
INTERIM
REPORT
1-3/2014

Index

DNA’s net sales and EBITDA increased in the first quarter

Summary

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

January–March 2014

- Net sales increased by 6.6 per cent and came to EUR 198.2 million (186.0 million).
- EBITDA increased by 1.3 per cent to EUR 48.4 million (47.7 million), accounting for 24.4 per cent of net sales (25.7 per cent).
- EBITDA excluding non-recurring items came to EUR 48.4 million (48.1 million).
- Operating profit decreased by 4.2 per cent to EUR 11.7 million (12.2 million), or 5.9 per cent of net sales (6.6 per cent).
- Operating profit excluding non-recurring items came to EUR 11.7 million (12.6 million).
- The mobile communication subscription base grew by 1.9 per cent, reaching 2,458,000 in total (2,412,000).
    - Revenue per user (ARPU) for mobile communications amounted to EUR 17.8 (18.2).
    - Mobile communication subscription turnover rate (CHURN) was 17.6 per cent (19.3 per cent).
- Fixed-network subscription base (voice, broadband and cable television) came to 1,026,000 subscriptions at the end of the first quarter (1,017,000). The positive development is due to an increase in the number of broadband subscriptions.

DNA’s outlook for 2014 remains unchanged

Net sales and operating profit are expected to increase somewhat in 2014. The Group’s financial position is expected to remain at the same healthy level.

Key figures

Figures are unaudited.

EUR million	1–3/2014	1–3/2013	Change, %	1–12/2013
Net sales	**198.2**	186.0	6.6%	766.4
EBITDA ***	**48.4**	47.7	1.3%	190.7
- % of net sales	**24.4%**	25.7%		24.9%
Depreciation	**36.7**	35.5		147.1
Operating profit ***	**11.7**	12.2	-4.2%	43.7
- % of net sales	**5.9%**	6.6%		5.7%
Profit before tax	**9.7**	10.9	-10.2%	37.7
Profit for the financial period	**7.8**	7.9	-1.2%	28.9
Return on investment (ROI), %*	**5.6**	6.3		5.4
Return on equity (ROE), %*	**6.1**	6.2		5.5
Investments	**20.1**	22.0		128.4
Cash flow after investments**	**15.9**	7.0		-33.6

Interest bearing net debt, EUR million	**310.9**	251.0		326.7
Interest bearing net debt/EBITDA	**1.61**	1.31		1.71
Net gearing, %	**62.2**	50.1		62.6
Equity ratio, %	**48.3**	51.1		49.4
Personnel at the end of period	**1,558**	1,468		1,563

* rolling 12 months

** includes business combinations and business transfers

*** There were no non-recurring items during the review period. In the reference period, they amounted to EUR 0.4 million.

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CEO's review

Our net sales for the first quarter increased slightly year-on-year and came to EUR 198.2 million. This increase was fuelled in particular by the significant growth in pay-TV business as well as the positive development of mobile and fixed-network broadband sales. Our EBITDA increased and came to EUR 48.4 million while our operating profit decreased slightly and came to EUR 11.7 million.

Our financial position remained good, and net gearing came to 62.2 per cent at the end of the review period. Investments in the first quarter amounted to a total of EUR 20.1 million.

DNA's mobile communications subscription base grew by 8,000 subscriptions during the first quarter and came to 2,458,000. Fixed-network subscription base increased by 10,000, totalling 1,026,000 subscriptions at the end of the first quarter. The positive development is due to an increase in the number of broadband subscriptions.

TV and broadband services provided by one company, DNA Welho Oy

On 1 March 2014, as part of the development of our entertainment services, we combined the television and fixed-network broadband business operations of PlusTV and DNA Welho into one company. At the same time, DigiTV Plus Oy was renamed as DNA Welho Oy.

In March, we strengthened our position as a leading service provider in the cable and terrestrial networks by launching a new entertainment service package. DNA Welho Viihde enables consumers to use entertainment services regardless of time, place and terminal device. It represents a significant step towards more flexible use of TV and other entertainment services.

The steps taken in the first quarter support our strategic objective of establishing the best entertainment service package in Finland.

New partnerships

The Expert home electronics store chain started selling DNA's entertainment and mobile communications services in early January 2014. The Expert chain nicely complements the existing network of DNA Stores and retailers. During the first quarter, we also launched cooperation with the music service Deezer. This cooperation further strengthens our versatile service offering.

Focus areas in 2014 include corporate business and network development

Corporate business is an important focus area in the further development of DNA's business. The demand for services related to network data security and management as well as mobility-related data solutions continued to increase in the first quarter. On 4 March 2014, DNA appointed Hannu Rokka, previously CEO of Forte Netservices Oy and Director, Product Management at DNA, as Vice President, Corporate Business.

The use of high-speed, wireless LTE networks has increased tenfold in less than a year. The use of laptops, smart phones and tablets is becoming more widespread and versatile, in both personal and professional use. The construction of our nationwide 4G LTE network operating at 800 Mhz frequency got underway with Ericsson in early 2014. DNA's 4G LTE network coverage will double by the end of 2014, reaching 80 per cent of the population. At the same time, we will expand our 3G network so that it reaches approximately 99 per cent of the population by the end of the year.

Jukka Leinonen
President and CEO

Operating environment

The telecommunications market continues to undergo a change, requiring DNA to be agile, innovate new business and continue to make investments in network speeds and coverage. Network and terminal device technologies are developing at an increasingly fast pace, fuelling future growth in the use of telecommunications services with increasing traffic volumes and new types of use.

