



FINANCIAL STATEMENTS BULLETIN
2016



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DNA's profitability improved significantly in 2016

Summary

Unless otherwise stated, the comparison figures in brackets refer to the corresponding period in the previous year (reference period).

October–December 2016

- Net sales increased 5.2% and amounted to EUR 225.2 million (213.9 million).
- EBITDA decreased 5.4% to EUR 51.3 million (54.2 million). The EBITDA percentage of net sales was 22.8% (25.3%).
- Comparable EBITDA increased 6.1% and was EUR 57.5 million (54.2 million).
- The operating result decreased 24.8% and was EUR 14.5 million (19.3 million). Operating result as a percentage of net sales decreased and was 6.4% (9.0%).
- The comparable operating result increased 7.6% and was EUR 20.8 million (19.3 million).
- Revenue per user (ARPU) for mobile communications amounted to EUR 17.5 (17.0).
- The mobile communication subscription turnover rate (CHURN) was 17.8% (15.9%).

January–December 2016

- Net sales increased 3.6% and amounted to EUR 858.9 million (828.8 million).
- EBITDA increased 3.8% and was EUR 236.3 million (227.7 million). The EBITDA percentage of net sales was 27.5% (27.5%).
- Comparable EBITDA increased 9.0% and was EUR 247.1 million (226.7 million).
- Operating result increased 24.8% and was EUR 91.2 million (73.1 million). Operating result as a percentage of net sales increased and was 10.6% (8.8%).
- The comparable operating result increased 41.7% to EUR 102.1 million (72.0 million).
- The mobile communication subscription base grew 4.6%, totalling 2,742,000 (2,621,000).
- Revenue per user (ARPU) for mobile communications amounted to EUR 17.1 (17.0).
- The mobile communication subscription turnover rate (CHURN) was 16.1% (16.0%).
- The fixed-network subscription base (voice, broadband and cable television) decreased slightly and was 1,113,000 subscriptions at the end of December (1,120,000).

DNA's outlook for 2017

DNA's net sales are expected to remain at a 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.

Key figures

Figures are unaudited.

EUR million	10-12/2016	10-12/2015	Change, %	1-12/2016	1-12/2015	Change, %
Net sales	225.2	213.9	5.2%	858.9	828.8	3.6%
EBITDA	51.3	54.2	-5.4%	236.3	227.7	3.8%
- % of net sales	22.8%	25.3%		27.5%	27.5%	
Comparable EBITDA *	57.5	54.2	6.1%	247.1	226.7	9.0%
- % of net sales	25.5%	25.3%		28.8%	27.3%	
Depreciation, amortisation and impairment	36.7	34.9		145.0	154.6	
Operating result, EBIT	14.5	19.3	-24.8%	91.2	73.1	24.8%
- % of net sales	6.4%	9.0%		10.6%	8.8%	
Comparable operating result*	20.8	19.3	7.6%	102.1	72.0	41.7%
- % of net sales	9.2%	9.0%		11.9%	8.7%	
Net result before tax	12.2	16.7	-27.2%	81.7	61.6	32.6%
Net result for the period	9.6	14.0	-31.1%	65.2	50.0	30.3%
Return on investment (ROI), %	6.1	8.2		9.6	7.6	
Return on equity (ROE), %	6.8	10.8		11.6	9.7	
Capital expenditure	58.7	70.9	-17.2%	143.6	154.7	-7.2%
Cash flow after investing activities	3.8	18.1		83.5	97.3	
Free cash flow to equity	-	-		92.6	101.5	
Net debt, EUR million	-	-		321.7	412.3	-22.0%
Net debt/EBITDA	1.57	1.90		1.36	1.81	
Net gearing, %	-	-		53.9	78.5	
Equity ratio, %	-	-		48.4	44.1	
Basic earnings per share, EUR	0.07	0.11		0.51	0.39	
Diluted earnings per share, EUR	0.07	0.11		0.51	0.39	
Personnel at the end of period	-	-		1,668	1,672	-0.2%

*Group key figures

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DNA's financial publications and events in 2017:

- Interim Report January-March 2017, 21 April 2017
- Half year Financial Report, 18 July 2017
- Interim Report January-September, 20 October 2017
- DNA Plc's Annual General Meeting, Wednesday 22 March 2017

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CEO's review



2016 has been a strong year for DNA, in terms of financial development, customer base growth and customer satisfaction. Our net sales increased to EUR 858.9 million. Our profitability improved significantly as our operating result grew 24.8 percent and was EUR 91.2 million, or 10.6 percent of net sales, leading to earnings per share of EUR 0.51. Net sales were driven by the strong growth in service revenue (net sales less sales of goods and interconnection charges) as well as the positive development of mobile device sales. Our service revenue was boosted in particular by the increased sales of mobile subscriptions and growing use of mobile data as 4G subscriptions become more common. Our net sales were burdened by lower interconnection earnings as well as weaker demand for pay-TV services.

Favourable development of our mobile communication subscription base continued in 2016. It grew by 121,000 subscriptions, reaching 2.7 million in total. Our fixed-network subscription base decreased by 7,000 and totalled 1.1 million at the end of the year. This is due to the drop in the number of fixed-network voice subscriptions. The number of fixed-network broadband and cable television subscriptions increased by some 6,000 in total during 2016.

DNA shares were listed on the official list of Nasdaq Helsinki towards the end of 2016. Listing is an important milestone in developing DNA to an even stronger telecommunications company in the Finnish market. The final subscription price was EUR 10.10 per share and our IPO was oversubscribed. After the listing, we have more than 11,000 shareholders. Operating result in fourth quarter was affected by listing related costs, however, net sales and comparable operating profit improved

clearly.

We made significant investments in our 4G network in 2016, which has been largely completed by the end of the year. The construction of DNA's and Sonera's shared mobile communication network got under way in the spring of 2015 and was also completed by the end of 2016. During these 18 months, more comprehensive, high-speed telecommunications connections have been made available for more than 760,000 residents in sparsely populated areas. We estimate that our operative capital expenditure will decrease as the focus of our mobile communication network investments shifts from network modernisation and coverage expansion to capacity expansion in the coming years.

In 2016, 4G mobile data traffic volumes in DNA's networks grew some 120 percent. According to a report released by research company Tefficient in December 2016, DNA's customers have the highest mobile data usage in the world per subscription. DNA carried as much as 9.9 gigabytes of data per subscription each month between January and September 2016.

The Finnish economy is slowly returning to growth which is expected to affect positively customer demand. We expect the service revenue to increase also in 2017. However, net sales are expected to remain at the same level than in 2016 because of lower interconnection earnings. Increasing service revenue and continuous improvement in operational efficiency are expected to increase comparable operating result somewhat in 2017 compared to 2016.

We will continue our measures to improve our customer experience further in 2017. We will also continue to focus on employee satisfaction and the employees' professional development with the aim of creating a team of top experts that has a dedicated and qualified person for every task.

Jukka Leinonen
President and CEO

Operating environment

The Finnish economy is slowly returning to growth. Unlike many other industries, telecommunications is less affected by the overall economic situation, and the demand for telecommunication services has remained relatively steady for a long period.

The growth of the mobile data market continued, boosted by increased adoption of smart phones, tablets and other internet-connected devices as well as the wider availability of 4G speeds. According to a report* published by Tefficient in December, Finns are among the biggest mobile data users in the world as Finland topped the global list for the third consecutive year.

Practically all phones sold by DNA in 2016 were smart phones and mostly 4G models. Revenue from voice calls as well as the text message market has been declining steadily in Finland, but this trend is compensated by the growth of the mobile data market. Social networking applications have enriched but also partially replaced some traditional communication methods such as text messaging.

The number of fixed-network broadband subscriptions remained steady. However, Finns are switching to considerably faster cable and Ethernet-based broadband connections. Price competition in the broadband market remained very intense.

Use of TV and video services has become more versatile. Traditional TV viewing remains relatively steady. The use of streaming and on-demand video services continued to grow. The steady growth of cable television subscriptions also continued. The use of HDTV broadcasts grew, and customers want to watch content conveniently at a time that works best for them.

Economic uncertainty continued to affect investment decisions in the corporate market, slowing down the decision-making process. The increasingly mobile and networked 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. Companies are also interested in the Industrial Internet and its possibilities, which is reflected, for example, in the growth of DNA's M2M (machine to machine) subscription base. The rising business use of cloud services increases the demand for network capacity.

* Tefficient's report:

<https://corporate.dna.fi/documents/15219/31276591/Tefficient+industry+analysis+5+2016+mobile+data+usage+and+pricing+1H+2016.pba61-4ffc-9848-78cf203f3114>

Regulation

The spectrum auction for licenses for commercial use of the 700 MHz band took place in November 2016. DNA won the 2x10 MHz spectrum it pursued in the auction. The 700 MHz band can be used for the construction of 4G networks from the beginning of February 2017.

The European Commission published its proposal for the new European Electronic Communications Code in the autumn of 2016. The reform is expected to have an effect on areas such as market regulation, spectrum management and use of spectrum bands, universal service obligations, regulation of electronic communication services as well as consumer protection. The regulatory package may have a significant impact on DNA's business.

