DNA

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR 2019

INDEX

BOARD OF DIRECTORS' REPORT

DNA is a Finnish telecommunications group providing high-quality voice, data and TV services for communication, entertainment and work. DNA is Finland's largest cable operator and the leading pay TV provider in cable network. Our mission is to provide products and services that make our private and corporate customers' lives simple. As a telecommunications operator, DNA plays a significant role in society by providing important communication connections and by enabling digital development.

Norwegian telecommunications group Telenor announced in spring 2019 that it will acquire shares in DNA from the two largest shareholders, in total 54% of shares. The transaction was carried out in August and, as a result, Telenor was obliged to launch a mandatory public tender offer for all the remaining outstanding shares in DNA. After the completion of the transaction and the resulting mandatory public tender offer, Telenor's holding of DNA shares was 97.87%. Telenor then commenced mandatory redemption proceedings for the remaining shares, following which DNA submitted an application to Nasdaq Helsinki in December, requesting the termination of public trading in DNA's shares and the delisting of DNA's shares from the official list of Nasdaq Helsinki. On 3 February 2020, Telenor Finland Holding Oy gained title to all outstanding shares in DNA and the DNA shares was delisted from Nasdaq Helsinki.

Unless otherwise stated, the comparison figures in brackets refer to corresponding year, 2018.

Operating environment in 2019

The Finnish economy has been on a growth path, but growth is hampered by the overall economic uncertainty. Both consumer and business confidence has weakened. Competition remained intense throughout the year, in mobile communication services in particular.

The use of mobile data continued to grow, boosted by increased adoption of smartphones, tablets, and other Internet-connected devices, as well as the demand for high-speed 4G subscriptions.

A clear trend in Finland right now is the migration of xDSL subscribers to considerably faster fixed cable or fibre-optic broadband subscriptions or the replacement of xDSL connections with 4G mobile data connections. In addition, a growing number of households use both fixed-network and mobile broadband. 5G service provision was launched towards the end of 2020, which will accelerate the switch to high-speed broadband services. Mobile device manufacturers are expected to provide more technically advanced models for consumer and corporate customers.

Use of TV and video services became more versatile. While traditional TV viewing minutes decreased, the use of streaming and on-demand video services continued to grow. More customers are watching HDTV broadcasts, and they also increasingly want to watch content conveniently at a time that works best for them.

Both private and public organisations revamped their operations by switching their voice communications and customer service to mobile solutions. The rising business use of cloud services increases the demand for network capacity and fast fibreoptic connections.

Regulation

DNA's 5G license entered into force in early 2019.

The cap on the cost of intra-EU mobile calls and texts was applied in the spring of 2019.

The Ministry of Transport and Communications is preparing a market analysis of the wholesale markets for television and radio services (M18).

The national data protection law related to personal data entered into force at the beginning of 2019. EU institutions continued to process the draft ePrivacy regulation in the review period.

The directive-based draft Act on Electronic Communication Services has been circulated for comments in Finland. The transposition of the EU Directive on Audiovisual Media Services and the European Electronic Communications Code (the so-called Telecoms Package Directive) in national law will be essentially completed by the end of 2020.

The European Commission started the preparation of European guidelines for cybersecurity towards the end of 2019. This so-called Security Toolbox lists means of managing network security.

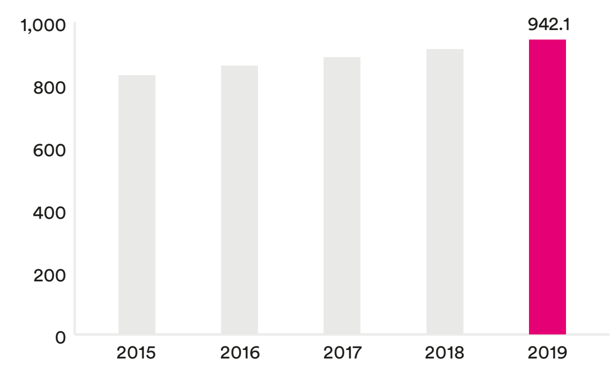
Changes related to regulation and decisions of authorities may have significant impacts on DNA's business.

NET SALES AND RESULT

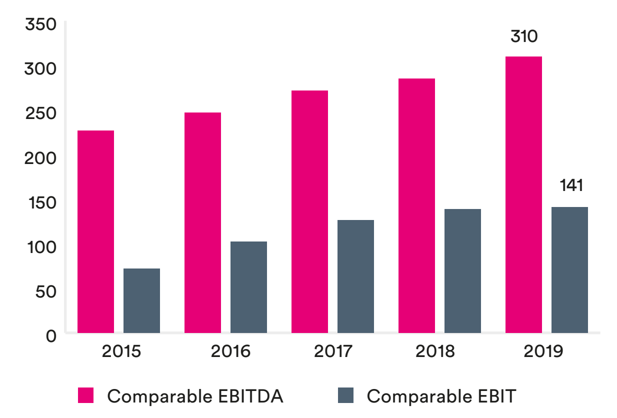
CONSOLIDATED KEY FIGURES

EUR million	1–12/2019	1–12/2018	Change (%)
Net sales	942.1	911.8	3.3
EBITDA	305.6	284.9	7.2
% of net sales	32.4	31.2	
Comparable EBITDA	309.9	284.9	8.8
% of net sales	32.9	31.2	
Operating result, EBIT	133.7	138.9	–3.7
% of net sales	14.2	15.2	
Comparable operating result	141.1	138.9	1.6
% of net sales	15.0	15.2	
Net result for the period	98.8	102.2	–3.3

NETSALES, EUR MILLION



COMPARABLE EBITDA AND COMPARABLE EBIT, EUR MILLION



DNA's net sales increased and totalled EUR 942.1 million (911.8 million). The growth was fuelled by strong mobile service revenue and mobile device sales. Mobile service revenue grew 7.0% and was EUR 486.4 million (454.4 million), boosted by the favourable development of postpaid subscription base and average billing per customer. Mobile device sales were up 10.3% from the reference period. During the year, 76.4% (75.1%) of net sales was generated by consumer business and 23.6% (24.9%) by corporate business.

In 2019, the comparability of EBITDA was affected by a non-recurring expense item of EUR 4.3 million in relation to the use of expert services in connection to business restructuring, as well as the termination of share-based reward systems. EBITDA increased from the reference period and was EUR 305.6 million (284.9 million). The EBITDA percentage of net sales was 32.4% (31.2%). Comparable EBITDA was EUR 309.9 million (284.9 million). EBITDA also improved due to the impact of the IFRS 16 standard and growth in service revenue.

The comparability of the operating result was affected by non-recurring items of EUR 7.4 million, of which EUR 4.3 million were in relation to the use of expert services in connection to business restructuring, as well as the termination of share-based reward systems and EUR 3.1 million in relation to the sale of DNA's VHF frequency-based terrestrial network business. The operating result decreased and was EUR 133.7 million (138.9 million). The operating result as a percentage of net sales was 14.2% (15.2%). The comparable operating result increased and was EUR 141.1 million (138.9 million).

Financial income and expenses amounted to EUR 9.1 million (11.2 million). Financial expenses for the reference period were increased by the senior unsecured bond issued by DNA in March 2018. Income tax for the period was EUR 25.8 million (25.5 million). The effective tax rate for the period was 20.7% (20.0%). The net result was EUR 98.8 million (102.2 million). Earnings per share was EUR 0.75 (0.77).

KEY OPERATIVE INDICATORS

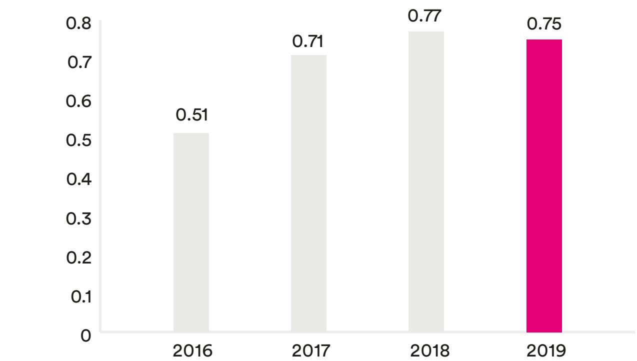
	1–12/2019	1–12/2018	Change (%)
Number of mobile communication network subscriptions at end of period	2,822,000	2,877,000	–1.9
Revenue per user (ARPU), EUR	18.7	18.7	0.0
Customer churn rate, %	16.2	16.2	
Number of fixed line subscriptions at end of period	1,241,000	1,152,000	7.7

DNA's mobile subscription base decreased by 55,000 subscriptions year-on-year. The number of postpaid subscriptions was up by 37,000. Revenue per user (ARPU) was at the level of comparison year, EUR 18.7 (18.7). The number of prepaid subscriptions fell by 92,000, but their ARPU increased 20.2% year-on-year to EUR 4.7 (3.9).

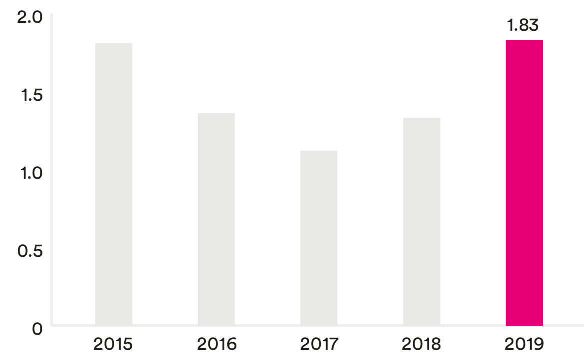
The fixed-network subscription base grew strongly and was up by 89,000. In addition to good organic growth, DNA gained more than 30,000 fixed-line broadband customers and almost 25,000 new cable TV customers as a result of the ICT Elmo business acquisition in June.

DNA's customer churn rate for 2019 remained constant year-on-year and was 16.2% (16.2%).

