

DNA Plc

January-June 2018 Half Year Financial Report

19 July, 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.

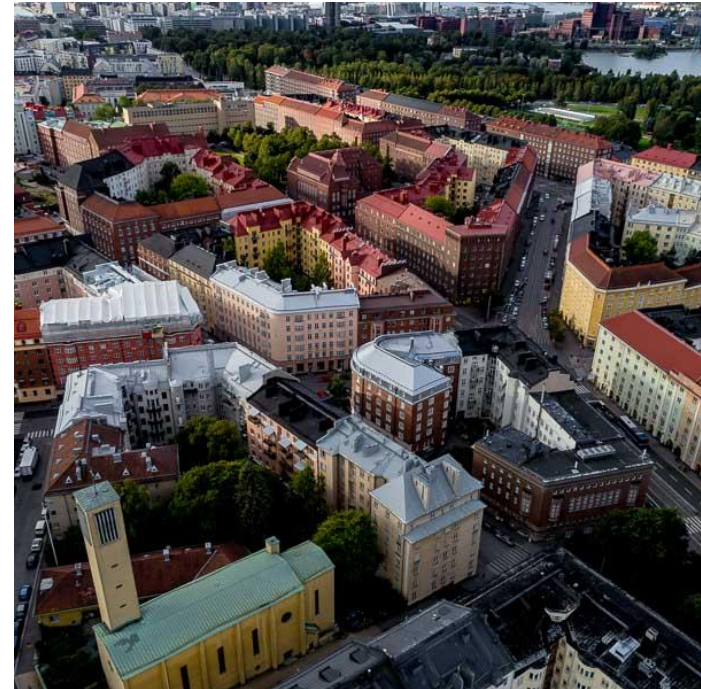
Business review – Jukka Leinonen, CEO

Q2 and H1 2018 business review:

- Highlights of the second 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

April-June 2018: Net sales positive development was fuelled by mobile device sales and 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 2.8% and amounted to EUR 225.5 million (219.3)

- Mobile device sales were up 21.6% from the reference period
- Growth of net sales came mainly from mobile device sales and mobile service revenue which was boosted in particular by the growth of DNA's mobile subscription base and good demand for mobile broadband



Good development of mobile service revenue improved profitability, EBITDA share of net sales was 32.0%

- EBITDA increased 6.8 % and was EUR 72.2 million (67.6)
- The positive development was driven by growth in mobile service revenue and operational efficiency
- The operating result increased 13.1% and was EUR 34.5 million (30.5), percentage of net sales was 15.3% (13.9%)

Strong momentum of operational KPI's

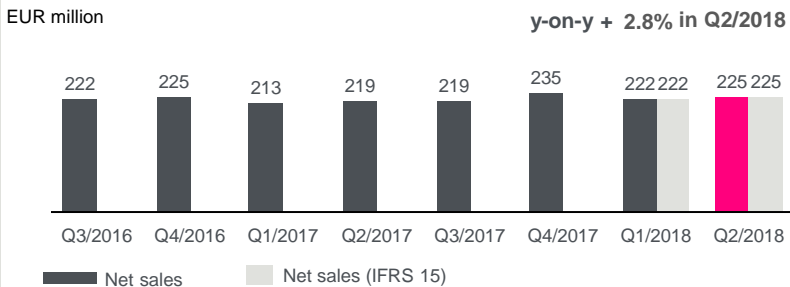


- Revenue per user for mobile communications (ARPU) remained at the reference period level and amounted to EUR 18.5 (EUR 18.5)
- The subscription turnover rate (CHURN) remained in the reference period's good level and was 15.4% (15.4%)
- Mobile subscription base grew 2.7% from the reference period and was 2,827,000 (2,754,000) subscriptions
- Subscription base for fixed network services (fixed broadband, cable tv and fixed voice) increased +12,000 and totalled 1,137,000 subscriptions

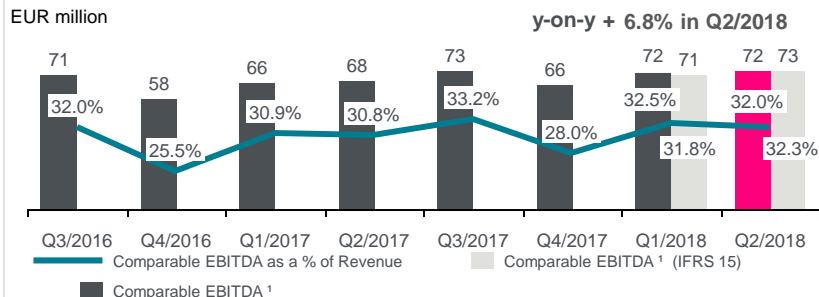
*Mobile service revenue = revenue generated by mobile subscriptions. Consumer and corporate mobile communication and mobile broadband services, corporate M2M services and corporate mobile virtual network operator (MVNO) services.

