

The background of the slide is a photograph of a man with light brown hair, wearing a bright yellow V-neck sweater over a white t-shirt and dark jeans. He is standing on a balcony or walkway with a glass railing, talking on a mobile phone held to his ear. He is smiling and looking upwards and to the right. The background shows a modern building with a grid of glass and metal panels.

# DNA Plc

## Stronger, bolder and more straightforward

CEO Jukka Leinonen, DNA Plc  
9 January 2018, SEB Nordic Seminar in Copenhagen

# 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.

# DNA in brief



# DNA is one of the leading Finnish telecommunications groups

- Cost-efficiency
- Streamlined
- Agile
- Innovative

## OUR VALUES

### FAST

DNA's customers receive quick and helpful service

### STRAIGHTFORWARD

DNA's approach is clear and responsible

### BOLD

We are direct, open-minded and ready for change

## 3.8 million

Mobile communications and fixed network customer subscriptions

## EUR 859 million

Net sales in 2016

## 1,668

At the end of 2016, there were **1,668 employees** working with DNA

## Customer

is in the center of DNA's strategy

## TV

Finland's largest cable operator and the leading pay TV provider

## EUR 91 million

Operating result in 2016

## 64 DNA stores

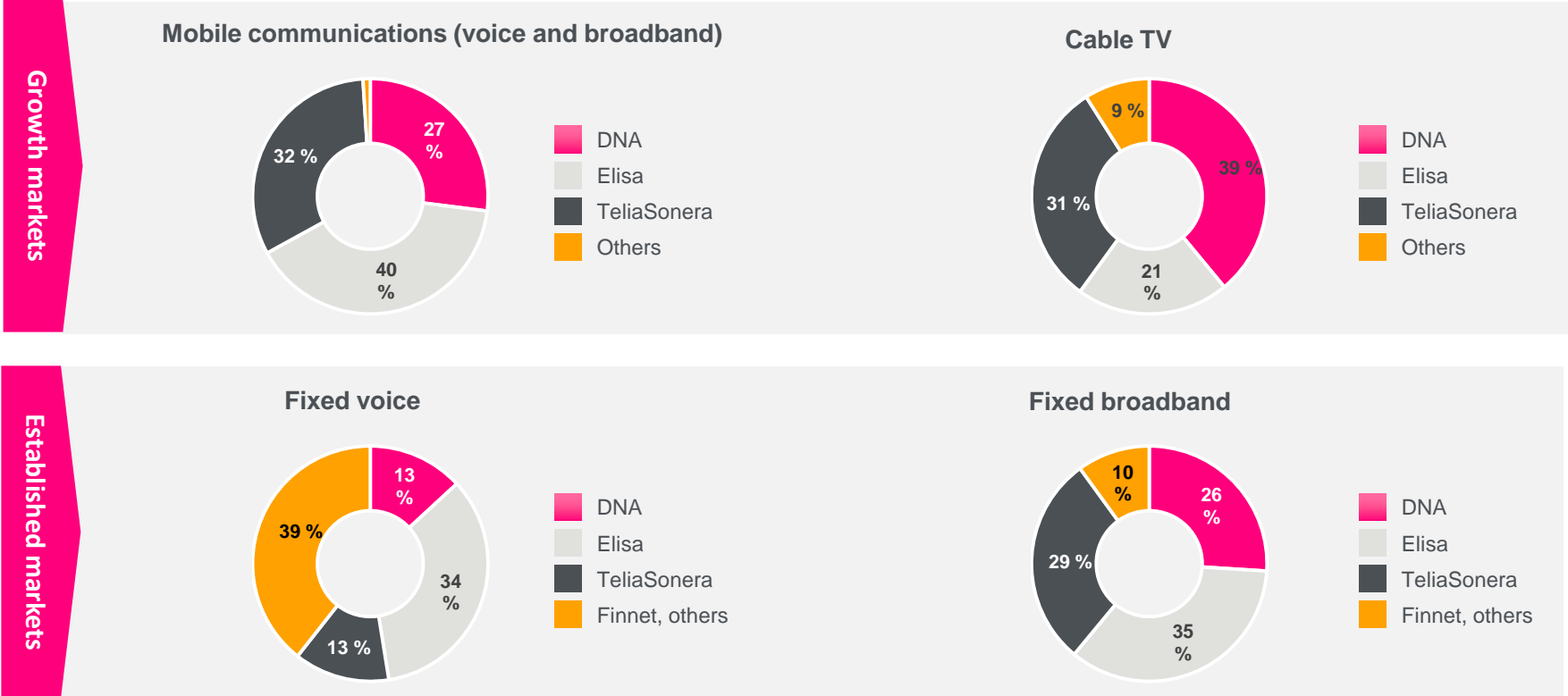
Finland's most extensive retailer of mobile phones, other mobile devices and mobile subscriptions

