DNA

# INTERIM REPORT
## 1-3/2017

# Index

# DNA's year started strongly – net sales and operating result grew in the first quarter

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

## January–March 2017

- Net sales increased 5.7% and amounted to EUR 213.4 million (202.0 million).
- EBITDA increased 9.7% to EUR 65.9 million (60.1 million) or 30.9% (29.8%) of net sales.
- The operating result increased 14.9% and was EUR 28.9 million (25.1 million) or 13.5% (12.4%) of net sales.
- The mobile communication subscription base grew 3.8%, totalling 2,732,000 (2,632,000).
- Revenue per user (ARPU) for mobile communications amounted to EUR 17.8 (16.4).
- The mobile communication subscription turnover rate (CHURN) was 21.0% (13.6%).
- The fixed-network subscription base (voice, broadband and cable television) grew slightly and was 1,120,000 subscriptions at the end of March (1,112,000).

## DNA's outlook for 2017 remains unchanged

DNA's net sales are expected to remain at the 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 | 1-3/2017 | 1-3/2016 | Change, % | 1-12/2016 |
|---|---|---|---|---|
| Net sales | **213.4** | 202.0 | 5.7% | 858.9 |
| EBITDA | **65.9** | 60.1 | 9.7% | 236.3 |
| - % of net sales | **30.9%** | 29.8% | | 27.5% |
| Comparable EBITDA * | **65.9** | 60.1 | 9.7% | 247.1 |
| - % of net sales | **30.9%** | 29.8% | | 28.8% |
| Depreciation, amortisation and impairment | **37.1** | 35.0 | | 145.0 |
| Operating result, EBIT | **28.9** | 25.1 | 14.9% | 91.2 |
| - % of net sales | **13.5%** | 12.4% | | 10.6% |
| Comparable operating result* | **28.9** | 25.1 | 14.9% | 102.1 |
| - % of net sales | **13.5%** | 12.4% | | 11.9% |
| Net result before tax | **26.6** | 22.7 | 17.2% | 81.7 |
| Net result for the period | **21.2** | 18.2 | 16.7% | 65.2 |
| Return on investment (ROI), % | **12.5** | 10.7 | | 9.6 |
| Return on equity (ROE), % | **14.9** | 14.1 | | 11.6 |
| Capital expenditure | **21.2** | 20.8 | 1.8% | 143.6 |
| Cash flow after investing activities | **10.3** | 29.1 | | 83.5 |
| Net debt, EUR million | **314.3** | 383.4 | | 321.7 |
| Net debt/EBITDA | **1.19** | 1.59 | | 1.36 |
| Net gearing, % | **57.6** | 76.2 | | 53.9 |
| Equity ratio, % | **45.3** | 42.6 | | 48.4 |
| Basic earnings per share, EUR | **0.16** | 0.14 | | 0.51 |
| Diluted earnings per share, EUR | **0.16** | 0.14 | | 0.51 |
| Personnel at the end of period | **1,684** | 1,683 | | 1,668 |

*Group key figures

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## DNA's financial publications in 2017:

- Half Year Financial Report, 18 July 2017 at 8:30 AM
- Interim Report January-September, 20 October 2017 at 8:30 AM

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# CEO’s review

DNA’s year 2017 is off to a strong start as expected. Our net sales increased 5.7% to EUR 213.4 million. Strong growth of service revenue (net sales less sales of devices and interconnection charges) continued, and good development of mobile device sales also had a positive effect on net sales. Service revenue was boosted in particular by the positive development of the mobile subscription base and growing use of mobile data as 4G subscriptions become more common. Our profitability improved and our operating result grew 14.9% and was EUR 28.9 million, or 13.5% of net sales (12.4%).

Mobile communication network subscription volumes were up 100,000 from the reference period. There was a clear improvement in DNA’s revenue per user (ARPU) for mobile communications from the comparison period. Price increases in certain older DNA subscription types increased DNA’s subscription turnover rate (CHURN) in the first quarter. Our fixed-network subscription base (fixed voice, fixed broadband and cable television) increased by 8,000 subscriptions from the reference period, even though our customers kept moving away from using of fixed-voice subscriptions. At the same time, fixed-network broadband and cable television subscriptions increased in total by 20,000.

In 2017, the focus of our network investments has shifted from network coverage expansion to capacity expansion. At the end of 2016, our 4G network reached 99.6 per cent of the population in mainland Finland as the shared network was completed in Eastern and Northern Finland. Due to the improved coverage, DNA has gained new consumer and corporate customers in the area. For example, the University of Lapland selected DNA as its mobile service provider. The agreement between DNA and the University of Lapland covers mobile voice and data connections for hundreds of users. When selecting the service provider, the University of Lapland placed emphasis on coverage.

The DNA Valokuitu Plus (DNA Fibre Optic Plus) network enables broadband speeds of a Gigabit class per second without any changes to the housing company’s internal network. In the first quarter, the Gigabit class speed became available to all 600,000 households in the DNA Valokuitu Plus network across Finland. DNA is among the first operators globally that is capable of providing Gigabit class broadband speeds in the entire network.

In the first quarter, we tested the potential of the new 5G radio technology with Ericsson. A transmission speed of some 25 Gbps and a delay of less than 3 ms were achieved in the radio connection in the 5G test, which is a strong demonstration of the progress of 5G development. There are three important targets for 5G in the future: to enable a large-scale Internet of Things, to support highly reliable delay-critical connections, and to further increase the speed and efficiency of mobile broadband connections.

In the first quarter, we became the first company in Finland to introduce grandparental leave, entitling grandparents to a one week’s paid leave.

Competition is expected to remain intense for the rest of the year and our outlook for 2017 remains unchanged. According to our strategy, we will continue measures to improve our customer experience further, and we will also continue to focus on employee well-being and professional development.