April-June 2018 – Net sales and EBITDA increased

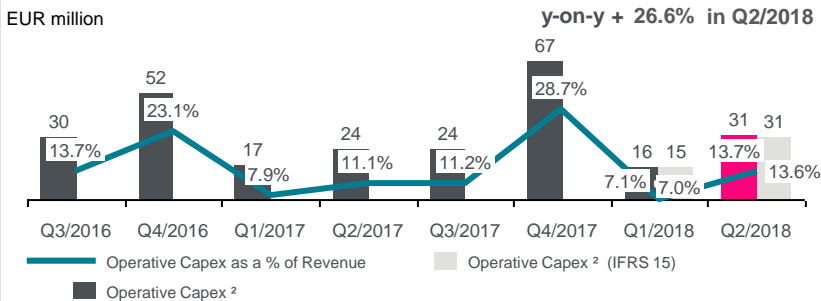
Growth of mobile service revenue (+6.0%) and strong mobile device sales (+21.6%) boosted quarters' net sales



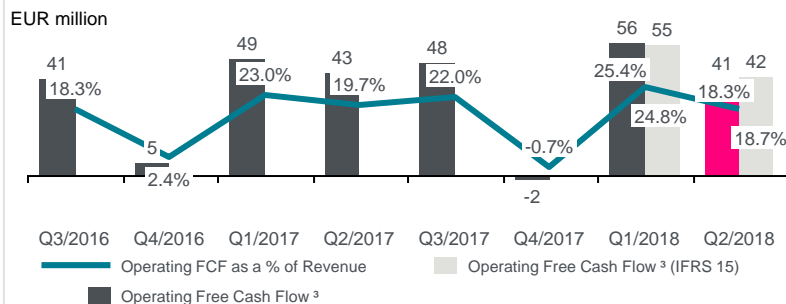
EBITDA¹ margin improved from the reference period and was +32.0%



Operative capex² increased year-on-year



Operating free cash flow³ remained near the reference period level



Notes

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

January-June 2018: DNA had a strong first half year

EUR 447.8
million
+3.5%¹

Net sales

2.827,000
+73 000¹

Mobile communications subscriptions

EUR 144.5
million
+8.2%¹

EBITDA

1.137,000
+12,000¹

Fixed-network subscriptions

EUR 97.7
million
+5.8%¹

Operative free cash flow

1.092,000
+26,000¹

Fixed broadband and cable TV subscriptions

EUR 418.9
million
1.45

Net debt
Net debt/ EBITDA

17.1%

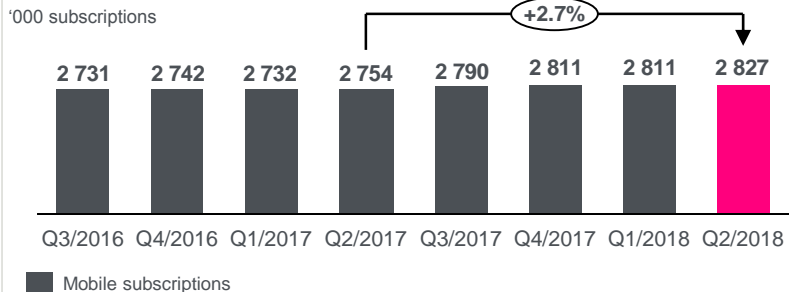
Mobile CHURN for postpaid subscriptions

Notes
1. Compared to H1/2017

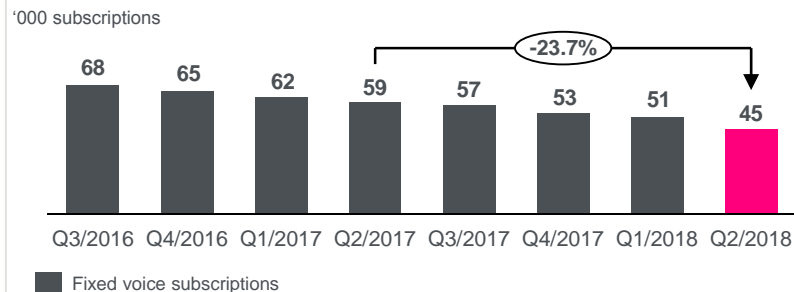
CHURN = Customer turnover rate

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

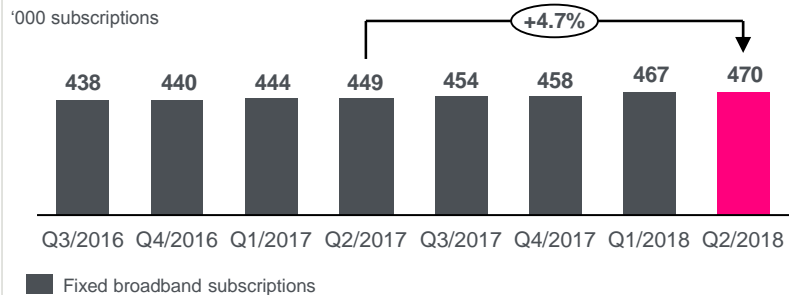
Mobile communication network subscription volumes up by 73,000 from the reference period