In December, the European Commission approved the implementation act on the roaming Fair Use Policy. The act also limits the use abroad of subscriptions with high data allowances without surcharges. The act ties the cap of "roam like home" usage to the price of the subscription and the operators' wholesale roaming price. If an operator is not able to recover what foreign operators charge for the use of their networks to provide roaming services, they may ask the Finnish Communications Regulatory Authority for permission to apply a surcharge on top of the caps.

The discussion of the proposed wholesale price cap for roaming is continuing. The new roaming regulation is planned to enter into force in the summer of 2017 and may have a significant impact on DNA's business.

Net sales and result

October–December 2016

DNA's net sales increased and totalled EUR 225.2 million (213.9 million). Net sales were fuelled by the positive development of mobile device sales and the growth in service revenue (net sales excluding sales of goods and interconnection charges), boosted in particular by the positive development of mobile subscription sales and growing use of mobile data, as 4G subscriptions become more common. The positive development of mobile device sales also boosted net sales. Net sales were burdened by lower demand for pay-TV services as well as lower interconnection prices. During fourth quarter, 74.1% (71.9%) of net sales was generated by Consumer Business and 25.9% (28.1%) by Corporate Business.

Comparable EBITDA increased to EUR 57.5 million (54.2 million). The increase was driven by growth in service revenue and improved operational efficiency. The items affecting the comparability of EBITDA in the review period totalled EUR 6.3 million and were mostly related to the listing of DNA. EBITDA decreased to EUR 51.3 million (54.2 million). The EBITDA percentage of net sales came to 22.8% (25.3%).

Comparable operating result increased and was EUR 20.8 million (19.3 million). Operating result decreased to EUR 14.5 million (19.3 million). Operating result as a percentage of net sales decreased to 6.4% (9.0%). Comparability was affected by the same items as for EBITDA.

Financial income and expenses amounted to EUR 2.4 million (2.6 million). Income tax for the period was EUR 2.5 million (2.7 million). Result for the October–December fell and was EUR 9.6 million (14.0 million). Earnings per share was EUR 0.07 (0.11).

January–December 2016

DNA's net sales increased and totalled EUR 858.9 million (828.8 million). Net sales were driven by the growth in service revenue as well as the positive development of mobile device sales. Service revenue was boosted in particular by the increased sales of mobile subscriptions and growing use of mobile data, which increased the share of 4G subscriptions in the subscription base. Net sales were burdened by lower demand for pay-TV services as well as lower interconnection prices. In 2016, 73.5% (72.0%) of net sales was generated by Consumer Business and 26.5% (28.0%) by Corporate Business.

Comparable EBITDA increased and was EUR 247.1 million (226.7 million). The items affecting the comparability of EBITDA in 2016 totalled EUR 10.8 million and were mostly related to the listing of DNA. The comparability of EBITDA in 2015 was affected by a sales profit of EUR 1.1 million. EBITDA increased and was EUR 236.3 million (227.7 million). The EBITDA percentage of net sales remained at 27.5% (27.5%). The increase was fuelled by growth in service revenue and improved operational efficiency.

Comparable operating result increased and was EUR 102.1 million (72.0 million). Operating result increased to EUR 91.2 million (73.1 million). In 2016, operating result was boosted by the improved EBITDA and lower level of depreciation. Operating result as a percentage of net sales increased and was 10.6% (8.8%). Comparability was affected by the same items as for EBITDA.

Financial income and expenses amounted to EUR 9.6 million (11.5 million). Income tax for the period was EUR 16.5 million (11.5 million). Result for the financial period increased and was EUR 65.2 million (50.0 million). Earnings per share was EUR 0.51 (0.39).

Consolidated key figures

EUR million	10-12/2016	10-12/2015	Change, %	1-12/2016	1-12/2015	Change, %
Net sales	225,2	213,9	5,2 %	858,9	828,8	3,6 %
EBITDA	51,3	54,2	-5,4 %	236,3	227,7	3,8 %
- % of net sales	22,8 %	25,3 %		27,5 %	27,5 %	
Comparable EBITDA*	57,5	54,2	6,1 %	247,1	226,7	9,0 %
- % of net sales	25,5 %	25,3 %		28,8 %	27,3 %	
Operating result, EBIT	14,5	19,3	-24,8 %	91,2	73,1	24,8 %
- % of net sales	6,4 %	9,0 %		10,6 %	8,8 %	
Comparable operating result, EBIT*	20,8	19,3	7,6 %	102,1	72,0	41,7 %
- % of net sales	9,2 %	9,0 %		11,9 %	8,7 %	
Net result for the period	9,6	14,0	-31,1 %	65,2	50,0	30,3 %

*Group key figures

Key operative indicators

	10-12/2016	10-12/2015	Change, %	1-12/2016	1-12/2015	Change, %
Number of mobile communication network subscriptions at end of period	2 742 000	2 621 000	4,6 %	2 742 000	2 621 000	4,6 %
- Revenue per user (ARPU), EUR	17,5	17,0	2,9 %	17,1	17,0	0,6 %
- Customer CHURN rate, %	17,8	15,9	11,9 %	16,1	16,0	0,6 %
Number of fixed line subscriptions at end of period	1 113 000	1 120 000	-0,6 %	1 113 000	1 120 000	-0,6 %

Cash flow and financial position

October–December 2016

Cash flow after investing activities was EUR 3.8 million (18.1 million). The decrease was mainly due to a change in the net working capital from the comparable period.

January–December 2016

Cash flow after investing activities was EUR 83.5 million (97.3 million).

At the end of December, DNA had a EUR 150 million revolving credit facility, of which EUR 150 million (150 million) remained undrawn, and a EUR 15 million (15 million) credit facility. The credit facility was extended for the first time, with the agreement of all the banks, by one year and the new maturity is now October 2021. In addition, the company has a commercial paper programme worth EUR 150 million (150 million), under which EUR 5 million (40 million) was drawn by the end of 2016.

DNA's net gearing decreased and came to 53.9% (78.5%) at the end of year. Trading in the DNA share began on the pre-list of Nasdaq Helsinki (the Helsinki Stock Exchange) on 30 November 2016, and on the official list of the Helsinki Stock Exchange on 2 December 2016. DNA raised gross proceeds of some EUR 50 million and EUR 38,6 million net proceeds from the IPO.

The Group's liquid assets comprising cash and cash equivalents amounted to EUR 46.2 million (25.3 million). Net debt decreased to EUR 321.7 million (412.3 million). The Group's liquid assets and undrawn committed credit limits amounted in total to EUR 211.2 million (190.3 million).

Net debt/EBITDA ratio improved and was 1.36 (1.81) at the end of the year.

DNA's equity ratio was 48.4% (44.1%) at the end of the review period.

Cash flow and financial key figures

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Cash flow after investing activities, EUR million	3,8	18,1	83,5	97,3
			31.12.2016	31.12.2015
Net debt, EUR million			321,7	412,3
Net debt/EBITDA			1,36	1,81
Net gearing, %			53,9	78,5
Equity ratio, %			48,4	44,1

Development per business segment

Consumer business

October–December 2016

Consumer Business net sales increased and were EUR 166.9 million (154.1 million). Net sales were boosted by the positive development in mobile subscription sales, growing use of mobile data, which increased the share of 4G subscriptions in the subscription base, and the positive development of mobile device sales. Net sales decreased due to lower interconnection prices and weaker demand for pay-TV services. EBITDA increased and was EUR 37.3 million (35.0 million). The increase was driven by the positive development of net sales for services and improved operational efficiency. The EBITDA percentage of net sales was 22.3% (22.7%). Consumer Business operating result increased to EUR 13.2 million (12.5 million), or 7.9% of Consumer Business net sales (8.1%). Items affecting EBITDA and operating result comparability were mostly related to the listing of DNA, which were EUR 3.8 million in total. Depreciation to the amount of EUR 24.1 million (22.6 million) was allocated to Consumer Business.

In November 2016, the DNA TV app was used by more than 300,000 customers. DNA TV combines traditional television, channel packages and programme libraries and brings TV content not only to the television screen but also to mobile devices, making it possible to watch TV whenever and wherever.

DNA's mobile device sales developed positively in 2016 and, in terms of sales revenue, were at a higher level than in 2015. 4G was the common denominator for sales in 2016, for both devices and subscriptions. At the end of 2016, more than half of phones used in DNA's mobile communication network were 4G phones. Similarly, 4G subscriptions dominated subscription sales. Another trend in device sales was the purchase of accessories, such as headsets, wireless speakers, virtual glasses as well as glass screen protectors and cases.

Changes to certain older DNA subscription types increased DNA's subscription turnover rate (CHURN) in the last quarter.

January–December 2016

Consumer Business net sales increased and were EUR 631.3 million (596.3 million). Net sales were boosted by the positive development in mobile subscription sales, growing use of mobile data, which increased the share of 4G subscriptions in the subscription base, and the positive development of mobile device sales. Net sales were burdened by lower interconnection prices and weaker demand for pay-TV services. EBITDA increased and came to EUR 168.4 million (154.6 million). The increase was fuelled by the positive development of service revenue and improved operational efficiency. The EBITDA percentage of net sales increased to 26.7 (25.9%). Consumer Business operating result increased and was EUR 74.6 million (56.0 million), or 11.8% of Consumer Business net sales (9.4%). Items affecting EBITDA and operating result comparability were mostly related to the listing of DNA, which were EUR 6.5 million in total. Depreciation of EUR 93.9 million (98.6 million) was allocated to Consumer Business.

