Delivering sustainable cash flow growth

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Capital Markets Day 2017

Financial strategy aimed at sustainable cash flow growth

- ✓ Sustainable revenue growth
- ✓ Steady margin improvement potential
- ✓ Reduction of capex intensity

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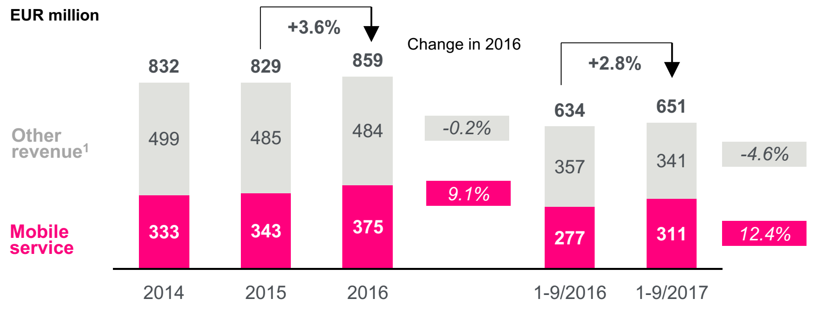
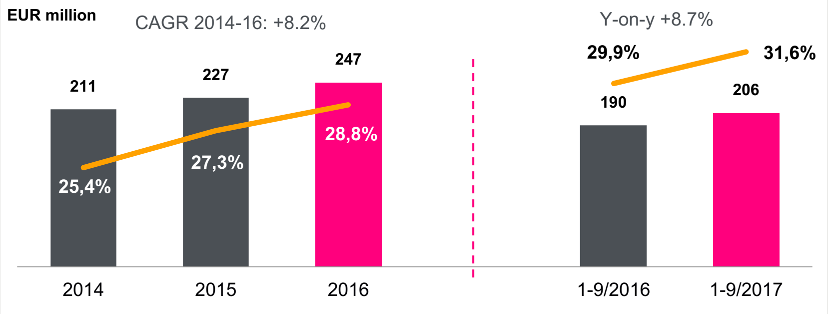
- Strong balance sheet
- Attractive shareholder distribution policy

Growing revenue, improving margins and lower capex levels

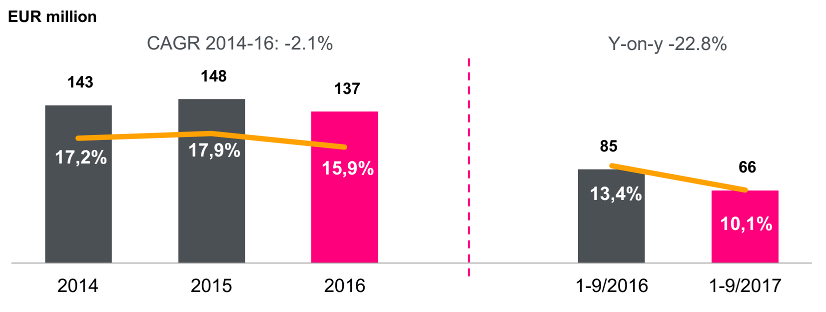
Growing profitable mobile service revenue



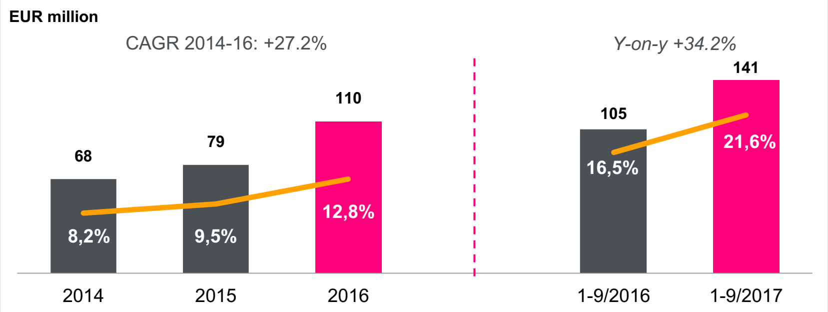
Increasing comparable EBITDA margins[2]



Operative capex decreasing[3]



Superior operating free cash flow growth[4]