Jukka Leinonen
President and CEO

# Operating environment and regulation

## Operating environment

The Finnish economy is slowly returning to growth and consumer confidence has improved significantly. General business outlook in the corporate sector has also improved.

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. Users are switching to faster 4G speeds and are prepared to pay more for them.

Practically all phones sold in the market in the first quarter were smart phones and mostly 4G models. Revenue from voice calls as well as the text message market continued to decline in Finland, but this trend is compensated by the growth of the mobile data market.

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

Use of TV and video services has become more versatile. While traditional TV viewing minutes have dropped slightly, 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.

Corporate customers continued to seek cost savings and were cautious to make investments decisions, but at the same time, private and public organisations need to implement new ICT solutions to improve the productivity of their business. Companies are 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. 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. Entrepreneurs in particular are switching from fixed-network broadband subscriptions to mobile broadband subscriptions.

## Regulation

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.

In early 2017, the European Commission complemented its General Data Protection Regulation with a proposal for a Regulation on Privacy and Electronic Communications, which increases the protection of people's privacy and personal data. It proposes extending regulation so that it applies to all electronic communications (e.g. instant messaging applications) and suggests changes to the basis of processing traffic data, cookies and electronic direct marketing.

In December 2016, the European Commission approved the implementation act on the roaming Fair Use Policy. As of 15 June 2017, Europeans will be able to "roam like home" without roaming charges, as long as the use falls within the scope of fair use and the travel is only periodic. For roaming that goes beyond fair use, or travel that is not periodic, the customer may be subject to a roaming surcharge. The act has a sustainability mechanism in place to protect the sustainability of domestic service models in cases where an operator is not able to recover what foreign operators charge for the use of their networks from its roaming revenue.

Final decision on the wholesale roaming caps was made in April 2017. Once the act enters into force, the data cap will be EUR 7.7/GB, to be reduced step by step over 5 years so that in 2022, the wholesale roaming cap will be EUR 2.5/GB.

Changes related to regulation may have significant impacts on DNA's business.

# Net sales and result

## January–March 2017

DNA's net sales increased and totalled EUR 213.4 million (202.0 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 positive development of the mobile subscription base and growing use of mobile data, as 4G subscriptions become more common. During the first quarter, 74.3% (72.1%) of net sales was generated by Consumer Business and 25.7% (27.9%) by Corporate Business.

EBITDA increased and was EUR 65.9 million (60.1 million). There were no items affecting the comparability of EBITDA in the review period or the reference period. The EBITDA percentage of net sales increased and was 30.9% (29.8%). The increase was fuelled by growth in service revenue and improved operational efficiency.

Operating result increased and was EUR 28.9 million (25.1 million). There were no items affecting the comparability of operating result in the review period or the reference period. Operating result as a percentage of net sales increased and was 13.5% (12.4%).

Financial income and expenses amounted to EUR 2.2 million (2.4 million). Income tax for the period was EUR 5.4 million (4.5 million). Result for the financial period increased and was EUR 21.2 million (18.2 million). Earnings per share was EUR 0.16 (0.14).

## Consolidated key figures

| **EUR million** | **1-3/2017** | **1-3/2016** | **Change, %** | **1-12/2016** |
|---|---|---|---|---|
| Net sales | **213.4** | 202.0 | 5.7% | 858.9 |
| EBITDA | **65.9** | 60.1 | 9.7% | 236.3 |
| - % of net sales | **30.9%** | 29.8% | | 27.5% |
| Comparable EBITDA* | **65.9** | 60.1 | 9.7% | 247.1 |
| - % of net sales | **30.9%** | 29.8% | | 28.8% |
| Operating result, EBIT | **28.9** | 25.1 | 14.9% | 91.2 |
| - % of net sales | **13.5%** | 12.4% | | 10.6% |
| Comparable operating result, EBIT* | **28.9** | 25.1 | 14.9% | 102.1 |
| - % of net sales | **13.5%** | 12.4% | | 11.9% |
| Net result for the period | **21.2** | 18.2 | 16.7% | 65.2 |

*Group key figures

## Key operative indicators

| | **1-3/2017** | **1-3/2016** | **Change, %** | **1-12/2016** |
|---|---|---|---|---|
| **Number of mobile communication network subscriptions at end of period** | **2,732,000** | 2,632,000 | 3.8% | 2,742,000 |
| - Revenue per user (ARPU), EUR | **17.8** | 16.4 | 8.5% | 17.1 |
| - Customer CHURN rate, % | **21.0** | 13.6 | 54.4% | 16.1 |
| **Number of fixed line subscriptions at end of period** | **1,120,000** | 1,112,000 | 0.7% | 1,113,000 |

# Cash flow and financial position

## January–March 2017

Cash flow after investing activities was EUR 10.3 million (29.1 million). The change is due to a change in net working capital.

At the end of March, 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 group has a commercial paper programme worth EUR 150 million (150 million), under which there were no drawings at the end of March (EUR 35 million).

DNA's net gearing decreased and came to 57.6% (76.2%) at the end of March.

The Group's liquid assets comprising cash and cash equivalents amounted to EUR 44.4 million (45.5 million). Net debt decreased to EUR 314 million (383 million). The Group's liquid assets and undrawn committed credit limits amounted in total to EUR 209 million (210 million).

Net debt/EBITDA ratio improved and was 1.19 (1.59) at the end of March.

DNA's equity ratio was 45.3% (42.6%) at the end of the review period.