## Strong employee satisfaction

The personnel's satisfaction with DNA as an employer is at a record-breaking high level

# Strong foothold in the growth markets

– DNA's market shares increased in mobile communications and fixed broadband in 2016



# DNA's strategy summary

— The cornerstone of DNA's strategy is customer satisfaction

## Main assumptions behind our strategy

- |  |  |   |   |
|--|--|---|---|
| <b>1</b><br>Growing demand for faster, good quality mobile connections accelerates | <b>2</b><br>Seamless, multi-channel customer experience and personal customer relationship - digitalization and physical channels unites | <b>3</b><br>The best ecosystems and end-customer solutions globally, gets stronger foothold | <b>4</b><br>B2B: Mobile work, digitalization, IoT, and centralized ICT sourcing |
|--|--|---|---|

## Our vision and mission

### THE MOST SATISFIED CUSTOMERS

We want to make our customers' lives more inspiring, productive and entertaining. We provide connections, services and devices – in a clear, easy and cost-effective manner.

## Aspired differentiation

Customer experience – especially in essential interaction with DNA  
 Attitude – Service minded attitude according to our values

*Targeting a Positive memory trace – in every customer meeting*

## Our values

**Fast – Straightforward – Bold**

## Our strategic goals

1. The most satisfied consumer and corporate customers
2. Industry-leading financial development
3. Faster than average market growth
4. Becoming one of the most desired employers in Finland



# Business Review

## Q3/2017: Comparable operating profit improved and net sales decreased slightly



### **Net sales decreased -1.2% and was EUR 218.8 million (221.5 million).**

- Service revenue\* grew somewhat. Growth came mainly from the improvement in the mobile subscription base and increased share of 4G subscriptions
- Mobile devices sale was at a good level, but didn't reach the strong comparison period



### **Good development of service revenue improved profitability further, comparable EBITDA share of net sales was 33.2%**

- Comparable EBITDA increased +2.3% and was EUR 72.6 million (70.9 million) mainly due to increase in service revenue
- The increase was fueled also by improved cost-efficiency of our modern network platforms
- The comparable operating result increased +10.1% and was EUR 37.3 million (33.9 million). Comparable operating result as a percentage of net sales increased and was 17.0% (15.3%)



### **Strong momentum of operational KPI's**

- Revenue per user for mobile communications (ARPU) increased further and was EUR 18.5 (EUR 17.7)
- The subscription turnover rate (CHURN) increased and was 19.1% (17.8%)
- Mobile subscription base grew +2.2% from the comparison period and was 2.790,000 (2.731,000) subscriptions
- Subscription base for fixed broadband, cable and fixed voice services subscriptions increased +15,000 and totalled 1.130,000 subscriptions

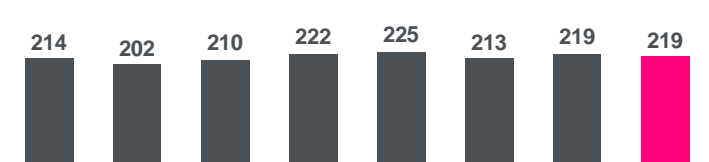
\* Service revenue = net sales – (devices sales and interconnection charges)



