

Public



DNA Ltd Financial Statements 2014

6th of February 2015

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Financial overview, Timo Karppinen, CFO





CEO's review

Jukka Leinonen



Summary Q4 2014

Net sales

+5.3 %

EBITDA

+1.9 %

Operating profit

-6.7 %

Mobile
subscription
base

+2.2 %

Fixed-network
subscription
base

+9.1 %

One strong corporate business unit:

TDC Hosting Ltd and Forte Netservices Oy merged with parent company DNA Ltd on 31 October 2014, and TDC Ltd Finland on 31 December 2014

DNA's mobile broadband offers the greatest average speed:

DNA placed first in average speed in 9 out of 10 Finland's most populous cities *

* Omnitеле Ltd's survey of Finland's three main operators

Mobile data transfer grew significantly:

In 2014, in excess of 300 per cent more data was transferred in DNA's 4G network than the year before

DNA's second bond:

The bond was issued on 12 November 2014. It will mature in 2021 and carries a coupon rate of 2.875 per cent

Mobile payment services were developed:

DNA launched the new DNA Täpäkkä Credit solution created by DNA and Visa that works in smartphones and on the Internet



Summary year 2014

Net sales

+8.8 %

EBITDA

+7.1 %

Operating profit

-32.7 %*

** Operating profit without non-recurring items increased by 12.5 % and came to 54.8 million euros*

Mobile subscription base

+2.2 %

Fixed-network subscription base

+9.1 %

Highlights in 2014



DNA and Sonera established a joint network company, Suomen Yhteisverkko Oy

At the end of 2014, DNA's 4G LTE network reached over 4.5 million Finns

DNA acquired TDC Ltd Finland and TDC Hosting Ltd

DNA merged its DNA Business unit, Forte Netservices Oy and TDC Oy and TDC Hosting Oy into one strong corporate business unit



Development and reorganization of DNA's entertainment business with objective to build the best overall entertainment service in Finland

DNA's customers are satisfied: DNA Business as well as DNA Welho's fixed-network broadband and pay-TV services have the most satisfied customers (EPSI Rating -survey 2014)





Several new services in 2014



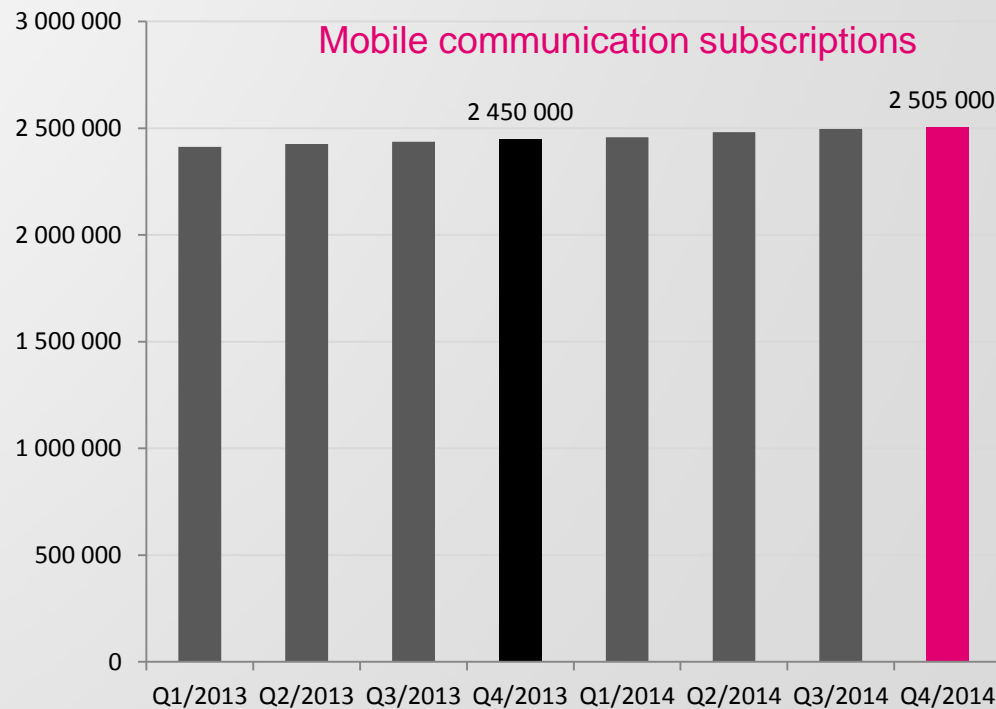


Q4: The mobile communication subscription base grew

+2.2 %

**Mobile communication subscription base:
2 505 000**

- Positive development due to an increase in the number of mobile broadband and voice subscriptions
- DNA's mobile communication subscriptions base reached a milestone of 2.5 million in December 2014