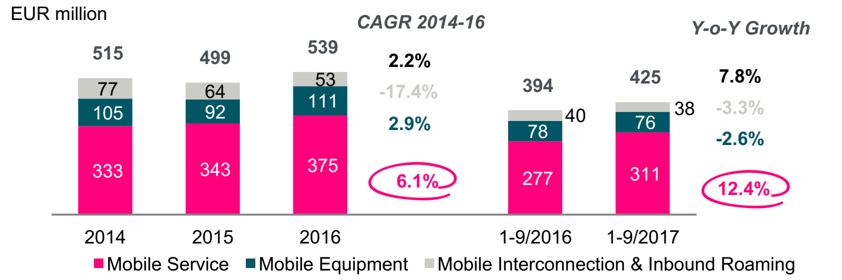


Notes

1. Other revenue: Fixed voice, fixed non-voice, mobile interconnection & inbound roaming, mobile equipment
2. EBITDA excluding items affecting comparability
3. Operative capex excluding capex for spectrum licenses
4. Operating free cash flow defined as comparable EBITDA minus operative capex

Excellent mobile service revenue growth

Mobile Revenue



Mobile postpaid ARPU (EUR) & CHURN (%)

	2014	2015	2016	1-9/2016	1-9/2017
ARPU	17.8	17.0	17.1	17.0	18.2
Y-on-y change	-2.2%	-4.5%	0.8%	-0.5%	7.0%
CHURN	16.9%	16.0%	16.1%	15.5%	18.4%

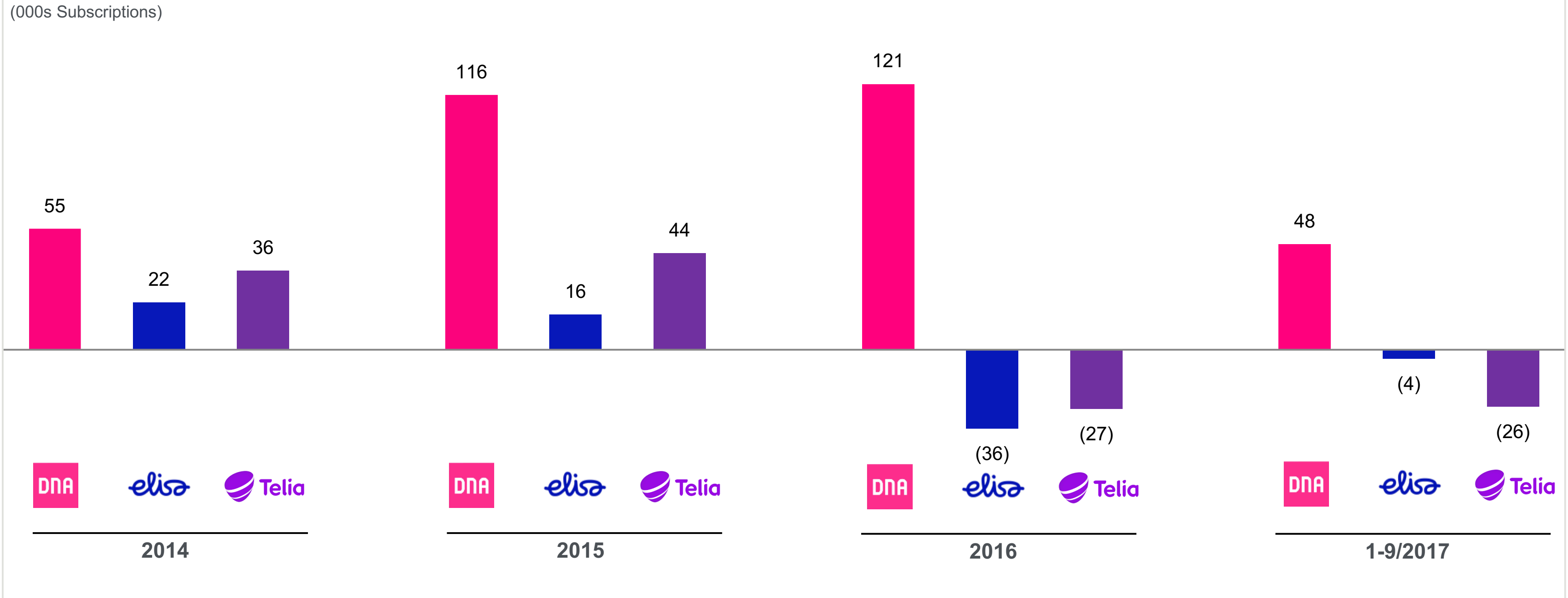
Key Highlights

- Accelerating mobile service revenue growth driven by:
  - Growing subscription base in both consumer and business segments as a result of DNA's strong 4G offering and stable yearly churn
  - Average billing per user (ABPU[3]) growing as a result of new customers with higher ABPU and upselling 4G to existing customers
  - 4G subscription base 52.3% (Q3/2016: 41.3%)
- Interconnection revenue declined as mobile termination rate (MTR) fees decreased