As smart phones and tablets become more common and 4G speeds more widely available, data transfer volumes will experience strong growth. Portable terminal devices are increasingly used in completely new ways, such as viewing video and TV content, as well as many other types of content.

The overall economic situation remained challenging in the first quarter, increasing uncertainty on the markets. Competition was intense, in particular in the mobile communication and fixed-network broadband markets.

In the consumer market, demand for mobile and fixed-network broadband increased in the first quarter. Consumers are spending more time watching TV programs, and households have several devices for viewing TV content. As regards TV and movie content, competition intensified due to global players operating in the Finnish market. Competition in the housing company broadband subscription market remained strong.

In corporate services, the overall market situation remained cautious and companies postponed their investment decisions. However, the demand for value added services related to network data security and management as well as mobility-related data solutions continued at a good level. Companies were also interested in industrial Internet solutions, and the corporate services market seems to be picking up slightly.

In the first quarter, Finnish mobile operators signed an agreement on mobile termination rates (MTRs). The existing MTR of EUR 0.280 per minute will be reduced to EUR 0.187 per minute as of 1 September 2014. The new rate will be valid until the end of November 2015.

The Finnish telecommunications market is strictly regulated. Regulation can influence the cost and price structure of DNA's products and services as well as the grounds on which frequencies and licences are distributed. The government submitted its proposal for the Information Society Code to the parliament on 31 January 2014. It contains the key provisions that apply to electronic communications. The Code is scheduled to enter into force on 1 January 2015. The main changes that will affect DNA's operations are related to frequency policy and the method of frequency distribution, market-based frequency compensation, consumer protection and the pricing responsibilities of the Finnish Communications Regulatory Authority.

Net sales and profit

January–March 2014

DNA's net sales for the first quarter increased by 6.6 per cent and came to EUR 198.2 million (186.0 million). This increase was fuelled in particular by the growth in pay-TV business as well as the positive development of mobile and fixed-network broadband sales. During the review period, 78.6 per cent (76.5 per cent) of net sales was generated by consumer business and 21.4 per cent (23.5 per cent) by corporate business.

EBITDA increased by 1.3 per cent to EUR 48.4 million (47.7 million), accounting for 24.4 per cent of net sales (25.7 per cent).

Operating profit decreased by 4.2 per cent to EUR 11.7 million (12.2 million), or 5.9 per cent of net sales (6.6 per cent).

Financial income and expenses amounted to EUR -2.0 million (-1.3 million). Income tax for the period was EUR -1.9 million (-2.9 million). Profit for the financial period remained at a similar level year-on-year and amounted to EUR 7.8 million (7.9 million). Earnings per share came to EUR 0.92 (0.94).

Consolidated key figures

EUR million	1–3/2014	1–3/2013	Change, %	1–12/2013
Net sales	**198.2**	186.0	6.6%	766.4
EBITDA	**48.4**	47.7	1.3%	190.7
- % of net sales	**24.4%**	25.7%		24.9%
EBITDA without non-recurring items	**48.4**	48.1	0.5%	195.8
- % of net sales	**24.4%**	25.9%		25.5%
Operating profit	**11.7**	12.2	-4.2%	43.7
- % of net sales	**5.9%**	6.6%		5.7%
Operating profit without non-recurring items	**11.7**	12.6	-7.1%	48.7
- % of net sales	**5.9%**	6.8%		6.4%
Profit for the financial period	**7.8**	7.9	-1.2%	28.9

Key operative indicators

	1–3/2014	1–3/2013	Change, %	1–12/2013
Number of mobile communication network subscriptions at end of period*	**2,458,000**	2,412,000	1.9%	2,450,000
- Revenue per user (ARPU), EUR**	**17.8**	18.2	-2.4%	18.2
- Customer CHURN rate, %**	**17.6**	19.3		17.1
Number of fixed line subscriptions at end of period	**1,026,000**	1,017,000	0.9%	1,016,000
*includes voice and mobile broadband				
**includes postpaid voice 'subscriptions only				

Cash flow and financial position

January–March 2014

In the January−March period, cash flow after investments increased to EUR 15.9 million (7.0 million). This is particularly due to more efficient management of working capital.

DNA has a EUR 200 million revolving credit facility, EUR 200 million (200 million) of which remain undrawn, and a EUR 15.0 million (15.0 million) credit facility. In addition, the company has a commercial paper programme worth EUR 150.0 million (150.0 million), under which EUR 70 million (80.0 million) was drawn by the end of the review period.

DNA's financial position remained good, and net gearing came to 62.2 per cent (50.1 per cent) at the end of the review period. The Group's liquid assets amounted to EUR 26.2 million (37.2 million), and interest-bearing net debt to EUR 310.9 million (251.0 million). The Group's liquid assets and undrawn committed credit limits amounted in total to EUR 241.2 million (252.2 million).

The interest-bearing net debt/EBITDA ratio increased and was 1.61 (1.31) at the end of the review period.

The PlusTV acquisition in the third quarter of 2013 has contributed to the change in the financial position.

However, the balance sheet remained strong, with the end-of-period equity ratio totalling 48.3 per cent (51.1 per cent).