Q4: Fixed-network subscription base increased

+0.3 %

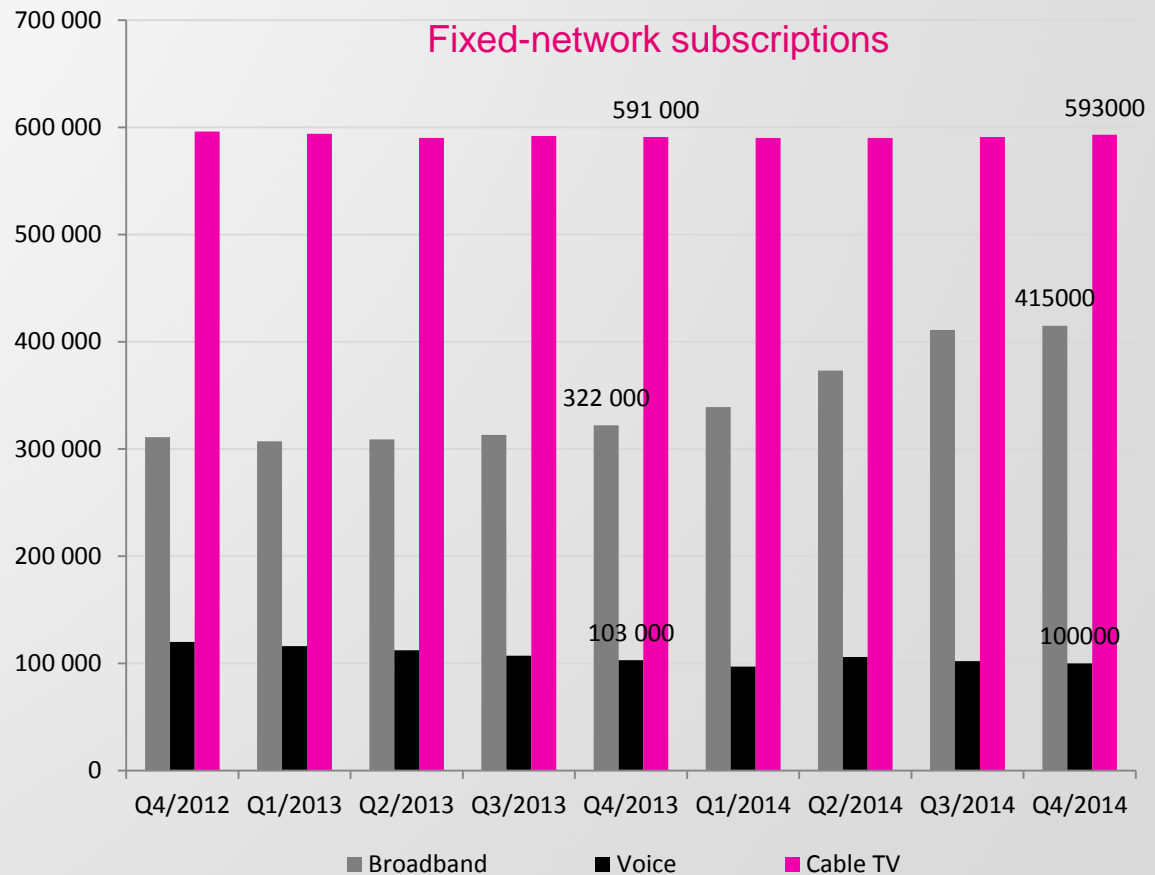
**Cable television:
593 000**

+28.9 %

**Fixed broadband:
398 000**

-2.9 %

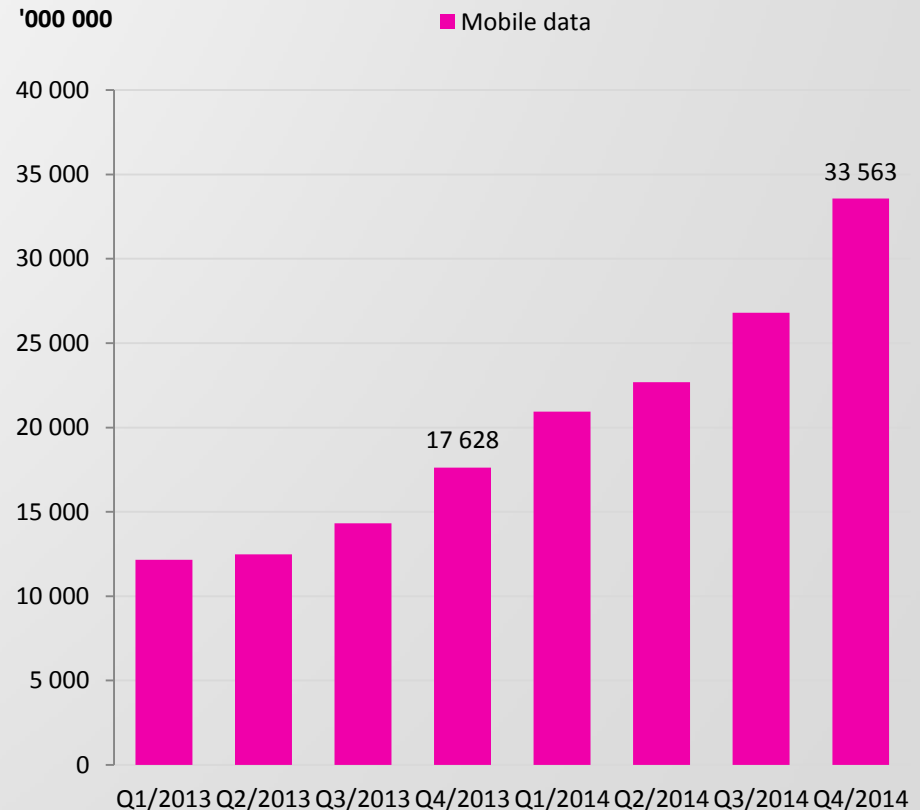
**Voice:
100 000**



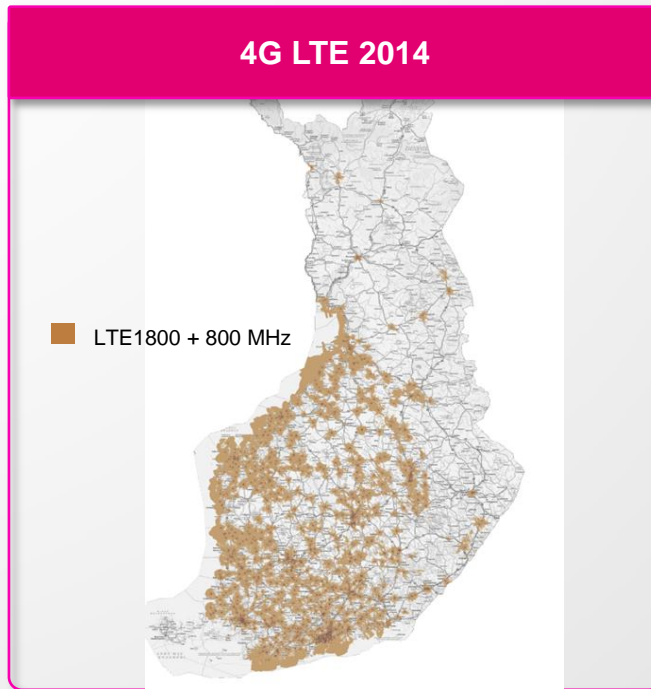


Mobile data usage continued significant growth

- Mobile data transfer increased by 90 percent in 2014
 - 300 % data increase in DNA's 4G network year-on-year
 - 40 % data increase in 3G network year-on-year
- Mobile data usage grew due to the intense expansion of the 4G LTE network, the proliferation of devices constantly connected to the network and the use of TV and music services on tablets and mobile phones

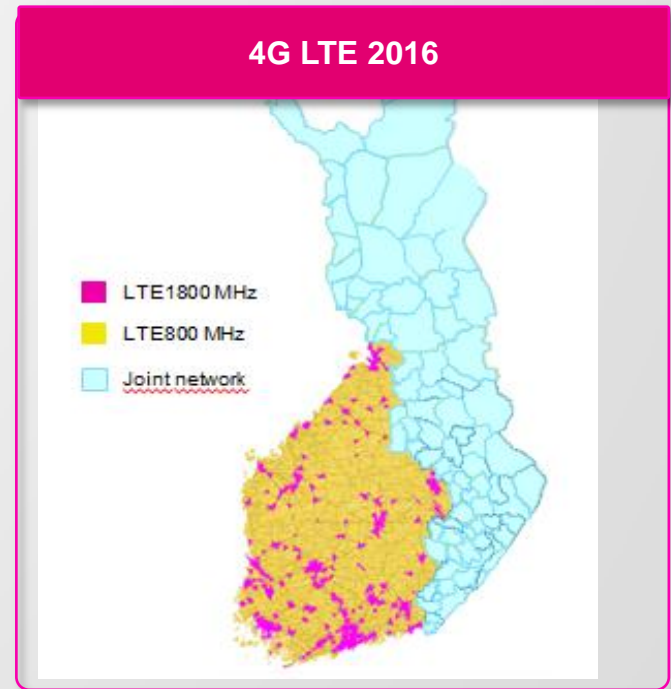


Strong and extensive network coverage



Coverage

- ~85% population
- ~ 20% geographic



Coverage

- >99% population
- >90% geographic

Terms of the 2013 LTE800MHz license require that 4G coverage reaches 97% of the population by the end of 2018. In practice, a 99 % nationwide 4G population coverage will be reached already by the end of 2016 (see map on the right). This will be achieved with the fast rollout of DNA's own 4G network as well as the Joint Operations network rollout (1650 base stations) together with TeliaSonera Finland.



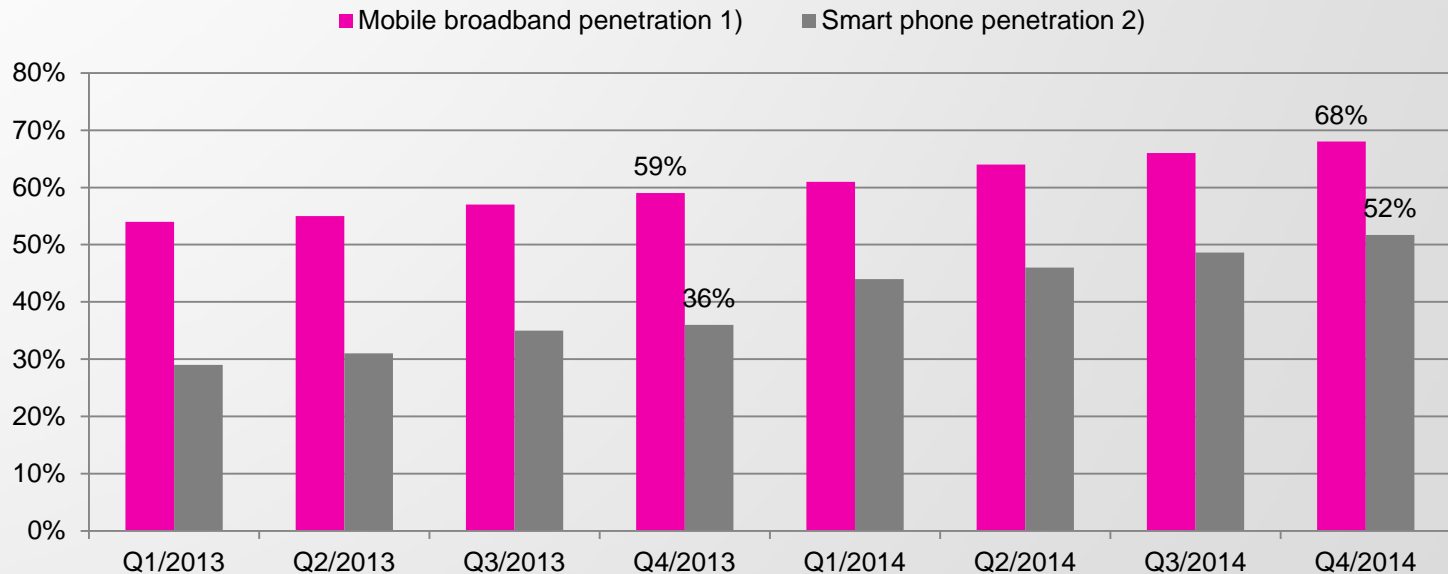


Steady growth in mobile broadband and smartphone penetration

Penetration in DNA's network

1) Share of subscriptions containing Mokkula and Liikkuva laajakaista additional services of the total mobile subscription base, excluding M2M, Service operator, Prepaid and Luuri subscriptions