Service revenue for 2016 were boosted by the growth of mobile network subscription base as well as favourable mobile billing development.

Consumer business

EUR million	10-12/2016	10-12/2015	Change, %	1-12/2016	1-12/2015	Change, %
Net sales	166,9	154,1	8,3 %	631,3	596,3	5,9 %
EBITDA	37,3	35,0	6,5 %	168,4	154,6	9,0 %
- % of net sales	22,3 %	22,7 %		26,7 %	25,9 %	
Comparable EBITDA*	41,1	35,0	17,3 %	174,9	153,5	14,0 %
- % of net sales	24,6 %	22,7 %		27,7 %	25,7 %	
Operating result, EBIT	13,2	12,5	6,2 %	74,6	56,0	33,1 %
- % of net sales	7,9 %	8,1 %		11,8 %	9,4 %	
Comparable operating result, EBIT*	17,0	12,5	36,6 %	81,1	55,0	47,5 %
- % of net sales	10,2 %	8,1 %		12,8 %	9,2 %	

*Group key figures

Corporate business

October–December 2016

Corporate Business net sales remained at a similar level compared to 2015 and were EUR 58.3 million (59.8 million). Net sales were burdened by lower traffic volumes and the decrease in the number of fixed-network broadband subscriptions as companies are switching to mobile broadband subscriptions. Net sales were impacted positively by the increase in the mobile broadband subscription base. EBITDA decreased to EUR 14.0 million (19.2 million), or 24.0% of net sales (32.1%). EBITDA for the review period was deteriorated mainly due to the additional provision for unused premises, while the EBITDA for the comparable period was improved by a reduction from the provision for premises. Operating result decreased to EUR 1.3 million (6.8 million), or 2.2% of net sales (11.4%). Items affecting EBITDA and operating result comparability were mostly related to the listing of DNA, which were EUR 2.5 million in total. Depreciation of EUR 12.7 million (12.3 million) was allocated to Corporate Business.

DNA again signed significant new agreements and extensions to existing contracts with enterprises and the public sector in the last quarter. The share of small and mid-sized enterprises in particular grew in the customer base.

In November 2016, DNA announced that it will provide WLAN services for hundreds of KONE Corporation offices worldwide. The three-year contract between DNA and KONE includes WLAN deliveries as a full service. The contract covers design, installation and maintenance. The role of WLAN in corporate network solutions is increasingly significant. DNA delivers solutions like this to KONE and other international companies in cooperation with our strong partner network on a turnkey principle.

In November, DNA signed an agreement to deliver M2M (machine to machine) subscriptions to Econet Ltd, a company specialised in water and environment technology. DNA will deliver thousands of M2M subscriptions to Econet in the coming years.

January–December 2016

Corporate Business net sales remained at a similar level year-on-year and amounted to EUR 227.5 million (232.6 million). Net sales were burdened by the reduction in interconnection prices and lower voice traffic volumes. Net sales were boosted by the increase in the mobile broadband subscription base. EBITDA decreased to EUR 67.9 million (73.1 million), or 29.8% of net sales (31.4%). A reduction from the provision for premises had a positive effect on the EBITDA. Operating result decreased and was EUR 16.7 million (17.1 million), or 7.3% of net sales (7.3%). Items affecting EBITDA and operating result comparability were mostly related to the listing of DNA, which were EUR 4.3 million in total. Depreciation to the amount of EUR 51.2 million (56.1 million) was allocated to Corporate Business.

Corporate business

EUR million	10-12/2016	10-12/2015	Change, %	1-12/2016	1-12/2015	Change, %
Net sales	58,3	59,8	-2,6 %	227,5	232,6	-2,2 %
EBITDA	14,0	19,2	-27,1 %	67,9	73,1	-7,2 %
- % of net sales	24,0 %	32,1 %		29,8 %	31,4 %	
Comparable EBITDA*	16,4	19,2	-14,2 %	72,2	73,1	-1,3 %
- % of net sales	28,2 %	32,1 %		31,7 %	31,5 %	
Operating result, EBIT	1,3	6,8	-81,1 %	16,7	17,1	-2,4 %
- % of net sales	2,2 %	11,4 %		7,3 %	7,3 %	
Comparable operating result, EBIT*	3,8	6,8	-45,1 %	21,0	17,1	22,8 %
- % of net sales	6,4 %	11,4 %		9,2 %	7,3 %	

*Group key figures.

Capital expenditure

October–December 2016

Capital expenditure was EUR 58.7 million (70.9 million), or 26.1% of net sales (33.1%). Operational capital expenditure (excluding licences) decreased 19% from comparison period and was EUR 52.0 million (64.2 million), or 23.1% of net sales (30.0%). Investments in licences were EUR 6.7 million in the fourth quarter both in 2015 and 2016.

January–December 2016

Capital expenditure was EUR 143.6 million (154.7 million), or 16.7% of net sales (18.7%) in 2016. Operational capital expenditure decreased 7.5% from comparison year and was EUR 136.9 million (148.0 million), or 15.9% of net sales (17.9%).

Major items included in capital expenditure in the review period were the 4G and 3G networks and fibre and transfer systems.

The focus of DNA's mobile communication network investments is expected to shift from network modernisation and coverage expansion to capacity expansion in the coming years. In practice, this will mean a lower level of operational capital expenditure activity.

Capital expenditure

EUR million	10-12/2016	10-12/2015	Change, %	1-12/2016	1-12/2015	Change, %
Consumer business	37,4	46,1	-18,9 %	90,9	101,5	-10,4 %
Corporate business	19,3	23,0	-16,0 %	45,8	48,2	-4,9 %
Unallocated	2,0	1,8	11,2 %	6,9	5,0	37,5 %
Total capital expenditure	58,7	70,9	-17,2 %	143,6	154,7	-7,2 %

Capital expenditure is defined as additions to property, plant and equipment and intangible assets excluding business acquisitions, gross acquisition cost of spectrum licenses and additions through finance leases and asset retirement obligations and including annual cash instalments for the spectrum licenses. Unallocated capital expenditure comprise sales commissions.

EUR million	10-12/2016	10-12/2015	Change-%	1-12/2016	1-12/2015	Change-%
Operative capital expenditure	52,0	64,2	-19,0 %	136,9	148,0	-7,5 %
Spectrum license	6,7	6,7	0,0 %	6,7	6,7	0,0 %
Total capital expenditure	58,7	70,9	-17,2 %	143,6	154,7	-7,2 %

Operative capital expenditure is reported capital expenditure without annual cash instalments for spectrum licenses.

Network infrastructure

DNA makes continuous investments in high-speed mobile networks and fixed-network broadband to support the customers' growing use of subscriptions, devices as well as online and cloud services. In January–December, DNA expanded its 4G and 3G networks by adding some 2,300 base stations. At the end of 2016, DNA's 4G network reached more than 99.5 per cent of the population in mainland Finland.

In 2016, 4G traffic volumes in DNA's networks grew some 120% year-on-year. DNA's total data traffic volume in mobile communications network grew 76%. At the end of the period, more than 82% of all mobile data was transferred in the 4G network. This trend is due to the intense expansion of the 4G LTE network, growing 4G customer base, the proliferation of devices that employ a constant network connection, and the increase in the mobile use of TV and music services.

Finnish Shared Network Ltd constructed a new 2G/3G/4G network for mobile communications in Northern and Eastern Finland. The construction of DNA's and Sonera's shared network started in the spring of 2015 and was completed towards the end of 2016. During these 18 months, more comprehensive, high-speed telecommunications connections have been made available for more than 760,000 residents in sparsely populated areas. The combination of the frequencies and resources of two operators made it possible to construct a 4G network with double the speeds very cost-effectively. Customers can enjoy improved coverage in 4G/3G/2G networks.

The 700 MHz spectrum auction organised by the Finnish Communications Regulatory Authority concluded on 24 November 2016. DNA Plc won the 2x10 MHz spectrum it pursued in the spectrum auction and DNA's winning bid for the spectrum totalled EUR 22 million. The licence fee will be paid in equal instalments during a five-year period. The licence period is 17 years (1 February 2017 to 31 December 2033). DNA reinforces its mobile broadband operations in the 700 MHz spectrum. The new 700 MHz spectrum enables build-up of 4G capacity, particularly in sparsely populated areas.

According to a report released by research company Tefficient in December 2016, DNA's customers have the highest mobile data usage in the world per subscription. DNA carried as much as 9.9 gigabytes of data per subscription each month between January and September 2016. DNA's customers were the world champions of mobile data use also in 2015, using almost 6 gigabytes of data per subscription each month.

Personnel

At the end of December 2016, DNA Group had 1,668 employees (1,672 employees), of which 683 were women (673) and 985 men (999).

Salaries and employee benefit expenses paid during the fourth quarter were EUR 30.0 million (28.1 million) and during 2016 EUR 112.9 million (106.9 million).