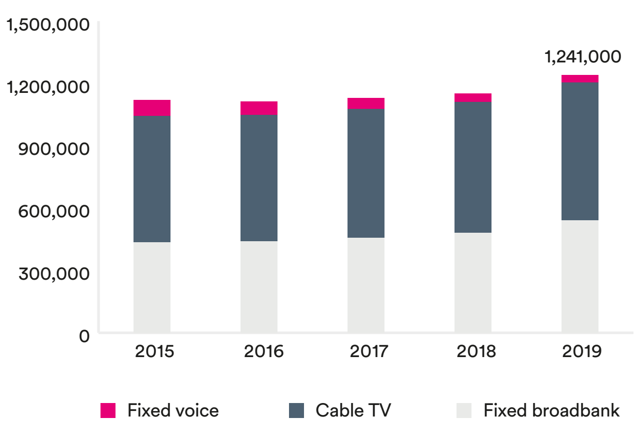
EARNINGS PER SHARE, EUR



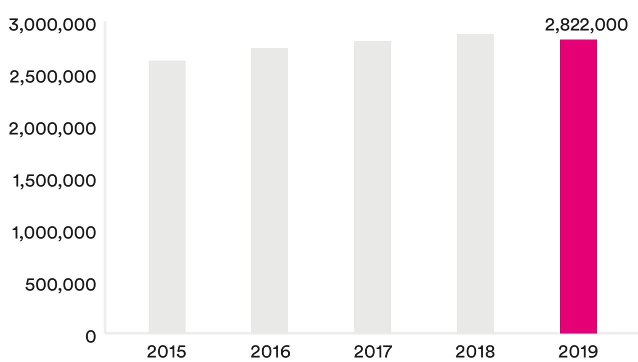
NET DEBT / EBITDA, %



FIXED NETWORK SUBSCRIPTIONS, PCS.



MOBILE COMMUNICATION SUBSCRIPTIONS (VOICE AND MOBILE BROADBAND), PCS.



CASH FLOW AND FINANCIAL POSITION

CASH FLOW AND FINANCIAL KEY FIGURES

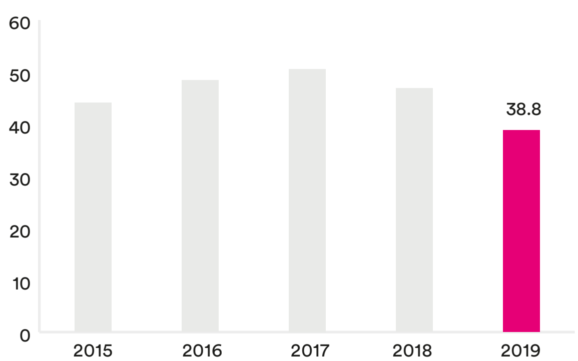
EUR million	1–12/2019	1–12/2018	Change (%)
Cash flow after investing activities	60.6	63.4	–4.6

EUR million	1–12/2019	1–12/2018	Change (%)
Net debt	559.1	379.3	47.4
Net debt/EBITDA	1.83	1.33	
Net gearing, %	101.4	62.7	
Equity ratio, %	38.8	46.9	

Cash flow after investing activities was EUR 60.6 million (63.4 million). Cash flow was impacted, for example, by the Moi mobile acquisition in January and the ICT Elmo business acquisition in May.

At the end of 2019, 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. In addition, DNA has a commercial paper programme worth EUR 200 million (150 million), under which EUR 15 million (50 million) was drawn by the end of the year. In December, DNA and Telenor ASA signed an agreement on a EUR 200 million internal revolving credit facility, of which EUR 100 million remained undrawn at the end of 2019.

EQUITY RATIO, %



Net gearing increased and was 101.4% at the end of the year (62.7%). Net gearing was mainly impacted by the payment of a dividend, business restructuring (Moi Mobiili and ICT Elmo), and the adoption of the IFRS 16 standard, which increased liabilities as lease commitments was disclosed as liabilities in the balance sheet.

DNA's liquidity is at a healthy level. The Group's liquid assets amounted to EUR 17.4 million (22.7 million). Net debt was EUR 559.1 million (379.3 million). The Group's liquid assets and undrawn committed credit limits amounted in total to EUR 282.4 million (187.7 million). In April, DNA paid a dividend of EUR 145.4 million.

Changes in working capital had a EUR 34.5 million negative impact (45.1 million negative impact) on cash flow. The increase in working capital was mostly due to an increase in trade receivables and a decrease in trade payables in comparison to the end of 2018.

DNA has a strong balance sheet. The net debt/EBITDA ratio was 1.83 (1.33) at the end of 2019. The equity ratio was 38.8% (46.9%) at the end of the year. Both key figures were impacted by the adoption of the IFRS 16 standard, and the equity ratio also declined due to the dividend payment.

In September, Standard & Poor's Global Ratings upgraded DNA's long-term credit rating to BBB+ from BBB following acquisition by Telenor, with a stable outlook. At the same time, DNA was removed from CreditWatch.

DEVELOPMENT PER BUSINESS SEGMENT

CONSUMER BUSINESS

EUR million	1–12/2019	1–12/2018	Change (%)
Net sales	719.7	684.9	5.1
EBITDA	233.5	218.8	6.8
% of net sales	32.4	31.9	
Comparable EBITDA	236.1	218.8	7.9
% of net sales	32.8	31.9	
Operating result, EBIT	123.4	123.7	–0.3
% of net sales	17.1	18.1	
Comparable operating result	129.1	123.7	4.3
% of net sales	17.9	18.1	

Consumer business net sales increased and were EUR 719.7 million (684.9 million). Net sales were driven by the increasing demand for mobile services, as well as strong mobile device sales.

In the review period, the comparability of EBITDA was affected by non-recurring expense items of EUR 2.5 million in relation to business re-structuring. EBITDA increased and was EUR 233.5 million (218.8 million). EBITDA was improved by a change in calculation method according to IFRS 16, as well as an increase in mobile service revenue. The EBITDA percentage of net sales was 32.4% (31.9%). Comparable EBITDA was EUR 236.1 million (218.8 million).

The comparability of the operating result in the reference period was affected by non-recurring items of EUR 5.6 million, of which EUR 2.5 million were in relation to business restructuring and EUR 3.1 million in relation to the sale of DNA's VHF frequency-based terrestrial network business. The consumer business operating result decreased slightly and was EUR 123.4 million (123.7 million), or 17.1% of consumer business net sales (18.1%). The comparable operating result increased to EUR 129.1 million (123.7 million). Depreciation of EUR 110.1 million (95.0 million) was allocated to consumer business. The increase was mostly due to IFRS 16.

On 11 January 2019, DNA acquired European Mobile Operator Oy. The acquired business operations, Moi Mobiili, have been consolidated into DNA's consumer business figures from the first quarter of 2019 onwards. Before the acquisition, Moi Mobiili operated as a service operator in DNA's mobile network, and its revenue was reported in DNA's corporate business figures.

In the summer, DNA agreed to sell its terrestrial pay-TV business to Digita Oy. The Finnish competition authorities approved the sale in September. Digita took over the business and pay-TV customer base on 1 January 2020. DNA will continue its operations as the leading pay-TV operator in the cable and broadband networks.

CORPORATE BUSINESS

EUR million	1–12/2019	1–12/2018	Change (%)
Net sales	222.4	226.8	–2.0
EBITDA	72.0	66.2	8.9
% of net sales	32.4	29.2	
Comparable EBITDA	73.8	66.2	11.5
% of net sales	33.2	29.2	
Operating result, EBIT	10.3	15.2	–32.3
% of net sales	4.6	6.7	
Comparable operating result, EBIT	12.0	15.2	–20.7
% of net sales	5.4	6.7	

Corporate business net sales for 2019 decreased and were EUR 222.4 million (226.8 million). Net sales were mostly burdened by the change in the reporting of the net sales for Moi Mobiili, which is now part of consumer business, as well as the decrease in interconnection charges.

In 2019, the comparability of EBITDA and the operating result was affected by non-recurring expense items of EUR 1.8 million in relation to business restructuring. EBITDA increased from the reference period and was EUR 72.0 million (66.2 million), or 32.4% (29.2%) of net sales. Comparable EBITDA was EUR 73.8 million (66.2 million). EBITDA improved due to the impact of the IFRS 16 standard. The operating result decreased and was EUR 10,3 million (15.2 million), or 4,6% (6.7%) of net sales. The comparable operating result was EUR 12,0 million (15.2 million). Depreciation of EUR 61.8 million (51.0 million) was allocated to corporate business. The increase was mostly due to IFRS 16.

In January, DNA signed a four-year agreement with Veikkaus to supply the gaming company with the largest company-specific network in Finland. Service delivery got under way in early 2019. The first sales offices were connected to the network during April 2019.

CAPITAL EXPENDITURE

EUR million	1–12/2019	1–12/2018	Change (%)
Consumer business	98.5	92.9	6.0
Corporate business	60.2	45.4	32.7
Total capital expenditure	158.7	138.3	14.8

Capital expenditure is defined as additions to property, plants and equipment, and intangible assets, excluding business acquisitions and asset retirement obligations. Capital expenditure includes annual cash instalments for capitalised licences.

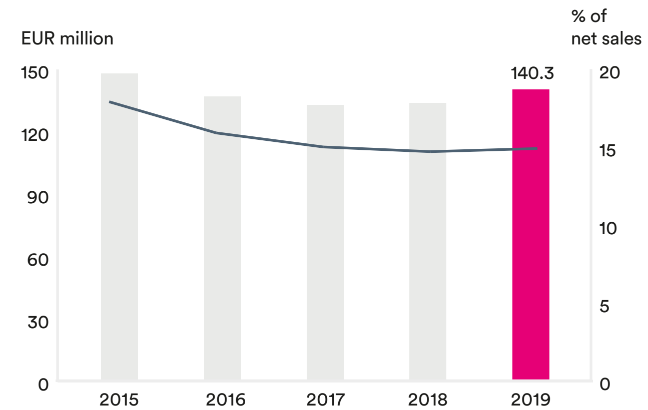
EUR million	1–12/2019	1–12/2018	Change (%)
Operative capital expenditure	140.3	133.9	4.8
% of net sales	14.9	14.7	
Lease investments (IFRS 16)	9.8	-	
Spectrum licences	8.6	4.4	95.5
Total capital expenditure	158.7	138.3	14.8

Operative capital expenditure is reported capital expenditure excluding annual cash instalments for capitalised spectrum licences and lease investments (IFRS 16).

In the January–December period, capital expenditure was EUR 158.7 million (138.3 million). Operative capital expenditure increased from the reference period and was EUR 140.3 million (133.9 million), or 14.9% (14.7%) of net sales. In the first quarter, the spectrum licence fees for the 700 MHz and 3.5 GHz bands contributed EUR 8.6 million (4.4 million) to capital expenditure.