Notes
1. Mobile ARPU including only mobile handset subscriptions
2. Churn including only postpaid mobile handset subscriptions
3. ABPU (Average billing per user, postpaid, ARPU excl. interconnection)

DNA has grown faster than the market due to highly competitive mobile offering

DNA continues to gain market share, growth in market share is primarily due to lower churn than competitors as opposed to share of gross adds



Notes

1. Share of net adds calculated as DNA mobile net adds as reported divided by the sum of DNA, Elisa and Sonera mobile net adds as reported (Sonera subscriptions excluding machine-to-machine services for 2015 and 1H/2016 to make it comparable to DNA and Elisa)

Total costs as % of net sales coming down

Development of costs

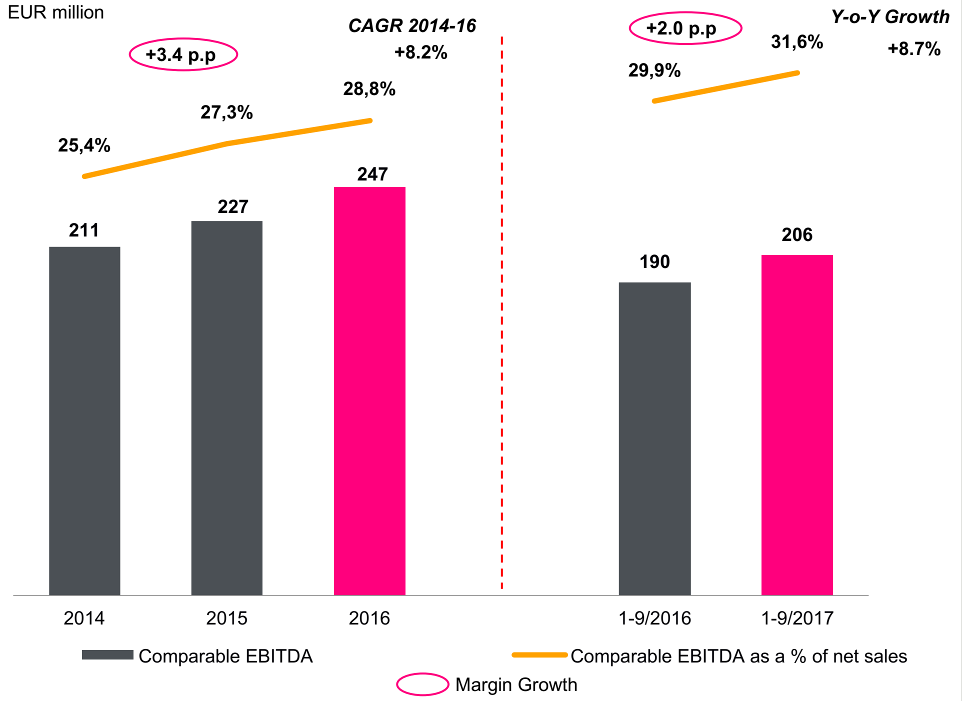
EUR million	2014	2015	2016	1-9/2016	1-9/2017
Materials & Services	407	375	383	278	279
% of net sales	49.0%	45.2%	44.6%	43.9%	42.8%
Employee benefit expenses	101	107	113	83	82
% of net sales	12.1%	12.9%	13.1%	13.1%	12.6%
Other operating expenses	123	124	130	90	87
% of net sales	14.8%	14.9%	15.2%	14.2%	13.4%
Maintenance expenses	34	40	41		
Rental expenses	41	40	45		
External services	4	5	10		
Other expenses	43	39	35		
Total costs	631	605	626	451	448
% of net sales	**75.9%**	**73.0%**	**72.9%**	**71.2%**	**68.8%**

Key highlights

- Total cost as % of net sales has improved significantly from 75.9% in 2014 due to higher operational efficiency
  - Modernisation of DNA's mobile network
  - Joint operation in Northern and Eastern Finland
  - Scaling benefits from customer care
- Materials & services costs remain stable. Material costs have increased due to increased mobile equipment sales, but have been offset by reduced network expenses.
- Other operating expenses have also been affected by lower network rental costs.