# Q3/2017 – strong development in profitability

## Net sales decreased from the comparison period -1.2%

EUR million y-on-y -1.2% in Q3/2017

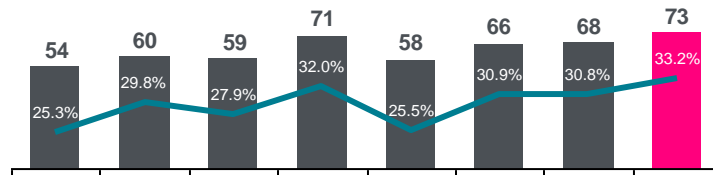


Q4/2015 Q1/2016 Q2/2016 Q3/2016 Q4/2016 Q1/2017 Q2/2017 Q3/2017

■ Net sales

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

EUR million y-on-y +2.3% in Q3/2017

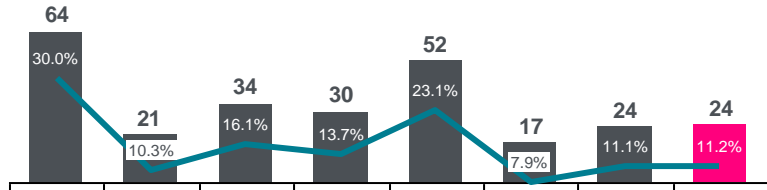


Q4/2015 Q1/2016 Q2/2016 Q3/2016 Q4/2016 Q1/2017 Q2/2017 Q3/2017

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

## Operative capex<sup>2</sup> was at a low level during Q3 but we expect it to increase towards the year end

EUR million y-on-y 9.4% in Q3/2017

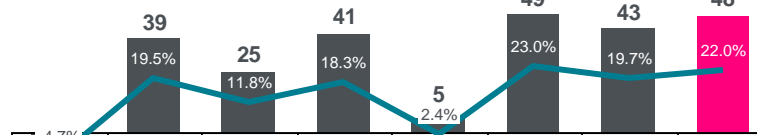


Q4/2015 Q1/2016 Q2/2016 Q3/2016 Q4/2016 Q1/2017 Q2/2017 Q3/2017

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

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

EUR million



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

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

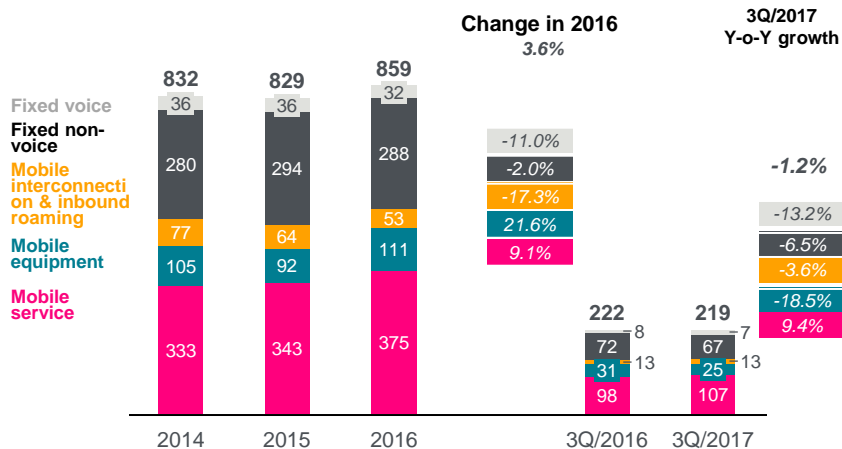
### Notes

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

# Growth in high-margin mobile services

Net sales for the quarter were supported by positive development in mobile services

EUR million



## Key highlights in Q3 2017

- Mobile service revenue continued to grow strongly during the third quarter
  - ✓ Growth was +9.4% in Q3/2017
  - ✓ Average revenue per user (ARPU) grew 4.5% and was EUR 18.5
- Mobile equipment sales was exceptionally high in the comparison quarter
- 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.