## Cash flow and financial key figures

| **EUR million** | **1-3/2017** | **1-3/2016** | **1-12/2016** |
|---|---|---|---|
| Cash flow after investing activities, EUR million | **10.3** | 29.1 | 83.5 |
| | **3/31/2017** | **3/31/2016** | **12/31/2016** |
| Net debt, EUR million | **314.3** | 383.4 | 321.7 |
| Net debt/EBITDA | **1.19** | 1.59 | 1.36 |
| Net gearing, % | **57.6** | 76.2 | 53.9 |
| Equity ratio, % | **45.3** | 42.6 | 48.4 |

# Development per business segment

## Consumer business

### January–March 2017

Consumer Business net sales increased and were EUR 158.6 million (145.6 million). Net sales were boosted by the positive development in mobile subscription revenues, increased share of 4G subscriptions in the subscription base, and the positive development of mobile device sales. EBITDA increased and was EUR 50.7 million (42.1 million) or 32.0% (28.9%) of Consumer Business' net sales. The increase was fuelled by the positive development of service revenue and improved operational efficiency. Consumer Business operating result increased and was EUR 26.6 million (19.7 million), or 16.8% (13.5%) of Consumer Business net sales. There were no items affecting the comparability of operating result in the review or the reference period. Depreciation of EUR 24.1 million (22.5 million) was allocated to Consumer Business.

Price increases in certain older DNA subscription types increased DNA's subscription turnover rate (CHURN) in the first quarter.

In March, DNA announced that the entire new Nokia phone range will be available through all DNA sales channels. The start date for sales will be announced in the second quarter.

## Consumer business

| EUR million | 1-3/2017 | 1-3/2016 | Change, % | 1-12/2016 |
|---|---|---|---|---|
| Net sales | **158.6** | 145.6 | 8.9% | 631.3 |
| EBITDA | **50.7** | 42.1 | 20.3% | 168.4 |
| - % of net sales | **32.0%** | 28.9% | | 26.7% |
| Comparable EBITDA* | **50.7** | 42.1 | 20.3% | 174.9 |
| - % of net sales | **32.0%** | 28.9% | | 27.7% |
| Operating result, EBIT | **26.6** | 19.7 | 35.4% | 74.6 |
| - % of net sales | **16.8%** | 13.5% | | 11.8% |
| Comparable operating result, EBIT* | **26.6** | 19.7 | 35.4% | 81.1 |
| - % of net sales | **16.8%** | 13.5% | | 12.8% |

*Group key figures

# Corporate business

## January–March 2017

Corporate Business net sales decreased slightly year-on-year and amounted to EUR 54.8 million (56.4 million). EBITDA decreased to EUR 15.2 million (18.0 million), or 27.8% (31.9%) of net sales. In the review period EBITDA was mostly affected by the decrease in service revenue which included price changes of leased masts and equipment sites. In the comparison period, a reduction of the provision for premises had a positive effect on the EBITDA. Operating result decreased and was EUR 2.2 million (5.5 million), or 4.1% (9.7%) of net sales. There were no items affecting the comparability of EBITDA and operating result in the review or the reference period. Depreciation to the amount of EUR 13.0 million (12.5 million) was allocated to Corporate Business.

The University of Lapland selected DNA as its mobile service provider. The agreement between DNA and the University of Lapland covers mobile voice and data connections for hundreds of users.

EPV Energia, an energy provider with broad expertise, selected DNA as a provider for its network and data security services. DNA delivers the solution in collaboration with Nixu, covering end-to-end network services and a comprehensive data security system. The solution helps EPV to systematically meet the requirements set by the new EU data protection regulation. The collaboration agreement between DNA, Nixu and EPV Energia is valid until late 2019 and worth approximately EUR 1.5 million.

DNA also extended agreement with LocalTapiola on the provision of data services until the end of 2021. The total value of the extension is approximately EUR 3.2 million.

# Corporate business

| EUR million | 1-3/2017 | 1-3/2016 | Change, % | 1-12/2016 |
|---|---|---|---|---|
| Net sales | **54.8** | 56.4 | -2.7% | 227.5 |
| EBITDA | **15.2** | 18.0 | -15.2% | 67.9 |
| - % of net sales | **27.8%** | 31.9% | | 29.8% |
| Comparable EBITDA* | **15.2** | 18.0 | -15.2% | 72.2 |
| - % of net sales | **27.8%** | 31.9% | | 31.7% |
| Operating result, EBIT | **2.2** | 5.5 | -59.2% | 16.7 |
| - % of net sales | **4.1%** | 9.7% | | 7.3% |
| Comparable operating result, EBIT* | **2.2** | 5.5 | -59.2% | 21.0 |
| - % of net sales | **4.1%** | 9.7% | | 9.2% |

*Group key figures.

# Capital expenditure

## January–March 2017

Capital expenditure was EUR 21.2 million (20.8 million). Operative capital expenditure decreased 19.3% from the reference period and was EUR 16.8 million (20.8 million), or 7.9% (10.3%) of net sales.

The main items in capital expenditure in the review period were related to 4G network capacity expansion as well as fibre and transmission systems.

The focus of DNA's mobile communication network investments has shifted from network modernisation and coverage expansion to capacity expansion. In the coming years, the level of operative capital expenditure is expected to remain at a lower level than in previous years.

## Capital expenditure

| EUR million | 1-3/2017 | 1-3/2016 | Change, % | 1-12/2016 |
|---|---|---|---|---|
| Consumer business | **14.4** | 12.6 | 14.4% | 90.9 |
| Corporate business | **5.8** | 6.9 | -15.9% | 45.8 |
| Unallocated | **1.0** | 1.3 | -26.0% | 6.9 |
| **Total capital expenditure** | **21.2** | **20.8** | **1.8%** | **143.6** |

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. Capital expenditure includes annual cash instalments for the spectrum licenses. Un-allocated capital expenditure comprise sales commissions.

| EUR million | 1-3/2017 | 1-3/2016 | Change-% | 1-12/2016 |
|---|---|---|---|---|
| Operative capital expenditure | **16.8** | 20.8 | -19.3% | 136.9 |
| Spectrum license | **4.4** | 0,0 | - | 6.7 |
| **Total capital expenditure** | **21.2** | **20.8** | **1.8%** | **143.6** |

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

# Network infrastructure and new technologies

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. DNA's 4G network reaches 99.6% of the population in Finland. In 2017, the focus of our network investments has shifted from network coverage expansion to capacity expansion.