In 2019, major individual items included in capital expenditure in the review period were network capacity expansion and development for 5G readiness, as well as fibre-optic networks and transmission systems.

OPERATIVE CAPEX, EUR MILLION AND OPERATIVE CAPEX, % OF NET SALES



RESEARCH AND DEVELOPMENT

DNA's service development occurs during the ordinary course of business and is accounted for as a normal operating expense.

NETWORK INFRASTRUCTURE AND NEW TECHNOLOGIES

DNA makes continuous investments in mobile and fixed networks to keep providing high-quality connections to support the growing use of devices and digital services. DNA's 4G network reaches almost 100% of the population in mainland Finland. In 2019, mobile data volumes in DNA's network were up some 23% year-on-year. Mobile data usage per subscription averaged about 25,6 gigabytes during the year.

DNA has been systematically preparing its mobile network for 5G with the introduction of 5G-capable technology and increased network capacity. As a result, data speeds in the 4G network have improved despite the growth in traffic volumes. DNA's mobile network is NB-IoT and LTE-M ready. DNA's M2M subscription base was boosted by building automation systems, the energy sector, and the Internet of Things (IoT).

5G network construction is in progress in various parts of the country. In December, DNA launched sales of the 5G Fixed Wireless Access ser-vice in the Helsinki metropolitan area and in the cities of Turku and Tampere. Availability will be extended to new areas soon. 5G connectivity enables fast connections with low latency in areas where fibre-optic connections are not available or would be very expensive to build. Sales of 5G subscriptions to consumer and corporate customers have just been launched. In early 2020, DNA's 5G network will be available in some 20 locations. Customers using 5G subscriptions benefit from higher speeds and lower latency. The benefits of 5G will become more evident as customers use increasingly rich content, higher resolution videos, and services such as online gaming, where low latency is critical. DNA will continue to improve and expand its 4G network parallel to the 5G investments.

DNA announced that it will close its VHF frequency-based terrestrial network in 2020. At the same time, DNA will relinquish its terrestrial network licence.

According to Tefficient's latest report*, DNA's customers have the highest mobile data usage in the world. DNA's data usage per subscription continued to grow in the first half of 2019, averaging 23.5 gigabytes per month. Most of the data transferred in the mobile network is from different video-based services, such as YouTube and Netflix. Thanks to DNA's advanced network technologies, we can reduce the relative per-data consumption of electricity despite the continuous increase in the use of data.

*Tefficient is an international telecommunications specialist providing analysis, benchmarking and consulting services. Tefficient's latest report is available here: https://tefficient.com/mobile-data-operators-1h-2019/

DNA acquired an extensive fibre-optic network in the Tampere region and ICT Elmo Oy's consumer business

In June 2019, DNA acquired a fibre-optic network in the Tampere region and ICT Elmo Oy's consumer business. The net sales of the acquired business in 2018 were around EUR 8 million. DNA has been a major customer of ICT Elmo's operator business. The total acquisition price is EUR 27.5 million, which equates to an EV/EBITDA of approximately 6.1x with cost synergies considered.

PERSONNEL

PERSONNEL BY BUSINESS SEGMENT

	31 December 2019	31 December 2018	Change (%)
Consumer business	933	913	2.2
Corporate business	691	677	2.1
Total personnel	**1,624**	**1,590**	**2.1**

PERSONNEL BY BUSINESS SEGMENT

	2019	2018	2017
<25 years	0%	1%	1%
25–35 years	13%	26%	29%
36–45 years	34%	38%	37%
46–55 years	47%	24%	23%
56–63 years	5%	10%	10%
over 63 years	0%	0%	0%
In total	**100%**	**100%**	**100%**

KEY PERSONNEL INDICATORS

	2019	2018	2017
Average number of personnel	1,617	1,605	1,639
Wages and salaries, EUR million	112.7	107.4	111.1

At the end of 2019, DNA Group had 1,624 employees (1,590), of which 637 were women (637) and 987 men (953).

Salaries and employee benefit expenses paid in January–December amounted to EUR 112.7 million (107.4 million).

One of DNA's strategic objectives is to be a great place to work, which requires a tolerant, non-discriminatory, and inclusive working culture. Satisfied, motivated, and qualified employees are a crucial foundation for DNA's ability to provide the best customer service on the market. Deeper customer understanding is a particularly important area in DNA's diversity vision. A diverse and pluralistic working community helps DNA understand the needs of different customers. In February 2019, DNA was chosen as the best workplace in Finland by the Great Place to Work institute in the category of large organisations. In June, GPTW ranked DNA as one of the best employers in Europe.

MANAGEMENT AND GOVERNANCE AND SIGNIFICANT LITIGATION MATTERS

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

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 year, DNA's Executive Team comprised CEO Jukka Leinonen, CFO Timo Karppinen, Senior Vice President, Consumer Business Pekka Väisänen, Senior Vice President, Corporate Business Olli Sirkka, 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.

Change in DNA's Executive Team

In May, M.Sc. (Tech) (b. 1972) Olli Sirkka was appointed as Senior Vice President, Corporate Business and a member of the Executive Team of DNA Plc. Olli Sirkka is responsible for DNA's Corporate Business division and its development, and he will report directly to the CEO. Olli Sirkka started in his new role on 12 August 2019.

Jukka Leinonen appointed head of Telenor's Nordic Cluster

DNA's CEO Jukka Leinonen has been appointed head of Telenor Group's newly formed Nordic cluster and a member of Telenor's Group Executive Management. He will retain his responsibilities as CEO of DNA. In his new role, Jukka Leinonen will also assume the role of chair of Telenor Sweden and Telenor Denmark. He will report to Sigve Brekke, President & CEO, Telenor Group.

Decisions of the Annual General Meeting

DNA's Annual General Meeting was held in Helsinki on 28 March 2019. The AGM adopted the financial statements and discharged the Board of Directors and the CEO from liability for the financial period 2018. The dividend was confirmed to be EUR 0.70 per share plus an additional dividend of EUR 0.40 per share, in total EUR 1.10 per share. The dividend was paid on 10 April 2019. The AGM approved the Nomination Committee's proposal concerning the election and remuneration of Board members. Authorised Public Accountants Ernst & Young was elected as the company's auditor. APA Terhi Mäkinen acts as the principal auditor. The AGM approved the proposal of the Board of Directors to authorise the Board to decide on the repurchase of the company's own shares, as well as to decide on a share issue, to dispose of the company's own shares held by the company, and an issue of special rights.

Decisions of the Extraordinary General Meeting

DNA's Extraordinary General Meeting was held in Helsinki on 31 October 2019. In total, 13 shareholders were present or represented at the meeting, representing 98.1% of the votes. The Extraordinary General Meeting approved the proposals of the shareholders' Nomination Committee for the number of Board members, which is seven, and the following current Board members were re-elected; Anni Ronkainen, Kirsi Sormunen, and Tero Ojanperä. Furthermore, the Nomination Committee proposed the election of Jørgen C. Arentz Rostrup, Ulrika Steg, Fredric Scott Brown, and Nils Katla as new Board members. The new members are not independent of a major shareholder. The Extraordinary General Meeting confirmed that the remuneration of the Board of Directors remains unchanged and that those Board members who are not independent of DNA Plc's major shareholders will forgo their entitlement to the reward.

At the constitutive meeting of the Board of Directors held subsequent to the Extraordinary General Meeting, Jørgen C. Arentz Rostrup was elected Chair and members of the Audit Committee and the Personnel Committee were elected from among the Board members. Kirsi Sormunen was elected as the Chair of the Audit committee and Tero Ojanperä and Nils Katla were elected as members of the Audit Committee. Jørgen C. Arentz Rostrup was selected as the Chair of the Personnel Committee and Anni Ronkainen and Ulrika Steg were elected as members of the Personnel Committee.

The minutes and other documents of the General Meeting are available on the DNA website at https://corporate.dna.fi/investors/governance/general-meetings.

Composition of Shareholders' Nomination Committee

The shareholders' Nomination Committee was nominated in September 2019. The Committee is chaired by Gaute Simen Gravir (Director, Telenor Finland Holding Oy), and other members are Esko Torsti (Director, Ilmarinen Mutual Pension Insurance Company) and Satu Huber (Chief Executive Officer, Elo Mutual Pension Insurance Company). In addition, Pertti Korhonen, Chairman of DNA's Board of Directors, served as the Nomination Committee's expert member.

The three largest registered shareholders in the shareholders' register on 1 September are entitled to appoint members to the committee. The Nomination Committee is tasked with preparing proposals for the Annual General Meeting regarding the election and remuneration of Board members.

Board of Directors in 2019

From 1 January 2019 to 28 March 2019, the Board of Directors consisted of Pertti Korhonen as a Chair, and Anu Nissinen, Tero Ojanperä, Jukka Ottela, Margus Schults and Kirsi Sormunen as membes.

DNA's Annual General Meeting elected on 28 March 2019 the following board composition with seven members; Pertti Korhonen as a Chair and Anu Nissinen, Tero Ojanperä, Jukka Ottela, Anni Ronkainen, Ted Roberts and Kirsi Sormunen as members.

On 31 October 2019, DNA's Extraordinary General Meeting elected seven members to the Board; the following current Board members were re-elected; Anni Ronkainen, Kirsi Sormunen, and Tero Ojanperä. Furthermore, the Nomination Committee proposed the election of Jørgen C. Arentz Rostrup, Ulrika Steg, Fredric Scott Brown, and Nils Katla as new Board members.

Board convened on 25 occasions in 2019.

Audit Committee in 2019

The Audit Committee included the following member:

- 1 Jan–28 March 2019: Kirsi Sormunen (Chair), Jukka Ottela and Margus Schults.
- 28 March–31 October 2019 Kirsi Sormunen (Chair), Jukka Ottela, Tero Ojanperä and Ted Roberts.
- From 31 October 2019 Kirsi Sormunen (Chair), Tero Ojanperä and Nils Katla.

The Audit Committee convened on six occasions.

Personnel Committee in 2019

Members of the Personnel Committee in 2019:

- 1 Jan–28 March 2019: Pertti Korhonen (Chair), Anu Nissinen, Jukka Ottela and Margus Schults.
- 28 March–31 October 2019: Pertti Korhonen (Chair), Anu Nissinen, Jukka Ottela and Anni Ronkainen.
- From 31 October 2019: Jørgen C. Arentz Rostrup (Chair), Anni Ronkainen and Ulrika Steg.