Cash flow and financial key figures

	1–3/2014	**1–3/2013**	**1–12/2013**
Cash flow after investments, EUR million	**15.9**	7.0	-33.6

	31 Mar 2014	**31 Mar 2013**	**31 Dec 2013**
Interest bearing net debt, EUR million	**310.9**	251.0	326.7
Interest bearing net debt/EBITDA	**1.61**	1.31	1.71
Net gearing, %	**62.2**	50.1	62.6
Equity ratio, %	**48.3**	51.1	50.4

Development per business segment

Consumer business

January–March 2014

Net sales increased by 9.5 per cent to EUR 155.7 million (142.3 million) in the first quarter. This growth was fuelled in particular by the growth in pay-TV business and the positive development of mobile and fixed-network broadband sales. EBITDA increased slightly and came to EUR 33.9 million (32.8 million), accounting for 21.8 per cent of net sales (23.0 per cent). Operating profit increased by 5.1 per cent to EUR 9.7 million (9.2 million), or 6.2 per cent of net sales (6.5 per cent). Depreciation to the amount of EUR 24.2 million (23.5 million) was allocated to consumer business.

The Expert home electronics chain started selling DNA's services in early January 2014. Cooperation with Expert will further expand DNA's already extensive distribution network.

In March, DNA launched a new, important service package dubbed DNA Welho Viihde, enabling the use of entertainment content regardless of time, place and terminal device. The service includes DNA's Videovuokraamo service for renting movies as well as the Matka-TV mobile television service for recording and viewing content on several devices.

In March, DNA partnered up with the music service Deezer. The Deezer Premium+ service is available to subscribers of DNA's new smart phone and tablet subscriptions.

Consumer business

EUR million	1–3/2014	1–3/2013	Change, %	1–12/2013
Net sales	**155.7**	142.3	9.5%	593.4
EBITDA	**33.9**	32.8	3.3%	133.3
- % of net sales	**21.8%**	23.0%		22.4%
EBITDA without non-recurring items	**33.9**	33.2	2.1%	137.2
- % of net sales	**21.8%**	23.3%		23.1%
Operating profit/loss	**9.7**	9.2	5.1%	35.7
- % of net sales	**6.2%**	6.5%		6.0%
Operating profit without non-recurring items	**9.7**	9.6	1.0%	39.7
- % of net sales	**6.2%**	6.8%		6.7%

Corporate business

January–March 2014

In the first quarter, corporate business net sales decreased by 2.9 per cent to EUR 42.5 million (43.7 million). Net sales were affected by reduced earnings from roaming and falling equipment sales.

EBITDA decreased to EUR 14.5 million (14.9 million), or 34.1 per cent of net sales (34.2 per cent). Operating profit decreased to EUR 2.0 million (3.0 million), or 4.7 per cent of net sales (6.8 per cent). Depreciation to the amount of EUR 12.5 million (12.0 million) was allocated to corporate business.

In February, DNA launched the new DNA Optimi mobile subscriptions in response to companies' data transfer and cost-anticipation needs. In March, DNA enhanced its electronic services with the launch of the DNA Laiteratkaisut purchase portal and an approval procedure for enterprise customers.

DNA gained important new accounts in the first quarter. For example with Attendo, DNA signed an agreement including, for example, the DNA Mobiilivaihde mobile exchange service, hundreds of new mobile broadband subscriptions and the transfer of hundreds of service numbers.

The further development of DNA's Service Desk operations, which provides technical support and fault management services to customers, gained headway in the first quarter. In addition to providing 24/7 support for network fault and change management, Service Desk operations are also responsible for the maintenance of data security, corporate networks, data centre services and other added-value services.

The corporate services market remained cautious in the first quarter, and companies postponed investment decisions due to the overall economic situation. The market did, however, show some signs of picking up.

Corporate business

EUR million	1–3/2014	1–3/2013	Change, %	1–12/2013
Net sales	**42.5**	43.7	-2.9%	173.0
EBITDA	**14.5**	14.9	-3.0%	57.5
- % of net sales	**34.1%**	34%		33.2%
EBITDA without non-recurring items	**14.5**	14.9	-3.0%	58.6
- % of net sales	**34.1%**	34.2%		33.9%
Operating profit/loss	**2.0**	3.0	-33.1%	7.9
- % of net sales	**4.7%**	6.8%		4.6%
Operating profit without non-recurring items	**2.0**	3.0	-33.1%	9.0
- % of net sales	**4.7%**	6.8%		5.2%

Investments

January–March 2014

Investments in the January–March period amounted to EUR 20.1 million (22.0 million), or 10.1 per cent of net sales (11.8 per cent).

Major individual items included investments in the 3G and 4G networks and in fibre and transfer systems.

Investments

EUR million	1–3/2014	1–3/2013	Change, %	1–12/2013
Consumer business	12.9	15.3	-16.1%	91.2
Corporate business	6.2	6.3	-2.4%	35.0
Un-allocated	1.1	0.3	255.7%	2.3
Total investments	**20.1**	22.0	-8.4%	128.4

Network infrastructure

In the first quarter, DNA expanded its mobile communication networks by adding more than 200 new base stations across Finland. DNA's 4G LTE network expanded significantly in cities such as Kouvola, Kokkola and Hyvinkää. More than 2.5 million people in Finland currently live within the reach of DNA's 4G LTE network.

In the first quarter, DNA and Ericsson signed an agreement on the construction of a new, nationwide 4G/LTE 800 MHz network. Ericsson will also expand and enhance DNA's existing 4G, 3G and 2G networks.

DNA's 4G LTE network coverage will double by the end of 2014, and is anticipated to reach 80 per cent of the population. DNA's 3G network is expected to reach approximately 99 per cent of the population by the end of the year.

High speed and quality of networks have a key role in DNA's strategy to ensure future success. By adopting the latest network technologies, DNA improves its competitiveness and prepares for the continuing growth in mobile traffic volumes.