In the first quarter, 4G traffic volumes in DNA's networks grew some 95% year-on-year. DNA's total data traffic volume in the mobile communications network grew 63%. At the end of March, more than 84% of all mobile data was transferred in the 4G network. This trend is due to the intense expansion of the 4G LTE network coverage, rapidly growing 4G customer base, the proliferation of devices that employ a constant network connection, and the increase in the mobile use of high-quality video and music streaming services.

The DNA Valokuitu Plus (DNA Fibre Optic Plus) network enables broadband speeds of up to a Gigabit class per second without any changes to the housing company's internal network. In the first quarter, the Gigabit class speed became available to all 600,000 households in the DNA Valokuitu Plus network.

DNA was the first operator in Finland to deploy the IPv6 protocol in large scale in June 2015, and in March 2017, international IPv6 Forum awarded DNA for the significant deployment. IPv6 is an important step towards 5G technology, and a prerequisite for the increased prevalence of the Internet of Things (IoT). DNA has adopted IPv6 widely in both the mobile and cable networks, and more than half of DNA's customers use it in their subscription.

In early 2017, DNA tested the potential of the new 5G radio technology with Ericsson. A transmission rate of some 25 Gbps and a delay of less than 3 ms were achieved in the radio connection in the 5G test, which is a strong proof of the progress of 5G development.

The 700 MHz spectrum auction for licences for commercial use took place towards the end of 2016 and DNA won the frequency pair it pursued. DNA began 4G construction in the beginning of February 2017 as soon as the spectrum became available.

# Personnel

At the end of March 2017, DNA Group had 1,684 employees (1,683 employees), of which 673 were women (682) and 1,011 men (1,001).

Salaries and employee benefit expenses paid during the first quarter amounted to EUR 28.2 million (27.6 million).

## Personnel by business segment

| | 3/31/2017 | 3/31/2016 | Muutos, % | 12/31/2016 |
|---|---|---|---|---|
| Consumer business | **1,002** | 1,020 | -1.8% | 1,012 |
| Corporate business | **682** | 663 | 2.9% | 656 |
| **Total personnel** | **1,684** | **1,683** | **0.1%** | **1,668** |

# Changes in the Group structure and significant litigation matters

## Changes in the Group structure

There were no 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 continues at Helsinki District 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.

## Decisions of the Annual General Meeting of 2017

DNA Plc's Annual General Meeting was held on 22 March 2017. The AGM adopted the financial statements and discharged the Board of Directors and the CEO from liability for the financial period 2016.

According to the proposal by the Board of Directors, the dividend was set at EUR 0.55 per share. The dividend was paid on 7 April 2017.

### Board of Directors and auditor

The number of Board members was confirmed as seven, and Pertti Korhonen was re-elected as Chairman of the Board. Re-elected members of the Board include Anu Nissinen, Tero Ojanperä, Jukka Ottela, Margus Schults and Kirsi Sormunen. Heikki Mäkijärvi was elected as a new member. The term of office of the Board members will last until the end of the next Annual General Meeting.

The AGM decided not to change compensation paid to the Board of Directors. The Chairman of the Board receives an annual compensation of EUR 144,000 and the Board members EUR 48,000. Further, a meeting fee per Board meeting was set at EUR 1,050. The meeting fee per meeting of the Board's permanent committees was set at EUR 1,050 for the committee chairs and EUR 525 for each committee member.

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

The AGM approved the proposal by the Board of Directors to authorise the Board to decide on the repurchase and transfer of the group's own shares and on a share issue. The authorisation will be in force until the end of the next Annual General Meeting. The minutes of the General Meeting are available at https://corporate.dna.fi/corporate-governance#yhtiokokoukset .

# Shares and shareholders

## Shareholders and flagging notifications

The number of registered shareholders totalled 13,419 at the end of March, nominee registrations included. At the end of March, the proportion of nominee registrations and direct foreign shareholders was 17.4%.

On 31 March 2017, the largest shareholders of DNA Plc were Finda Oy (33.44%), PHP Holding Oy (25.78%) and Ilmarinen Mutual Pension Insurance Company (4.86%). At the end of March, they held a total of 64.08% 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. DNA did not receive any such flagging notifications in the first quarter.

## Shares

On 31 March 2017, DNA's registered shares totalled 132,303,500 (127,318,050) and the share capital registered in the Finnish Trade Register amounted to EUR 72,702,225.65 (EUR 72,702,225.65). The group did not hold any treasury shares at the end of March.

Trading in the DNA share began at Nasdaq Helsinki (the Helsinki Stock Exchange) on 30 November 2016. In January-March 2017, a total of 9.6 million DNA shares, totalling EUR 108 million, were traded on the Nasdaq Helsinki Stock Exchange. The highest quotation was EUR 12.28 and the lowest EUR 10.13. The average rate was EUR 11.31 and volume-weighted average rate EUR 11.31. The closing quotation on the last trading day of the quarter, 31 March 2017, was EUR 11.35 and the market capitalisation was EUR 1,502 million (EUR 1,343 million at end of 2016).

## Share-based reward systems

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 group. 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). See note 8 for more information on the share-based reward system.

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

# Corporate responsibility

DNA continued the practical implementation of its new corporate responsibility strategy in the first quarter of 2017. Responsibility strategy supports DNA's business objectives and emphasises DNA's responsible attitude towards its customers.

DNA takes responsibility for 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 group 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. DNA has signed up to the Society's Commitment to Sustainable Development, in which DNA undertakes to reduce the climate impacts of its operations.

Emission calculations completed in early 2017 indicate that DNA has reduced total emissions 11.9% from the initial 2014 level. Emissions from the radio network in proportion to annual data transfer volumes have already decreased 92% from 2014, faster than expected. The reductions are due to procurement of renewable energy and increased energy efficiency of the radio network.