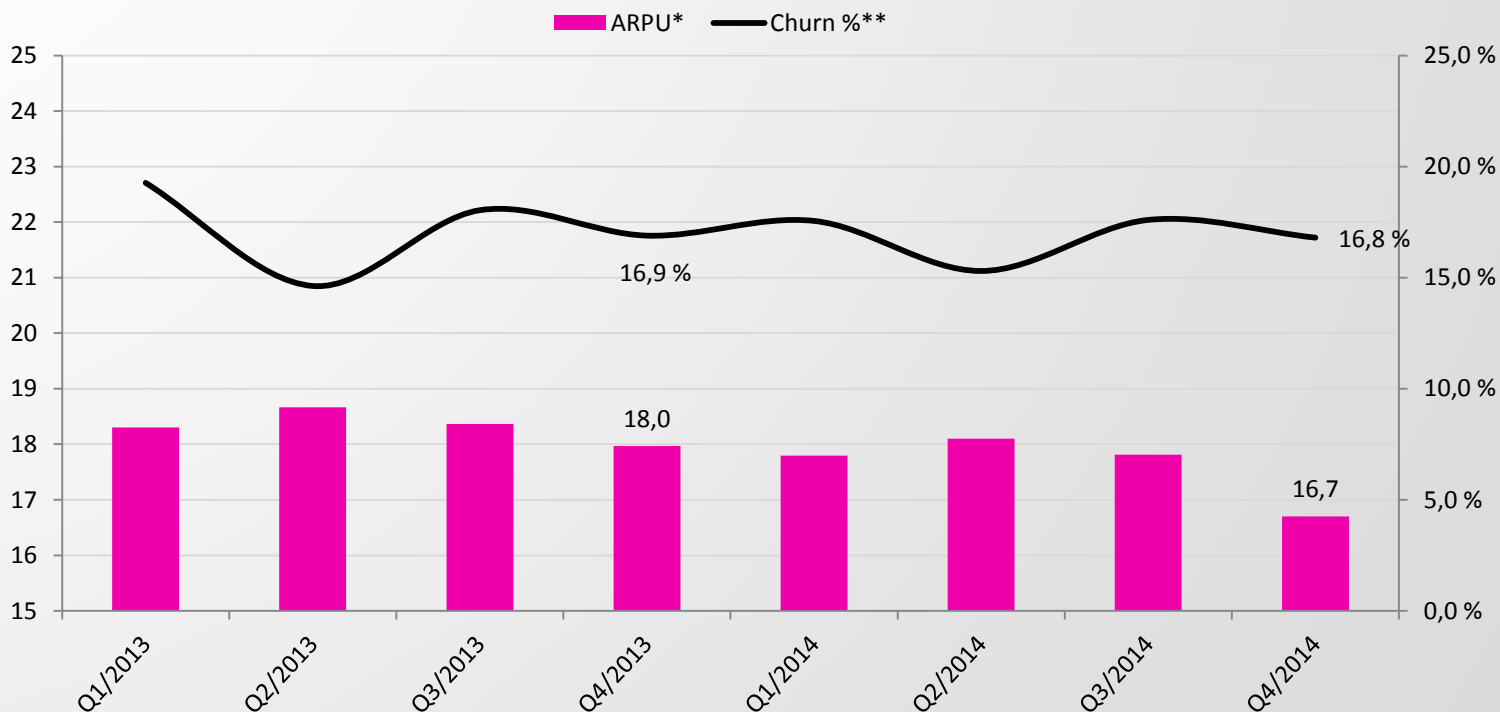
2) iOS (iPhone)-, Bada-, MeeGo-, Android-, BlackBerry-, Symbian 3^ and Windows phones of the total phone base



- Growth continued in smartphone penetration during Q4
 - In 2014, 90 percent of sold telephones were smartphones. In December, already 95 percent were smartphones.
- Substantial growth also in mobile broadband penetration



Q4/2014 ARPU and CHURN



Q4/2014:

- ARPU was 17.7 euros (18.0)
- CHURN was 17.0 % (16.9 %)

2014:

- ARPU was 17.6 euros (18.2)
- CHURN was 16.9 % (17.1 %)

* ARPU = Revenue per user, EUR
 ** CHURN = Mobile communication subscription turnover rate, %





STRATEGIC OBJECTIVES

IMPLEMENTATION IN JANUARY-DECEMBER 2014

Strong and extensive network coverage

- **DNA's 4G LTE network coverage doubled during year 2014**
- Expansion in coverage: > **1500 new base stations during 2014**
- **Suomen Yhteisverkko Oy**, a Joint Operation with TeliaSonera launched to invest in efficient 4G infrastructure in Northern and Eastern Finland

Strengthening the entertainment business

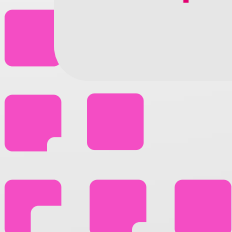
- The new entertainment business has a more focused offering to build the best overall entertainment service in Finland
- Television usage is changing: **DNA Welho Viihde** service package & **DNA Welho MatkaTV** service launched
- DNA was the first Finnish operator, and among the first globally, to showcase real Ultra HD in its cable network

Increasing the market share in corporate business

- DNA **acquired TDC Ltd Finland and TDC Hosting Ltd at Q2**
- DNA merged its DNA Business unit, Forte Netservices Oy, and TDC Ltd Finland and TDC Hosting Ltd, **into one strong corporate business unit**
- **Hansel chose DNA as a framework supplier** after the competitive tendering process for Data Communications 2014–2018

Excellent customer experience and service-minded experts

- DNA joined the annual **Great Place to Work survey** with objective to be one of the most desired employers in Finland in the next three years
- Implementation of **flexible methods of working** have increased productivity and employee motivation
- DNA's customer service has been reorganised in order to serve customers even better
- DNA's renewed strategy is centered around "the most satisfied customers"





Our vision and mission:

The most satisfied customers

We want to make our customer's life more **inspiring, productive and entertaining**

We offer connections, services and devices
– **clearly, cost-efficiently and easily.**





Financial overview

Timo Karppinen



Q4: increase in net sales fuelled by the acquisition of TDC's Finnish operations and the development of broadband sales

Net sales: € 216.3 M

+5.3 %

- Positive development due to the acquisition of TDC's Finnish operations and the positive development of broadband sales
- The weak economic situation affected the demand for traditional pay-TV services and mobile devices

+1.9 %

EBITDA: € 47.7 M

- The EBITDA percentage of net sales dropped and came to 22.0 % (22.8 %)