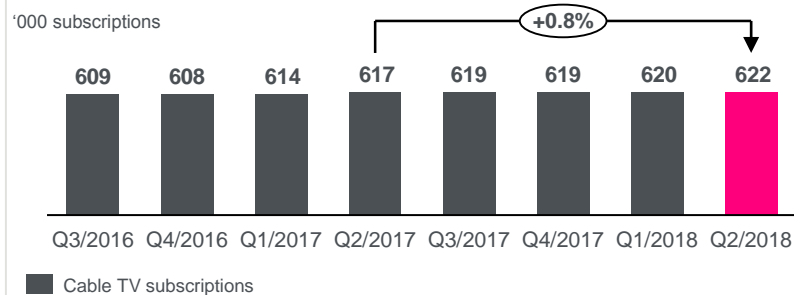
Our customers kept moving away from using fixed-voice subscriptions



Our fixed network broadband subscription base increased by 21,000 subscriptions

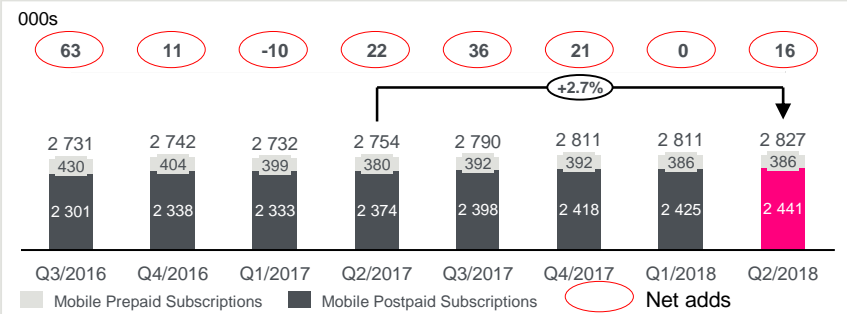


Cable TV subscriptions increased by 5,000

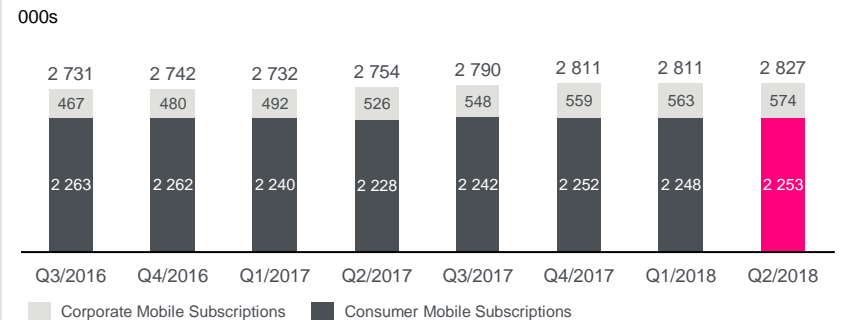


Subscriptions in DNA's mobile network increased by 73,000 from comparison year

Our mobile subscription base grew 2.7% year-on-year



Net growth in both Corporate and Consumer business's subscription base



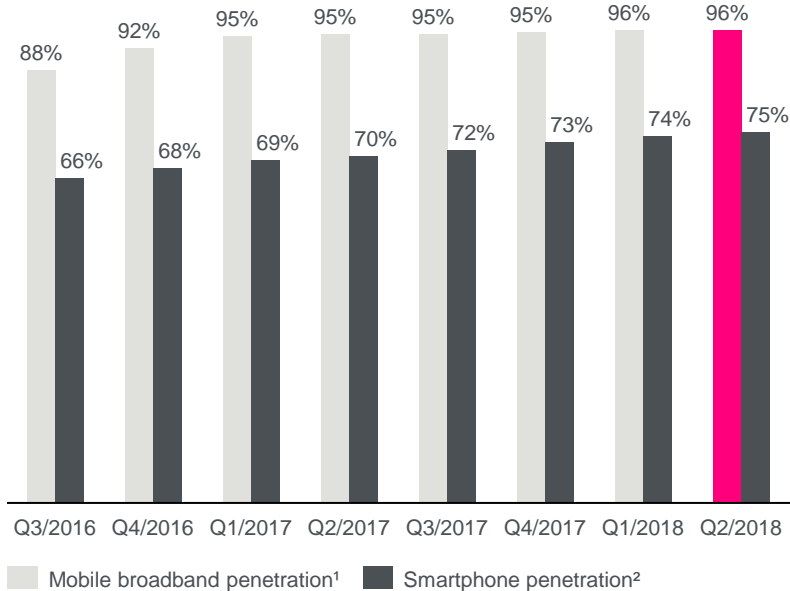
Key highlights in April-June 2018

- Mobile communication subscription volumes were up 73,000 year-on-year
 - ✓ + 6,000 prepaid mobile subscriptions
 - ✓ + 67,000 postpaid mobile subscriptions
 - or
 - ✓ + 25,000 new Consumer Business customer subscriptions
 - ✓ + 48,000 new Corporate Business customer subscriptions