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

## Consumer business in Q3

Net sales EUR 162.5 million (-1.4%)

- + Service revenue increased somewhat.
- Mobile device sales continued at a good level but didn't reach the strong comparison period
- + Revenue per user (ARPU)<sup>1</sup> +6.9% -> EUR 20.1

Comparable EBITDA EUR 53.1 million (+7.1%)

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

## Corporate business in Q3

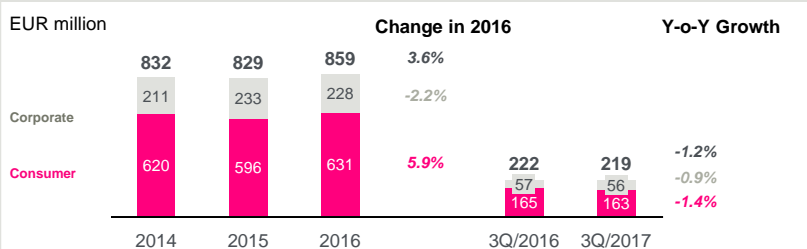
Net sales EUR 56.2 million (-0.9%)

- + Net sales were positively impacted by the increase in mobile subscriptions
- Interconnection revenues declined

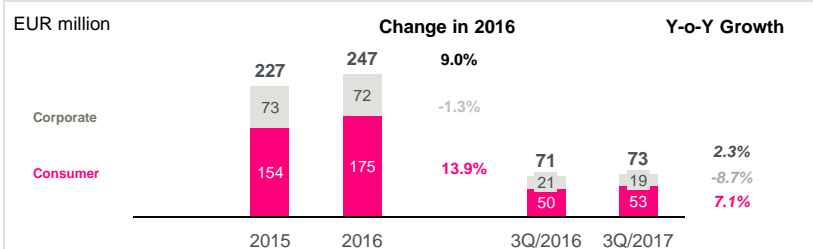
Comparable EBITDA EUR 19.5 million (-8.7%)

- + Improved cost-efficiency of our modern network platforms and increase in mobile subscriptions
- In the comparison period, a reduction of the provision for unused premises had a positive effect on the EBITDA

### Net sales, EUR million



### Comparable EBITDA, EUR million



ARPU = average revenue per user

## January-September 2017: Net sales and profitability improved

EUR 651.5  
million  
+2.8%<sup>2</sup>

Net sales

2.790,000  
+59 000<sup>2</sup>

Mobile communications subscriptions

EUR 206.1  
million  
+8.7%<sup>2</sup>

Comparable EBITDA

1.130,000  
+15,000<sup>2</sup>

Fixed-network subscriptions

EUR 140.6  
million  
+34.2%<sup>2</sup>

Operative free cash flow

1.073,000  
+26,000<sup>2</sup>

Fixed broadband and cable TV subscriptions

EUR 302.0  
million  
1.17

Net debt

Net debt/ EBITDA (rolling 12 months)