-6.7 %

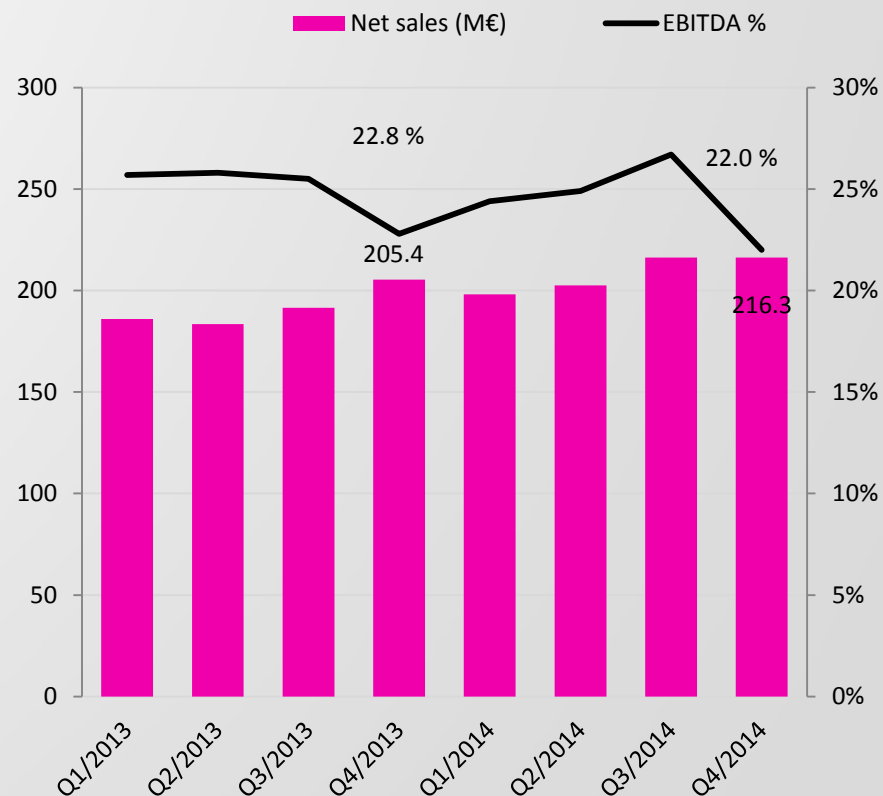
Operating profit: € 7.6 M

- 3,5 % of net sales

-14.5 %

Operating profit without non-recurring items : € 7,6 M

Earnings per share: 0.4 € (0.7 €)





Year 2014: net sales and EBITDA increased – non-recurring items decreased operating profit

+8.8 %

Net sales: € 833.5 M

- The increase was due to the acquisition of TDC's Finnish operations and the positive development of mobile and fixed-network broadband sales

+7.1 %

EBITDA: € 204.2 M

- 25.5 % of net sales (24.9 %)

-32.7 %

Operating profit: € 29.4 M

- 3.5 % of net sales (5.7 %)

+12.5 %

Operating profit without non-recurring items: € 54.8 M

- 6.6 % of net sales (6.4 %)

Earnings per share: 1.8 € (3.4)



Significant non-recurring items in 2014

- In January–December the non-recurring items affecting EBITDA were EUR 5.9 million in total
- The non-recurring items affecting operating profit were EUR 25.5 million
- Most of the non-recurring items are related to the write-down of the PlusTV brand, write-downs in relation to renewals in information systems as well as a provision recognised in the period due to cooperation negotiations
 - Write-downs did not affect to cash flow





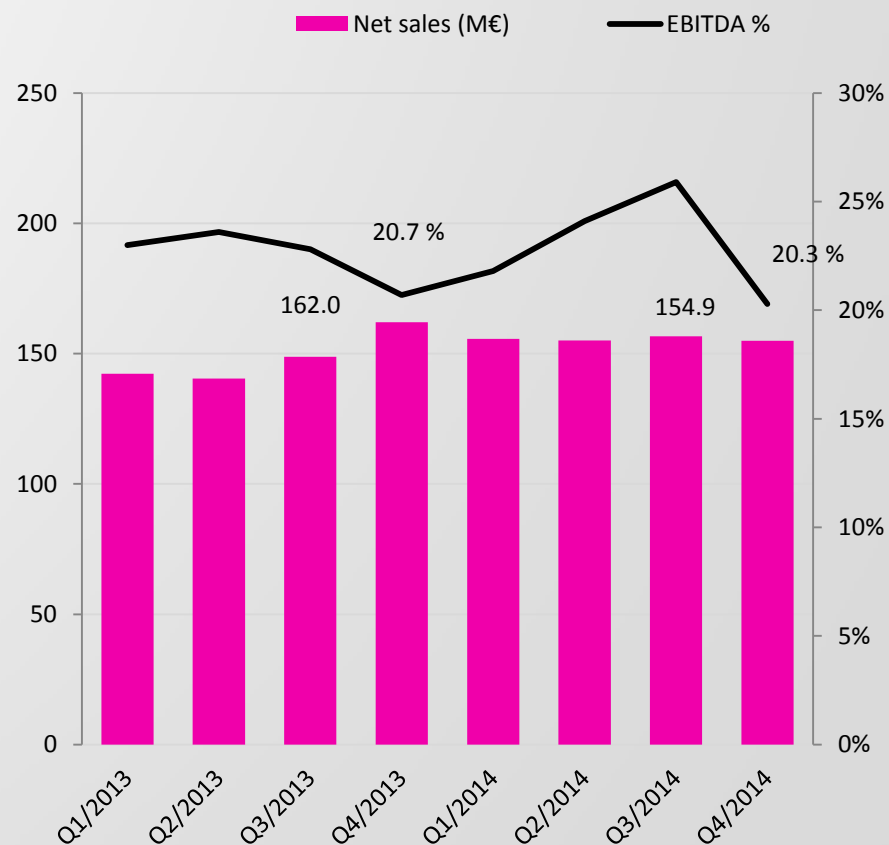
Consumer Business: The positive development of broadband and mobile services sales increased net sales in 2014

Q4/2014

- Net sales decreased (-4.3 %) due to weaker demand for pay-TV and mobile devices as well as the decrease in interconnection prices
- EBITDA decreased (-6.2%) and came to EUR 31.4 million
 - 20.3 per cent of net sales
- Operating profit decreased and came to EUR 6,9 million (7.8)

2014

- Net sales increased (+4.9%) to EUR 622.4 million
 - This growth was due to the positive development of broadband and mobile services
- EBITDA increased (+7.6%) to EUR 143.3 million
 - 23.0 per cent of net sales
- Burdened by non-recurring items, operating profit came to EUR 26.7 million



Consumer business, key figures

Consumer business						
EUR millions	10-12/2014	10-12/2013	Change %	1-12/2014	1-12/2013	Change %
Net sales	154.9	162.0	-4.3 %	622.4	593.4	4.9 %
EBITDA	31.4	33.5	-6.2 %	143.3	133.3	7.6 %
- % of net sales	20.3 %	20.7 %		23.0 %	22.4 %	
EBITDA without non-recurring items	31.4	34.2	-8.2 %	145.0	137.2	5.7 %
- % of net sales	20.3 %	21.1 %		23.3 %	23.1 %	
Operating profit	6.9	7.8	-12.0 %	26.7	35.7	-25.2 %
- % of net sales	4.4 %	4.8 %		4.3 %	6.0 %	
Operating profit without non-recurring items	6.9	8.6	-19.7 %	45.8	39.7	17.6 %
- % of net sales	4.4 %	5.3 %		7.4 %	6.6 %	



Corporate Business: Net sales were fuelled by the acquisition of TDC's Finnish operations