- Mobile subscriptions increased from the end of March 2018
 - ✓ + 5,000 consumer customer subscriptions
 - ✓ + 11,000 corporate customer subscriptions

Steady growth of mobile broadband and smartphone penetration

Mobile broadband and smartphone penetration



Key highlights in April-June 2018

- ✓ Smartphone penetration continued to increase and was 75%
 - Practically all phones sold in the market were smart phones and mostly 4G models
- ✓ Mobile broadband penetration level was 96%

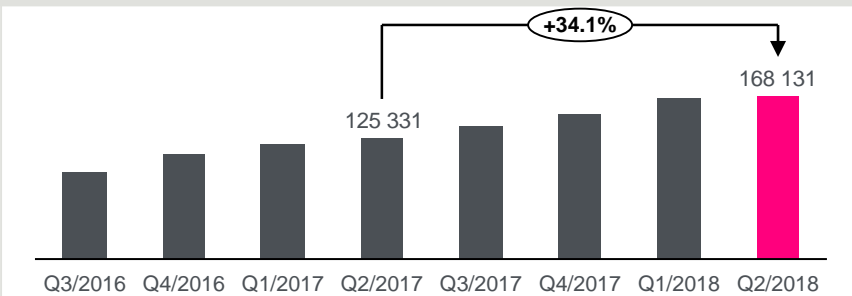
Notes

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

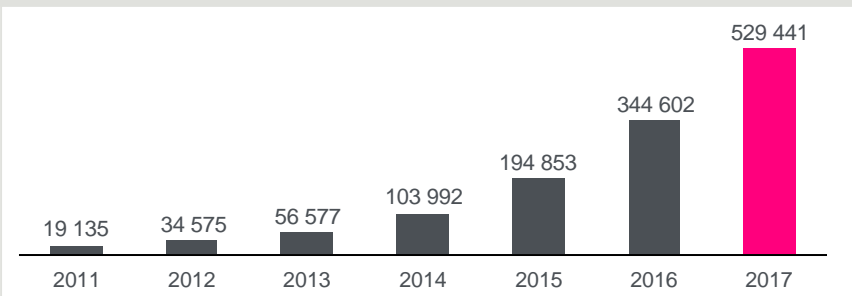
2. iOS (iPhone)-, Bada-, MeeGo-, Android-, BlackBerry-, Symbian 3+ and Windows phones of the total phone base

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

Mobile data traffic (GB, '000)



Mobile data traffic (GB, '000)

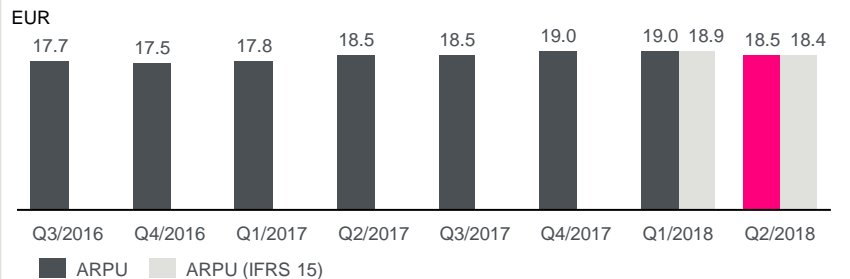


Key highlights in April-June 2018

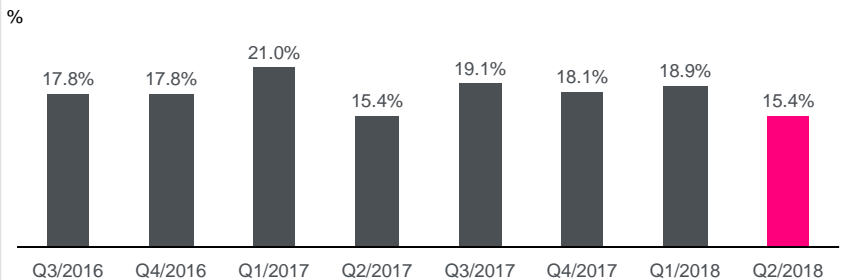
- DNA's 4G mobile data traffic grew in the second quarter more than 43% from the reference period
- DNA's total data traffic volume in the mobile communications network grew by 34 %, also data volume per subscription continued to grow
- Just in the past two years, the quantity of data transferred in DNA's mobile communication network has increased by 120%, and the trend is expected to continue with the expansion of 5G

In the quarter, the subscription turnover rate (CHURN) was low; 15.4%

Mobile postpaid ARPU remained steady year-on-year



Mobile communication CHURN (postpaid) decreased compared to Q1 2018



Key highlights in April-June 2018

- Demand of 4G subscriptions continued to grow steadily
 - ✓ 4G subscription base 57.9%¹
 - ✓ 4G subscription base has increased 7.4 %-points year-on-year (Q2/2017: 50.5%)¹
 - ✓ 0.3% increase in ARPU from the reference period