18.4%

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

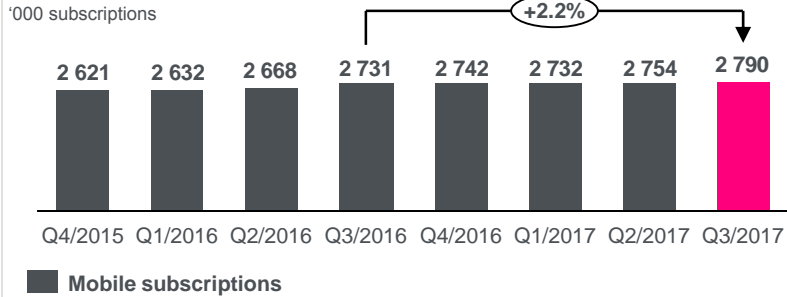
2. Compared to Q3/2016

CHURN = Customer turnover rate

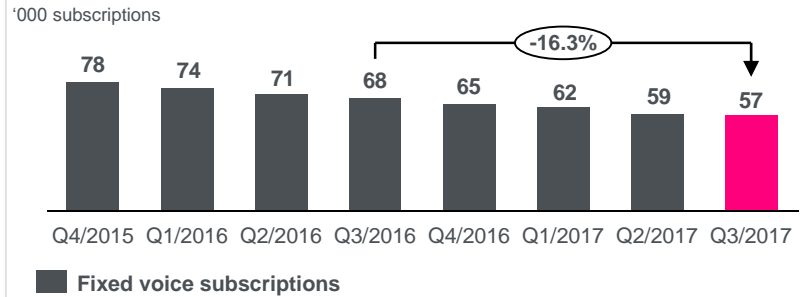
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# Q3/2017: Both mobile communications network as well as fixed network subscriptions increased from the comparison period

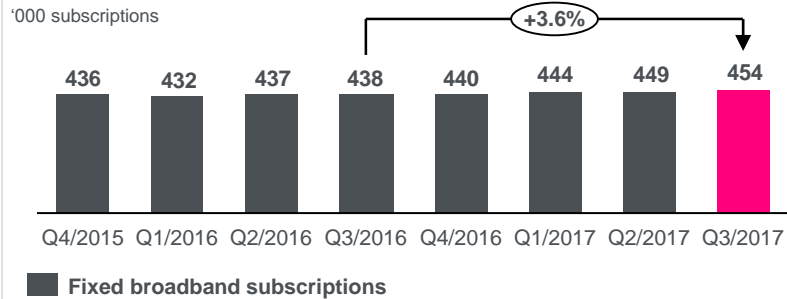
Mobile communication network subscription volumes up by 59,000 from the comparison period



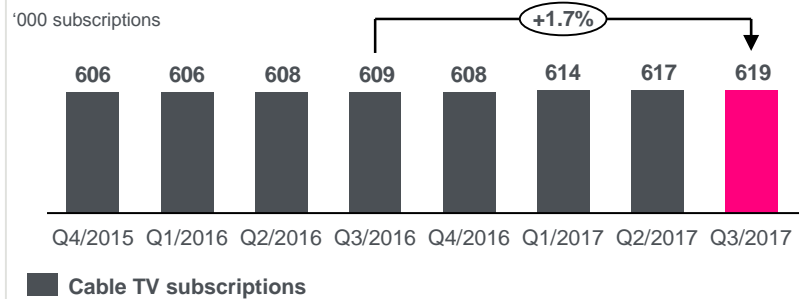
Our customers kept moving away from using fixed-voice subscriptions



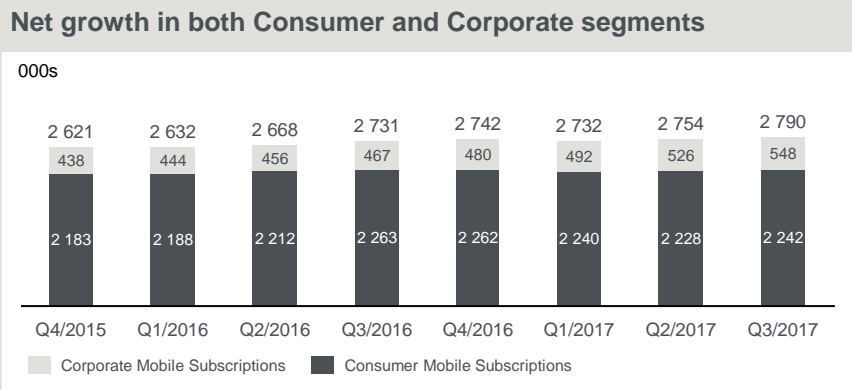
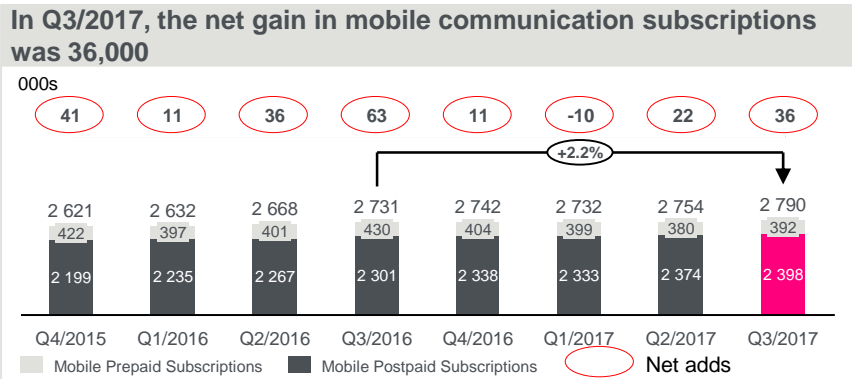
Our fixed network broadband subscription base increased by 16,000 subscriptions