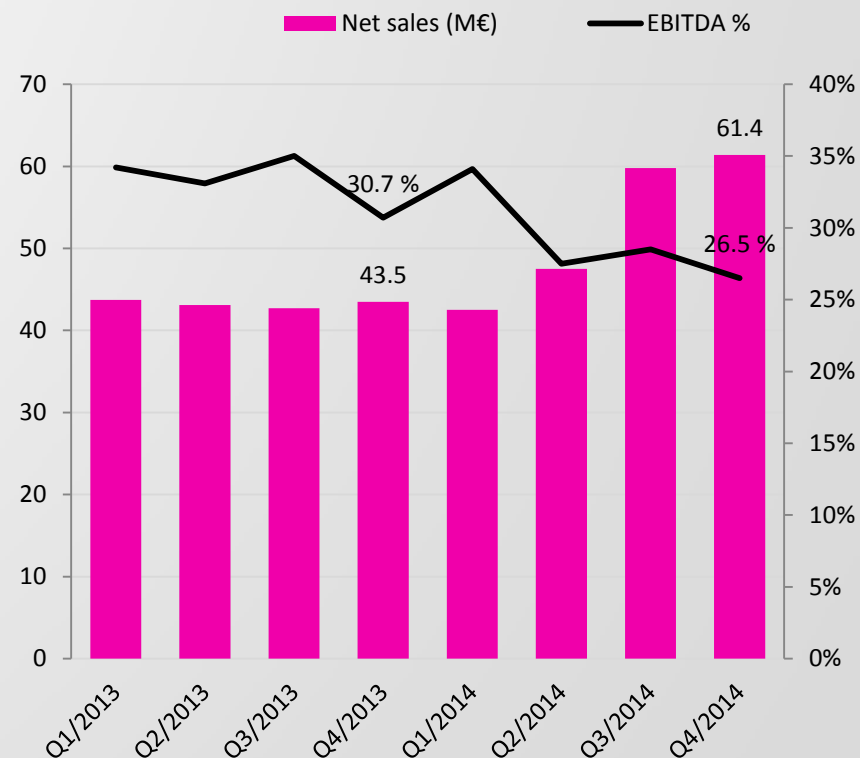
Q4/2014

Net sales fuelled by (+41.3%) the acquisition of TDC's Finnish operations

- EBITDA increased (+22.0 %) to EUR 16.3 million
 - 26,5 per cent of net sales (30,7 %)
- Operating profit increased to EUR 0.7 million

2014

- Net sales increased (+22.1 %) to EUR 211.2 million
 - the acquisition of TDC's Finnish operations
- EBITDA increased (+5.9%) to EUR 60.9 million
 - 28.8 per cent of net sales (33.2 %)
- Operating profit decreased to EUR 2.6 million
 - Operating profit without non-recurring items came to EUR 9.0 million (9.0)





Corporate business, key figures

Corporate Business						
EUR millions	10-12/2014	10-12/2013	Change %	1-12/2014	1-12/2013	Change %
Net sales	61.4	43.5	41.3 %	211.2	173.0	22.1 %
EBITDA	16.3	13.3	22.0 %	60.9	57.5	5.9 %
- % of net sales	26.5 %	30.7 %		28.8 %	33.2 %	
EBITDA without non-recurring items	16.3	13.3	22.0 %	65.1	58.6	11.0 %
- % of net sales	26.5 %	30.7 %		30.8 %	33.9 %	
Operating profit	0.7	0.3	120.6 %	2.6	7.9	-66.8 %
- % of net sales	1.2 %	0.8 %		1.2 %	4.6 %	
Operating profit without non-recurring items	0.7	0.3	120.6 %	9.0	9.0	-0.4 %
- % of net sales	1.2 %	0.8 %		4.3 %	5.2 %	



Investments in the 3G and 4G networks and in fibre and transfer systems

Investments Q4:

EUR 66.9 million
(2013: 40.5)

- 30.9 % (19.7) of net sales

Investments Jan-Dec:

EUR 149.6 million
(2013: 128.4)

- 17.9 % (16.8) of net sales

Capital expenditure:

Q4: EUR 65.4 million
(2013: 39.6)

- 30.2 % (19.3) of net sales

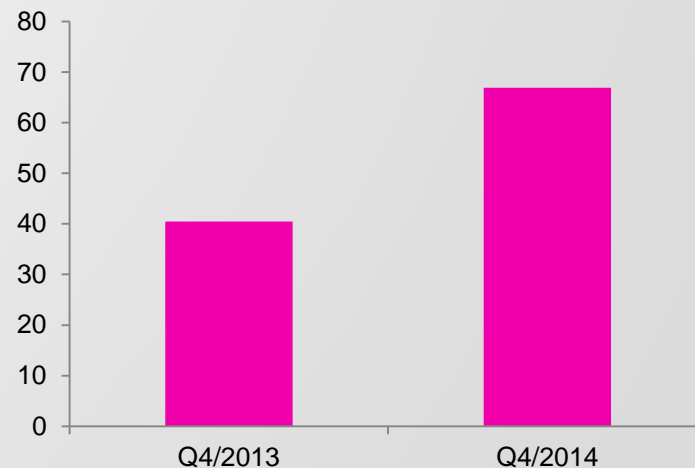
Jan-Dec. EUR 144.8 million
(126.2)

- 17.4 % (16.5) of net sales

Investments increased by 16.5 per cent from the year 2013

Capital expenditure increased by 14.7 per cent from the year 2013

Investments (M€)





Market outlook for 2015

Overall economic situation remains challenging and market competition remains intense

Network and mobile device technologies are developing at an increasingly fast pace

The increasingly important role of content and value added services

Consumer demand for broadband and entertainment services will increase

Mobile and versatile ways of working along the need for industrial Internet solutions boost demand in the corporate segment

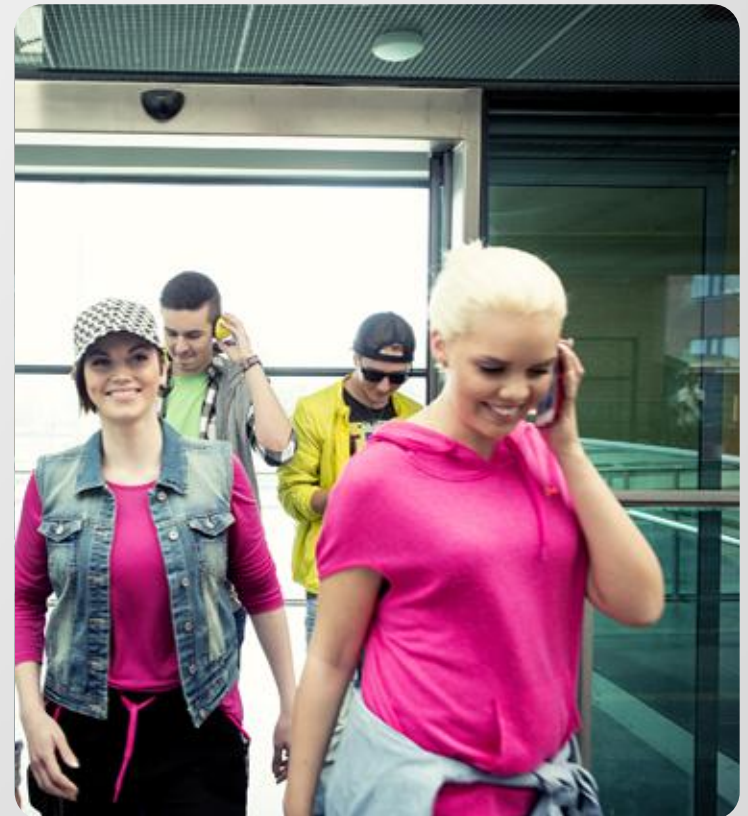
Decrease in fixed voice services

The strong growth of the variety of services and smart devices continues, and the best global services will gain a stronger foothold



DNA's outlook for 2015

- Net sales is expected to increase slightly and operating profit excluding non-recurring items significantly in 2015.
- The Group's financial position is expected to remain at a fairly healthy level.





Thank you!