Modernisation of base stations continued as planned. By the end of March 2017, some 95% of the old base stations had been replaced by 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. In the first quarter of 2017, DNA became the first company in Finland to introduce grandparental leave. DNA gives grandparents one week's paid leave.

DNA is a main partner of the "HundrED – 100 Koulua" initiative. 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 in the review period.

## Strategic and operative risks

The Finnish telecommunications market is characterised by tough competition between established operators, and a high degree of penetration of telecommunications solutions. 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 business. 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 group's success depends on its ability to continuously 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 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 to deepen customer understanding and create an omnichannel customer experience. DNA's business operations depend on IT systems, which involve several interconnected risks but also provide business-critical opportunities for utilising data.

## Regulatory risks

The EU institutions are still processing the proposal for the new European Electronic Communications Code made by the European Commission in the autumn of 2016. The new regulation may have significant impacts on DNA's business.

In early 2017, the European Commission complemented its General Data Protection Regulation with a proposal for a Regulation on Privacy and Electronic Communications, which increases the protection of people's privacy and personal data. Changes in the EU General Data Protection Regulation and Regulation on Privacy and Electronic Communications may have significant impacts on DNA's business.

In December 2016, the European Commission approved the implementation act on the roaming Fair Use Policy. Final decision on the wholesale roaming caps was made in April 2017. The new roaming regulation may have significant impacts on DNA's 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 Group 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://annualreport.dna.fi/en.

## 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

According to the decision of the AGM on 22 March 2017, a dividend per share of EUR 0.55 was paid on 7 April 2017. The total payout amounted to EUR 73 million, which was accounted for as short-term debt on 31 March 2017.

# 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 per subscription as well as growing number of connected mobile devices. In the coming years, mobile data use will shift mostly to 4G networks. Steady growth in the demand for unlimited 4G subscriptions continues, and customers are prepared to pay more for faster data connections. In 2017, almost all of the new smart phones sold will support 4G.

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

In the consumer market, consumer demand for fast broadband subscriptions and entertainment services in particular is expected to increase. The use of streaming and on-demand video services in particular is expected to keep growing.

Fixed-network broadband customers are expected to continue to switch to housing company subscriptions. The fixed-network broadband subscription base is expected to remain relatively steady in the near future.

Companies and organisations 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 remains unchanged

DNA’s net sales are expected to remain at the 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.

DNA Plc
Board of Directors

## Group key figures

| | Jan-Mar 2017 | Jan-Mar 2016 | Jan-Dec 2016 |
|---|---|---|---|
| Earnings per share, basic EUR | **0.16** | 0.14 | 0.51 |
| Earnings per share, diluted EUR | **0.16** | 0.14 | 0.51 |
| Equity per share, EUR | **4.1** | 4.0 | 4.5 |
| Shares outstanding at the end of the period (thousands) | **132,304** | 127,318 | 132,304 |
| Weighted average adjusted number of shares during the financial period, basic (thousands) | **132,304** | 127,318 | 127,733 |
| Weighted average adjusted number of shares during the financial period, diluted (thousands) | **133,556** | - | 128,862 |
| Net debt, EUR in thousands | **314,323** | 383,399 | 321,710 |
| Net gearing, % | **57.6** | 76.2 | 53.9 |
| Equity ratio, % | **45.3** | 42.6 | 48.4 |
| Net debt/EBITDA | **1.19** | 1.59 | 1.36 |
| Return on investment (ROI), % | **12.5** | 10.7 | 9.6 |
| Return on equity (ROE), % | **14.9** | 14.1 | 11.6 |
| Capital expenditure, EUR in thousands | **21,175** | 20,807 | 143,604 |
| Capital expenditure, % of net sales | **9.9%** | 10.3% | 16.7% |
| Personnel at end of period | **1,684** | 1,683 | 1,668 |

## Reconciliation of comparable key figures

| **EUR in thousands** | Jan-Mar 2017 | Jan-Mar 2016 | Jan-Dec 2016 |
|---|---|---|---|
| **EBITDA** | **65,928** | **60,102** | **236,290** |
| Direct transaction costs of the listing | **-** | - | 6,486 |
| Cost impacts on the share based compensation plan of the listing | **-** | - | 3,795 |
| Restructuring costs | **-** | - | 528 |
| Net gains from business disposals | **-** | - | - |
| **Comparable EBITDA** | **65,928** | **60,102** | **247,100** |
| **Operating result** | **28,869** | **25,135** | **91,249** |
| Direct transaction costs of the listing | **-** | - | 6,486 |
| Cost impacts on the share based compensation plan of the listing | **-** | - | 3,795 |
| Restructuring costs | **-** | - | 528 |
| Net gains from business disposals | **-** | - | **-** |
| **Comparable operating result** | **28,869** | **25,135** | **102,059** |

## Free cash flow to equity

| **EUR in thousands** | 31 Mar 2017 | 31 Dec 2016 |
|---|---|---|
| **Comparable EBITDA** | **65,928** | **247,100** |
| Operative capital expenditure | -16,775 | -136,890 |
| **Operating free cash flow** | **49,153** | **110,210** |
| Interest paid, net | -4,604 | -8,608 |
| Income taxes, paid | -3,659 | -5,180 |
| Adjusted change in net working capital | -25,245 | -1,497 |
| Change in provisions | -981 | -2,307 |
| **Free cash flow to equity** | **14,665** | **92,617** |

## Key operative indicators

**Mobile communication network subscription volumes:**

| Number of: | 31 Mar 2017 | 31 Mar 2016 | 31 Dec 2016 |
|---|---|---|---|
| Subscriptions* | **2,732,000** | 2,632,000 | 2,742,000 |
| DNA's own customers* | **2,703,000** | 2,628,000 | 2,721,000 |

| | Jan-Mar 2017 | Jan-Mar 2016 | Jan-Dec 2016 |
|---|---|---|---|
| Revenue per subscription (ARPU), EUR** | **17.8** | 16.4 | 17.1 |
| Customer churn rate, %** | **21.0** | 13.6 | 16.1 |