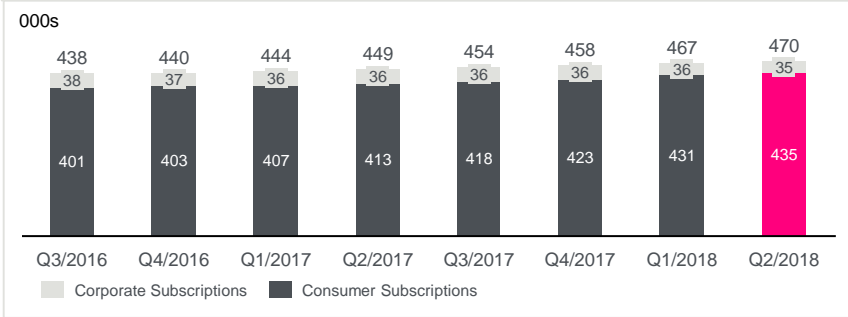
- High customer satisfaction and our ability to react fast to competitors' campaigns decreased CHURN
 - ✓ CHURN was 15.4% (Q1/2017: 15.4%)
 - ✓ CHURN decreased from the end of March 2018, Q1/2018: 18.9

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

ARPU = Average revenue per user
CHURN = Subscription turnover rate

Stable growth in fixed broadband and cable-TV subscription base

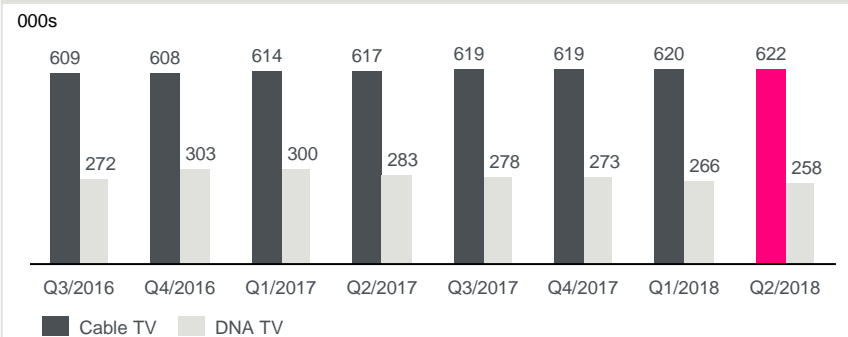
Fixed broadband subscriptions



Key highlights in April-June 2018

- Ongoing stable growth of consumer fixed broadband subscriptions, with net +21,000 subscriptions added
- Fixed-network broadband customers continue to switch to housing association broadband subscriptions and faster speeds
- Deployment of fibre optic connections in the city of Vaasa got underway in the second quarter, first customers are expected to be connected to the network during 2018

Steady increase in cable TV subscriptions



Key highlights in April-June 2018

- Stable cable-TV subscription base, with net +5,000 subscriptions added
- The use of streaming and on-demand video services continued to grow, while traditional TV viewing minutes decreased slightly

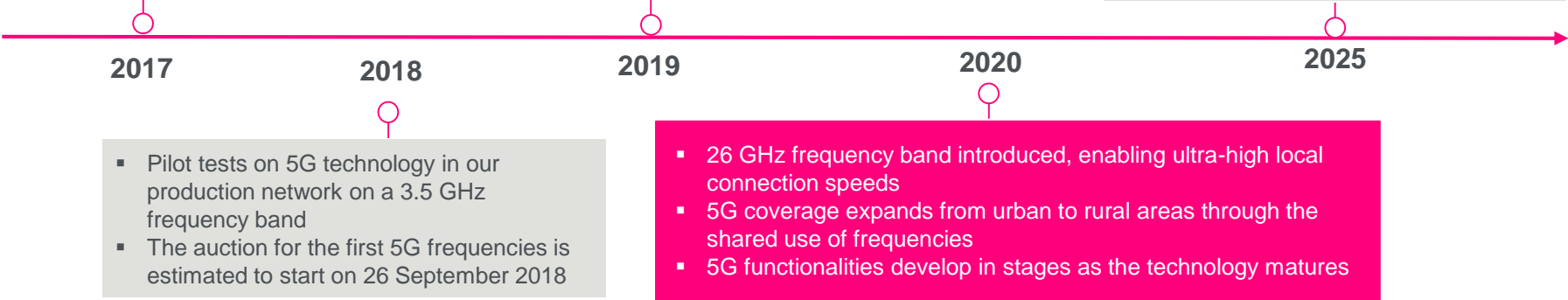
5G will multiply data transfer speeds for users and reduce response time

- DNA has been preparing its mobile network for the 5G era since 2016 and estimates that commercial launch of 5G services can take place during 2019
- The Ministry of Transport and Communications estimates starting the auction for the first 5G frequencies on 26 September 2018
- DNA’s backbone network capacity will be raised to a new level – once the work is completed, the production capacity of DNA’s backbone and regional networks will rise to 5G-network level