The amount of cable TV subscriptions increased by 10,000 from the comparison period



# In Q3/2017, subscriptions in DNA's mobile network increased by 59,000

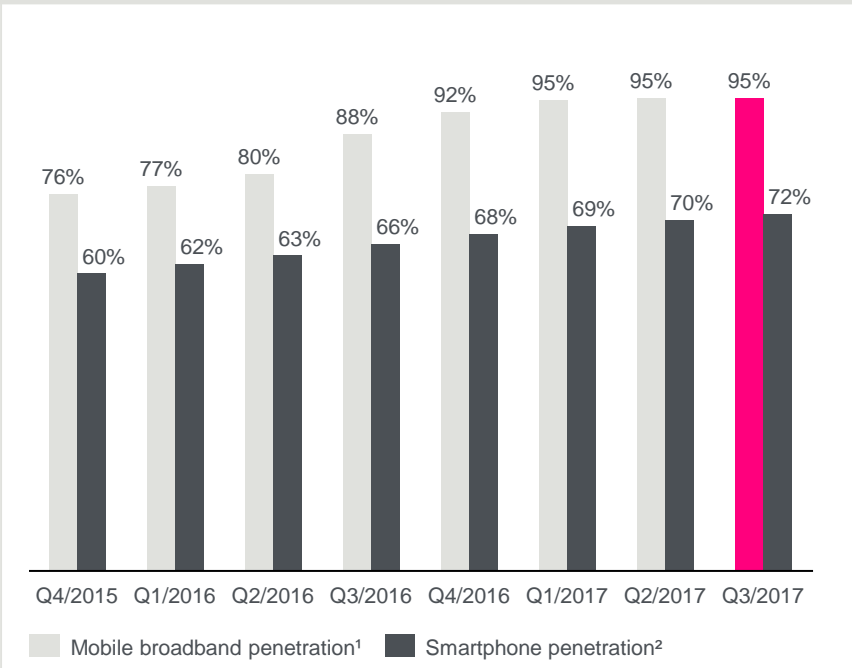


## Key highlights in Q3 2017

- Mobile communication network subscription volumes were up + 59,000 year-on-year
  - ✓ -38,000 prepaid mobile subscriptions
  - ✓ + 97,000 postpaid mobile subscriptions
- or
- ✓ -21,000 new Consumer Business customer subscriptions
- ✓ + 81,000 new Corporate Business customer subscriptions
  
- The amount of mobile subscriptions increased during Q3/2017 compared to end of Q2/2017 by +36,000
  - ✓ +22,000 new corporate customer subscriptions
  - ✓ +14,000 consumer customer subscriptions

