business

Net sales EUR 162.2 million (+5.2%)

- + Net sales were boosted by the positive development in mobile subscription revenues, increased share of 4G subscriptions in the subscription base, and the continued positive development of mobile device sales
- + Revenue per user (ARPU)<sup>1</sup> +11.9% -> EUR 19.7

EBITDA EUR 49.3 million (+17.0%)

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

## Corporate business

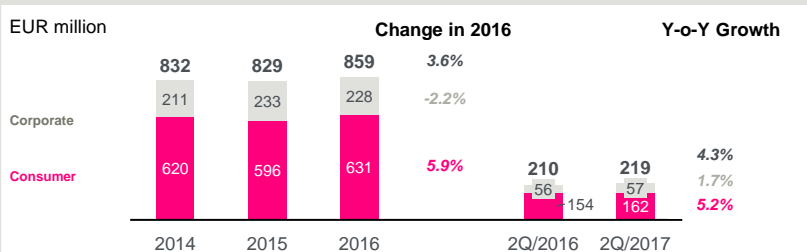
Net sales EUR 57.1 million (+1.7%)

- + Growth came mainly from the customer segment of small and mid size companies

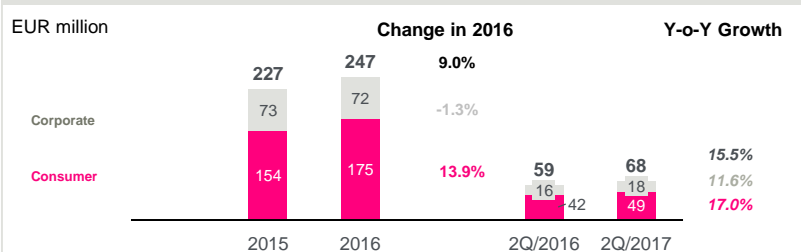
EBITDA EUR 18.3 million (+11.6%)

- + The increase was fuelled by increase in net sales, positive development of subscription sales and a reduction of the provision for unused premises.

### Net sales, EUR million



### EBITDA, EUR million

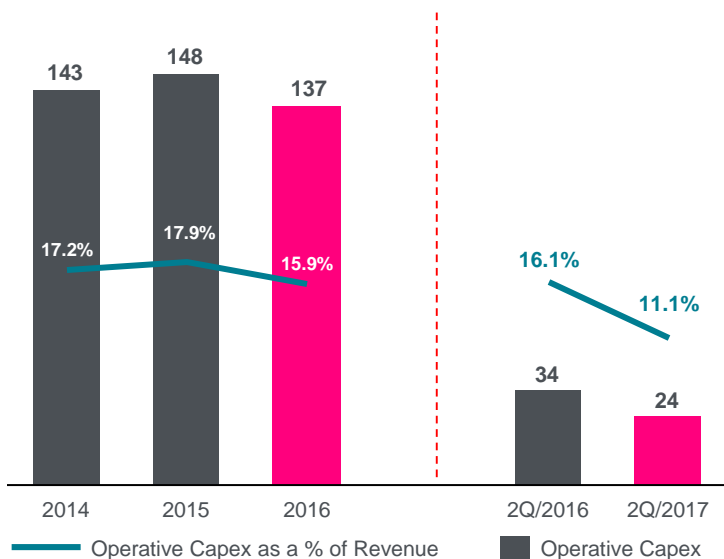


<sup>1</sup> Consumer mobile postpaid handset subscription ARPU

# Operative capital expenditure

## Operative capex development

EUR million



## Key highlights in Q2 2017

- Operative capital expenditure decreased 27.9% from the reference period and was EUR 24.4 million (33.8 million), or 11.1% of net sales (16.1%).
- We expect operative capital expenditure to increase during the second half of 2017, however, it will remain at a lower level than in 2016.

## Key investments in Q1 2017

- 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 expansion to capacity expansion

Source: Company Information

**Note**

1. Operative capex excluding capex for spectrum licenses

# Free cash flow to equity at a good level

CASH FLOW SUMMARY				
EUR million	2014	2015	2016	1-6/2017
<b>Comparable EBITDA</b>	<b>211</b>	<b>227</b>	<b>247</b>	<b>134</b>
Operative Capex	(143)	(148)	(137)	(41)
<b>Operating FCF</b>	<b>68</b>	<b>79</b>	<b>110</b>	<b>92</b>
<i>Margin %</i>	8,2%	9,5%	12,8%	21,4 %
<i>Cash Conversion %</i>	32,3%	34,7%	44,6%	69,2 %
Interest paid, net	(9)	(8)	(9)	(5)
Income taxes, paid	(11)	2	(5)	(10)
Adjusted Change in NWC	(2)	38	(1)	(26)
Change in Provisions	3	(9)	(2)	(3)
<b>FCFE</b>	<b>49</b>	<b>101</b>	<b>93</b>	<b>48</b>
<i>Margin %</i>	5,9%	12,2%	10,8%	11,1 %