Improving profitability driven by a more favourable revenue mix and operating leverage

Effective control over operating costs and change in revenue mix provide grounds for sustainable, comparable EBITDA improvement[1]



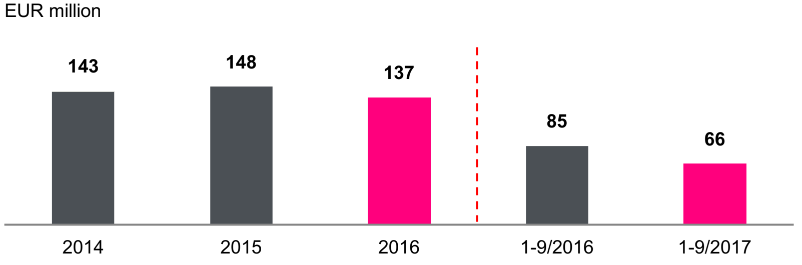
Key highlights

- Historical drivers of margin improvement:
  - Positive mix effect from increased relative contribution of higher margin service revenue
  - Cost-efficiency measures
- Future drivers of margin expansion:
  - Operating leverage benefits
  - Cost efficiency associated with the own and the JO network
  - IT renewal enabling a higher level of automation of core processes and more cost-efficient marketing, sales and customer care

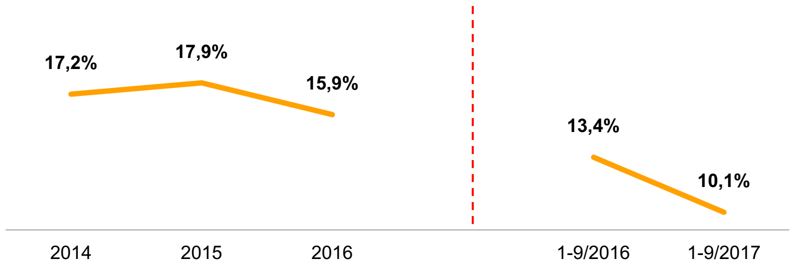
Notes
1. EBITDA excluding non-recurring items

4G coverage roll-out program finalised at the end of 2016

Operative capex development[1]



Operative capex as % of net sales[1]



Key highlights

- Mobile network capacity expansion continues
- Investments in fixed HFC network modernisation completed at the end of H1 2017
- Majority of backbone and transmission network connected to base stations through fibre or high-speed radio link
- IT architecture renewal ongoing
- We expect operative capital expenditure to increase during the last quarter of 2017 but remain at a somewhat lower level than in 2016.

Notes
1. Operative capex excluding capex for spectrum licenses

Rapidly improving cash conversion and FCF generation

Cash flow summary

EUR million	2014	2015	2016	1-9/2016	1-9/2017
Comparable EBITDA	**211**	**227**	**247**	**190**	**206**
Operative capex	(143)	(148)	(137)	(85)	(66)
Operating FCF	**68**	**79**	**110**	**105**	**141**
Margin, %	8.2%	9.5%	12.8%	16.5%	21.6%
Cash conversion, %	32.3%	34.7%	44.6%	55.2%	68.2%
Interest paid, net	(9)	(8)	(9)	(5)	(5)
Income taxes, paid	(11)	2	(5)	(1)	(18)
Adjusted change in NWC	(2)	38	(1)	(15)	0
Change in provisions	3	(9)	(2)	(3)	(4)
FCFE	**49**	**101**	**93**	**81**	**114**
Margin, %	5.9%	12.2%	10.8%	12.8%	17.5%

Key Highlights

- Operating free cash flow to comparable EBITDA was high due to favorable EBITDA and low operative capex
- From January to September, 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 improved by the ongoing working capital project

Notes
1. Operative Capex represents additions to property, plant and equipment and intangible assets excluding spectrum licences
2. Operating FCF as a % of comparable EBITDA
3. Change in Net Working Capital includes an adjustment between operative capex and cash-based capex, in order to present FCFE on a cash basis
4. FCFE excluding capex for spectrum licences