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

**Fixed-network subscription volumes:**

| Number of: | 31 Mar 2017 | 31 Mar 2016 | 31 Dec 2016 |
|---|---|---|---|
| Broadband subscriptions | **444,000** | 432,000 | 440,000 |
| Cable TV subscriptions | **614,000** | 606,000 | 608,000 |
| Telephone subscriptions | **62,000** | 74,000 | 65,000 |

# Calculation of key figures

| | | |
|---|---|---|
| Earnings per share (EUR) | = | $\dfrac{\text{Net result for the period}}{\text{Weighted number of shares during the financial period excl treasury shares}}$ |
| Equity per share, EUR | = | $\dfrac{\text{Equity attributable to owners of the parent}}{\text{Number of outstanding shares at end of period}}$ |
| Net debt, EUR | = | Non-current and current borrowings -cash and cash equivalents |
| Net gearing, % | = | $\dfrac{\text{Net debt}}{\text{Total equity}}$ |
| Equity ratio, % | = | $\dfrac{\text{Total equity}}{\text{Total assets – advances received}}$ |
| EBITDA, EUR | = | Operating result (EBIT) + depreciation, amortisation and impairments |
| Return on investment (ROI), %* | = | $\dfrac{\text{Net result before income taxes + finance expense}}{\text{Total equity + borrowings (average for the period)}}$ |
| Return on equity (ROE), % * | = | $\dfrac{\text{Net result for the period}}{\text{Total equity (average for the period)}}$ |
| Net debt/EBITDA* | = | $\dfrac{\text{Net debt}}{\text{Operating result + depreciation + amortisation + impairments}}$ |
| 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 comprises 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. |
| Operating free cashflow | = | Comparable EBITDA - operative capital expenditure |
| 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 Jan-31 Mar 2017 | 1 Jan-31 Mar 2016 | 1 Jan -31 Dec 2016 |
|---|---|---|---|
| **Net sales** | **213,407** | **201,958** | **858,887** |
| Other operating income | **814** | 888 | 3,822 |
| Materials and services | **-90,375** | -85,835 | -383,313 |
| Employee benefit expenses | **-28,225** | -27,588 | -112,877 |
| Depreciation, amortisation and impairments | **-37,059** | -34,968 | -145,041 |
| Other operating expenses | **-29,692** | -29,322 | -130,228 |
| **Operating result, EBIT** | **28,869** | **25,135** | **91,249** |
| | | | |
| Finance income | **415** | 235 | 920 |
| Finance expense | **-2,664** | -2,652 | -10,504 |
| Share of associates' results | **1** | - | 18 |
| | | | |
| **Net result before income tax** | **26,621** | **22,718** | **81,683** |
| | | | |
| Income tax expense | **-5,412** | -4,538 | -16,474 |
| | | | |
| **Net result for the period** | **21,210** | **18,180** | **65,209** |
| | | | |
| Attributable to: | | | |
| Owners of the parent | **21,210** | 18,180 | 65,209 |
| | | | |
| Earnings per share for net result attributable to owners of the parent: | | | |
| Earnings per share, basic EUR | **0.16** | 0.14 | 0.51 |
| Earnings per share, diluted EUR | **0.16** | 0.14 | 0.51 |

Notes are an integral part of the consolidated financial statements

# Consolidated statement of comprehensive income

| EUR in thousands | 1 Jan-31 Mar 2017 | 1 Jan-31 Mar 2016 | 1 Jan -31 Dec 2016 |
|---|---|---|---|
| **Net result for the period** | **21,210** | **18,180** | **65,209** |
| **Items that will not be reclassified to profit or loss:** | | | |
| Remeasurements of post employment benefit obligations | - | - | -155 |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| **Other comprehensive income, net of tax** | - | - | **-155** |
| **Total comprehensive income** | **21,210** | **18,180** | **65,053** |
| Attributable to: | | | |
| Owners of the parent | **21,210** | 18,180 | 65,053 |

Notes are an integral part of the consolidated financial statements

# Consolidated statement of financial position

| EUR in thousands | 31 Mar 2017 | 31 Mar 2016 | 31 Dec 2016 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | **327,206** | 327,206 | 327,206 |
| Other intangible assets | **182,973** | 158,095 | 187,153 |
| Property, plant and equipment | **411,716** | 428,795 | 427,126 |
| Investments in associates | **1,201** | 1,185 | 1,199 |
| Available-for-sale financial assets | **215** | 215 | 215 |
| Trade and other receivables | **33,697** | 33,034 | 36,277 |
| Deferred tax assets | **14,103** | 18,208 | 14,704 |
| **Total non-current assets** | **971,110** | **966,738** | **993,880** |
| | | | |
| **Current assets** | | | |
| Inventories | **21,516** | 22,686 | 21,725 |
| Trade and other receivables | **187,367** | 170,390 | 189,241 |
| Income tax receivables | **8,606** | 5,885 | 7,687 |
| Cash and cash equivalents | **44,411** | 45,493 | 46,238 |
| **Total current assets** | **261,901** | **244,455** | **264,891** |
| | | | |
| **Total assets** | **1,233,011** | **1,211,194** | **1,258,771** |
| | | | |
| **Equity** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | **72,702** | 72,702 | 72,702 |
| Reserve for invested unrestricted equity | **653,060** | 607,335 | 652,719 |
| Treasury shares | **-** | -103,388 | - |
| Retained earnings | **-201,509** | -91,699 | -194,203 |
| Net result for the period | **21,210** | 18,180 | 65,209 |
| **Total equity** | **545,463** | **503,130** | **596,427** |
| | | | |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | **323,595** | 358,666 | 327,659 |
| Employment benefit obligations | **2,097** | 1,939 | 2,097 |
| Provisions | **10,219** | 12,122 | 10,739 |
| Deferred tax liabilities | **24,116** | 27,005 | 25,671 |
| Other non-current liabilities | **19,178** | 12,527 | 22,957 |
| **Total non-current liabilities** | **379,206** | **412,259** | **389,123** |
| | | | |
| **Current liabilities** | | | |
| Borrowings | **35,139** | 70,227 | 40,290 |
| Provisions | **891** | 877 | 1,351 |
| Trade and other payables | **258,361** | 220,364 | 221,340 |
| Income tax liabilities | **13,951** | 4,337 | 10,240 |
| **Total current liabilities** | **308,342** | **295,805** | **273,221** |
| | | | |
| **Total equity and liabilities** | **1,233,011** | **1,211,194** | **1,258,771** |