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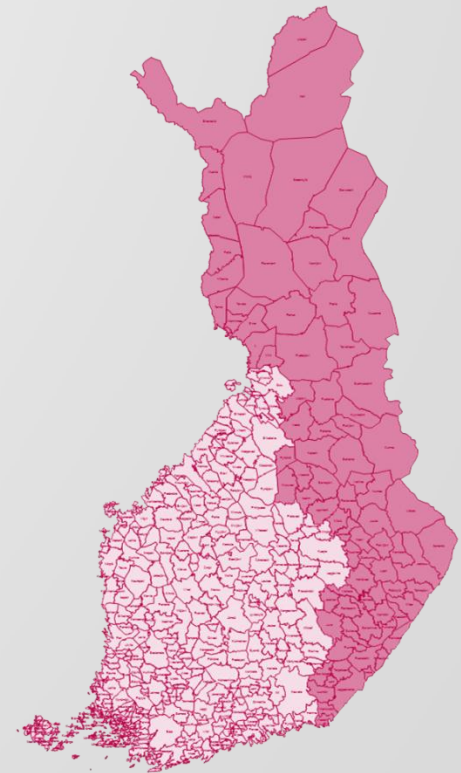


Appendices

DNA's joint operation with TeliaSonera

Cost efficiency for investing in mobile broadband network in sparsely populated areas

- DNA and TeliaSonera will share network resources and spectrum in the sparsely populated Northern and Eastern regions of Finland
 - Areas make up 50% of Finland's total territory and only approximately 15% of the population
- The joint operation company, Suomen Yhteisverkko Oy, will build and operate network for 2G, 3G and 4G technologies. DNA and TeliaSonera will use the networks to offer services to their customers in the area
 - DNA and TeliaSonera will continue to compete independently with own pricing and business models
- DNA will own 49% of the joint operation company

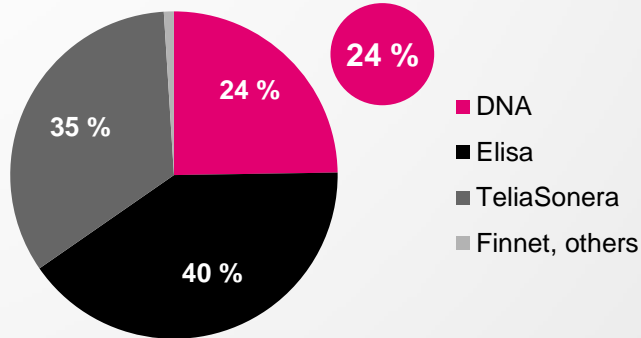




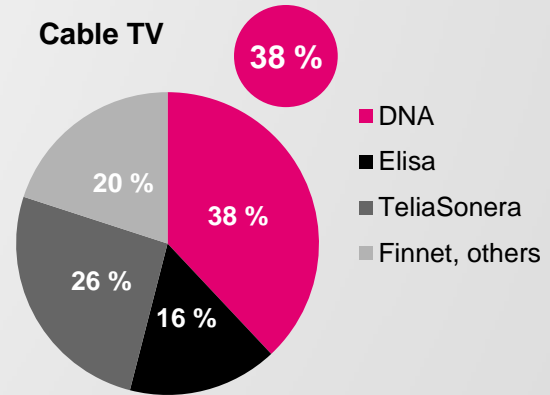
A strong foothold in the growth market

Growth market

Mobile communications (voice and broadband)

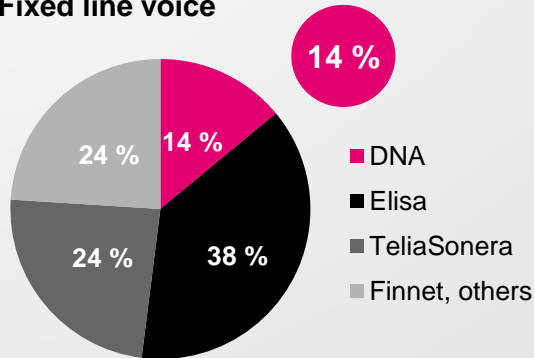


Cable TV

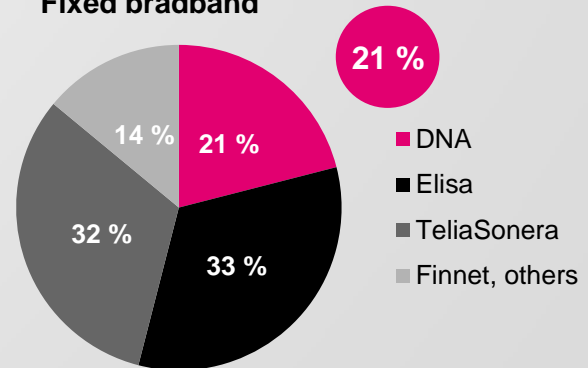


Established markets

Fixed line voice



Fixed broadband



Key figures 1(2)

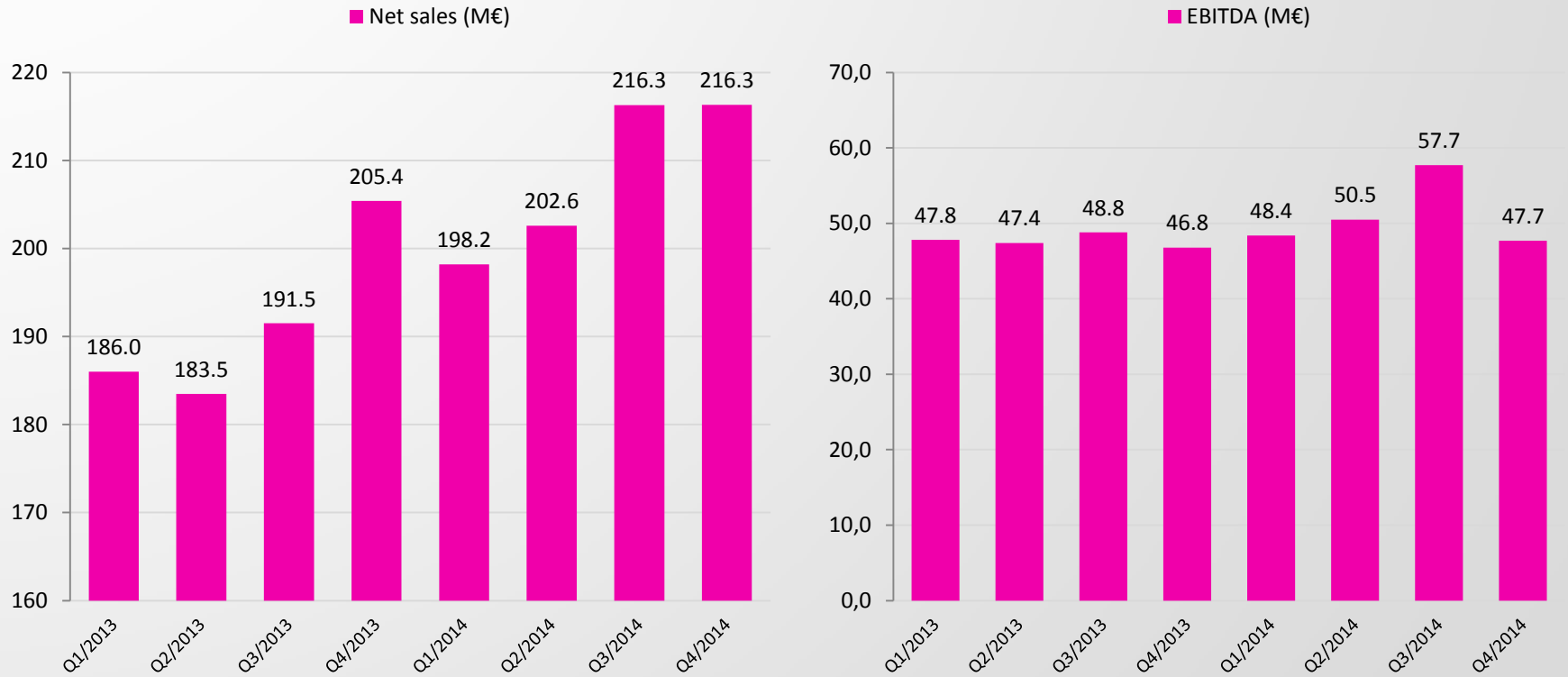
EUR million	10-12/2014	10-12/2013	Change, %	1-12/2014	1-12/2013	Change, %
Net sales	216.3	205.4	5.3 %	833.5	766.4	8.8 %
EBITDA	47.7	46.8	1.9 %	204.2	190.7	7.1 %
- % of net sales	22.0 %	22.8 %		24.5 %	24.9 %	
EBITDA without non-recurring items	47.7	47.6	0.3 %	210.1	195.8	7.3 %
- % of net sales	22.0 %	23.2 %		25.2 %	25.5 %	
Depreciation	40.1	38.7		174.9	147.1	
Operating profit	7.6	8.1	-6.7 %	29.4	43.7	-32.7 %
- % of net sales	3.5 %	4.0 %		3.5 %	5.7 %	
Operating profit without non-recurring items	7.6	8.9	-14.5 %	54.8	48.7	12.5 %
- % of net sales	3.5 %	4.3 %		6.6 %	6.4 %	
Investments	66.9	40.5	65.2 %	149.6	128.4	16.5 %
Cash flow after investments	-8.7	-8.2		-123.9	-33.6	