## Key highlights in Q2 2017

- Operating free cash flow to comparable EBITDA was high due to favorable EBITDA and low operative capex
- In H1/2017, paid taxes were higher than in the comparison period, but on a more normal level (the comparison period included tax refunds from 2015)
- Adjusted change in net working capital was effected by an increase in receivables and a decrease in liabilities

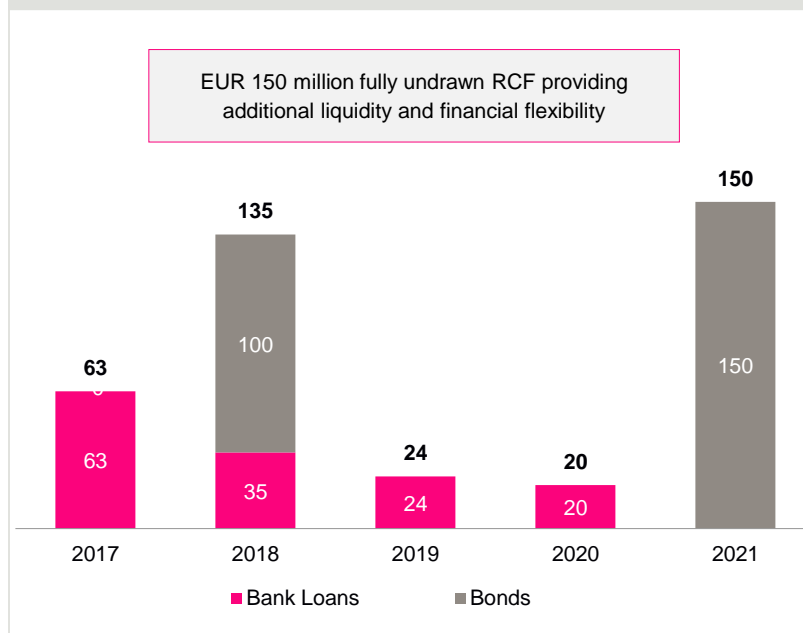


## Low cost capital structure

Low weighted average cost of debt of 2.22%

	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		142	142	0.83%
<b>Total</b>		<b>392</b>	<b>390</b>	<b>2.23%</b>
<b>Cash &amp; Cash Equivalents</b>			<b>-32</b>	
<b>Net Debt</b>			<b>358</b>	
<b>Net Debt/EBITDA<sup>1</sup></b>			<b>1.43</b>	

Debt maturity schedule, EUR million



### Notes

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

## Financial objectives and policy

### Financial guidance for 2017 unchanged

- 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 in 2017

- 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.
- A total dividend of EUR 73 million was paid on April 2017 - dividend yield 5.4% (per 30 Dec 2016)

# Thank you!

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# KPI Overview

## Mobile KPIs

Jun-30	2014	2015	2016	2Q/2016	2Q/2017
<b>Mobile Revenue (€ MM)</b>	<b>515</b>	<b>499</b>	<b>539</b>	<b>130</b>	<b>142</b>
Service	333	343	375	91	104
Equipment Sales	105	92	111	26	26
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>2 668</b>	<b>2 754</b>
Postpaid	2 086	2 199	2 338	2 267	2 374
Prepaid	419	422	404	401	380
Consumer	2 070	2 183	2 262	2 212	2 228
Corporate	435	438	480	456	526
<b>ARPU, Mobile Handset Subscriptions (€/month)<sup>2</sup></b>					
Postpaid	17,8	17,0	17,1	16,8	18,5
Prepaid	4,6	4,1	3,8	3,8	3,7
Consumer (postpaid)	18,3	17,7	18,0	17,6	19,7
Corporate (postpaid)	15,8	14,6	13,9	13,9	13,9
<b>Annualised Mobile Handset Subscriptions Churn (%)</b>					
Postpaid	16,9%	16,0%	16,1%	15,0%	15,4%

## Fixed KPIs

Jun-30	2014	2015	2016	2Q/2016	2Q/2017
<b>Fixed Revenue (€ MM)</b>	<b>316</b>	<b>330</b>	<b>320</b>	<b>80</b>	<b>77</b>
Non-Voice Revenues	280	294	288	72	70
Voice Revenues	36	36	32	8	7
<b>Fixed Broadband Subscriptions (000s)</b>	<b>415</b>	<b>436</b>	<b>440</b>	<b>437</b>	<b>449</b>
Consumer	374	394	403	399	413
Corporate	41	42	37	38	36
<b>Fixed Voice Subscriptions (000s)</b>	<b>100</b>	<b>78</b>	<b>65</b>	<b>71</b>	<b>59</b>
Consumer	51	37	30	34	27
Corporate	49	41	35	37	32
<b>Cable-TV Subscriptions (000s)</b>	<b>593</b>	<b>606</b>	<b>608</b>	<b>608</b>	<b>617</b>

### Notes

1. Excludes M2M subscriptions
2. Includes interconnection revenues