DNA's human resources management aims to establish a team of top experts at DNA, so that each and every task is performed by a dedicated and qualified person. DNA believes that employee satisfaction is of vital importance to the company's ability to deliver high-quality customer service.

DNA participates in the annual Great Place to Work (GPTW) survey to track the company's development as an employer and the positive development of personnel satisfaction continued in 2016. The survey in 2016 indicated a significant improvement on the levels reported in 2015, which were already good. Results improved across the board for the organisation as a whole. The GPTW surveys to date indicate that skilled and committed employees who build a positive working atmosphere and team spirit are DNA's strength. In particular, DNA's employees have given positive feedback on the opportunities provided by DNA for flexible work, including DNA's genuine method of working, which allows employees to decide independently where they work without discussing this with their supervisor.

In 2016, DNA placed special emphasis on supporting employees' professional development. DNA offers various training opportunities such as versatile in-house coaching sessions, personal competence development training and supervisor coaching. DNA also encourages employees' independent study and supports employees' participation in external training activities.

Personnel by business segment

	31.12.2016	31.12.2015	Change, %
Consumer business	1 012	1 000	1,2 %
Corporate business	656	672	-2,4 %
Total personnel	1 668	1 672	-0,2 %

Changes in the group structure and significant litigation matters

Changes in the group structure

There were no significant changes in the Group structure during the review period.

Significant litigation matters

The processing of the claim related to the trademark dispute between Deutsche Telekom AG and DNA that was filed in January 2008 continues at Helsinki District Court. In February 2016, DNA filed an action in the Market Court against Deutsche Telekom AG and its three T-Systems subsidiaries. DNA requests that the defendant be denied the use of those shades of colour pink or magenta in its marketing in Finland that violate DNA's exclusive rights to certain shades of pink acquired through becoming established earlier, or other registered or established trademarks of DNA, which, in violation of the Unfair Business Practices Act (1061/1978), is liable to cause confusion with DNA or its services, marketing, trademarks or other distinctive characters, or means taking unfair advantage of their distinctive character or repute, or damages them. Deutsche Telekom AG has denied DNA's claim and proceedings are pending at the Market Court.

Management and governance

Group Executive Team

DNA Plc has a line organisation, comprising of Consumer Business, Corporate Business, Technology, and Information Management and IT units as well as support functions.

At the end of the review period, DNA's Executive Team comprised CEO Jukka Leinonen, CFO Timo Karppinen; Senior Vice President, Consumer Business Pekka Väisänen; Senior Vice President, Corporate Business Hannu Rokka; Senior Vice President, Technology Tommy Olenius; Senior Vice President, Human Resources Marko Rissanen; Senior Vice President, Legal Affairs Asta Rantanen; Senior Vice President, Strategy Christoffer von Schantz, and CIO Janne Aalto.

Corporate Governance Statement

In accordance with the Finnish Corporate Governance Code, DNA publishes a separate Corporate Governance Statement, including salary and remuneration report, for 2016. The statement also covers other important aspects of governance at DNA and will be published with DNA's Annual Report on 1 March 2017, separately from the Board of Director's report.

Decisions of the Annual General Meeting of 2016

DNA Ltd's Annual General Meeting was held on 31 March 2016. The AGM adopted the financial statements and discharged the Board of Directors and the CEO from liability for the financial period 2015.

According to the proposal by the Board of Directors, the AGM agreed to pay a dividend of EUR 4.72 per share for the financial year 2015. No dividend will be paid for treasury shares held by the company.

PricewaterhouseCoopers continues as the company's auditor, with Authorised Public Accountant Mika Kaarisalo as the principal auditor.

Board members and remuneration

The number of Board members was confirmed to be six. Re-elected members of the Board include Jarmo Leino, Jukka Ottela, Kirsi Sormunen, Tero Ojanperä, Anu Nissinen and Margus Schults. At the constitutive meeting of the Board of Directors held subsequent to the AGM, Jarmo Leino was re-elected Chairman.

The AGM approved the Board's proposal on the Board's share repurchase authorisation. The Nomination Committee's proposal on the Board members and remuneration was also approved.

Decisions of DNA Ltd's Extraordinary General Meeting of 25 October 2016

The Extraordinary General Meeting of 25 October 2016 elected Mr. Pertti Korhonen as a new member of the Board of Directors of DNA. The existing members of DNA's Board of Directors will continue as board members. In addition, the Board of Directors decided, conditional upon consummation of the IPO and listing of the DNA, to elect Mr. Pertti Korhonen as the Chairman of the Board of Directors. Mr. Korhonen became the Chairman of the Board on the day following the listing of the company.

The Extraordinary General Meeting decided e.g. to change the company's form from a private limited liability company to public limited liability company and decided on other changes to the company's articles of association including changes required for the contemplated listing. Further, the EGM decided to increase the number of the company's shares by way of a share split, in which new shares will be issued to the shareholders without payment in proportion to their holdings so that, for each share, shareholders received 14 new shares. On 27 October 2016, after the share split, the total number of DNA's shares came to 127,325,850.

In addition, the Extraordinary General Meeting authorised the Board of Directors to decide on a share issue and the granting of options and other special rights entitling to shares.

DNA became a listed company

DNA submitted a listing application to Nasdaq Helsinki Ltd (the Helsinki Stock Exchange) on 24 November 2016 for the listing of the company's shares on the official list of the Helsinki Stock Exchange and launched an initial public offering (IPO). Before the offering, the shares of the company have not been subject to trading on a regulated market. DNA's shares were offered to private individuals and entities in Finland, employees of DNA or its wholly-owned subsidiaries in Finland, the members of DNA's Board of Directors and the CEO as well as to institutional investors in Finland and internationally. The final subscription price in the offering was EUR 10.10 per share.

Trading in the DNA share began on the pre-list of Nasdaq Helsinki (the Helsinki Stock Exchange) on 30 November 2016, and on the official list of the Helsinki Stock Exchange on 2 December 2016. Trading in the shares subscribed in the personnel offering began on the Helsinki Stock Exchange on 16 December 2016.

DNA issued 4,977,650 new shares, corresponding to approximately 3.9 percent of the total number of the company's shares outstanding before the offering. In addition, DNA's largest shareholders Finda Oy and PHP Holding Oy and certain other shareholders sold 35,950,000 existing shares in the company. 3,220,000 new shares were issued to private individuals and entities in Finland and 43,500,207 offer shares were allocated to institutional investors in Finland and internationally.

In addition, DNA issued 271,543 new shares to employees in the personnel offering. The subscription price per share in the personnel offering was 10% lower than the final offer price, i.e. EUR 9.09 per offered share.

The total number of the company's shares increased was 132,303,500 shares after the new shares offered were registered in the Finnish Trade Register. The total number of shareholders after the offering increased and was more than 10,000 shareholders.

Shares and shareholders

Shareholders and flagging notifications

The number of registered shareholders totalled 11,646 (including 6 nominee registers) at the end of 2016. At the end of December, the proportion of nominee registrations and direct foreign shareholders was 17.9%.

On 30 December 2016, the largest shareholders of DNA Plc were Finda Oy (33.44%), PHP Holding Oy (23.94%), Ilmarinen Mutual Pension Insurance Company (4.82%), Anvia Oyj (2.21%) and Danske Bank (1.80%). At the end of 2016, they held a total of 66.21% of DNA's shares and voting rights.

Under the provisions of the Securities Markets Act, a shareholder of a listed company has an obligation to inform the Financial Supervisory Authority and the listed company in question of the changes in its holding in the listed company's shares. In 2016, DNA did not receive any such flagging notifications.

Owners (10 biggest):

	31.12.2016
Finda Oy	33,44 %
PHP Holding Oy	23,94 %
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	4,82 %
Anvia Oyj	2,21 %
Danske Bank AS Helsinki Branch	1,80 %
Keskinäinen Eläkevakuutusyhtiö Elo	1,66 %
Lohjan Puhelin Oy	1,05 %
Nordea Fennia Fund	1,05 %
Mandatum Henkivakuutusosakeyhtiö	1,02 %
Valtion Eläkerahasto	0,91 %
Total	71,90 %

Shares

The trading code of the DNA share is "DNA". At the end of the review period, the company's registered shares totalled 132,303,500 (144,275,355) and the share capital registered in the Finnish Trade Register amounted to EUR 72,702,225.65 (EUR 72,702,225.65). In September, the company held 1,129,967 treasury shares, which the Board of Directors decided to cancel at the end of September.

In the share issue of 21 April 2016 related to their annual remuneration, members of the Board of Directors subscribed 520 shares in total. These shares were entered into the shareholder register on 4 July 2016.

Trading in the DNA share began on the pre-list of Nasdaq Helsinki (the Helsinki Stock Exchange) on 30 November 2016, and on the official list on 2 December 2016. Since the beginning of trading at the Helsinki Stock Exchange, a total of 56,981 million DNA Plc shares, totalling EUR 95,529 million, were traded on the Helsinki Stock Exchange. The highest quotation of DNA shares was EUR 10.29 and the lowest EUR 9.87. The average rate was EUR 10.09 and volume-weighted average EUR 10.10. The closing quotation on the last trading day of the year, 30 December 2016, was EUR 10.15.