Notes are an integral part of the consolidated financial statements

# Consolidated statement of cash flows

| EUR in thousands | Jan-Mar 2017 | Jan-Mar 2016 | Jan-Dec 2016 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net result for the period | **21,210** | 18,180 | 65,209 |
| | | | |
| Adjustments 1) | **43,725** | 40,794 | 169,053 |
| Change in net working capital 2) | **-11,531** | 20,968 | 16,375 |
| Dividends received | **1** | - | 6 |
| Interest paid | **-4,363** | -4,451 | -8,418 |
| Interest received | **84** | 114 | 492 |
| Other financial items | **-325** | -415 | -682 |
| Income taxes paid | **-3,659** | -814 | -5,180 |
| | | | |
| **Net cash generated from operating activities** | **45,141** | **74,376** | **236,855** |
| | | | |
| **Cash flows from investing activities** | | | |
| Investments in property, plant and equipment (PPE) and intangible assets | **-34,889** | -45,385 | -152,405 |
| Proceeds from sale of PPE | **13** | 66 | 303 |
| Other investments | **-** | - | -1,268 |
| | | | |
| **Net cash used in investing activities** | **-34,875** | **-45,319** | **-153,370** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from share issue | **-** | - | 50,067 |
| Direct costs relating to share issue | **-3,300** | - | -2,209 |
| Dividends paid | **-** | - | -40,063 |
| Proceeds from borrowings | **-** | 4,989 | 59,864 |
| Repayment of borrowings | **-8,793** | -13,819 | -130,170 |
| | | | |
| **Net cash used in financing activities** | **-12,092** | **-8,830** | **-62,512** |
| | | | |
| Change in cash and cash equivalents | **-1,827** | 20,228 | 20,973 |
| Cash and cash equivalents at beginning of period | **46,238** | 25,266 | 25,266 |
| Cash and cash equivalents at end of period | **44,411** | 45,493 | 46,238 |
| | | | |
| Adjustments 1): | | | |
| Depreciation, amortisation and impairment | **37,059** | 34,968 | 145,041 |
| Gains and losses on disposals of non-current assets | **-13** | -100 | -250 |
| Other non-cash income and expense | **-1** | - | -18 |
| Finance income and expense | **2,249** | 2,417 | 9,584 |
| Income tax expense | **5,412** | 4,538 | 16,474 |
| Change in provisions | **-981** | -1,028 | -1,779 |
| **Total adjustment** | **43,725** | **40,794** | **169,053** |
| | | | |
| Change in net working capital 2): | | | |
| Change in trade and other receivables | **4,264** | 10,471 | -10,332 |
| Change in inventories | **210** | -1,604 | -643 |
| Change in trade and other payables | **-16,005** | 12,101 | 27,351 |
| **Change in net working capital** | **-11,531** | **20,968** | **16,375** |

Notes are an integral part of the consolidated financial statements

# Consolidated statement of changes in equity

| EUR in thousands | Share capital | Reserve for invested unrestricted equity | Treasury shares | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **1 January 2016** | 72,702 | 607,335 | -103,388 | -51,729 | 524,920 |
| **Comprehensive income** | | | | | |
| Net result for the period | | | | 18,180 | 18,180 |
| **Other comprehensive income** | | | | | |
| Total other comprehensive income, net of tax | | | | - | - |
| **Total comprehensive income** | - | - | - | 18,180 | 18,180 |
| **Transactions with owners** | | | | | |
| Share issue | | | | 10 | 10 |
| Share-based payments | | | | 82 | 82 |
| Dividends relating to 2014 | | | | -40,063 | -40,063 |
| **Total contribution by and distributions to owners** | - | - | | -39,970 | -39,970 |
| **31 March 2016** | 72,702 | 607,335 | -103,388 | -73,519 | 503,130 |
| **1 January 2017** | **72,702** | **652,719** | - | **-128,994** | **596,427** |
| **Comprehensive income** | | | | | |
| Net result for the period | | | | **21,210** | **21,210** |
| **Other comprehensive income** | | | | | |
| Total other comprehensive income, net of tax | - | - | - | - | - |
| **Total comprehensive income** | - | - | - | **21,210** | **21,210** |
| **Transactions with owners** | | | | | |
| Expenses paid in connection with share issue net of tax | | **341** | | | **341** |
| Share-based payments | | | | **252** | **252** |
| Dividends relating to 2015 | | | | **-72,767** | **-72,767** |
| **Total contribution by and distributions to owners** | - | **341** | **-** | **-72,515** | **-72,173** |
| **31 March 2017** | **72,702** | **653,060** | - | **-180,300** | **545,463** |

Notes are an integral part of the consolidated financial statements.

# Notes

# 1 Accounting principles

This interim report 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 2016 with the exception of new and modified standards effective as of 1st of January 2017 which had no material impact on DNA's consolidated financial statements. This interim report should be read in connection with the 2016 Financial Statements. The information presented in the interim report is unaudited.