The Personnel Committee convened on four occasions.

Corporate Governance Statement

In February 2020, DNA shares were delisted from Nasdaq Helsinki Stock Exchange. DNA publishes a separate Corporate Governance Statement for 2019. The statement will be published with DNA's Annual Report no later than on the week starting on 2 March 2020, separately from the Board of Director's report.

SHARES AND SHAREHOLDERS

Shares

DNA's shares are traded on Nasdaq Helsinki (the Helsinki Stock Exchange). On 31 December 2019, DNA's registered shares totalled 132,303,500 (132,303,500) and the share capital registered in the Finnish Trade Register amounted to EUR 72,702,225.65 (EUR 72,702,225.65). At the end of December, the Group held 121,316 treasury shares. In March 2019, a total of 61,473 treasury shares were handed over to participants in the Group's long-term share-based reward system (Bridge Plan 2018).

In 2019, a total of 175.1 million DNA shares, totalling EUR 3.623 billion, were traded on the Nasdaq Helsinki Stock Exchange. The highest quotation was EUR 21.46 and the lowest EUR 16.52. The average rate was EUR 20.70 and the volume-weighted average rate EUR 20.72. The closing quotation on the last trading day of the year, 30 December 2019, was EUR 20.86, and the market capitalisation (without DNA's holding of its own shares) was EUR 2.757 billion (EUR 2.257 billion).

Shareholders and flagging notifications

At the end of the year, the number of registered shareholders totalled 2,936, with nominee registrations (6) included. The proportion of nominee registrations and direct foreign shareholders at the end of 2019 was 1.16%.

On 31 December 2019, the largest shareholders of DNA Plc were Telenor Finland Holding Oy (97.87%), Varma Mutual Pension Insurance Company (0.22%) and Nordea Life Assurance Finland Ltd. (0.04%). At the end of the year, they held a total of 98.13% of DNA's shares and voting rights.

On 9 April 2019, the Norwegian Telenor Group announced that it had entered into separate agreements with DNA's two largest shareholders, Finda Telecoms Oy and PHP Holding Oy, to acquire 54% of the shares in the Finnish telecom operator DNA for EUR 20.90 per share in cash.

On 21 August 2019, Finda Telecoms and PHP Holding issued a flagging notice on the share transaction completed the same day, the completion bringing their share of ownership and votes in DNA to 0%. At the time of the transaction, Finda Telecoms held 37,385,454 shares in DNA (28.3% of shares and votes) and PHP Holding 34,105,827 shares in DNA (25.78% of shares and votes). On the same day, Telenor Finland Holding Oy (a wholly owned subsidiary of Telenor ASA) issued a flagging notice of its share of ownership in DNA exceeding 50%. On completion of the transaction, Telenor launched a mandatory public tender offer for all the remaining DNA shares.

On 2 October 2019, Telenor issued a notice after its holding of shares exceeded 2/3 and 90% as a result of the transactions completed at the end of the initial offer period. According to the notice, Telenor's holding was 94.46% of shares and votes in DNA. On 16 October 2019, after the closing of the offer period, Telenor's holding in DNA was 97.87%.

DNA's incentive schemes and matching shares plan terminated

On 3 October 2019, DNA's Board of Directors resolved to terminate DNA's long-term share-based incentive schemes for senior executives and other key employees, and the matching shares plan for its personnel. The Board of Directors also resolved on the payment of rewards thereunder in cash.

The Norwegian telecommunications company Telenor has gained a controlling share in DNA, which is an event that constitutes grounds, pursuant to the terms and conditions of the long-term share-based incentive schemes and the matching shares plan, for the schemes' and the plan's accelerated termination and for the payment of any rewards thereunder in cash instead of shares. The cash reward amounts to approximately EUR 14 million in total. As a result of the cash reward, EUR 6 million was recognised as an expense in the income statement in 2019.

See note 23 for more information on DNA's share-based incentive scheme.

SHAREHOLDING DISTRIBUTION BY SECTOR ON 31 DECEMBER 2019

	Number of shares	% of shares
Households	658,584	0.5%
Public sector	331,231	0.3%
Financial and insurance institutions	89,709	0.1%
Companies	129,660,270	98.0%
Non-profit communities	27,458	0.0%
Direct foreign ownership	2,345	0.0%
Nominee registered	1,533,903	1.2%
In total	**132,303,500**	**100.0%**

BREAKDOWN BY SIZE OF SHAREHOLDING 31 DECEMBER 2019

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	1,726	58.8	72,740	0.1
101–500	886	30.2	209,784	0.2
501–1,000	204	6.9	144,553	0.1
1,001–5,000	100	3.4	200,265	0.2
5,001–10,000	8	0.3	60,851	0.0
10,001–50,000	6	0.2	132,954	0.1
50,001–100,000	1	0.0	53,464	0.0
100,001–500,000	2	0.1	411,647	0.3
500,001–	3	0.1	131,017,242	99.0
In total	**2,936**	**100.0%**	**132,303,500**	**100.0%**

Members of DNA's Executive team or Board of Directors did not have any holdings of DNA shares on 31 December 2019.

Telenor's tender offer for DNA shares

Norwegian telecommunications group Telenor announced on 9 April 2019 that it will acquire shares in DNA from the two largest shareholders, Finda Telecoms Oy and PHP Holding Oy, in total 54% of shares.

The transaction was carried out on 21 August and, as a result, Telenor was obliged to launch a mandatory public tender offer for all the remaining outstanding shares in DNA. Telenor published and launched the tender offer on 29 August 2019, offering a cash consideration of EUR 20.90 per share. According to a statement by DNA's Board of Directors, the consideration offered by Telenor is fair.

The offer period expired on 10 October 2019, and shares tendered during the offer period represent 43.84% of all shares in DNA. Together with the DNA shares acquired by Telenor before the tender offer, Telenor holds 97.87% of all shares in DNA. As Telenor's holding in DNA after the tender offer period was more than nine-tenths of all DNA shares and votes, Telenor was to commence arbitration proceedings in order to redeem all remaining shares of DNA, in accordance with the Finnish Companies Act.

Special representative appointed for arbitration proceedings concerning the redemption of minority shares in DNA

As a result of Telenor's application for initiation of arbitration proceedings, the Redemption Board of the Finland Chamber of Commerce has petitioned the District Court of Helsinki for the appointment of a special representative to look after the interests of DNA's minority share-holders in the arbitration during the redemption proceedings. With its decision given on 4 November 2019, the District Court of Helsinki has appointed Olli Iirola, attorney-at-law, to act as the special representative.

DNA applied to delist its shares from Nasdaq Helsinki

On 10 December, DNA applied for the termination of public trading in DNA's shares and for delisting of DNA's shares from the official list of Nasdaq Helsinki. This will be possible once Telenor has completed the redemption proceedings and has the right to obtain title to all DNA's minority shares by posting a security approved by the arbitral tribunal for the payment of the redemption price.

Arbitral tribunal appointed for arbitration proceedings concerning the redemption of minority shares in DNA

In October, Telenor Finland Holding commenced mandatory redemption proceedings in respect of DNA's minority shares by applying for arbitration proceedings to be initiated in accordance with Chapter 18, Section 4 of the Finnish Companies Act, in order to redeem the remaining shares in DNA. On 17 December, the Redemption Board of the Finland Chamber of Commerce appointed an arbitral tribunal consisting of three arbitrators for the arbitration proceedings concerning the redemption of the remaining shares in DNA.

DNA's financial objectives and dividend policy

DNA's medium-term financial objectives:

- net sales growth faster than average market growth
- EBITDA margin of at least 34%
- operative capital expenditure less than 15% of net sales (excluding capitalised spectrum licence payments and the effect of IFRS16)
- net debt/EBITDA ratio of less than 2.0, which may temporarily be exceeded if DNA finds attractive opportunities that allow the company to complement its offering in existing markets.

DNA's dividend policy: DNA's goal is to pay a growing dividend to its shareholders or by other means to return capital equalling 80–100% of the net profit for the period. In addition, the Board of Directors may consider the distribution of excess profit to shareholders for a specific financial period. When making the profit distribution decision, the Board of Directors will take into account the company's financial status and financial position, as well as future funding needs and financial objectives.

Corporate responsibility

DNA's approach to corporate responsibility is guided by the corporate responsibility strategy and its four main areas: digital inclusion, being a great place to work, climate-friendly operations and good governance. DNA's corporate responsibility objectives are specified in the strategy. DNA has assessed corporate responsibility risks as part of the Group's overall risk management process.

DNA's corporate responsibility objectives and measures are described in a separate corporate responsibility report according to the Global Reporting Initiative (GRI) reporting model. The report is published annually with DNA's Annual Report.

REPORT ON NON-FINANCIAL INFORMATION

Business model description

DNA plays a significant role in society by providing important communication connections and maintaining infrastructure that is critical to the operation of society.

According to its strategy, DNA will meet the growing demand for faster high-quality connections. The company invests in a very competitive and cost-effective network and service platform infrastructure to meet the growing communications needs of consumers, businesses and the society in general. By doing so, DNA promotes digitalisation and competitiveness in Finland.

In terms of corporate responsibility, the main areas include the provision of comprehensive high-quality connections to customers, satisfied and productive personnel, mitigation of the environmental impact of DNA's business and greenhouse gas emissions in particular, and responsible business practices and good governance.

Social responsibility and employee-related factors

DNA's vision and mission are to have the most satisfied customers. DNA's development is guided by customer satisfaction, which is measured by means such as the Net Promoter Score (NPS), a measure of the likelihood that a customer would recommend the product or service. Relationship NPS, or rNPS, which measures overall relationship to a business, improved further in 2019, in both Consumer and Corporate Business.

DNA is aware of the fact that personnel satisfaction drives the positive development of customer satisfaction. Several measures were implemented in both Consumer and Corporate Customer Service to promote personnel satisfaction and well-being.

In 2019, DNA was chosen the best workplace in Finland by the Great Place to Work® institute in the category of large organisations. The survey measures employee satisfaction and the company's employer image. According to the survey, as many as 91% of DNA employees consider DNA to be a great workplace.

One of DNA's strategic objectives is being a great place to work. DNA places special emphasis on personnel development with the aim of having every task performed by a dedicated and qualified person. Any risks related to the availability of competent personnel are reviewed as part of the Group's risk management process.