Key figures 2(2)

EUR million	10-12/2014	10-12/2013	Change, %	1-12/2014	1-12/2013	Change, %
Interest bearing net debt, EUR million	479.4	326.7	46.8 %	479.4	326.7	46.8 %
Interest bearing net debt/EBITDA	2.51	1.74		2.35	1.71	
Net gearing, %	94.3	62.6		94.3	62.6	
Equity ratio, %	41.5	49.4		41.5	49.4	
Return on investment (ROI), %	3.2	3.9		3.2	5.4	-45.7 %
Return on equity (ROE), %	2.7	4.3		3.0	5.5	
Personnel at the end of period	1 748	1 563	11.8 %	1 748	1 563	11.8 %

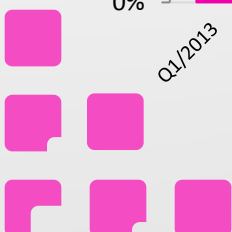
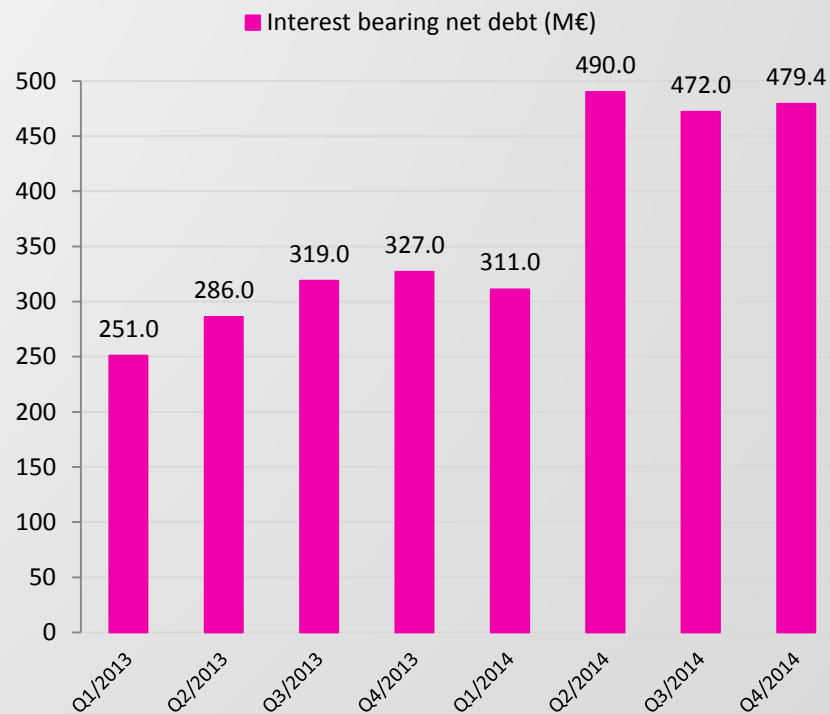
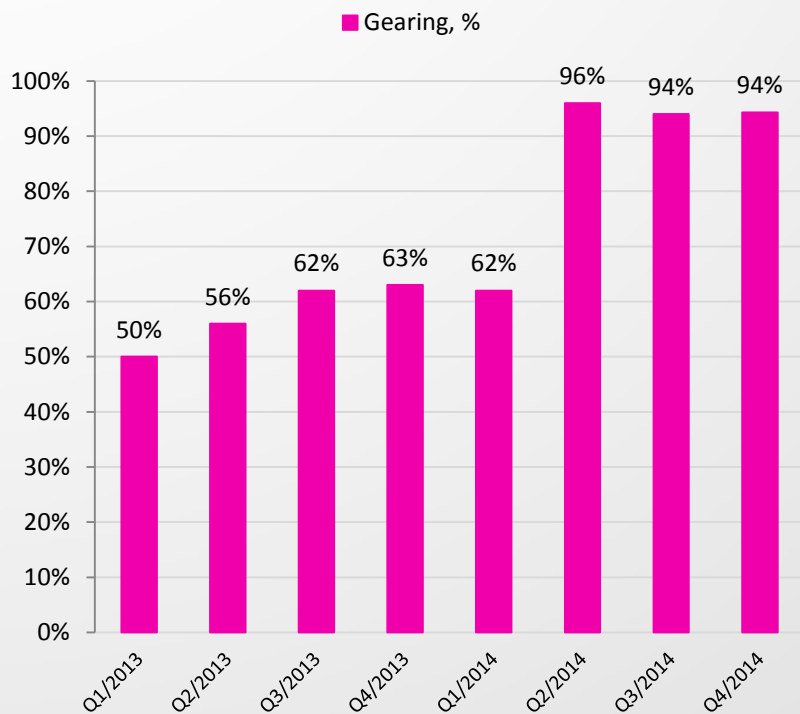


Net sales and EBITDA



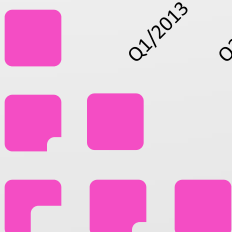
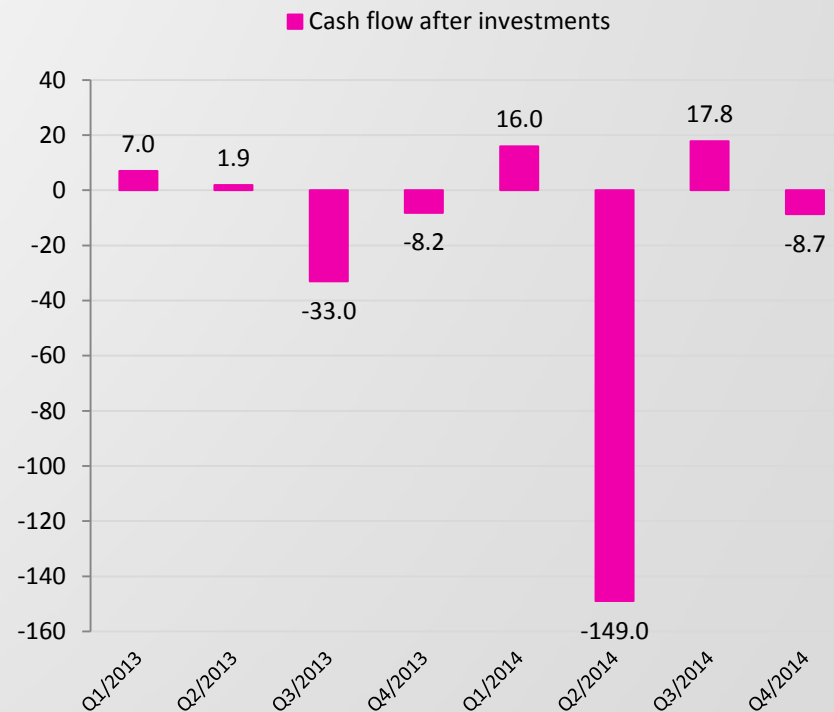
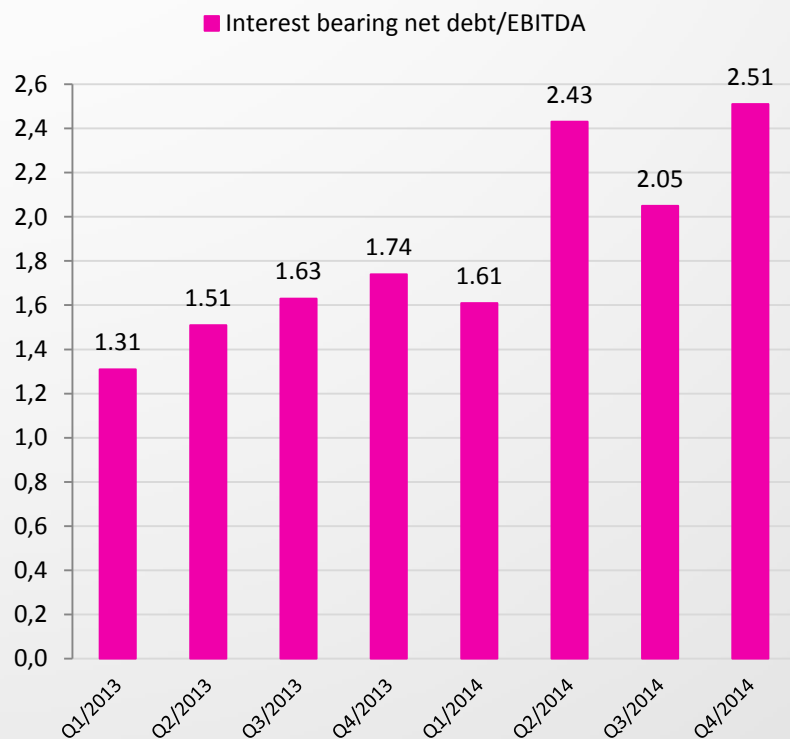