# Steady growth of mobile broadband and smartphone penetration

## Mobile broadband and smartphone penetration



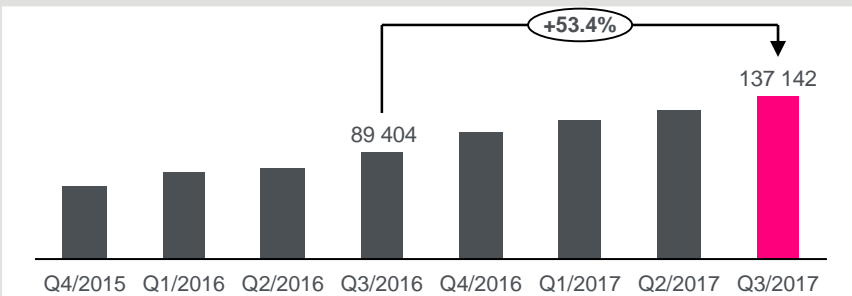
## Key highlights in Q3 2017

- ✓ Smartphone penetration continues to increase and was 72%
  - Practically all phones sold in the market in the third quarter were smart phones and mostly 4G models
  
- ✓ Mobile broadband penetration level was 95%

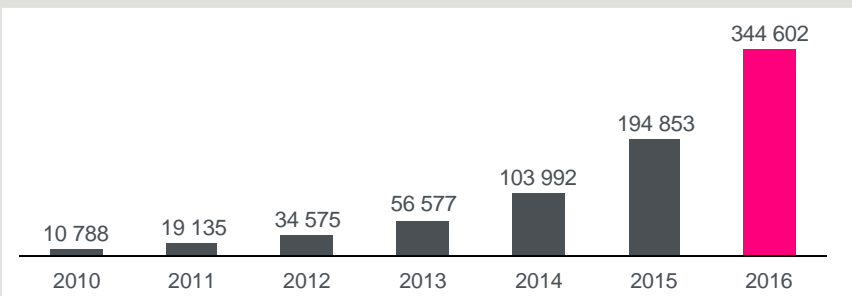
**Notes**  
 1. Share of mobile postpaid and mobile data subscriptions with data services, of the total mobile subscription base, excluding M2M (machine to machine), Service operator, Prepaid and Luuri subscriptions. The calculation method of mobile broadband penetration changed and one subscription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

# 87% of all mobile data usage was transferred in 4G network

Mobile data traffic (GB, '000)



Mobile data traffic (GB, '000)



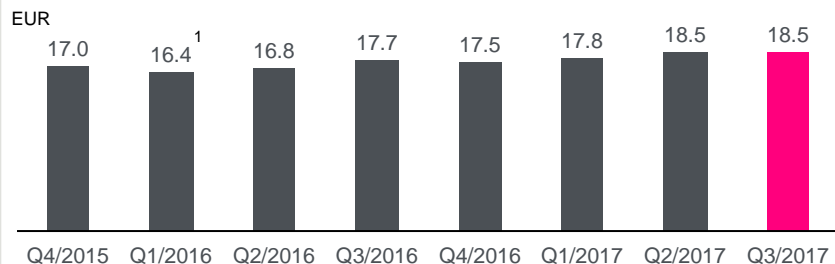
Key highlights in Q3 2017

- DNA's 4G mobile data traffic increased more than 70% from the comparison period
- DNA's total data traffic volume in the mobile communications network grew by 53%. 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

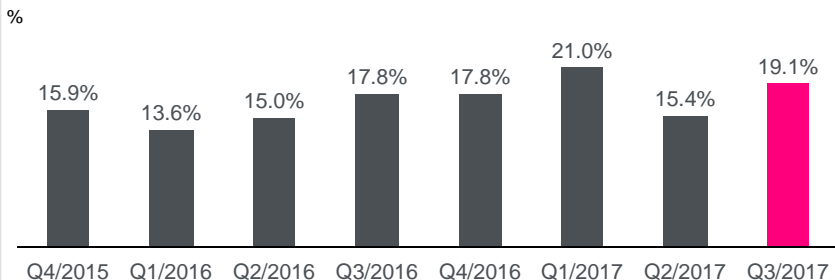


# Revenue per user (ARPU) for mobile communications improved

## Positive mobile postpaid ARPU development



## Mobile postpaid CHURN increased during third quarter due to tight competitive environment



## Key highlights in Q3 2017

- Steady growth of 4G subscriptions drives increase in ARPU, as customers are prepared to pay more for faster data connections
  - ✓ 4.5% increase in ARPU
  - ✓ 4G subscription base 52.3% (Q3/2016: 41.3%)<sup>2</sup>
- Mobile communications subscription base grew +2.2% from Q3/2016
  - ✓ +59,000 subscriptions
- In the third quarter, tight competitive environment and certain product changes impacted our subscription turnover rate (CHURN)
  - ✓ CHURN increased and was 19.1% (17.8%)