Stabilisation measures of DNA's share

Stabilisation measures of DNA's share were carried out first in the pre-list of the Helsinki Stock Exchange and later on the official list within 30 days of the announcement of the final subscription price. Stabilisation measures are performed in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

At the end of the year, DNA's market capitalisation was EUR 1,343 million.

DNA's financial objectives and dividend policy

DNA aims for a payout ratio of some 70 to 90% of DNA's free cash flow to equity for the financial year.

DNA's medium-term financial objectives:

- net sales growth above market average
- EBITDA margin of at least 30%
- operative capital expenditure of less than 15% of net sales
- net debt/EBITDA ratio of less than 2.0%

Corporate responsibility

DNA continued the practical implementation of its new corporate responsibility strategy in the last quarter of 2016. In 2016, more than 940 DNA employees participated in discussion or training sessions related to responsibility. Responsibility strategy supports DNA's business objectives and emphasises DNA's responsible attitude towards its customers.

DNA takes responsibility over the environmental effects of its operations. While the strong expansion of DNA's networks and business continues, DNA aims to reduce its total emissions by 15% by 2020 from the levels reported in 2014. The company also aims to improve the energy-efficiency of its networks and to reduce emissions from its radio network in proportion to annual data transfer volumes by 80% by 2020 from 2014. In May 2016, DNA signed up to Society's Commitment to Sustainable Development.

Modernisation of base stations continued as planned. By the end of 2016, more than 90% of the old base stations had been replaced with more energy-efficient models. The project is expected to be completed by the end of 2017.

DNA continued the pilot project as part of the Family Federation of Finland's family-friendly work initiative, which supports DNA's strategic goal of being one of the most desired employers in Finland.

DNA is a main partner of the "HundrED – 100 Koulua" initiative that was launched in December 2015. The initiative is searching for 100 education innovations that will be developed and trialled with a selection of Finnish schools and education experts. DNA is also one of the main partners of SOS Children's Village, supporting it financially and providing data communication connections for its premises.

Near-term risks and uncertainties

According to the company, there have been no significant changes in near-term risks and uncertainties during 2016. A more detailed description of DNA's risk management and uncertainties is available in the Annual Report, which will be published on 3 March 2017.

Strategic and operative risks

Continued uncertainty related to the overall economic situation continues to have some effect, in particular on the demand for TV services and the corporate market.

The Finnish telecommunications market is characterised by tough competition between established operators, and a high degree of penetration. DNA operates in Finland, a market where the number of mobile phones per capita is among the highest in the world, which limits the prospects of future growth in the number of subscriptions.

DNA closely monitors changes in the operating environment and the resulting possible new business opportunities, which always involve higher risks than conventional and established business operations.

New communication methods and continuous technological development

The rapid phase of technological development affects the entire telecommunication industry and DNA's operations. Alongside traditional communications methods, technological development and new types of services and devices can create new revenue models. Customer behaviour can change rapidly if new services are reliable and easy to use.

As new communications methods gain widespread popularity, they have an impact on the traditional business of operators.

Intense competition in entertainment business

International players have a strong presence in the competitive environment of TV and entertainment services. DNA faces competition from traditional operators, but also increasingly from OTT (over-the-top content) service providers that deliver content over the internet to mobile devices. The role of media companies' own distribution channels and services is also becoming more important.

The ongoing shift in media use will provide both new risks and opportunities while content rights are being negotiated. DNA monitors the TV and entertainment service market intensively and continuously enhances its service offering to anticipate changes in the market.

System and network risks

The nature of DNA's operations and customer requirements place high demands on DNA's information systems and network infrastructure. DNA's business is capital-intensive, and the company's success depends on its ability continuously to maintain and improve its network infrastructure. Use of mobile devices that have a constant network connection is increasing strongly among both business and private users. M2M (machine to machine) subscriptions and the Industrial Internet will further expand the volume of data traffic. The role of good information security and data security gain in importance as the use of smart devices and Industrial Internet gain ground.

DNA has invested into high-quality data systems and data analytics tools in 2016 to deepen customer understanding and create a multi-channel customer experience. DNA's business operations depend on IT systems, which involve several interconnected risks.

To optimise the availability of its communications services, DNA employs a range of methods. These include establishing back-up solutions for critical transfer connections by using at least two different routes. Other methods involve duplicating and decentralising the main data centre and communication service systems in the company's equipment facilities.

Regulatory risks

The legislative preparation, interpretation and implementation of EU roaming regulations is still largely incomplete. The elimination of roaming charges and the uncertainty of the level of wholesale roaming charges may have an unfavourable effect on DNA's business. The interpretation and implementation of net neutrality regulations is also incomplete, and may have a significant impact on DNA's broadband business.

Financing risks

In order to manage the interest rate risk, the Group's borrowings have been spread between fixed- and variable-rate instruments. In order to manage liquidity risk, in addition to liquid assets the company uses credit limits. To manage customer credit risk, the credit history of new customers is checked as part of the ordering process. The Group's foreign interest risk is insignificant, since the majority of its cash flow is euro denominated.

A more detailed description of the management of financing risks can be found in Note 3 to the consolidated financial statements in DNA's Annual Report: <http://annualreporting.dna.fi/2015/en/financial-statements/consolidated-financial-statements/notes-to-the-consolidated-financial-statements/3.-financial-risk-management>.

Damage risk

In anticipation of possible unforeseen damage risks, DNA has continuous insurance policies covering aspects of its operations including personnel, property, business interruption, third-party liability and criminal action. Damage risks are prevented and minimised by means such as security guidelines and personnel training.

Events after the review period

DNA's Board of Directors decided in its meeting on 30 January 2017 to establish a new long-term share-based incentive scheme for senior management and other key employees of the company. The main structure of the system is a Performance Share Plan (PSP) and the Board of Directors decided that a bridge element between DNA's long-term share-based compensation plan launched in 2014, and the new long-term share-based incentive scheme that will begin in 2017, will be covered with an adjusted short-term incentive earning opportunity (bridge plan). In addition, DNA has a Restricted Share Plan (RSP). More information about share-based incentive scheme in note 9.

Outlook for 2017

Market outlook

The Finnish economy is returning to growth and the value of the telecommunications market has also returned to the growth path. Competition is expected to remain intense in 2017.

In addition to the overall economic situation, net sales and the profitability of the industry are being affected by the increased popularity of IP-based communications solutions driven by the growing number of smart phones and tablets. Moreover, they are affected by the reduction in interconnection prices in the mobile communication network and intense competition in the mobile communication and fixed-line broadband markets in particular.

Strong growth of mobile data use is expected to continue, boosted by the growing number of 4G subscriptions, increased mobile data usage as well as growing number of connected mobile devices. In the coming years, mobile data usage will shift mostly to 4G networks. Steady growth in the demand for 4G subscriptions continues, and customers are prepared to pay more for faster data connections.

In the consumer market, consumer demand for fast broadband subscriptions and entertainment services in particular is expected to increase. Fixed-network broadband customers are expected to continue to switch to housing company subscriptions. The fixed-network mobile broadband subscription base is expected to remain relatively steady in the near future.

In the mobile communication networks, SMS and voice traffic is expected to fall slightly. The market for fixed-network voice services is expected to continue declining.

Due to the overall economic situation, organisations will continue to seek cost savings, but they also increasingly need to implement new ICT solutions to improve the productivity of their business. More mobile and versatile ways of working will boost demand for services such as cloud and video conference services. Companies transfer their applications to the cloud to increase their operational efficiency, which will boost the demand for secure high speed connections. The demand for Industrial Internet solutions, and subsequently for M2M subscriptions, is expected to grow.

DNA's outlook for 2017

DNA's net sales are expected to remain at a 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.

Board of Directors' proposal on dividend payment

DNA Plc's distributable funds in the financial statements amount to EUR 208,858,264, of which profit for the financial year came to EUR 45,686,058.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.55 per share be paid for the financial period 2016.

Based on the number of shares at the end of the year, the total dividend to be paid comes to EUR 72.766.925. The Board of Directors proposed that the remaining non-restricted equity will be retained and carried forward.

DNA's Annual General Meeting 2017

DNA's Annual General Meeting will take place at the Finlandia Hall in Helsinki on 22 March 2017 at 10am. DNA's Board of Directors will issue an invitation to the Annual General Meeting.

The figures in the Financial Statements Bulletin are unaudited.