Respect for human rights

DNA operates in Finland, where the risk of human rights violations is relatively low. Human rights issues are relevant in DNA's supply chain. In the case of mobile devices for example, some suppliers operate in countries that involve human rights risks. Corporate responsibility risks of DNA's most significant suppliers are assessed and their responsibility performance is evaluated annually.

DNA's Supplier Code of Conduct is added to all new supplier agreements and also applies to the suppliers' subcontractors. According to the Supplier Code of Conduct, the suppliers undertake to comply with the internationally recognised human rights as set out in the United Nations Universal Declaration of Human Rights, the basic international labour rights as set out in the basic conventions of the International Labour Organization (ILO), and all laws and official regulations in all countries where they operate.

There were no human rights violations related to DNA's own activities in 2019.

Any risks related to the supply chain and human rights violations are reviewed as part of the Group's risk management process.

Environmental responsibility

The main environmental impact of DNA's business is related to greenhouse gas emissions. DNA has signed up to the Society's Commitment to Sustainable Development, in which the Group undertakes to reduce the climate impacts of its operations.

The source of DNA's direct greenhouse gas emissions (Scope 1) are fuels used in company vehicles and back-up generators. Energy indirect greenhouse gas emissions (Scope 2) mostly originate in production, i.e. the electricity consumption of DNA's radio network and transmission equipment as well as the maintenance of their equipment facilities. Sources of other indirect greenhouse gas emissions (Scope 3) include, for example, logistics, business travel, waste as well as purchased goods, services and capital goods.

Increased mobile data volumes challenge the energy efficiency of the radio network, because the continuously growing volumes require more equipment, which in turn increases energy consumption. On the other hand, the relative per-data energy consumption is reduced through improved technical performance of LTE. The implementation of 5G technology in the coming years will improve relative efficiency further even if total energy consumption increases.

DNA has the following climate objectives, which have been approved by the Board of Directors:

- DNA will reduce energy indirect greenhouse gas emissions (Scope 2) by 100% by 2023 from the level reported in 2014.
- The emission calculation methods for DNA's main product categories will be adjusted during 2019 and DNA will set a Scope 3 climate objective accordingly.

In 2019, DNA's energy indirect greenhouse gas emissions (Scope 2) were 13,400 tonnes (17,900), which is 25% less than in 2018. DNA's Scope 2 emissions have reduced by approximately 55% since 2014, which is due to procurement of renewable energy and increased energy efficiency in the radio networks. In 2019, the method for collecting source data relating to the procurement of purchased electricity (Scope 2) was adjusted. The emissions figures for earlier years could not be updated in accordance with the new data collection method. As a result, emission data from different years is not fully comparable.

As part of the Group's risk management process, DNA has identified possible physical risks related to climate change, such as the impact of weather extremes on networks. Furthermore, DNA has identified possible political and regulatory risks related to the transition to a low-carbon society as well as any risks and opportunities related to consumer behaviour. Mitigation practices have been specified for the identified risks.

Anti-corruption and anti-bribery

DNA has zero-tolerance of corruption and bribery: DNA's Code of Conduct bans any corruption. Every DNA employee is required to attend DNA's Code of Conduct training. By the end of 2019, 80% of DNA personnel had completed the training. In addition, DNA's Sustainability Manager and Fraud Manager train DNA personnel on DNA Group's anti-corruption policies and procedures as required.

DNA has separate guidelines for the giving and receiving of business gifts. DNA enforces a Supplier Code of Conduct which is appended to its agreements with suppliers and subcontractors. Its requirement include combating corruption and bribery. Any corruption risk is assessed as part of the Group's risk management process. There were no incidents of corruption or bribery at DNA in 2019.

Near-term risks and uncertainties

According to the company, there have been no significant changes in near-term risks and uncertainties in 2019.

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 mainly operates in Finland, a market where, for instance, the number of mobile phones per capita is among the highest in the world, which limits the prospects for future growth in the number of subscriptions.

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

International players have a strong presence in the competitive environment of TV and entertainment services. DNA's competitors include traditional operators, but increasingly also OTT (over-the-top) 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 new risks and opportunities, for example, 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.

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 continuous maintenance and improvement of the Group's network infrastructure is essentially linked to its success.

DNA makes significant investments in high-quality data systems and data analytics tools to deepen customer understanding and to create a good omnichannel customer experience. DNA's business operations are dependent on information systems, which involve several interconnected risks but also provide business-critical opportunities for utilising data.

Use of mobile devices that have a constant network connection is increasing strongly among both business and private users. The Internet of Things (IoT) will further expand the volume of data traffic. The roles of information security, data security, and high operational network reliability are expected to grow in importance in the future.

Global trade uncertainty may have an impact on DNA's subcontractors and partners and their product availability, service quality, and reliability, as well as customer behaviour.

Regulatory risks

Both national and EU regulations have a significant impact on the operation of the telecommunications market in Finland. Regulatory influence on the price level of DNA's products and services, as well as the wholesale products that DNA procures from other operators and the criteria used in distributing frequencies, may have a significant impact on DNA's business.

Regulatory initiatives indicating significant risks to DNA include the national implementation of the new European Electronic Communications Code, EU regulation on the data protection of electronic communications, and authority decisions on significant market power (SMP).

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.

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. There is specific insurance in place for cyber damage risks. Damage risks are prevented and minimised by means such as security guidelines and personnel training.

Events after the financial period

On 3 February 2020, Telenor Finland Holding Oy gained title to all outstanding shares in DNA and the DNA shares was delisted from Nasdaq Helsinki.

OUTLOOK FOR 2020

Market outlook

According to the Bank of Finland, the Finnish economy will continue to expand, but growth has passed its cyclical peak. We expect mobile network service market growth to slow down and competition to remain intense for mobile communication services.

Mobile data use will continue to grow as private and business users increase their use of digital services and OTT video services. This trend will expand the number of high-speed 4G subscriptions as well as mobile data usage per subscription. The share of 4G subscriptions in DNA's mobile subscription base is expected to grow, but at a more moderate rate. Sales of 5G subscriptions were launched at the end of 2019, and demand is expected to increase when more technologically advanced mobile devices become available. Use of mobile devices that have a constant network connection and IP-based communication solutions is increasing strongly among both business and private users.

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

In the consumer market, demand for fast broadband subscriptions and entertainment services is expected to increase, driven in particular by the popularity of streaming and on-demand video services. The demand for traditional pay-TV services is expected to decline further.

Fixed-network broadband customers are expected to continue to switch to housing association broadband subscriptions and faster speeds. The fixed-network broadband subscription base is expected to remain at its current level. Growing use of services such as cloud and entertainment services increase the demand for high-speed and high-performance networks.

Private and public-sector organisations are digitising their services and creating new digital business, which makes the availability of net-works and services vital. More mobile and versatile ways of working will boost demand for services such as cloud and video conference ser-vices. 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 M2M (Machine to Machine) subscriptions is expected to grow. As the IoT becomes more common, the roles of good information security, data security, and high operational network reliability grow in importance.

DNA sees fixed wireless broadband access as one of the first applications to strongly benefit from 5G technology. This makes high-quality connections possible for buildings without ready access to a fibre-optic connection or where acquiring a fibre-optic connection would be prohibitively expensive. In the 2020s, 5G technology is likely to have a broad range of other applications in areas such as smart traffic and health care.

DNA's guidance for 2020

DNA has changed the way it issues guidance on future outlook, and it will not issue guidance on its net sales and EBITDA for 2020. DNA expects competition to remain strong in 2020. Nonetheless, DNA's business is anticipated to develop favourably. DNA's financial position and liquidity are expected to remain at a healthy level.

Board of Directors' proposal on dividend payment

DNA's Board of Directors will propose, that no dividend to be paid for the financial year 2019.

DNA Plc

Board of Directors

GROUP KEY FINANCIAL FIGURES

EUR million	2019	2018	2017	2016	2015
Net sales	942.1	911.8	886.1	858.9	828.8
EBITDA	305.6	284.9	271.8	236.3	227.7
% of net sales	32.4	31.2	30.7	27.5	27.5
Comparable EBITDA	309.9	284.9	271.8	247.1	226.7
% of net sales	32.9	31.2	30.7	28.8	27.3
Depreciation, amortisation and impairment	171.9	146.0	148.2	145.0	154.6
Operating result, EBIT	133.7	138.9	123.5	91.2	73.1
% of net sales	14.2	15.2	13.9	10.6	8.8
Comparable operating result, EBIT	141.1	138.9	126.6	102.1	72.0
% of net sales	15.0	15.2	14.3	11.9	8.7
Net result before tax	124.6	127.7	114.2	81.7	61.6
Net result for the period	98.8	102.2	93.1	65.2	50.0
Return on investment (ROI), %	12.1	14.1	13.1	9.6	7.6
Return on equity (ROE), %	17.1	16.4	15.5	11.6	9.7
Capital expenditure	158.7	138.3	144.0	143.6	154.7
Cash flow after investing activities	60.6	63.4	107.7	83.5	97.3
Free cash flow to equity	88.5	72.0	118.8	92.6	101.5
Net debt, EUR million	559.1	379,3	304.3	321.7	412.3
Net debt/EBITDA	1.83	1.33	1.12	1.36	1.81
Net gearing, %	101.4	62,7	50.3	53.9	78.5
Equity ratio, %	38.8	46,9	50.6	48.4	44.1
Personnel at the end of period	1,624	1,590	1,601	1,668	1,672

RECONCILIATION OF COMPARABLE KEY FIGURES

EUR thousand	2019	2018	2017	2016	2015
EBITDA	**305,575**	**284,921**	**271,772**	**236,290**	**227,714**
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	-	-	-	-	−1,055
Fair value opinion	1,683	-	-	-	-
Share based programmes	1,572	-	-	-	-
Share based programme Bridge	878	-	-	-	-
Matching shares plan for personnel	157	-	-	-	-
Comparable EBITDA	**309,865**	**284,921**	**271,772**	**247,100**	**226,659**
Operating result	**133,692**	**138,898**	**123,523**	**91,249**	**73,093**
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	-	-	-	-	−1,055
Write-off of other non-current assets		-	3,057	-	-
Fair value opinion	1,683	-	-	-	-
Share based programmes	1,572	-	-	-	-
Share based programme Bridge	878	-	-	-	-
Matching shares plan for personnel	157	-	-	-	-
Write-off of terrestrial network	3,109	-	-	-	-
Comparable operating result	**141,091**	**138,898**	**126,579**	**102,059**	**72,038**