<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)

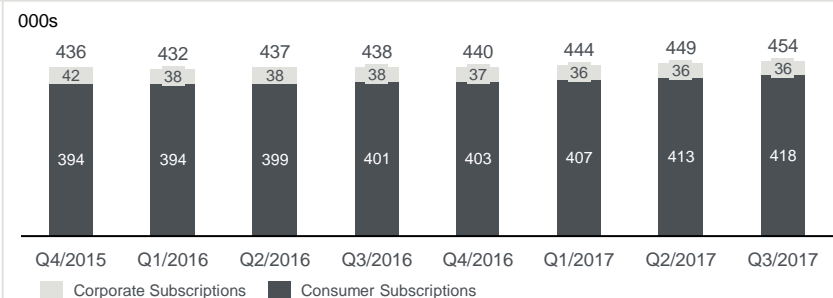
<sup>2</sup> Share of mobile subscriptions in Consumer business

ARPU = Average billing per user

CHURN = Subscription turnover rate

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

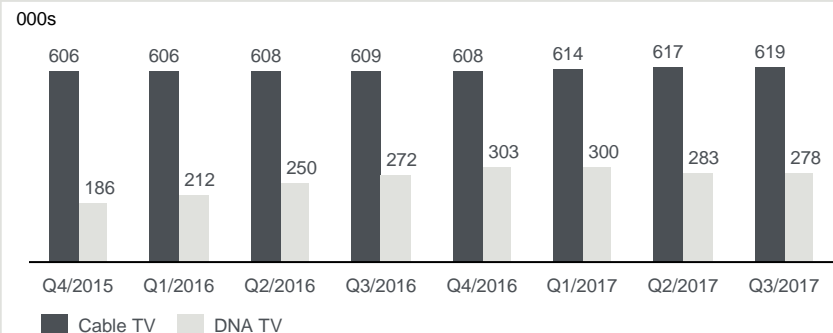
## Fixed broadband subscriptions



## Key highlights in Q3 2017

- Ongoing stable growth of consumer fixed broadband subscriptions, with net +16,000 subscriptions added
  - ✓ Large consumer customer base provides an opportunity to upsell additional DNA services
- Fixed-network broadband customers are expected to continue to switch to housing association broadband subscriptions and faster speeds.

## Steady increase in TV subscriptions



## Key highlights in Q3 2017

- Stable cable-TV subscription base, with net growth of +10,000 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 new technology (DVB-T2) over the terrestrial network. Some customers were left outside the coverage as a consequence of the change.
- DNA TV subscriptions increased year-on-year with some +6,000 subscriptions

# We continue to strengthen the foundation for our competitiveness

## Team of top experts

### We develop our personnel

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



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

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

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

## Modern IT systems and analytics

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

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



## Speed and cost-effectiveness

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

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

# We are on track to achieve our strategic objectives

The most satisfied  
consumer and  
corporate customers

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

Industry-leading  
financial development

Faster than average market  
growth

# Financial targets

## Financial objectives and policy

### Financial guidance for 2017 revised

- DNA's net sales are expected to remain at the same level and the comparable operating result is expected to improve substantially 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
- A dividend of EUR 0.55 per share was paid on April 2017, a total of EUR 73 million - dividend yield 5.4% (per 30 Dec 2016)

<sup>1</sup> Operative capex excluding capex for spectrum licenses  
Investor presentation - January 2018

# Thank you!

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