DNA Plc
Board of Directors

Group key figures

	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Earnings per share, basic EUR	0.07	0.11	0.51	0.39
Earnings per share, diluted EUR	0.07	0.11	0.51	0.39
Equity per share, EUR	2.1	1.8	2.1	1.8
Shares outstanding at the end of the period (thousands)			132,304	127,318
Weighted average adjusted number of shares during the financial period, basic (thousands)			127,733	127,306
Weighted average adjusted number of shares during the financial period, diluted (thousands)			128,862	127,306
Net debt, EUR in thousands	321,710	412,278	321,710	412,278
Net gearing, %	53.9	78.5	53.9	78.5
Equity ratio, %	48.4	44.1	48.4	44.1
Net debt/EBITDA	1.57	1.90	1.36	1.81
Return on investment (ROI), %	6.1	8.2	9.6	7.6
Return on equity (ROE), %	6.8	10.8	11.6	9.7
Capital expenditure, EUR in thousands	58,726	70,912	143,604	154,664
Capital expenditure, % of net sales	26.1%	33.1%	16.7%	18.7%
Personnel at end of period	1,668	1,672	1,668	1,672

Reconciliation of comparable key figures

EUR in thousands	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
EBITDA	51,255	54,185	236,290	227,714
Direct transaction costs of the listing	5,722	-	6,486	-
Cost impacts on the share based compensation plan of the listing	-	-	3,795	-
Restructuring costs	528	-	528	-
Net gains from business disposals	-	-	-	-1,055
Comparable EBITDA	57,505	54,185	247,100	226,659
Operating result	14,514	19,290	91,249	73,093
Direct transaction costs of the listing	5,722	-	6,486	-
Cost impacts on the share based compensation plan of the listing	-	-	3,795	-
Restructuring costs	528	-	528	-
Net gains from business disposals	-	-	-	-1,055
Comparable operating result	20,764	19,290	102,059	72,038

Free cash flow to equity

EUR in thousands	31 Dec 2016	31 Dec 2015
Comparable EBITDA	247,100	226,660
Operative capital expenditure	-136,890	-147,950
Operating free cash flow	110,210	78,710
Interest paid, net	-8,608	-7,792
Income taxes, paid	-5,180	2,096
Adjusted change in net working capital	-1,497	37,917
Change in provisions	-2,307	-9,447
Free cash flow to equity	92,617	101,484

Key operative indicators

Mobile communication network subscription volumes:

Number of:	30 Sep 2016	30 Sep 2015	31 Dec 2016	31 Dec 2015
Subscriptions*	2,731,000	2,580,000	2,742,000	2,621,000
DNA's own customers*	2,718,000	2,577,000	2,721,000	2,618,000
	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Revenue per subscription (ARPU), EUR**	17.5	17.0	17.1	17.0
Customer churn rate, %**	17.8	15.9	16.1	16.0

*Includes only mobile broadband **Includes only postpaid phone subscriptions

Fixed-network subscription volumes:

Number of:	30 Sep 2016	30 Sep 2015	31 Dec 2016	31 Dec 2015
Broadband subscriptions	438,000	430,000	440,000	436,000
Cable TV subscriptions	609,000	599,000	608,000	606,000
Telephone subscriptions	68,000	82,000	65,000	78,000

Calculation of key figures

Earnings per share (EUR)	= $\frac{\text{Net result for the period}}{\text{Weighted number of shares during the financial period excl treasury shares}}$
Equity per share, EUR	= $\frac{\text{Equity attributable to owners of the parent}}{\text{Number of outstanding shares at end of period}}$
Net debt, EUR	= Non-current and current borrowings - cash and cash equivalents
Net gearing, %	= $\frac{\text{Net debt}}{\text{Total equity}}$
Equity ratio, %	= $\frac{\text{Total equity}}{\text{Total assets – advances received}}$
EBITDA, EUR	= Operating result (EBIT) + depreciation, amortisation and impairments
Return on investment (ROI), %*	= $\frac{\text{Net result before income taxes + finance expense}}{\text{Total equity + borrowings (average for the period)}}$
Return on equity (ROE), % *	= $\frac{\text{Net result for the period}}{\text{Total equity (average for the period)}}$
Net debt/EBITDA*	= $\frac{\text{Net debt}}{\text{Operating result + depreciation + amortisation + impairments}}$
Comparable EBITDA (EUR)	= EBITDA excluding items affecting comparability
Comparable operating result, EBIT (EUR)	= Operating result, EBIT excluding items affecting comparability
Items affecting comparability	= Items affecting comparability being material items outside ordinary course of business such as net gain or losses from business disposals, direct transaction costs related to business acquisitions, write-off of non-current assets, costs for closure of business operations and restructurings, fines or other similar payments, damages as well as costs related to a one time study on the Company's strategic alternatives to grow its shareholder base and direct transaction costs and cost impacts on the share based compensation plan of the listing.
Cashflow after investing activities (EUR)	= Net cash generated from operating activities + net cash used in investing activities
Capital expenditure (EUR)	= Capital expenditure comprise additions to property, plant and equipment and intangible assets excluding business acquisitions, gross acquisition cost of spectrum license and additions through finance leases and asset retirement obligations and including annual cash instalments for the spectrum license.
Free Cash Flow to Equity (FCFE)	= Comparable EBITDA – total capital expenditure excluding the annual cash instalment for spectrum licenses - change in net working capital including an adjustment between operative capex and cash-based capex in order to present FCFE on a cash basis, however excluding cash instalments for spectrum licenses and adjusted with the items affecting comparability - net interest paid - income taxes paid - change in provisions excluding items affecting comparability.

* 12-month adjusted

DNA presents alternative performance measures as additional information to financial measures presented in the consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows prepared in accordance with IFRS. In DNA's view, alternative performance measures provide significant additional information on DNA's results of operations, financial

position and cash flows and are widely used by analysts, investors and other parties.

DNA presents comparable EBITDA and comparable EBIT, which have been adjusted with material items outside of ordinary course of business to improve comparability between periods. EBITDA, comparable EBITDA and comparable EBIT are presented as complementing measures to the measures included in the consolidated income statement because, in DNA's view, they increase understanding of DNA's results of operations. Net debt, ratio of net debt to EBITDA, net gearing, equity ratio, return on equity and return on investment are presented as complementing measures because, in DNA's view, they are useful measures of DNA's ability to obtain financing and service its debts. Capital expenditure, operative capital expenditure, cash flow after investing activities, operating free cash flow and free cash flow to equity provide also additional information of the cash flow needs of DNA's operations.

Alternative performance measures should not be viewed in isolation or as a substitute to the IFRS financial measures. All companies do not calculate alternative performance measures in a uniform way, and therefore DNA's alternative performance measures may not be comparable with similarly named measures presented by other companies.

Consolidated income statement

EUR in thousands	1 Oct -31 Dec 2016	1 Oct -31 Dec 2015	1 Jan -31 Dec 2016	1 Jan-31 Dec 2015
Net sales	225,167	213,942	858,887	828,800
Other operating income	1,141	1,015	3,822	4,283
Materials and services	-104,876	-100,365	-383,313	-375,009
Employee benefit expenses	-29,961	-28,085	-112,877	-106,850
Depreciation, amortisation and impairments	-36,741	-34,895	-145,041	-154,622
Other operating expenses	-40,216	-32,322	-130,228	-123,510
Operating result, EBIT	14,514	19,290	91,249	73,093
Finance income	248	283	920	986
Finance expense	-2,601	-2,865	-10,504	-12,499
Share of associates' results	4	4	18	14
Net result before income tax	12,164	16,711	81,683	61,593
Income tax expense	-2,528	-2,732	-16,474	-11,544
Net result for the period	9,636	13,979	65,209	50,049
Attributable to:				
Owners of the parent	9,636	13,979	65,209	50,049
Earnings per share for net result attributable to owners of the parent:				
Earnings per share, basic EUR	0.07	0.11	0.51	0.39
Earnings per share, diluted EUR	0.07	0.11	0.51	0.39

Notes are an integral part of the consolidated financial statements

Consolidated statement of comprehensive income

EUR in thousands	1 Oct -31 Dec 2016	1 Oct -31 Dec 2015	1 Jan -31 Dec 2016	1 Jan-31 Dec 2015
Net result for the period	9,636	13,979	65,209	50,049
Items that will not be reclassified to profit or loss:				
Remeasurements of post employment benefit obligations	-139	205	-155	249
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges	0	18	0	112
Other comprehensive income, net of tax	-139	223	-155	361
Total comprehensive income	9,497	14,202	65,053	50,410
Attributable to:				
Owners of the parent	9,497	14,202	65,053	50,410

Notes are an integral part of the consolidated financial statements

Consolidated statement of financial position

EUR in thousands	31 Dec 2016	31 Dec 2015
Assets		
Non-current assets		
Goodwill	327,206	327,206
Other intangible assets	187,153	158,429
Property, plant and equipment	427,126	443,877
Investments in associates	1,199	1,186
Available-for-sale financial assets	215	215
Trade and other receivables	36,277	37,874
Deferred tax assets	14,704	18,840
Total non-current assets	993,880	987,626
Current assets		
Inventories	21,725	21,082
Trade and other receivables	189,241	176,591
Income tax receivables	7,687	5,940
Cash and cash equivalents	46,238	25,266
Total current assets	264,891	228,879
Total assets	1,258,771	1,216,505
Equity		
Equity attributable to owners of the parent		
Share capital	72,702	72,702
Reserve for invested unrestricted equity	652,719	607,335
Treasury shares	0	-103,388
Retained earnings	-194,203	-101,778
Net result for the period	65,209	50,049
Total equity	596,427	524,920
Liabilities		
Non-current liabilities		
Borrowings	327,659	362,334
Employment benefit obligations	2,097	1,939
Provisions	10,739	13,023
Deferred tax liabilities	25,671	28,285
Other non-current liabilities	22,957	12,502
Total non-current liabilities	389,123	418,082
Current liabilities		
Borrowings	40,290	75,210
Provisions	1,351	1,004
Trade and other payables	221,340	197,270
Income tax liabilities	10,240	18
Total current liabilities	273,221	273,503
Total equity and liabilities	1,258,771	1,216,505