FREE CASH FLOW TO EQUITY

EUR thousand	2019	2018	2017	2016	2015
Comparable EBITDA	**309,865**	**284,921**	**271,772**	**247,100**	**226,660**
Operative capital expenditure	−140,314	−133,871	−132,904	−136,890	−147,950
Operating free cash flow	**169,551**	**151,050**	**138,867**	**110,210**	**78,710**
Interest paid, net	−7,867	−16,942	−8,720	−8,608	−7,792
Income taxes, paid	−29,823	−12,428	−25,775	−5,180	2,096
Adjusted change in net working capital	−43,631	−47,687	19,312	−1,497	37,917
Change in provisions	198	−2,034	−4,856	−2,307	−9,447
Free cash flow to equity	**88,428**	**71,959**	**118,830**	**92,617**	**101,484**

CASH FLOW AND FINANCIAL KEY FIGURES

	2019	2018	2017	2016	2015
Cash flow after investing activities, EUR million	60.6	63.4	107.7	83.5	97.3
Net debt, EUR million	559.1	379.3	304.3	321.7	412.3
Net debt/EBITDA	1.83	1.33	1.12	1.36	1.81
Net gearing, %	101.4	62.7	50.3	53.9	78.5
Equity ratio, %	38.8	46.9	50.6	48.4	44.1

PER-SHARE KEY FIGURES

	2019	2018	2017	2016	2015
Basic earnings per share, EUR	0.75	0.77	0.71	0.51	0.39
Diluted earnings per share, EUR	0.75	0.77	0.71	0.51	0.39
Equity per share, EUR	4.17	4.58	4.58	4.5	4.1
Dividend per share, EUR [1]	-	0.70	0.46	0.55	0.31
Extra dividend per share, EUR	-	0.40	-	-	-
Capital payment per share from the reserve for invested unrestricted equity, EUR	-	-	0.17	-	-
Extra capital payment per share from the reserve for invested unrestricted equity, EUR	-	-	0.47	-	-
Dividend per earnings, %	-	91	65	108	81
Extra dividend per earnings, %	-	52	-	-	-
Capital payment per share from the reserve for invested unrestricted equity, from result %	-	-	24	-	-
Extra capital payment per share from the reserve for invested unrestricted equity, from result %	-	-	66	-	-
Effective dividend yield, %	-	4.1	2.9	5.4	-
Effective extra dividend yield, %	-	2.3	-	-	-
Effective share-based capital payment from the reserve for invested unrestricted equity, %	-	-	1.1	-	-
Effective share-based extra capital payment from the reserve for invested unrestricted equity, %	-	-	3.0	-	-
Price/earnings ratio (P/E)	-	22.2	22.0	19.9	-
Lowest price of the share	16.52	14.80	10.13	9.87	-
Highest price of the share	21.46	22.02	15.85	10.29	-
Average price of the share	20.70	18.19	13.90	10.09	-
Market capitalisation	2,759,851,010	2,259,743,780	2,070,549,775	1,342,880 525	-
Trading volume for the financial period	175,062,034	62,378,600	79,550,798	56,981,069	-
Trading volume for the financial period, %	32.3	47.1	60.2	43.1	-
Weighted average adjusted number of shares during the financial period (1,000)	132,087	132,039	131,923	127,733	127,306
Adjusted number of shares at the end of the financial period (1,000)	132,087	132,039	132,081	132,304	127,318

1) DNA's Board of Directors will propose, that no dividend to be paid for the financial year 2019.

KEY OPERATIVE INDICATORS

	2019	2018	2017	2016	2015
Number of mobile communication network subscriptions at end of period *	2,822,000	2,877,000	2,811,000	2,742,000	2,621,000
Revenue per user (ARPU), EUR **	18.7	18.7	18.4	17.1	17.0
Customer CHURN rate, % **	16.2	16.2	18.3	16.1	16.0
Number of fixed line subscriptions at end of period	1,241,000	1,152,000	1,130,000	1,113,000	1,120,000
Broadband subscriptions	542,000	481,000	458,000	440,000	436,000
Cable TV subscriptions	663,000	630,000	619,000	608,000	606,000
Fixed voice subscriptions	36,000	41,000	53,000	65,000	78,000

*) includes voice and mobile broadband subscriptions

**) includes postpaid subscriptions

CALCULATION OF KEY FIGURES

Earnings per share (EUR)	=	Net result for the period / Weighted number of shares during the financial period excl treasury shares
Equity per share, EUR	=	Equity attributable to owners of the parent / Number of outstanding shares at end of period
Net debt, EUR	=	Non-current and current borrowings – cash and cash equivalents
Net gearing,%	=	Net debt / Total equity
Equity ratio,%	=	Total equity / Total assets – advances received
EBITDA, EUR	=	Operating result (EBIT) + depreciation, amortisation and impairments
Return on investment (ROI),% *	=	Net result before income taxes + finance expense / Total equity + borrowings (average for the period)
Return on equity (ROE),% *	=	Net result for the period / Total equity (average for the period)
Net debt/EBITDA*	=	Net debt / 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, costs relating to the change of ownership structure as well as costs of terminating share-based payments as well as fines, damages and other similar payments.
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.
Operative capital expenditure	=	Operative capital expenditure is reported capital expenditure without annual cash instalments for spectrum licenses and without lease investments (IFRS 16).
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.

FINANCIAL STATEMENTS 2019

CONSOLIDATED INCOME STATEMENT

EUR thousand	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Net sales	5	**942,093**	**911,758**
Other operating income	6	3,875	3,804
Materials and services		–409,867	–398,661
Employee benefit expenses	9	–112,720	–107,388
Depreciation, amortisation and impairments	8	–171,883	–146,023
Other operating expenses	7	–117,805	–124,592
Operating result, EBIT		**133,692**	**138,898**
Finance income	10	496	523
Finance expense	11	–9,590	–11,700
Share of associates' results	16	14	14
Net result before income tax		**124,612**	**127,736**
Income tax expense	12	–25,793	–25,502
Net result for the period		**98,819**	**102,234**
Attributable to:			
Owners of the parent		98,819	102,234
Earnings per share for net result attributable to owners of the parent:			
Earnings per share, basic (EUR)	13	0.75	0.77
Earnings per share, diluted (EUR)	13	0.75	0.77

Notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	1.1.–31.12.2019	1.1.–31.12.2018
Net result for the period		**98,819**	**102,234**
Items that will not be reclassified to profit and loss:			
Remeasurements of post employment benefit obligations	24	126	249
Other comprehensive income, net of tax		**126**	**249**
Total comprehensive income		**98,945**	**102,483**
Attributable to:			
Owners of the parent		98,945	102,483

Notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Goodwill	15	338,706	327,206
Other intangible assets	15	196,562	191,783
Property, plant and equipment	14	427,442	412,550
Right-of-use assets	30	76,237	-
Investments in associates	16	1,219	1,209
Other investments	17	110	117
Trade and other receivables	18	76,465	75,921
Contract assets	5	3,881	104
Deferred tax assets	19	7,164	7,691
Total non-current assets		**1,127,786**	**1,016,582**
Current assets			
Inventories	20	34,303	31,681
Trade and other receivables	18	254,841	243,662
Contract assets	5	4,912	962
Income tax receivables		2,155	-
Cash and cash equivalents	21	17,423	22,654
Total current assets		**313,634**	**298,960**
Total assets		**1,441,420**	**1,315,541**
Equity			
Equity attributable to owners of the parent			
Share capital	22	72,702	72,702
Reserve for invested unrestricted equity	22	506,079	506,079
Treasury shares	22	–1,728	–2,806
Retained earnings		–124,757	–73,439
Net result for the period		98,819	102,234
Total equity		**551,115**	**604,770**

EUR thousand	Note	31 Dec 2019	31 Dec 2018
LIABILITIES			
Non-current liabilities			
Borrowings	26, 27, 29	472,445	348,090
Lease liabilities	30	60,587	-
Contract liabilities	5	1,813	1,809
Employment benefit obligations	24	1,540	1,714
Provisions	25	4,996	5,307
Deferred tax liabilities	19	36,863	34,825
Other non-current liabilities		25,606	33,169
Total non-current liabilities		**603,851**	**424,914**
Current liabilities			
Borrowings	26, 27, 29	28,810	53,837
Lease liabilities	30	14,652	-
Contract liabilities	5	2,876	3,313
Provisions	25	470	277
Trade and other payables	28	239,257	223,374
Income tax liabilities		388	5,056
Total current liabilities		**286,454**	**285,857**
Total liabilities		**890,305**	**710,771**
Total equity and liabilities		**1,441,420**	**1,315,541**

Notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	2019	2018
Cash flows from operating activities			
Net result for the period		98,819	102,234
Adjustments [1)]		206,951	180,329
Change in net working capital [2)]		−34,546	−45,100
Dividends received		44	10
Interest paid		−5,648	−6,438
Interest received		370	335
Other financial items		−2,589	−10,839
Income taxes paid		−29,823	−12,428
Net cash generated from operating activities		**233,577**	**208,104**
Cash flows from investing activities			
Investments in property, plant and equipment (PPE) and intangible assets		−132,852	−145,058
Proceeds from sale of PPE		13	402
Business combinations	34	−42,180	-
Net cash used in investing activities		**−173,019**	**−144,657**
Cash flows from financing activities			
Dividends paid		−145,400	−145,333
Proceeds from borrowings	26, 27	848,801	859,880
Repayment of borrowings	26, 27	−752,534	−778,932
Repayment of lease liabilities		−16,657	-
Net cash generated from (used in) financing activities		**−65,790**	**−64,385**
Change in cash and cash equivalents		−5,232	−937
Cash and cash equivalents at beginning of year	21	22,654	23,592
Cash and cash equivalents at end of year	21	17,423	22,654

EUR thousand	Note	2019	2018
1) Adjustments:			
Depreciation, amortisation and impairment	8	171,883	146,023
Gains and losses on disposals of non-current assets		−4	−324
Other non-cash income and expense		−14	−14
Finance income and expense	10, 11	9,094	11,177
Income tax expense	12	25,793	25,502
Change in provisions		198	−2,034
Total adjustment		**206,951**	**180,329**
2) Change in net working capital:			
Change in trade and other receivables		−22,858	−27,678
Change in inventories	20	−2,622	−8,772
Change in trade and other payables		−9,066	−8,649
Change in trade and other receivables		**−34,546**	**−45,100**

Notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Note	Share capital	Reserve for invested unrestricted equity	Treasury shares	Retained earnings	Total equity
1 January 2018		**72,702**	**653,056**	**−4,055**	**−75,619**	**646,085**
Comprehensive income						
Net result for the period					102,234	102,234
Other comprehensive income						
Total other comprehensive income, net of tax	24				249	249
Total comprehensive income		**-**	**-**	**-**	**102,483**	**102,483**
Transactions with owners						
Reclassification			−62,420		62,420	-
Share-based payments	23			1,250	285	1,535
Dividends relating to 2017	22				−60,776	−60,776
Capital payment	22		−84,557			−84,557
Total contribution by and distributions to owners		**-**	**−146,977**	**1,250**	**1,930**	**−143,797**
31 December 2018		**72,702**	**506,079**	**−2,806**	**28,794**	**604,770**
1 January 2019		**72,702**	**506,079**	**−2,806**	**28,794**	**604,770**
Comprehensive income						
Net result for the period					98,819	98,819
Other comprehensive income						
Total other comprehensive income, net of tax	24				126	126
Total comprehensive income		**-**	**-**	**-**	**98,945**	**98,945**
Transactions with owners						
Share-based payments	23			1,078	−8,278	−7,200
Dividends relating to 2018	22				−145,400	−145,400
Total contribution by and distributions to owners		**-**	**-**	**1,078**	**−153,677**	**−152,600**
31 December 2019		**72,702**	**506,079**	**−1,728**	**−25,939**	**551,115**

Notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

DNA Group ("DNA", the "Company") is a national supplier of mobile communication services. The parent company of DNA Group is DNA Plc domiciled in Helsinki, Finland at the registered address Läkkisepäntie 21.

Copies of the Consolidated Financial Statements are available online at www.dna.fi or at the Group parent company head office at Läkkisepäntie 21, 00620 Helsinki, Finland.

DNA is part of the Telenor Group. DNA's parent company is Telenor Holding Finland Oy since 21 August 2019. Telenor ASA is the parent company of the Telenor Group. Copies of the Consolidated Financial Statements are available at Telenor head office at Snarøyveien 30, N-1360 Fornebu, Norway.

DNA Plc's Board of Directors approved the release of these consolidated financial statements at a meeting on 10 February 2019. Under the Finnish Limited Liability Companies Act, shareholders can approve or disapprove the consolidated financial statements in the Annual General Meeting held after the release. The Annual General Meeting is also entitled to amend the consolidated financial statements.

2 ACCOUNTING PRINCIPLES

Basis of preparation

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) the IAS and IFRS standards as well as SIC and IFRS interpretations applicable as at 31 December 2019. International Financial Reporting Standards refer to the standards and interpretations applicable by corporations set out by the Finnish Accounting Act and other regulations set out on the basis of this ordinance enforced for application in accordance with the procedure stipulated in the regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the Consolidated financial statements also comply with Finnish accounting and corporate legislation complementing the IFRS standards.

The Consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and financial assets and financial liabilities at fair value through the income statement. The consolidated financial statements are presented in thousand euros.

New and amended standards adopted by the Group

The Group has adopted the following standards and amended standards during the financial year commencing 1 January 2019:

IFRS 16 Leases

IFRS 16 affects primarily the accounting by lessees and results in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The statement of profit or loss will be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key figures like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Interpretation IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

Prepayment Features with Negative Compensation – Amendments to IFRS 9

The narrow-scope amendments made to IFRS 9 Financial Instruments in October 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
Annual Improvements to IFRS Standards 2015–2017 Cycle

Subsidiaries

The Consolidated financial statements comprise the parent company DNA Plc and all its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The acquisition method of accounting is applied to business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquirees' net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

All inter-company transactions, receivables, liabilities, unrealised gains and internal profit distribution are eliminated in the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Distribution of profit between parent company shareholders and non-controlling shareholders is presented in the income statement, and non-controlling interest in equity is presented in the balance sheet as a separate component of shareholder's equity. The Group did not have any non-controlling shareholders during the 2018–2019 financial periods.

Associated companies

Associated companies are companies in which the Group has a significant influence. A significant influence is realised if the Group holds more than 20% of the voting rights or otherwise has a significance influence without exercising full control.

Associated companies are consolidated using the equity method. If the Group's share of the associated companies' losses exceeds the carrying amount of the investment, the investment is recognised in the balance sheet at zero value and the portion of the losses exceeding the carrying amount is not consolidated unless the Group has agreed to meet the associated companies' obligations. Unrealised profits between the Group and its associated companies are eliminated to the extent of the Group's share of ownership. The investment in each associated company includes goodwill arising from the acquisition. The Group's share of the associated companies' result for the financial year corresponding the Group's share of ownership is recognised separately below the operating result line. The Group's share of its associates' movements in other comprehensive income is recognised in the Group's other comprehensive income. The Group's associates have not had any such items during the financial years 2018 and 2019.

Joint arrangements

Joint arrangement refers to an arrangement where two or more entities jointly control an arrangement. Joint arrangements are classified either as a joint venture or a joint operation. A joint venture is a joint arrangement whereby the Group has rights to the net assets of the arrangement, whereas in a joint operation, the Group has rights to the assets, and obligations for the liabilities, relating to the arrangement.

Suomen Yhteisverkko Oy, established during the reporting period 2014 is accounted for in accordance to IFRS 11 as a joint operation. The parties control the arrangement jointly. According to the contractual agreement, all decisions on essential operations of the company require unanimous agreement by both parties. The joint arrangement is classified as a joint operation. The contractual arrangement establishes the owners of Suomen Yhteisverkko Oy rights to the assets and obligations for liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses. DNA recognises its share of Suomen Yhteisverkko Oy's assets, liabilities, revenues and expenses in its consolidated financial statements.

Segment reporting

The reporting on the operating segments is consistent with the internal reporting to the chief operating decision maker and the DNA's operating segments forms also the reportable segments. The CEO, who is responsible for strategic and operative decisions, has been nominated the chief operating decision maker to make decisions about resources to be allocated to the segments and to assess their performance.

Foreign currency translation

The consolidated financial statements are presented in euro, which is the functional and presentation currency of the Group's parent company.

Foreign currency transactions

Foreign currency transactions are translated into functional currency applying the exchange rates valid on the date of the transaction. Monetary items denominated in foreign currency are translated into functional currency applying the exchange rates quoted on the balance sheet date.

Gains and losses on foreign currency transactions and translation of monetary items are recognised in the income statement. Exchange gains and losses related to business operations are included in other operating income or expenses.

Property, plant and equipment

Items of property, plant and equipment have been carried at their historical cost less accumulated depreciation and impairment.

If an item consists of several components with varying useful lives, each component is treated as a separate asset. In this case, the cost of replacement is capitalised. In other cases, subsequent costs are included in the carrying amount of the asset only when it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the item can be measured reliably. Other repair and maintenance costs are recognised against profit or loss as they are incurred.

Depreciation on assets is calculated using the straight-line method over the estimated useful lives. Land is not recognised as a depreciable asset.

The depreciation periods are as follows:

Buildings and constuctions	
Buildings	25 years
Constructions	10–25 years

Machinery and equipment	
Networks	5–15 years
Machinery and equipment	3–15 years

Residual values and useful lives are reviewed at the end of each reporting period and, if appropriate, adjusted to reflect any changes in the expectation of financial benefit.

Depreciation on property, plant and equipment ceases when the asset is classified as held for sale.

Capital gain or loss on the decommissioning and disposal of property, plant and equipment are included in other operating income or other operating expenses.

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the fair value of the identifiable net assets acquired at the acquisition date. Goodwill arising from business combinations is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to operating segments for the purpose of impairment testing.

Research and development expenditure

Research expenditure is recognised as an expense in the income statement. Expenditure for the development of new or improved products is capitalised as intangible assets in the balance sheet when the product is technically feasible and commercially viable and it is likely that the future economic benefits attributable to the development expenditure will go to the company Capitalised development expenditure comprises material, work and testing expenses that are directly attributable of completing the product for its intended use. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Intangible assets are amortised from the date they are ready for use. Subsequent the initial recognition, capitalised development expenditure is carried at cost less accumulated amortisation and impairment. Currently the Group has no uncompleted capitalised development expenditure.

Contractual customer base

Contractual customer base acquired in a business combination is recognised at fair value at the acquisition date. The contractual customer base has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer base.

Other intangible assets

Intangible assets are recorded at historical cost in the balance sheet only when it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost can be measured reliably.

Intangible assets with finite useful life are recognised as an expense on a straight-line basis in the income statement over their known or foreseeable useful life.

The useful lives of other intangible assets are as follows:	
Development costs	3 years
Customer contracts and the related customer relationships	1–20 years
IT software	3–10 years
Brand	10–30 years
Spectrum license	17–20 years
Other intangible assets	2–10 years

Inventories

Inventories are stated at the lower of cost or probable net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost to sell. Inventories are stated at the weighted average price.

Lease agreements

DNA Plc mostly acts as a lessee. The Group enters into agreements to lease office premises, equipment facilities and aerial sites in particular. For office premises, the average lease period is 2 to 5 years and for equipment facilities 4 to 7 years. Due to the nature of leases, the Group's most essential contracts are related to leased premises and equipment spaces. In addition, the Group has essential individual agreements related to technology which have an essential impact on the assets and liabilities on the balance sheet. After consideration, DNA do not separate non-lease components from associated lease components and report lease components and non-lease components as a single lease component. DNA Plc uses the exemption for short-term leases. Lease payments associated with short-term leases are recorded as an expense. Lease agreements are reported in the profit and loss as depreciation and interest expense.

For more information on lease agreements, please see note 30.

Impairment of property, plant and equipment and intangible assets

Goodwill and intangible assets in progress are tested for impairment annually and whenever there is any indication of impairment of an asset. Intangible assets with finite useful lives and tangible assets, including Right-of Use assets, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent.

Recoverable amount is the higher of the asset's fair value less costs to sell, or the value in use. Value in use refers to the estimated future net cash flows obtainable from the asset or a cash generating unit (CGU), which are discounted to their present value. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised when the asset's carrying amount exceeds its recoverable amount. An impairment loss is immediately recognised in the income statement. If an impairment loss is recognised for a CGU, the loss is first allocated to reduce goodwill on the CGU and then to reduce other assets of the unit on a pro-rata basis. When an impairment loss is recognised, the useful life of the amortised asset is reassessed. In respect of assets other than goodwill, an impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount for the asset. However, the reversal will not exceed the carrying amount that the asset would have if an impairment loss had not been recognised. An impairment loss for goodwill cannot be reversed.