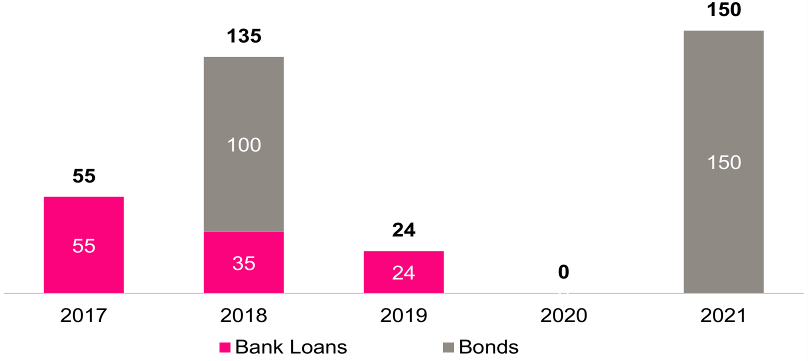
Low cost capital structure, 30 September 2017

Low weighted average cost of debt of 2.15%

	Maturity	Nominal amount, EUR million	Book value, EUR million	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		123	123	0.83%
Total		**373**	**372**	**2.15%**
Cash and cash equivalents			69	
Net debt			**302**	
Net debt/EBITDA1			**1.17**	

Debt maturity schedule, in millions of EUR

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



Opportunity to optimise cost of debt due to improved access to capital markets as a listed company.

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

FINANCIAL OBJECTIVES AND DIVIDEND POLICY

DNA growth prospects and target capital structure and uses of excess cash

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[1] 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 for 2016, a total of EUR 73 million - dividend yield 5.4% (as of 30 Dec 2016)

1 Operative capex excluding capex for spectrum licenses

Financial strategy aimed at sustainable cash flow growth

Sustainable revenue growth

- Market growth
- Upselling and cross-selling
- Market share gains
- B2B

Steady margin improvement potential

- Favourable revenue mix effect
- Cost efficiency measures
- Scale & operating leverage

Reduction of capex intensity

- Normalisation of network investments
- Network sharing with Telia in Eastern and Northern Finland

Strong balance sheet

- Leverage below 2.0x EBITDA
- Balanced maturity profile
- Scope to further reduce already low cost of debt

Attractive shareholder distribution policy

- Dividend payout of 70-90% of FCFE

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Key takeaways

1. Finland is one of the **most attractive telecom markets** globally
2. Differentiation strategy to have an **excellent customer experience.** Supported by our core assets
   - ✓ Well invested, state-of-the-art **mobile and fixed network**
   - ✓ Motivated, customer oriented **employees**
   - ✓ State-of-the-art **data and analytics** capabilities
   - ✓ **Challenger culture** with focus on speed & cost efficiency
3. With great progress **towards our strategic targets…**
4. …and with **continued good growth opportunities**

→ **Compelling cash flow and dividend growth opportunity for investors**

Appendices

DNA Capital Markets Day 2017

KPI Overview

Mobile KPIs

	2014	2015	2016	3Q/2016	3Q/2017
Mobile revenue (€ MM)	**515**	**499**	**539**	**142**	**145**
Service	333	343	375	98	107
Equipment sales	105	92	111	31	25
Interconnection & inbound roaming	77	64	53	13	13
Mobile subscriptions (000s)1	**2 505**	**2 621**	**2 742**	**2 731**	**2 790**
Postpaid	2 068	2 199	2 338	2 301	2 398
Prepaid	419	422	404	430	392
Consumer	2 070	2 183	2 262	2 263	2 242
Corporate	435	438	480	467	548
ARPU, mobile handset subscriptions (€/month)2					
Postpaid	17.8	17.0	17.1	17.7	18.5
Prepaid	4.6	4.1	3.8	3.8	4.3
Consumer (postpaid)	18.3	17.7	18.0	18.8	20.1
Corporate (postpaid)	15.8	16.6	13.9	13.8	13.2
Annualised mobile handset subscriptions CHURN (%)					
Postpaid	16.9%	16.0%	16.1%	17.8%	19.1%

Fixed KPIs

	2014	2015	2016	3Q/2016	3Q/2017
Fixed revenue (€ MM)	**316**	**330**	**320**	**80**	**74**
Non-voice revenues	280	294	288	72	67
Voice revenues	36	36	32	8	7
Fixed broadband subscriptions (000s)	**415**	**436**	**440**	**438**	**454**
Consumer	374	394	403	401	418
Corporate	41	42	37	38	36
Fixed voice subscriptions (000s)	100	78	65	68	57
Consumer	51	37	30	32	26
Corporate	49	41	35	36	31
Cable TV subscriptions (000s)	**593**	**606**	**608**	**609**	**619**

1. Excludes M2M subscriptions
2. Includes interconnection revenues