Personnel

At the end of March 2014, DNA Group had 1,558 employees (1,468), 665 women (623) and 893 men (845).

Salaries and employee benefit expenses paid during the first quarter amounted to EUR 23.7 million (21.4 million).

Personnel by business segment

	31 Mar 2014	31 Mar 2013	Change, %	31 Dec 2013
Consumer business	1,043	1,026	1.7%	1,104
Corporate business	515	442	16.5%	459
Total personnel	**1,558**	1,468	6.1%	1,563

Changes in the Group structure and significant litigation matters

Changes in the Group structure

In September 2013, the terrestrial network pay-TV operator PlusTV (DigiTV Plus Oy) became a DNA subsidiary. On 1 March 2014, as part of the development of the entertainment services offered by the DNA Group, DNA combined the television and fixed-network broadband business operations of PlusTV and DNA Welho into one company. At the same time, DigiTV Plus Oy was renamed as DNA Welho Oy. This business transfer did not have an effect on the consolidated financial accounts during the review period.

Significant litigation matters

There were no new significant litigation matters in the first quarter.

Management and governance

Group Executive Team

DNA Ltd has a line organisation, comprising of Consumer, Corporate and Technical units as well as support functions.

On 4 March 2014, DNA appointed Hannu Rokka, 48, Vice President, Corporate Business and a member of the Executive Team. He had managed the position in addition to his own duties as CEO of Forte Netservices Oy and Director, Product Management at DNA.

DNA's Executive Team comprises Chief Executive Officer Jukka Leinonen, Chief Financial Officer Timo Karppinen, Vice President, Consumer Business Pekka Väisänen, Vice President, Corporate Business Hannu Rokka, Vice President, Technology Tommy Olenius, Vice President, Human Resources Marko Rissanen, Vice President, Legal Affairs Asta Rantanen and Chief Strategy Officer Christoffer von Schantz.

Decisions of the Annual General Meeting of 2014

DNA Ltd's Annual General Meeting of 20 March 2014 adopted the financial statements and discharged the Board of Directors and the CEOs from liability for the financial period of 1 January to 31 December 2013. According to the proposal by the Board of Directors, the Annual General Meeting agreed to pay a dividend of EUR 3.54 per share, at a total of EUR 30,014,003.28, to DNA's shareholders. The balance date for the dividend payment was 25 March 2014 and the dividend was paid on 2 April 2014. No dividend will be paid for treasury shares held by the company itself.

Board members and remuneration

The AGM elected three new members to DNA's Board of Directors: Tero Ojanperä, Kirsi Sormunen and Anu Nissinen. Re-elected members of the Board include Jarmo Leino, Jukka Ottela and Anssi Soila.

At the constitutive meeting of the Board of Directors held subsequent to the Annual General Meeting, Jarmo Leino was re-elected Chairman. The Board elected Kirsi Sormunen as the chair and Anu Nissinen and Jukka Ottela as members of the Audit Committee. It was decided that the members and chairs of other committees will be elected in the Board meeting of 24 April 2014.

The AGM decided on the following annual remuneration: EUR 144,000 for the Chairman of the Board and EUR 48,000 for the members of the Board. Each member of the Board of Directors decides on an annual basis whether their annual remuneration shall be paid entirely in cash or 40 per cent be paid in shares and 60 per cent in cash. The AGM also decided on the following payments per meeting: for each member of the Board and Committee Chairmans, EUR 1,050 per person and for each committee member, EUR 525 per person.

The Board's share repurchase authorisation

The AGM authorised the Board of Directors to decide on the repurchase of treasury shares. Based on the authorisation, the Board of Directors can decide on the repurchase of a maximum of 950,000 treasury shares. This is equal to about 9.9 per cent of all company shares (the number of all shares at period end was 9,610,676 shares). The shares can only be repurchased using the company's unrestricted shareholders' equity. The repurchase can take place in one or several lots. The authorisation will be effective until 30 June 2015. This authorisation cancels the previous authorisation.

DNA's Corporate Governance Statement is included in the company Annual Report, which was published on 6 March 2014.

Shares and shareholders

Shareholders

Owners (10 biggest):

	31 Mar 2014
Finda Oy	49.90%
PHP Holding Oy	37.56%
Ilmarinen Mutual Pension Insurance Company	5.01%
Anvia Oyj	3.47%
Lohjan Puhelin Oy	2.61%
Pietarsaaren Seudun Puhelin Oy	0.83%
Karjaan Puhelin Oy	0.20%
Vakka-Suomen seudun Puhelin	0.15%
Puhelinosuuskunta IPY	0.13%
Orox Oy	0.04%
TOTAL	99.90%

On 31 March 2014, the largest shareholders of DNA Ltd were Finda Oy (49.90 per cent), PHP Holding Oy (37.56 per cent), Ilmarinen Mutual Pension Insurance Company (5.01 per cent), Anvia Oyj (3.47 per cent) and Lohjan Puhelin Oy (2.61 per cent). At the end of the review period, they held a total of 98.55 per cent of DNA's shares and voting rights. The holdings were calculated based on the number of outstanding shares. At the end of the review period, the company held 1,132,144 treasury shares.

There were no changes in the shares owned by the largest shareholders during the review period.

The transaction on 30 December 2013, in which Oulu ICT Oy sold its DNA shares to Finda Oy and PHP Holding Oy, was entered into the book-entry system maintained by Euroclear Finland Oy on 9 January 2014.