Joint 5G technology test by DNA and Ericsson in February 2017

- 5G launch commercially
- 5G technology in the 4G network as a layer of capacity
- Core functions of mobile broadband

- Nationwide 5G network
- Advanced network functionalities in general use
- New IoT functionalities
- Advanced network virtualisation



We continue to strengthen the foundation of our competitiveness

Team of top experts



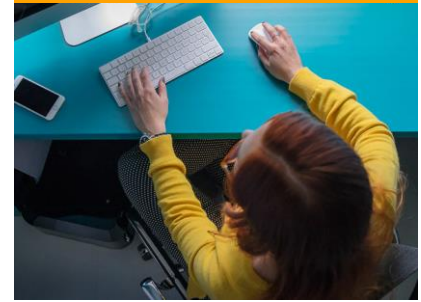
4G, Fibre-Optic and cable networks and service platforms



Modern IT systems and analytics



Speed and cost-effectiveness



We are on track to achieve our strategic objectives



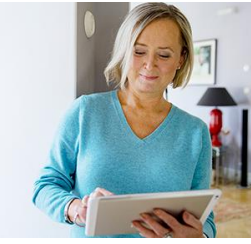
The most satisfied consumer and corporate customers

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



Industry-leading financial development

Faster than average market growth



Market outlook for 2018

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 financial KPI's

EUR, millions	Q2/2018*	Q2/2018 adjusted	Q2/2017	Change %	1-6/2018*	1-6/2018 adjusted	1-6/2017	Change %	1-12/2017
Net sales	225.0	225.5	219.3	2.8%	447.3	447.8	432.7	3.5%	886.1
Comparable EBITDA	72.6	72.2	67.6	6.8%	143.3	144.5	133.6	8.2%	271.8
% of Net Sales	32.3%	32.0%	30.8%		32.0%	32.3%	30.9%		30.7%
Comparable Operating Result	36.0	34.5	30.5	13.1%	71.2	70.1	59.4	18.1%	126.6
% of Net Sales	16.0%	15.3%	13.9%		15.9%	15.6%	13.7%		14.3%
Net Result	27.0	25.8	22.5	14.8%	51.4	50.5	43.7	15.7%	93.1
% of Net Sales	12.0%	11.4%	10.2%		11.5%	11.3%	10.1%		10.5%
Operative Capex	30.6	30.9	24.4	26.6%	46.1	46.7	41.1	13.6%	132.9
% of Net Sales	13.6%	13.7%	11.1%		10.3%	10.4%	9.5%		15.0%
Operating FCF ¹	42.0	41.4	43.3	-4.4%	97.1	97.7	92.4	5.8%	138.9
Net Debt	418.9	418.9	358.3		418.9	418.9	358.3		304.3
Net Debt / EBITDA	1.44	1.45	1.32		1.46	1.45	1.34		1.12

Note

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

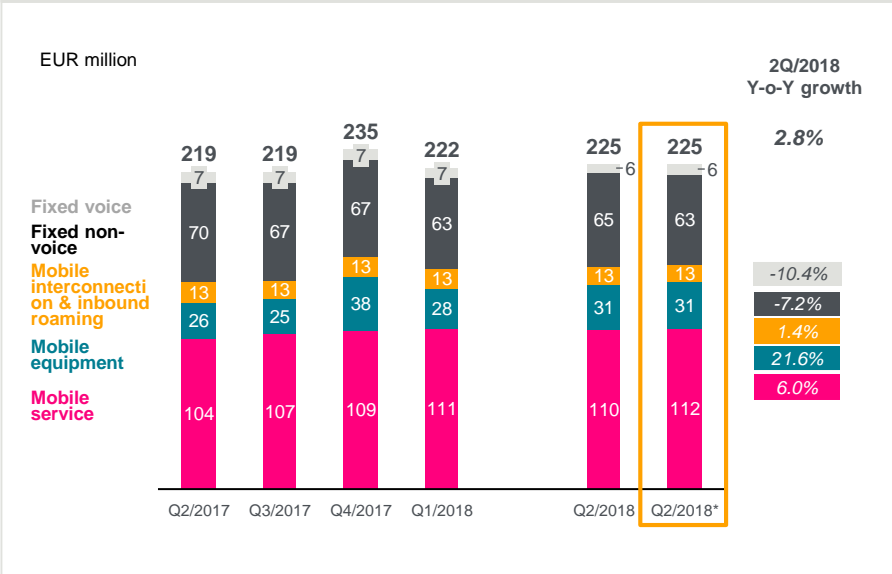
Figures adjusted are disclosed as if they were prepared under 2017 revenue guidance, excluding the impact of IFRS 15 standard adopted on 1 January 2018.