# 2 Segment information

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

**1 Jan–31 Mar 2017**
**EUR in thousands**

| Business segments | Consumer segment | Corporate segment | Unallocated | Group total |
|---|---|---|---|---|
| **Net sales** | **158,567** | **54,839** | | **213,407** |
| **EBITDA** | **50,697** | **15,231** | | **65,928** |
| Depreciation, amortisation and impairments | **24,050** | **13,009** | | **37,059** |
| **Operating result, EBIT** | **26,647** | **2,222** | | **28,869** |
| Net finance items | | | **-2,249** | **-2,249** |
| Share of associates' results | | | **1** | **1** |
| Net result before income tax | | | | **26,621** |
| **Net result for the period** | | | | **21,210** |
| Capital expenditure* | **14,411** | **5,802** | **962** | **21,175** |
| Employees at end of period | **1,002** | **682** | | **1,684** |

**1 Jan–31 Mar 2016**
**EUR in thousands**

| Business segments | Consumer segment | Corporate segment | Unallocated | Group total |
|---|---|---|---|---|
| **Net sales** | 145,593 | 56,365 | | 201,958 |
| **EBITDA** | 42,148 | 17,954 | | 60,102 |
| Depreciation, amortisation and impairments | 22,463 | 12,504 | | 34,968 |
| **Operating result, EBIT** | 19,685 | 5,450 | | 25,135 |
| Net finance items | | | -2,417 | -2,417 |
| Share of associates' results | | | - | - |
| Net result before income tax | | | | 22,718 |
| **Net result for the period** | | | | 18,180 |
| Capital expenditure* | 12,609 | 6,898 | 1,300 | 20,807 |
| Employees at end of period | 1,020 | 663 | | 1,683 |

**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 |

* Capital expenditure comprises additions to intangible and tangible assets, excluding business combinations, spectrum license acquisition and additions relating to finance lease agreements and decommissioning obligations. Additionnally, capital expenditure includes spectrum license payments made during the reporting period. Unallocated capital expenditure comprises 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–Mar 2017 | Jan–Mar 2016 | Jan–Dec 2016 |
|---|---|---|---|---|
| Capital expenditure* | | | | |
| | Intangible assets | **10,124** | 6,279 | 41,774 |
| | Property, plant and equipment | **11,051** | 14,528 | 101,831 |
| **Total** | | **21,175** | **20,807** | **143,604** |

* Capital expenditure comprises additions to intangible and tangible assets, excluding business combinations, spectrum license acquisition and additions relating to finance lease agreements and decommissioning obligations. Additionnally, capital expenditure includes 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 2016 | 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** | **-** | **132,304** | **72,702** | **652,719** |
| Direct costs relating to share issue | | | | | **341** |
| **31 March 2017** | **132,304** | **-** | **132,304** | **72,702** | **653,060** |

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. 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.

**Dividends**

DNA Plc's Annual General Meeting of 22 March 2017 approved a payment of dividend (EUR 0.55 per share) totalling EUR 72.766.925. The dividend was paid on 7 April 2017.

# 5 Net debt

| EUR in thousands | 31 March 2017 | 31 March 2016 | 31 December 2016 |
|---|---|---|---|
| Non-current borrowings | **323,595** | 358,666 | 327,659 |
| Current borrowings | **35,139** | 70,227 | 40,290 |
| Total borrowings | **358,735** | 428,892 | 367,948 |
| Less cash and cash equivalents | **44,411** | 45,493 | 46,238 |
| **Net debt** | **314,323** | **383,399** | **321,710** |

# 6 Provisions

| EUR in thousands | 1 January 2017 | Additions | Provisions used | Other/Discount effect | 31 March 2017 |
|---|---|---|---|---|---|
| Asset retirement obligation | 7,627 | | -715 | | **6,912** |
| Restructuring provisions | 671 | | -395 | -133 | **142** |
| Onerous contracts | 3,207 | 320 | -33 | -25 | **3,470** |
| Other provision | 586 | | | | **586** |
| **Total** | **12,090** | **320** | **-1,143** | **-158** | **11,110** |

## 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.

# 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 idenfitied as related party.

**The following related party transactions were carried out:**

| | **Q1 2017** | |
|---|---|---|
| **EUR in thousands** | Organisations exercising significant influence | Associated companies |
| Sales | 4 | - |
| Purchases | 707 | 98 |
| Receivables | 3 | - |
| Liabilities | 204 | - |

| | **Q1 2016** | |
|---|---|---|
| **EUR in thousands** | Organisations exercising significant influence | Associated companies |
| Sales | 4 | - |
| Purchases | 708 | 131 |
| Receivables | 2 | - |
| Liabilities | 1 | 2 |

| | **1-12/2016** | |
|---|---|---|
| **EUR in thousands** | Organisations exercising significant influence | Associated companies |
| Sales | 30 | - |
| Purchases | 2776 | 475 |
| Receivables | 2 | - |
| Liabilities | 3 | - |

# 8 Share-based payments

## Long-term share-based incentive scheme for senior management and other key employees

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 471,000 (gross amount from which applicable withholding tax will be deduced, 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 157,300 (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. Rewards have not yet been awarded in the share-based reward system. 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.

| **Share-based reward plan** | PSP 2017 | Bridge plan 2017 |
|---|---|---|
| Grant date | 15 February 2017 | 15 February 2017 |
| Maximum number of shares | 471,000 | 157,300 |
| Share price at grant date | 11.06 | 11.06 |
| Valid until | 31 December 2019 | 31 December 2019 |
| Expected life | 3 years | 3 years |
| Implementation | As shares and cash | As shares and cash |

## 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. Additionnally, 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. 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.

Witholding 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** | **Jan-Mar 2017** | **Jan-Mar 2016** | **Jan-Dec 2016** |
|---|---|---|---|
| Share-based payments | 1,646 | 193 | 5,581 |

| **Debt recorded in the statement of financial position** | **31 March 2017** | **31 March 2016** | **31 December 2016** |
|---|---|---|---|
| Debt related to share-based reward plan | 6,551 | 474 | 5,153 |