Shares

At the end of the review period, the company's shares totalled 9,610,676 and the share capital registered in the Finnish Trade Register amounted to EUR 72,702,225.65. There was no change in the number of shares or the share capital during the review period. At the end of the review period, the company held 1,132,144 treasury shares.

Corporate responsibility

Special focus areas in 2014 include energy efficiency and environmental responsibility, personnel well-being, improving responsibility in the supply chain and social responsibility.

The company is also preparing for the adoption of the GRI G4 Sustainability Reporting Guidelines and will update the materiality analysis and corporate responsibility policy accordingly.

DNA’s Corporate Responsibility reporting for 2013 is included in the company Annual Report published on 6 March 2014.

Near-term risks and uncertainties

Risk management is part of DNA's strategy process and corporate governance. It is guided by the risk management policy approved by the Board of Directors. The risk management process provides reports on risks and their control methods to the executive management and Board of Directors. Operational plans for the management of significant risks are drafted based on risk management reports, and the Executive Team monitors the implementation of these plans. A more detailed description of DNA's risk management and uncertainties is available in the Annual Report.

Strategic and operative risks:
DNA operates in the Finnish telecommunications market, which is characterised by tough competition between established operators, and a high degree of penetration of telecommunications solutions. DNA is increasing its emphasis on new business. Starting up new business operations always involve higher risks than conventional and established business operations. In addition, new services must be productised quickly and cost-efficiently.

As new communications methods gain widespread popularity, they have an impact on the traditional business of operators. Applications, such as global IM applications, are changing the way people communicate. On the other hand, new communications methods can provide new opportunities for operators, by increasing the use of mobile data, for example.

The Finnish telecommunications market is characterised by stringent regulation. Regulation can influence the cost and price structure of DNA's products and services as well as the grounds on which frequencies and licences are distributed. This may have an impact on DNA's business. The European Commission has proposed new legislation to promote the European single market for electronic communications, which will most likely not be processed until after the elections to the European Parliament in the spring of 2014. Should the new legislation enter into force, it would have a major impact in DNA's business.

Uncertainty related to the overall economic situation may increase, which may affect the demand for smart phone and TV services and the corporate market. General decline in purchasing power may have a post-cyclical effect on the operator market.

System and network risks:
The nature of DNA's operations and customer expectations place high demands on DNA's systems and network infrastructure. 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.

Financing risks:
In order to manage the interest rate risk, some of the loans taken by the Group have been hedged. The Group's borrowings have been spread between fixed- and variable-rate instruments. In order to manage liquidity risk, the company uses credit limits in addition to liquid assets. 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 for 2013.

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 and housing rentals company VVO signed an agreement on the provision of broadband and TV services to more than 25,000 households in VVO properties in the Helsinki Metropolitan Area and the regions of Lahti, Kuopio, Oulu and Western Finland. The agreement will enter into force on 1 January 2015 and is valid until the end of 2019.

Outlook for 2014

Market outlook

The telecommunications market continues to undergo a change. Network and terminal device technologies are developing at an increasingly fast pace, fuelling growth in the use of telecommunications services with increasing traffic volumes and new types of use. DNA's operating environment is undergoing significant changes, which is reflected in particular in the increasingly important role of content and value added services as well as an expansion of the operator market to new areas.

Market competition is expected to remain intense in 2014, placing high demands on the quality and availability of operators' systems and network infrastructure.

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 communication services driven by the growing number of smart phones and tablets, as well as the reduction in mobile network interconnection prices and competition in the mobile communication and fixed-network markets in particular.

It is anticipated that consumer demand for broadband services will increase. Fixed-network broadband customers are expected to continue to switch to housing company subscriptions and higher-speed connections. Competition in the housing company subscriptions market is anticipated to remain intense, and increased competition should lead to a further decrease of ARPU.

Mobile broadband traffic volumes will reflect the growth and increased versatility in the use of smart phones and other smart terminals. Service development and new business models will create new device applications.

The market for fixed-network voice services is expected to continue declining. DNA anticipates that business operations in the terrestrial TV network and terrestrial network pay-TV will grow slowly. Consumers are spending more time watching TV, and households have several devices for viewing TV content. However, as regards TV and movie content, competition is more intense now that global players have entered the Finnish market.

More mobile and versatile ways of working along the need for industrial Internet solutions will boost demand in the corporate segment, in particular for services related to unified and mobile communications. Companies will migrate increasingly from mobile to unified communications services, which is reflected in the growing importance of mobile data in comparison with other communications services.

The demand for company network services, such as fast Internet connections and security solutions, is anticipated to continue to increase. Reliable and effectively managed ICT infrastructure will become increasingly vital for businesses.

DNA's outlook for 2014 remains unchanged

Net sales and operating profit are expected to increase somewhat in 2014. The Group's financial position is expected to remain at the same healthy level.