*Including IFRS 15



Mobile service revenue increased 6% year-on-year

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



Key highlights in April-June 2018

- Mobile service revenue grew 6.0% from the reference period
 - ✓ The growth was fuelled particularly by the growth in mobile subscriptions base
 - ✓ Average revenue per user (ARPU) grew 0.3% and was EUR 18.5
- Mobile equipment sales were strong and increased by 21.6%
- Revenue from fixed voice continued to decline as expected
- Mobile interconnection & inbound roaming decreased slightly from the reference period
- After the reference period, the fixed non-voice revenue has been negatively impacted by a decline in the coverage of pay TV in terrestrial network

*Including IFRS 15

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

Consumer business in Q2

Net sales EUR 169.1 million (+4.2%)

- + Net sales were driven by the growth in mobile service revenue and mobile device sales
- + Revenue per user (ARPU)¹ increased +3.4% and was EUR 20.4

EBITDA EUR 55.8 million (+13.2%)

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

Corporate business in Q2

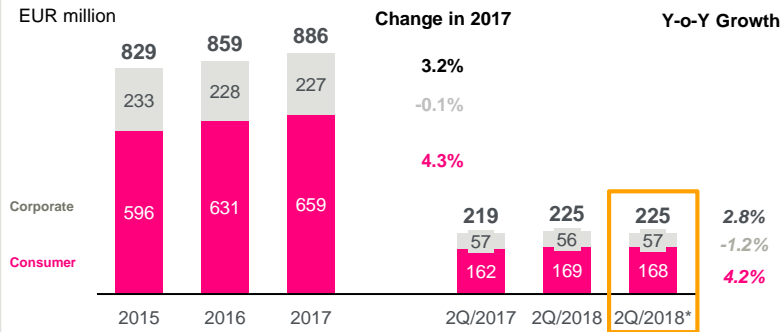
Net sales EUR 56.4 million (-1.2%)

- Corporate customers' mobile ARPU decreased from the reference period and was EUR 11.9
- The timing of new customer invoicing for the second half of the year

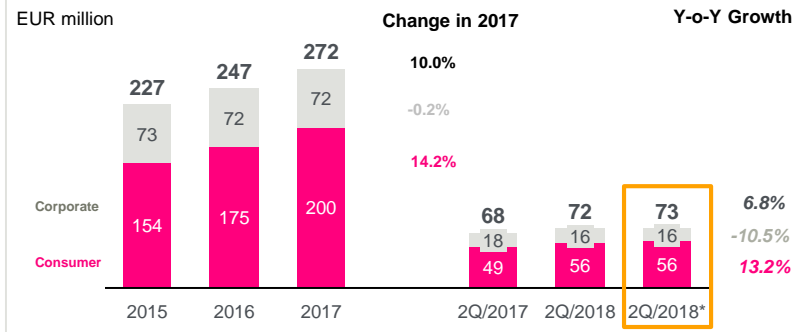
EBITDA EUR 16.4 million (-10.5%)

- In the reference period, a reduction of the provision for premises had a positive effect on the operating result
- + Operative EBITDA remained on the reference period's level

Net sales, EUR million



Comparable EBITDA, EUR million



*Including IFRS 15

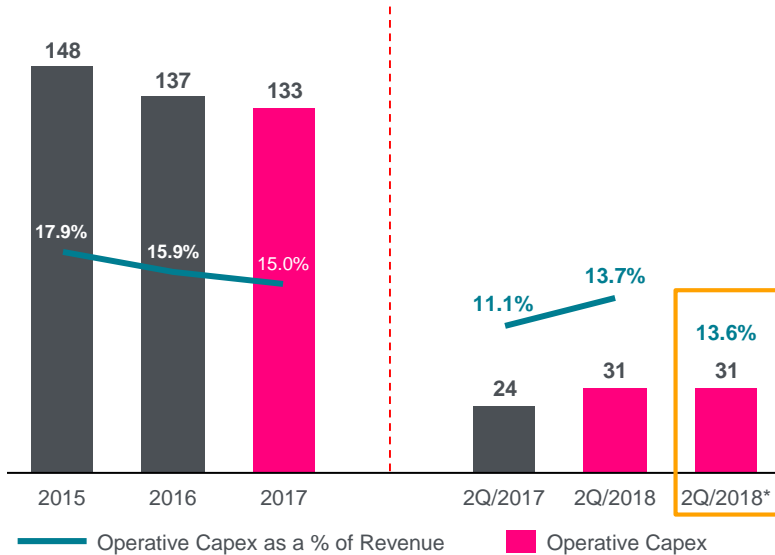
ARPU = average revenue per user

¹ Consumer mobile postpaid handset subscription ARPU

Operative CAPEX increased slightly year-on-year

Operative capex¹ were 13.7% of net sales in April-June

EUR million



*Including IFRS 15

Key highlights in April-June 2018

- Operative capital expenditure increased 26.6% from the reference period and were EUR 30.9 million (24.4), or 13.7% of net sales (11.1%)
 - Operative Capex in 2018 is expected to remain at a similar level than in 2017

Key investments in the first half 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 (in February) were EUR 4.4 million