Notes are an integral part of the consolidated financial statements

Consolidated statement of cash flows

EUR in thousands	Jan-Dec 2016	Jan-Dec 2015
Cash flows from operating activities		
Net result for the period	65,209	50,049
Adjustments 1)	169,053	167,003
Change in net working capital 2)	16,375	35,651
Dividends received	6	6
Interest paid	-8,418	-6,768
Interest received	492	463
Other financial items	-682	-1,487
Income taxes paid	-5,180	2,096
Net cash generated from operating activities	236,855	247,012
Cash flows from investing activities		
Investments in property, plant and equipment (PPE) and intangible assets	-152,405	-152,398
Proceeds from sale of PPE	303	1,026
Other investments	-1,268	1,637
Net cash used in investing activities	-153,370	-149,735
Cash flows from financing activities		
Proceeds from share issue	50,067	158
Direct costs relating to share issue	-2,209	0
Dividends paid	-40,063	-30,041
Proceeds from borrowings	59,864	274,561
Repayment of borrowings	-130,170	-327,288
Net cash used in financing activities	-62,512	-82,610
Change in cash and cash equivalents	20,973	14,667
Cash and cash equivalents at beginning of period	25,266	10,599
Cash and cash equivalents at end of period	46,238	25,266
Adjustments 1):		
Depreciation, amortisation and impairment	145,041	154,622
Gains and losses on disposals of non-current assets	-250	-1,215
Other non-cash income and expense	-18	-14
Finance income and expense	9,584	11,513
Income tax expense	16,474	11,544
Change in provisions	-1,779	-9,447
Total adjustment	169,053	167,003
Change in net working capital 2):		
Change in trade and other receivables	-10,332	15,216
Change in inventories	-643	-1,585
Change in trade and other payables	27,351	22,020
Change in net working capital	16,375	35,651

Notes are an integral part of the consolidated financial statements

Consolidated statement of changes in equity

EUR in thousands	Share capital	Hedge reserve	Reserve for invested unrestricted equity	Treasury shares	Retained earnings	Total equity
1 January 2015	72,702	-112	607,335	-103,546	-72,235	504,144
Comprehensive income						
Net result for the period					50,049	50,049
Other comprehensive income						
Remeasurements of post employment benefit obligations					249	249
Cash flow hedges		112				112
Total other comprehensive income, net of tax		112			249	361
Total comprehensive income	-	112	-		50,298	50,410
Transactions with owners						
Share issue				158	-158	-
Share-based payments					407	407
Dividends relating to 2014					-30,041	-30,041
Total contribution by and distributions to owners	-	-	-	158	-29,792	-29,634
31 December 2015	72,702	0	607,335	-103,388	-51,729	524,920
1 January 2016	72,702	0	607,335	-103,388	-51,729	524,920
Comprehensive income						
Net result for the period					65,209	65,209
Other comprehensive income						
Remeasurements of post employment benefit obligations					-155	-155
Total other comprehensive income, net of tax	-	-	-	-	-155	-155
Total comprehensive income	-	-	-	-	65,053	65,053
Transactions with owners						
Share issue			50,067	67	-67	50,067
Expenses paid in connection with share issue net of tax			-4,999			-4,999
Reclassification			316			316
Cancellation of treasury shares				103,321	-103,321	-
Share-based payments					1,132	1,132
Dividends relating to 2015					-40,063	-40,063
Total contribution by and distributions to owners	-	-	45,384	103,388	-142,319	6,454
31 December 2016	72,702	-	652,719	-	-128,995	596,427

Notes are an integral part of the consolidated financial statements.

Notes

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1 Accounting principles

This financial statements bulletin has been prepared in accordance with IFRS regulations and measurement principles and complies with the requirements of the IAS 34 Interim Financial Reporting standard. The information has been prepared in accordance with International Financial Reporting Standards, as approved for application throughout the European Union. The accounting principles are identical to those applied to the Financial Statements of 31 December 2015 with the exception of new and modified standards effective as of 1st of January 2016 which had no material impact on DNA's consolidated financial statements. This financial statements bulletin should be read in connection with the 2015 Financial Statements. The information presented in the financial statements bulletin is unaudited.

2 Segment information

The Group's operations are reported according to the following business segments:

1 Oct–31 Dec 2016

EUR in thousands

Business segments	Consumer segment	Corporate segment	Unallocated	Group total
Net sales	166,904	58,263		225,167
EBITDA	37,277	13,978		51,255
Depreciation, amortisation and impairments	24,056	12,685		36,741
Operating result, EBIT	13,221	1,292		14,514
Net finance items			-2,354	-2,354
Share of associates' results			4	4
Net result before income tax				12,164
Net result for the period				9,636
Capital expenditure*	37,434	19,274	2,019	58,726
Employees at end of period	1,012	656		1,668

1 Oct–31 Dec 2015

EUR in thousands

Business segments	Consumer segment	Corporate segment	Unallocated	Group total
Net sales	154,137	59,805		213,942
EBITDA	35,017	19,168		54,185
Depreciation, amortisation and impairments	22,565	12,330		34,895
Operating result, EBIT	12,452	6,839		19,290
Net finance items			-2,583	-2,583
Share of associates' results			4	4
Net result before income tax				16,711
Net result for the period				13,979
Capital expenditure*	46,146	22,950	1,816	70,912
Employees at end of period	1,000	672		1,672

1 Jan–31 Dec 2016

EUR in thousands

Business segments	Consumer segment	Corporate segment	Unallocated	Group total
Net sales	631,343	227,544		858,887
EBITDA	168,437	67,853		236,290
Depreciation, amortisation and impairments	93,863	51,178		145,041
Operating result, EBIT	74,574	16,675		91,249
Net finance items			-9,584	-9,584
Share of associates' results			18	18
Net result before income tax				81,683
Net result for the period				65,209
Capital expenditure*	90,893	45,795	6,916	143,604
Employees at end of period	1,012	656		1,668

1 Jan–31 Dec 2015

EUR in thousands

Business segments	Consumer segment	Corporate segment	Unallocated	Group total
Net sales	596,250	232,550		828,800
EBITDA	154,577	73,137		227,714
Depreciation, amortisation and impairments	98,565	56,057		154,622
Operating result, EBIT	56,012	17,081		73,092
Net finance items			-11,514	-11,514

Share of associates' results			14	14
Net result before income tax				61,593
Net result for the period				50,049
Capital expenditure*	101,466	48,171	5,028	154,664
Employees at end of period	1,000	672		1,672

* Capital expenditure comprise additions to intangible and tangible assets, excluding business combinations, spectrum license acquisition and additions relating to finance lease agreements and decommissioning obligations. Additionally, capital expenditure include spectrum license payments made during the reporting period. Unallocated capital expenditure comprise sales commissions.

The primary key indicators for the segments' profit and loss monitoring comprise net sales, EBITDA and operating result. The company believes that the EBITDA measure provides meaningful supplemental information to the company management and the readers of its financial statements by excluding items that may not be indicative of the company's operating result or cash flows.

EBITDA is not prepared in accordance with IFRS and is therefore considered a non-IFRS financial measure, which should not be viewed in isolation or as a substitute to the equivalent IFRS financial measures. EBITDA should not be considered as an alternative to (a) operating result or net result for the period as a measure of operating performance, (b) cash flows from operating, investing or financing activities as a measure of the company's ability to meet its cash needs or (c) any other IFRS financial measures, or as a measure of performance or liquidity.

3 Capital expenditure

EUR in thousands		Jan–Dec 2016
Capital expenditure*		
	Intangible assets	41,774
	Property, plant and equipment	101,831
Total		143,604

* Capital expenditure comprise additions to intangible and tangible assets, excluding business combinations, spectrum license acquisition and additions relating to finance lease agreements and decommissioning obligations. Additionally, capital expenditure include spectrum license payments made during the reporting period.

Major individual items included in capital expenditure are the 4G and 3G networks and in fibre and transfer systems. Major individual intangible items included in capital expenditure are IT systems.

4 Equity

EUR in thousands	Shares outstanding (thousands)	Treasury shares (thousands)	Total number of shares (thousands)	Share capital	Reserve for invested unrestricted equity
1 January 2015	8,479	1,132	9,611	72,702	607,335
Share issue	9	-2	7		
31 December 2015	8,488	1,130	9,618	72,702	607,335
Share issue	1	-1			67
Cancellation of treasury shares		-1,130	-1,130		
Subdivision of shares (split) through share issue without payment	118,837		118,837		
Share issue	4,978		4,978		50,000
Direct costs relating to share issue					-5,417
Taxes related to share issue expenses					417
Reclassification					316
31 December 2016	132,304	0	132,304	72,702	652,719

DNA Plc has one type of share. The total number of shares is 132,303,500 (144,275,355). DNA Plc had no treasury shares at the end of the review period, because all treasury shares held by the company were cancelled in October. As a result of the cancellation, the amount of -103 321 thousand euros recorded in equity in treasury shares was transferred to retained earnings as a reduction. The number of outstanding shares is 132,303,500 (127,318,050). The shares do not have a nominal value. On 31 December 2016, DNA Plc's share capital amounted to EUR 72,702,226. All issued shares have been paid in full.