DNA Ltd
Board of Directors

DNA's financial publications in 2014:

18 July 2014 Interim Report January–June 2014
24 October 2014 Interim Report January–September 2014

Consolidated income statement, IFRS

EUR million	1 Jan–31 Mar 2014	1 Jan–31 Mar 2013	1 Jan–31 Dec 2013
Net sales	**198.2**	**186.0**	**766.4**
Other operating income	0.4	0.5	2.4
Materials and services	-97.9	-87.4	-370.2
Employee benefit expenses	-23.7	-21.4	-85.4
Depreciation	-36.7	-35.5	-147.1
Other operating expenses	-28.7	-30.0	-122.4
Operating result, EBIT	**11.7**	**12.2**	**43.7**
Financial income	0.3	0.3	1.2
Financial expense	-2.2	-1.7	-7.2
Share of associated companies' results	0.0	0.0	0,0
Net profit before tax	**9.7**	**10.9**	**37.7**
Income tax	-1.9	-2.9	-8.7
Net profit for the period	**7.8**	**7.9**	**28.9**
Net profit attributable to:			
Owners of the parent	7.8	7.9	28.9
Earnings per share of the profit attributable to equity holders of the parent company			
Basic earnings per share, EUR	0.9	0.9	3.4
Average number of shares			
- Basic	8,479	8,479	8,479

Consolidated statement of comprehensive income

Net profit for the period	7.8	7.9	28.9
Items that will not be reclassified to profit or loss:			
Actuarian gains (losses) on defined benefit pension plans	0,0	0,0	0.1
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	0.0	0.2	0.6
Other comprehensive income, net of tax	0.0	0.2	0.7
Total comprehensive income	**7.9**	**8.1**	**29.6**

Comprehensive income attributable to:			
Owners of the parent	7.9	8.1	29.6

Consolidated statement of financial position, IFRS

EUR million	31 Mar 2014	31 Mar 2013	31 Dec 2013
Assets			
Non-current assets			
Goodwill	232.3	221.1	232.3
Other intangible assets	169.2	129.0	173.9
Property, plant and equipment	380.9	395.0	392.3
Investments in associates	2.2	1.8	2.1
Available-for-sale financial assets	0.2	0.2	0.2
Trade and other receivables	36.4	27.8	38.7
Deferred tax assets	30.4	18.9	31.8
Total non-current assets	**851.7**	**793.8**	**871.5**
Current assets			
Inventories	18.1	18.2	20.8
Trade and other receivables	162.4	151.2	159.2
Tax receivable	4.3	0.6	0.8
Cash and cash equivalents	26.2	37.2	27.1
Total current assets	**211.0**	**207.1**	**207.9**
Total assets	**1,062.6**	**1,001.0**	**1,079.3**
Shareholders' equity			
Equity attributable to owners of the parent			
Share capital	72.7	72.7	72.7
Other reserves	606.5	606.1	606.5
Treasury shares	-103.5	-103.5	-103.5
Retained earnings	-83.3	-82.3	-82.3
Profit for the year	7.8	7.9	28.9
Total equity	**500.2**	**500.9**	**522.3**
Liabilities			
Non-current liabilities			
Interest-bearing non-current liabilities	214.3	169.4	225.8
Retirement benefit obligations	1.5	1.7	1.5
Provision for other liabilities	7.1	7.9	7.6
Derivative financial instruments	0.3	2.4	0.5
Deferred income tax liabilities	33.4	47.3	39.0
Other non-current liabilities	21.9	2.7	21.7
Total non-current liabilities	**278.7**	**231.5**	**296.1**
Current liabilities			
Interest-bearing current liabilities	122.8	118.8	127.9
Provisions for other liabilities	0.1	0.5	0.2
Trade and other payables	157.9	148.7	132.8

Current income tax liabilities	3.0	0.7	0.1
Total current liabilities	**283.7**	**268.6**	**261.0**
Total liabilities	**562.4**	**500.1**	**557.1**
Total equity and liabilities	**1,062.6**	**1,001.0**	**1,079.3**

Condensed consolidated statement of cash flows, IFRS

EUR million	Jan-Mar 2014	Jan-Mar 2013	Jan-Dec 2013
Cash flows from operating activities			
Profit for the period	7.8	7.9	28.9
Depreciation	36.7	35.5	147.1
Change in working capital	-2.8	-12.2	-32.9
Other adjustments	-5.2	-2.6	-9.6
Net cash generated from operating activities (A)	**36.4**	**28.6**	**133.6**
Cash flows from investing activities			
Investments in property, plant and equipment (PPE) and intangible assets	-20.6	-21.7	-127.1
Proceeds from sale of PPE	0.0	0.1	0.5
Acquisition of subsidiaries and business transfers	0.0	0.0	-40.5
Change in other investments	0.0	0.0	0,0
Net cash used in investing activities (B)	**-20.6**	**-21.6**	**-167.1**
Cash flows from financing activities			
Dividends paid	0.0	0.0	-35.0
Borrowing of interest-bearing liabilities	39.8	54.8	307.1
Repayment of interest-bearing liabilities	-56.6	-32.8	-219.7
Net cash used in financing activities (C)	**-16.8**	**22.0**	**52.4**
Change in cash and cash equivalents (A+B+C)	-0.9	29.0	18.8
Cash and cash equivalents at beginning of year	27.1	8.2	8.2
Cash and cash equivalents at end of year	26.2	37.2	27.1