Note
1. Operative capex exclude spectrum license payments

Operating free cash flow at a good level

Cash flow summary						
EUR million	2015	2016	2017	1-6/2017	1-6/2018	1-6/2018*
Comparable EBITDA	227	247	272	134	144	143
Operative Capex	(148)	(137)	(133)	(41)	(47)	(46)
Operating FCF	79	110	139	92	98	97
<i>Margin %</i>	9.5%	12.8%	15.7%	21.4%	21.8%	21.7%
<i>Cash Conversion %</i>	34.7%	44.6%	51.1%	69.2%	67.7%	67.8%
Interest paid, net	(8)	(9)	(9)	(5)	(16)	(16)
Income taxes, paid	2	(5)	(26)	(10)	(2)	(2)
Adjusted Change in NWC	38	(1)	19	(26)	(51)	(51)
Change in Provisions	(9)	(2)	(5)	(3)	(2)	(2)
FCFE	101	93	119	48	27	27
<i>Margin %</i>	12.2%	10.8%	13.4%	11.1%	6.1%	6.1%

Key highlights in April-June 2018

- Operating free cash flow at a good level
 - + EBITDA significantly higher year-on-year
 - + Operating free cash flow +5.8% year-on-year
- During the second quarter, free cash flow to equity strengthened more than EUR 30 million (end of March 2018; EUR -3.5 million)
 - The higher costs resulting from the re-financing of bonds in the first quarter weakened cash flow
 - Working capital increased by the payment of previous year's high investments related trade payables

*Including IFRS 15

Low cost capital structure

Weighted average cost of debt has decreased: 1.53% (Q1/2018: 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		101	101	0.49%
Total		451	442	1.53%
Cash & Cash Equivalents			-24	
Net Debt			419	
Net Debt/EBITDA¹			1.45	

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

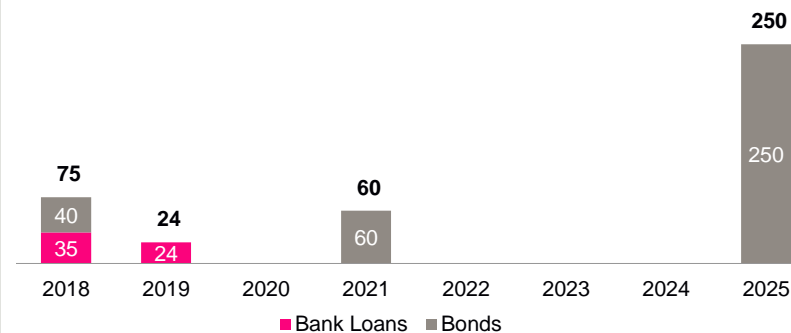
Assigned Rating	BBB (S&P)
Outlook	Stable

Notes

1. Defined as net debt divided by comparable EBITDA from the beginning of year (adjusted)

Debt maturity schedule, EUR million

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



Financial objectives and dividend policy¹

Financial guidance² 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

Mid-term financial targets

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

Leverage policy

- Net debt/EBITDA less than 2.0x
 - 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)

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

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

³ Operative capex excl. spectrum license payments

Thank you!

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KPI Overview

Mobile KPIs						
	2015	2016	2017	2Q/2017	2Q/2018	2Q/2018*
Mobile Revenue (€ MM)	499	539	586	142	154	156
Service	343	375	420	104	110	112
Equipment Sales	92	111	114	26	31	31
Interconnection & Inbound Roaming	64	53	52	13	13	13
Mobile Subscriptions (000s)¹	2 621	2 742	2 811	2 754	2 827	2 827
Postpaid	2 199	2 338	2 418	2 374	2 441	2 441
Prepaid	422	404	392	380	386	386
Consumer	2 183	2 262	2 252	2 228	2 253	2 253
Corporate	438	480	559	526	574	574
ARPU, Mobile Handset Subscriptions (€/month)²						
Postpaid	17.0	17.1	18.4	18.5	18.5	18.4
Prepaid	4.1	3.8	3.8	3.7	3.5	3.5
Consumer (postpaid)	17.7	18.0	19.6	19.7	20.4	20.3
Corporate (postpaid)	14.6	13.9	13.8	13.9	11.9	11.9
Annualised Mobile Handset Subscriptions Churn (%)						
Postpaid	16.0%	16.1%	18.3%	15.4%	15.4%	15.4%

*Including IFRS 15

Notes

1. Excludes M2M subscriptions
2. Includes interconnection revenues

Fixed KPIs						
	2015	2016	2017	2Q/2017	2Q/2018	2Q/2018*
Fixed Revenue (€ MM)	330	320	300	77	71	69
Non-Voice Revenues	294	288	273	70	65	63
Voice Revenues	36	32	28	7	6	6
Fixed Broadband Subscriptions (000s)	436	440	458	449	470	470
Consumer	394	403	423	413	435	435
Corporate	42	37	36	36	35	35
Fixed Voice Subscriptions (000s)	78	65	53	59	45	45
Consumer	37	30	25	27	23	23
Corporate	41	35	29	32	22	22
Cable-TV Subscriptions (000s)	606	608	619	617	622	622