Gearing and interest-bearing net debt were affected by the acquisition of TDC's Finnish operations





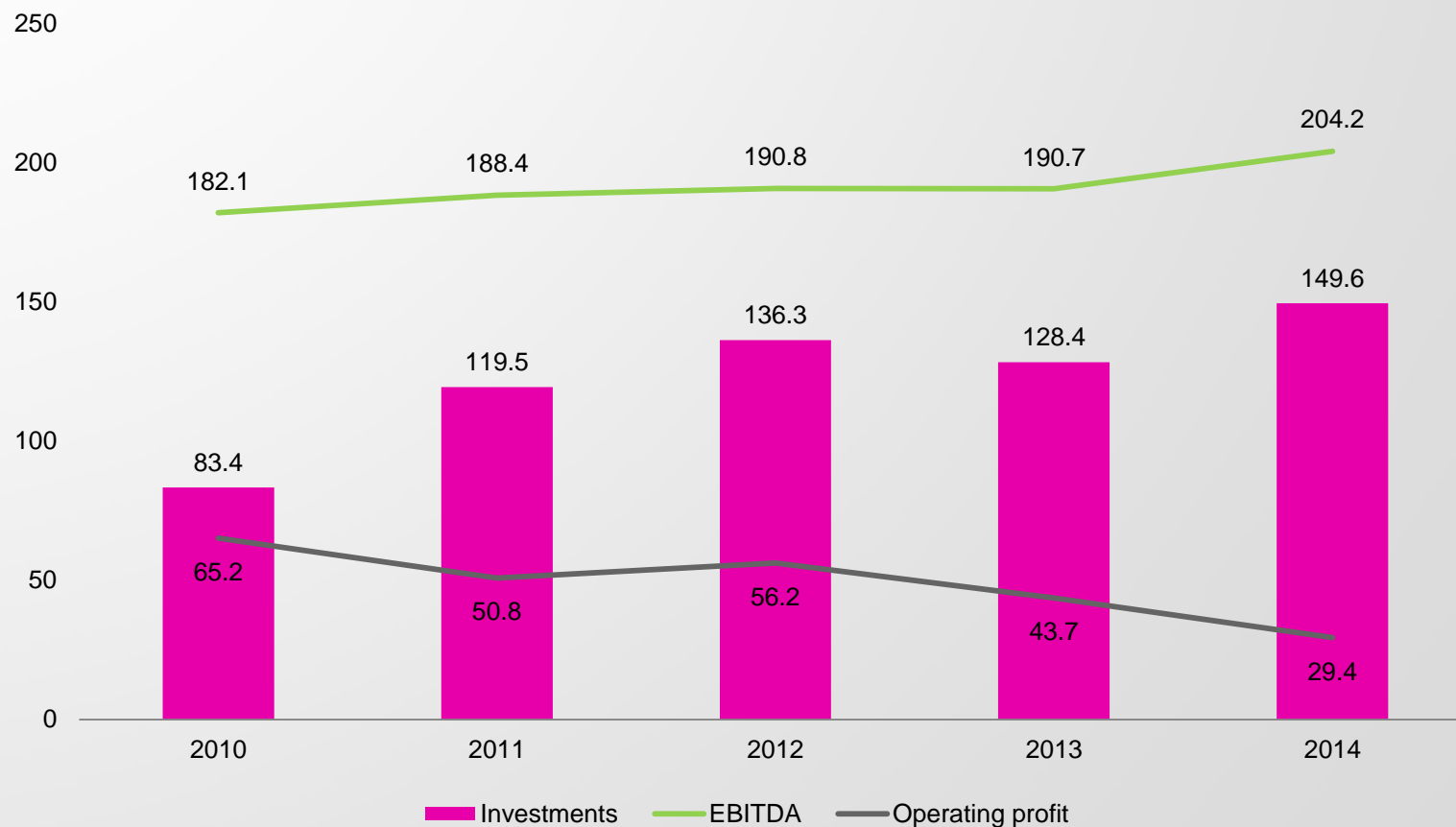
Interest-bearing net debt/EBITDA and cash flow after investments





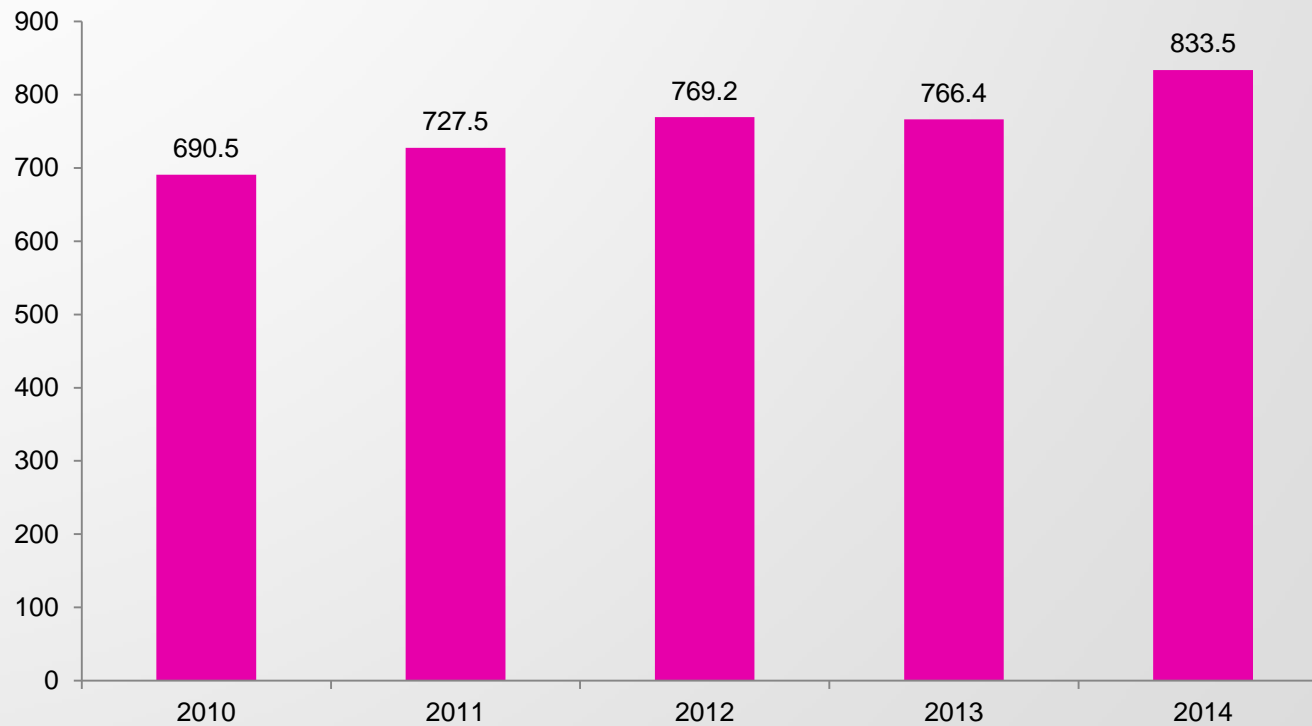
EBITDA increased

– operating profit decreased due to non-recurring items





Net sales have increased steadily





Majority of ownership in Finland

DNA Ltd, biggest owners on 30th of December 2014

Finda Ltd	49.90 %
PHP Holding Ltd	37.56 %
Ilmarinen Mutual Pension Insurance Company	5.01 %
Other owners in total	7.53 %
<hr/>	
In total	100 %