Consolidated statement of changes in equity

EUR million	Share capital	Hedge fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Total equity
Balance at 1 January 2013	**72.7**	**-0.9**	**606.8**	**-103.5**	**-47.2**	**527.8**
Comprehensive income						
Profit for the period					7.9	7.9
Other comprehensive income						
Actuarian gains (losses) on defined benefit pension plans						
Cash flow hedges, net of tax		0.2				0.2
Total other comprehensive income, net of tax		**0.2**			**0.0**	**0.2**
Total comprehensive income	**0,0**	**0.2**	**0,0**	**0,0**	**7.9**	**8.2**
Transactions with owners						
Employee share option scheme: granted options					-0.1	-0.1
Dividends relating to 2012					-35.0	-35.0
Total contribution by and distributions to owners	**0,0**	**0,0**	**0,0**	**0,0**	**-35.1**	**-35.1**
Balance at 31 March 2013	**72.7**	**-0.7**	**606.8**	**-103.5**	**-74.4**	**500.9**
Balance at 1 January 2014	**72.7**	**-0.3**	**606.8**	**-103.5**	**-53.4**	**522.3**
Comprehensive income						
Profit for the period					7.8	7.8
Other comprehensive income						
Actuarian gains (losses) on defined benefit pension plans						
Cash flow hedges, net of tax		0.0				0.0
Total other comprehensive income, net of tax		**0.0**			**0,0**	**0,0**
Total comprehensive income	**0,0**	**0.0**	**0,0**	**0,0**	**#VALUE!**	**#VALUE!**
Transactions with owners						
Employee share option scheme: granted options					0.1	0.1
Dividends relating to 2013					-30.0	-30.0
Total contribution by and distributions to owners	**0,0**	**0,0**	**0.0**	**0.0**	**-29.9**	**-29.9**
Balance at 31 March 2014	**72.7**	**-0.3**	**606.8**	**-103.5**	**#VALUE!**	**#VALUE!**

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 the valid 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 2013 with the exception of new standards effective as of 1st of January 2014. This interim report should be read observing the 2013 Financial Statements. The information presented in the interim report is anaudited.

Changes to IFRS standards
As of the beginning of 2014, the new IFRS standards IFRS 10 Consolidated financial statements and IFRS 11 Joint arrangements have come into effect. The new standards have not effected DNA group financial statements.

2 Segment information

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

1 Jan–31 Mar 2014

EUR 1,000

Business segments	**Consumer segment**	**Corporate segment**	**Group total**
Net sales	**155,750**	**42,491**	**198,240**
EBITDA	**33,878**	**14,494**	**48,371**
Depreciation	24,164	12,511	**36,674**
Operating result, EBIT	**9,714**	**1,983**	**11,697**
Net financial items			-1,959
Share of associated companies' results			9
Profit before tax			9,746
Profit for the period			**7,839**
Investments	12,864	6,157	19,021
Employees at end of period	1,043	515	1,558

1 Jan–31 Mar 2013

EUR 1,000

Business segments	**Consumer segment**	**Corporate segment**	**Group total**
Net sales	**142,272**	**43,741**	**186,013**
EBITDA	**32,788**	**14,943**	**47,732**
Depreciation	23,549	11,979	35,528
Operating result, EBIT	**9,239**	**2,965**	**12,204**
Net financial items			-1,330
Share of associated companies' results			-17
Profit before tax			10,856
Profit for the period			**7,932**
Investments	15,327	6,308	21,635
Employees at end of period	1,026	442	1,468

1 Jan–31 Dec 2013

EUR 1,000

Business segments	**Consumer segment**	**Corporate segment**	**Group total**
Net sales	**593,429**	**173,003**	**766,431**
EBITDA	**133,259**	**57,486**	**190,745**
Depreciation	97,524	49,571	**147,094**
Operating result, EBIT	**35,736**	**7,915**	**43,651**
Net financial items			-5,965
Share of associated companies' results			-33
Profit before tax			37,653
Profit for the period			**28,924**

Investments	91,151	34,988	126,138
Employees at end of period	1,104	459	1,563

3 Investments

EUR 1,000	Jan-Mar 2014	Jan-Mar 2013	Jan–Dec 2013
Capital expenditure			
Intangible assets	2,673	4,947	23,839
Property, plant and equipment	17,415	17,034	104,575
Total	**20,088**	**21,981**	**128,415**

All items of capital expenditure have not been allocated to business segments in management reporting (for example financial leases).

4 Shareholders' equity

EUR 1,000	Number of shares (thousands)	Share capital	Unrestricted equity reserve
At 1 January 2013	**9,611**	**72,702**	**606,779**
At 31 December 2013	**9,611**	**72,702**	**606,779**
At 1 January 2014	**9,611**	**72,702**	**606,779**
At 31 March 2014	**9,611**	**72,702**	**606,779**

Number of shares include 1,132,144 treasury shares.
DNA Ltd has one share type. The total number of shares is 9,610,676 (9,610,676). The shares do not have a nominal value. DNA Ltd's share capital amounts to EUR 72,702,226. All issued shares have been paid in full.

Dividends
DNA Ltd's Annual General Meeting of 20 March 2014 approved a payment of dividend (EUR 3.54 per share) totalling EUR 30,014,003.28. The dividend was paid on 2 April 2014.

5 Net liabilities

EUR 1,000	31 March 2014	31 March 2013	31 December 2013
Non-current and current interest-bearing liabilities	337,098	288,209	353,724
Less short-term investments, cash and bank balances	26,162	37,211	27,054
Total	**310,936**	**250,998**	**326,670**

6 Provisions for other liabilities

EUR 1,000	1 Jan 2014	Additions	Provisions used	Other changes/Discount effect	31 Mar 2014
Decommissioning provisions	6,810	160	0	-43	**6,927**
Restructuring provisions	205	0	0	0	**205**
Onerous contracts	767	0	0	-668	**99**
Total	**7,782**	**160**	**0**	**-711**	**7,231**

7 Related party transactions

The Group's related parties include organisations exercising significant influence, associated companies and members of the Board of Directors and the management teams, including the CEO and the deputy CEO as well as their immediate family. Additionally, any organisation where a member of the related party excercises significant influence is considered a related party.