Share split

The DNA Plc Extraordinary General Meeting of 25 October 2016 decided on a share split through share issue without payment, and the issued shares were registered in the Finnish Trade Register on 27 October 2016. In the share split, shareholders received 14 new shares for each old share and 118,837,460 new shares were issued, bringing the total number of the company's shares to 127,325,850. The split had no effect on the company's share capital or capital structure. Share key figures have been adjusted according to the new number of shares.

Dividends

DNA Ltd's Annual General Meeting of 31 March 2016 approved a payment of dividend (EUR 4.72 per share) totalling EUR 40,062,746.40. The dividend was paid on 11 April 2016.

5 Net debt

EUR in thousands	31 December 2016	31 December 2015
Non-current borrowings	327,659	362,334
Current borrowings	40,290	75,210
Total borrowings	367,949	437,543
Less cash and cash equivalents	46,238	25,266
Net debt	321,710	412,278

6 Provisions

EUR in thousands	1 January 2016	Additions	Provisions used	Other/Discount effect	31 December 2016
Asset retirement obligation	8,564	6	-943		7,627
Restructuring provisions	152	529	-11		671
Onerous contracts	4,935	2,263	-352	-3,638	3,207
Other provision	376	210			586
Total	14,027	3,008	-1,307	-3,638	12,090

Asset retirement obligation

The asset retirement obligation provision comprise the estimated dismantling and demolition costs of data centres, masts and telephone poles. The asset retirement period for telephone poles is estimated at 15 years, and 25 years for data centres and masts. Realising the dismantling and demolition costs do not involve any significant uncertainties.

Onerous contracts

This provision is mainly for a non-cancellable lease agreement and covers future leases of unused premises. During the period, the Group has let part of the under-utilised premises and the provision has been reversed. The provision has been discounted. The non-cancellable lease agreement expires in 2025.

Restructuring

Cooperation negotiations necessitated by business restructuring have been initiated in the Consumer Segment customer solutions area. The Corporate Segment also initiated cooperation negotiations in the last quarter of 2016, resulting in staff cuts affecting four positions. In relation to these, a provision of EUR 529 thousands was made. The restructuring provision includes a provision for termination costs. The provision relating to terminations will be realised during 2017.

7 Related party transactions

DNA's related parties include the main shareholders (Finda Oy, PHP Holding Oy) which have significant influence over the group, subsidiaries, associated companies, joint arrangements and members of the Board of Directors and the management team, including the CEO and the deputy CEO as well as their close family members. In addition, related parties include all entities controlled or jointly controlled by a person identified as related party.

The following related party transactions were carried out:

EUR in thousands	Sales	Purchases	Receivables	Liabilities
12/2016				
Organisations exercising significant influence	30	2,776	2	3
Associated companies	0	475	0	0
EUR in thousands	Sales	Purchases	Receivables	Liabilities
12/2015				
Organisations exercising significant influence	24	3,527	2	2
Associated companies	0	624	0	2

8 Share-based payments

Rights issue against payment to Group key personnel in 2014

On 20 November 2014, the Board of Directors decided to introduce a new share-based reward plan in the incentive and commitment scheme of DNA and its subsidiaries. The objective is to align the goals of DNA's owners and the participating key personnel in order to increase the value of DNA, ensure the commitment of the key personnel and to offer them a competitive reward plan based on earning and accumulating company shares.

Participation requires subscription in the directed rights issue

The prerequisite for participating in the share-based reward plan is that a person participating in the share-based reward plan acquires, against payment, shares up to the number determined by the Board of Directors. Participants have the opportunity to receive a reward as DNA's shares or as cash in connection with stock-exchange listings or main shareholders' exit. Receiving of the reward is tied to the continuance of participant's employment and ownership of shares up to the number determined by the Board of Directors upon reward payment.

The reward will consist of shares per each subscribed share (base matching shares). Additionally, it is possible to obtain a reward based on the listing or sale price (performance share). For stock-exchange listings, the value of the additional reward, is based on the share price and for exits, on the sale price. If neither takes place by 31 May 2019 at the latest, or if the Board of Directors decides to extend the plan no later than 31 May 2021, the reward is based on the possible increase in the share value during the expected life.

The right to the reward is personal, and is payable only to named participants. Participants cannot transfer the right to the reward to another party. The Board of Directors decides on all matters relating to the shared-based reward plan, such as a participant's right to the reward in case their duties within the Group should change or they leave the employment of DNA before the reward payment.

A maximum total of 1,920,000* new shares can be issued in the plan. The maximum amount, which was 128,000 shares, has been adjusted in accordance with the reward plan conditions on the basis of the share split decision made at the company's Extraordinary Shareholders' Meeting on the 25th of October, 2016. The share subscription period of the new shares was from 27 November to 12 December 2014. Additionally, the Board of Directors has on the 26th of March 2015, decided to make an addition to the share-based reward plan 2014 target group after which the amount of granted instruments were 6 725. The share subscription period of the new shares was from 26 March to 24 April 2015.

Share-based reward plan

Grant date	12 Dec 2014	22 May 2015
Amount of granted instruments*	97,125	5,625
Returned instruments*	1,875	
Share price at grant date*	6.37	6.37
Fair value of the reward at grant date		
Matching share/Share*	6.37	6.37
Performance share*	21.00	21.00
Valid until	31 May 2019	31 May 2019
Expected life	3 years	3 years
Implementation	As shares and cash	As shares and cash

*after the share split

After the listing of the DNA shares, the Board of Directors has confirmed the maximum amount of awarded shares to be 1,458,622 shares.

Withholding tax will be deducted and the net reward will be paid as shares in December 2017, one year after the listing. The fair value of the share at grant date is estimated according to the shares' valuation model.

The determination of fair value is based on assumptions such as expected volatility, fair value of the share at grant date and expected life.

Expense recorded in the income statement

	1-12/2016	1-12/2015
Share-based payments	5,581	756

Debt recorded in the statement of financial position

	12/31/2016	12/31/2015
Debt related to share-based reward plan	5,153	378

9 Events after the review date

DNA's Board of Directors decided in its meeting of 30 January to establish a new long-term share-based incentive scheme for senior management and other key employees of the company. The main structure of the system is a Performance Share Plan (PSP) and the Board of Directors decided that a bridge element between DNA's long-term share-based compensation plan launched in 2014 and the new long-term share-based incentive scheme that will begin in 2017 will be covered with an adjusted short-term incentive earning opportunity (bridge plan). In addition, DNA has a Restricted Share Plan (RSP).

The Performance Share Plan consists of separate, share-based reward programmes that begin annually. Each programme has a three-year vesting period. The start of each new programme requires a separate decision by the Board of Directors. The first programme (PSP 2017) starts at the beginning of 2017. Any share-based rewards earned through it will be paid in the spring of 2020, if the performance targets set by the Board of Directors are reached.

The first programme will be built on the following performance targets: DNA's total shareholder return (TSR) compared to a peer group over the period 2017–2019, and DNA's cumulative cash flow in 2017–2019. The first programme has about 50 participants, and the maximum number of shares to be handed out will be 429,000 (gross amount from which applicable withholding tax will be deducted, and the remaining net amount will be paid as shares).

The Bridge Plan for the transition period consists of two, three-year-long share-based reward programmes. These programmes have a year-long vesting period and a two-year restriction period. The programmes will begin in 2017 and 2018. Any share-based rewards based on the 2017 programme will be handed out in the spring of 2018, if the performance targets set by the Board of Directors are reached. Shares received as a reward cannot be transferred during a two-year restriction period after the vesting period.

The performance targets applicable to the share-based reward system during the transition period are based on DNA's key strategic objectives for the vesting periods in question. The first programme has about 50 participants, and the maximum number of shares to be handed out will be 143,000 (gross amount from which applicable withholding tax will be deducted, and the remaining net amount will be paid as shares).

The restricted share-based reward system can be used as a complementary tool for committing employees in specific situations, such as during acquisitions and recruitment. The Restricted Share Plan consists of share-based incentive programmes that begin every year. Each program consists of a three-year restriction period, after which the shares allocated in the beginning of each respective programme are paid to the participants, provided that their employment DNA continues until the payment of the rewards. The start of each new programme requires a separate decision by the Board of Directors.

The first program (RSP 2017) will begin in early 2017, and the rewards earned will be handed out in the spring of 2020. The RSP typically applies to only a few individuals per year. The maximum number of shares to be handed out under the first programme (RSP 2017) will be 42,900 (gross amount from which applicable withholding tax will be deducted, and the remaining net amount will be paid as shares).

DNA adheres to the recommendation on the shareholdings of the Executive team. According to the recommendation, each team member should own a share in the company, which corresponds to his or her annual fixed gross salary. In order to achieve the recommended ownership, the team members must retain ownership of at least 50 per cent of the shares they have received through the above-mentioned, share-based incentive systems (calculated based on the net amount of shares left after deduction of the applicable withholding tax), until the person's share in DNA is in line with the recommendation.