EUR 1,000	Sales	Purchases	Receivables	Liabilities
3/2014				
Organisations exercising significant influence	4	932	2	0
Associated companies	0	211	0	36

EUR 1,000	Sales	Purchases	Receivables	Liabilities
3/2013				
Organisations exercising significant influence	2	449	0	0
Associated companies	0	46	0	0

EUR 1,000	Sales	Purchases	Receivables	Liabilities
12/2013				
Organisations exercising significant influence	50	4,338	3	34
Associated companies	0	518	0	80

8 Share-based payments

Conditions of share-based incentive scheme
The Group has a share-based incentive scheme for management and key personnel. According to the conditions of the incentive scheme, the parent company gives options without monetary compensation. The Group's incentive scheme is conditional. The central conditions of the scheme are presented in the table below.

Option scheme
As proposed by the Board of Directors, the Annual General Meeting decided that a long-term incentive scheme for the management and other key personnel be introduced in March 2010. If the option rights holder's employment with a Group company ends, his or her option rights will immediately transfer to the company or its order. A total of 100,000 option rights was issued (2010). During spring 2011, it was decided to grant an additional 8,000 option rights. At most, 50,000 option rights are classified as 2010A and 58,000 option rights as 2010B. The share subscription period for option rights 2010A begins on 2 January 2013 and ends on 30 April 2015, and for option rights 2010B it begins on 2 January 2014 and ends on 30 April 2016. Since one option right entitles the holder to subscribe to one new share or treasury share held by the company, all of the option rights awarded entitle to the subscription of a maximum of 108,000 shares in the company. The per-share subscription price for option rights 2010A and 2010B is EUR 97.00, which is the estimated fair value of the share on 17 December 2009. Should the company distribute dividends or funds from its unrestricted equity fund, the subscription price applied to the option rights will be decreased in line with the amount of dividends decided or unrestricted equity funds distributed after 17 December 2009 and prior to the share subscription period on the record date of each dividend payment or capital refund. The subscription price will be recorded in the company's invested unrestricted equity reserve.

Option scheme

Classification	2010A	2010B
Target group	Management and key personnel	Management and key personnel
Granting date	10 March 2010	1 March 2011
Amount of granted instruments	50,000	58,000
Share price at granting date	EUR 97.00	EUR 98.66
Subscription period	2 Jan 2013–30 April 2015	2 Jan 2014–30 April 2016
Expected life (years)	5 years	5 years
Conditions	Employed with the company	Employed with the company
Implementation	As shares	As shares

Share options outstanding
Changes in share options outstanding during the financial period and the average exercise prices are as follows:

	Options
On 1 January 2014	62,000
Granted options	
Forfeited options	
Exercised options	
Expired options	
On 31 March 2014	62,000

There were no new options granted during 2014.

9 Derivative fair value measurement hierarchy

The market value of the interest rate swaps have been determined by discounting market interest rates.
No hierarchy transfers have been made

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - Other inputs observable either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3 - Unobservable inputs

31 March 2013

	Level 1	Level 2	Level 3
Liabilities 1000€			
Interest rate swaps			
Designated at fair value through profit or loss		0	
Derivatives hedge accounting		331	
Total		331	

31 December 2013

	Level 1	Level 2	Level 3
Liabilities 1000€			
Interest rate swaps			
Designated at fair value through profit or loss		0	
Derivatives hedge accounting		476	
Total		476	

Key figures

	Jan-Mar 2014	Jan-Mar 2013	Jan-Dec 2013
Equity per share, EUR	59.0	59.1	61.6
Interest bearing net liabilities, EUR million	310.9	251.0	326.7
Net gearing, %	62.2%	50.1%	62.6%
Equity ratio, %	48.3%	51.1%	49.4%
Interest bearing net debt/EBITDA	1.61	1.31	1.71
Return on investment (ROI), %	5.6%	6.3%	5.4%
Return on equity (ROE), %	6.1%	6.2%	5.5%
Investments, EUR million	20.1	22.0	128.4
Investments, % of net sales	10.1%	11.8%	16.8%
Personnel at end of period	1,558	1,468	1,563

Key operative indicators

Mobile communication network subscription volumes:

Number of:	Mar 2014	Mar 2013	Dec 2013
Subscriptions*	2,458,000	2,412,000	2,450,000
DNA's own customers*	2,389,000	2,311,000	2,377,000

	Mar 2014	Mar 2013	Jan-Dec 2013
Revenue per subscription (ARPU), EUR**	17.8	18.2	18.2
Customer churn rate, %**	17.6	19.3	17.1

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

Fixed-network subscription volumes:

Number of:	Mar 2014	Mar 2013	Dec 2013
Broadband subscriptions	339,000	307,000	322,000
Cable TV subscriptions	590,000	594,000	591,000
Telephone subscriptions	97,000	116,000	103,000

Calculation of the key indicators

Equity per share, EUR	=	Equity attributable to equity holders of the parent company / Number of outstanding shares at end of period
Interest-bearing net liabilities, EUR	=	Interest-bearing liabilities - liquid assets
Gearing, %	=	Interest-bearing liabilities – liquid assets / Total shareholders' equity
Equity ratio, %	=	Shareholders' equity / Balance sheet total – prepayments received
EBITDA, EUR	=	Operating profit (EBIT) + depreciation, amortisation and impairments
Return on investment (ROI), %*	=	Profit before taxes + interest and other finance expenses / Balance sheet total – non-interest bearing liabilities (annual average)
Return on equity (ROE), % *	=	Profit for the financial period / Total shareholders' equity (annual average)
Interest-bearing net debt/EBITDA*	=	Interest-bearing net liabilities / EBIT + depreciation + amortisation

* 12-month adjusted