Employee benefits

Retirement benefit obligations

The Group's employee pension plans are managed by external insurance companies. The TyEL pension insurances managed by the pension insurance companies are treated as defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods. Post-employment plans other than defined contribution plans are defined benefit plans.

Defined benefit plans generally pay an agreed benefit at retirement, determined by a formula based on one or more factors, such as the employee's age at retirement, years of service and compensation earned while in employment.

Net defined benefit plan liability is reported in the balance sheet at present value at the end of the annual reporting period. The fair value of any plan assets is deducted from the present value. The Group's obligations with regard to defined benefit plans are based on unbiased actuarial assumptions using the projected unit credit method. The present value of the obligation is determined by using the market yields of high-quality bonds issued by companies as the discount rate. These bonds are issued in the currency in which the benefits are to be paid and their maturity corresponds in essential aspects to the maturity of the pension obligation being considered.

Gains or losses resulting from actuarial losses or past service costs are recognised in the statement of other comprehensive income when they occur.

Past service costs are recognised immediately at fair value through the income statement.

In contribution-based plans, the Group makes payments to publicly or privately managed pension insurances, which are mandatory, contract-based or voluntary. The Group has no other payment obligations apart from these. The payments are recognised as employee expenses when they fall due. Payments made in advance are recognised as assets in the balance sheet to the extent there are economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan

Share-based payments

DNA Plc operates equity-settled, share-based reward plans, under which the entity receives services from key employees as consideration for equity instruments of the Group. The compensation is paid either in shares or in cash. The fair value of service given in return for equity instruments is recognised as an expense. For shares, the total amount of expenses is based on the fair value of stock on the date of issue and for compensation paid as cash, on the fair value on the reporting date. The amount recognised as an expense is accrued over the period of time during which all vesting conditions should be met. At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest. Any effect of the adjustments made to the original estimates is recognised in the income statement and correspondingly in shareholders' equity.

Any payments received for exercising the subscription right less the related direct transaction costs are recognised in the reserve for invested unrestricted equity.

More information regarding share-based payments is presented in note 23.

Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditure required to settle the obligation. The discount rate used to determine the present value reflects current market assessments of the time value of money at the time of review and the risks involved in the obligation. Where the Group expects some of the obligation to be reimbursed by a third party, the reimbursement is recognised as a separate asset but only when it is virtually certain.

A restructuring provision is recognised if the Group has prepared a detailed restructuring plan and initiated its implementation or notified thereof.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. Provisions are not recognised for future operating losses.

A provision for asset retirement obligation is recognised when the Group is under contractual obligation regarding dismantling and demolition of leased equipment and aerial sites, and telephone poles and masts.

Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge on taxable income for the year is calculated using the tax rate enacted at the balance sheet date adjusted by any income taxes for prior periods.

Deferred income tax is recognised on temporary differences arising between the carrying amount of assets and liabilities and their tax bases. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill or if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting, nor taxable profit or loss. The most significant temporary differences arise from the depreciation of property, plant and equipment and fair value measurement on business combinations, unused tax losses and unused taxable depreciation.

Deferred income tax is determined using tax rates enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Revenue recognition

Contractual performance obligations include voice, data, operator and TV services as well as mobile and data terminal equipment. One contract may include several performance obligations and DNA may agree on the delivery of several services or combinations of services and equipment to a customer. Those service and equipment contracts that have been signed with a customer at the same time are treated as one contract in revenue recognition. Prices specified in the contract are used as transaction prices, which are allocated to each performance obligation in proportion to the standalone selling price. These are determined based on the standalone selling prices of the products included in the contract at time of sale.

A performance obligation may be fulfilled over time or at a point in time, and the main criterion is the transfer of control. Subscription service contracts mainly comprise performance obligations that are satisfied over time. The performance is carried out throughout the contract period, and discounts and activation fees are allocated evenly throughout the contract period. For performance obligations that are satisfied at a certain point in time, such as mobile equipment or services independent of other services, the customer is deemed to gain control at the entry to contract or at the time the separate service is ordered. The customer pays for the mobile equipment fully at the time of sale or by monthly payments throughout the contract period. Monthly service fees are paid by monthly payments throughout the contract period.

The time for the payment of a performance obligation may be different from the time of recognition. According to management evaluation, no financing component applies to the performance obligations. Revenue from monthly services is recognised when the service is performed even though discounts are generally given in the beginning of the contract period. Revenue from the sales of mobile devices is recognised at the time of sale, i.e. when the device is transferred to the customer, regardless of whether the customer pays for the device fully at the time of sale or by monthly payments throughout the contract period. A customer has the right to cancel the service contract and return the device to DNA for 14 days. If the customer cancels the contract, the activation fee is not returned to the customer. No allocation applies to the refund right in accounting, and returns are processed as normal refunds. Revenue has not been adjusted by the estimated amount of refunds as they are expected to be low. Mobile devices have an extended warranty of 3 years. During the warranty period, DNA is obliged to service or replace the mobile device. In terms of accounting, there are no essential provisions made in relation to the warranty. The prolonged warranty period is not considered a separate performance obligation. A contract may include discounts, such as a lower activation or monthly fee. Discounts are allocated to each performance obligation in proportion to the standalone selling prices and allocated evenly throughout the contract period. The time of allocation may differ from the time of payment, because discounts are generally applied at the time of activation or included in the first monthly service fees of the contract period. When a customer purchases several products included in certain product combinations, discounts for these are allocated to the relevant performance obligations in proportion to the standalone selling prices at time of sale. Activation and connection fees are charged for subscription and data services. No individual good or service is transferred, so they are included in the transaction price, which is allocated to each performance obligation in proportion to the standalone selling prices and allocated evenly throughout the contract period. For fixed-term contracts, sales commissions and fees paid on obtaining a contract are recognised as incremental costs and amortised. Incremental costs are amortised over the expected contract period or the customer's average contract period depending on the nature of the purchase cost and the service.

For more information, please see note 5.

Interest and dividend

Interest income is recognised using the effective interest method, and dividend income is recognised when the right to receive dividend is established.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Financial assets and liabilities

Classification of financial assets and liabilities

Financial assets
Financial assets are recorded on the settlement date. During the initial recognition of financial assets, the Group classifies them into the following groups: amortised cost, fair value through profit and loss and fair value through other comprehensive income. Classification depends on the business model in which the financial asset is held and the contractual terms of the financial asset. Financial assets are derecognised when the right to receive the contractual cash flows has expired and the Group has transferred substantially all risks and rewards of ownership.

Impairment of financial instruments
According to the impairment model, impairment provisions must be recognised based on expected credit losses. At DNA, the impairment model applies to the recognition of impairment loss of trade receivables. DNA applies a simplified approach and a provision matrix for trade receivables as trade receivables do not have a significant financing component. Accordingly, they are measured for impairment purposes at an amount equal to lifetime expected credit losses. The approach based on expected credit losses is for ward-looking,and expected default rates are based on historical realised credit losses. The lifetime expected credit loss allowance is calculated by multiplying the gross carrying amount of trade receivables by the lifetime expected credit loss rate. The changes in expected credit losses will be recognised in profi t and loss. Regarding assets measured at amortised cost, DNA is actively monitoring such instruments and will recognise impairment through profi t and loss in accordance with the set criteria.

Borrowings
Borrowings recognised initially at the fair value of consideration received less transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest method. Borrowings may include both current and non-current borrowings The Group has both current and non-current borrowings. They can be interest-bearing or non-interest-bearing. Borrowings are derecognised once the Group's obligations in relation to liability is discharged, cancelled or expired. When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate

Derivative financial instruments and hedge accounting

The Group does not currently hold any derivative financial instruments. DNA does not apply hedge accounting.

Cash
Cash and cash equivalents consist of cash and bank deposits available on demand. Items classified as cash and cash equivalents have a maximum maturity of three months from the date of acquisition. The related credit accounts in the group accounts are included in current financial liabilities

Share capital

Outstanding ordinary shares are presented in share capital.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies. These estimates are based on historical experience and various other assumptions that management believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in all subsequent periods.

Management believes that the following areas comprise the most difficult, subjective or complex judgments it has to make in the preparation of the financial statements. For information on accounting policies applied, see the respective sections of note 2 "Accounting policies" to the Audited consolidated financial statements included elsewhere in this Offering Circular.

Business acquisitions

Net assets acquired through acquisitions are measured at fair value. The consideration exceeding the fair value of assets acquired is recognized as goodwill. The measurement of fair value of the assets is based on estimated market value of similar assets (tangible assets), estimate of expected cash flows (intangible assets such as customer relationships) or estimate of payments required to fulfil an obligation (such as assumed provisions).

Active markets, where fair values for assets and liabilities are available, exist only seldom for the acquired net assets. Therefore the valuation exercise, which is based on repurchase value, expected cash flows or estimated payments, requires management judgement and assumptions. Management believes that the estimates and assumptions used are sufficiently reliable for determining fair values. See note 5 Business combinations.

Valuation of intangible assets and property, plant and equipment

Intangible assets including goodwill represent approximately 37 percent of DNA's total assets in 2019 (39% in 2018) and property, plant and equipment represent approximately 35 percent of DNA's total assets in 2019 (31% in 2018).

Depreciation and amortisation expenses

Depreciation and amortisation expenses are based on management's estimates of residual value, depreciation and amortisation method and the useful life of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortisation or depreciation charges recognised through the income statement. Technological developments are difficult to predict and the Group's views on the trends and pace of development may change over time. Critical estimates in the evaluations of useful lives for tangible and intangible assets include, but are not limited to, licence period and expected developments in technology and markets and in the cash inflows expected to be derived from the use of intangibles such as a brand or customer relationships. The useful lives of property, plant and equipment and intangible assets are reviewed at least annually taking into consideration the factors mentioned above and all other important relevant factors. A change in estimated useful life is a change in accounting estimate, and depreciation and amortisation plans are adjusted prospectively. For additional information on intangible assets as well as property, plant and equipment subject to amortisation and depreciation and their carrying values as of the end of the reporting period, see notes 14 and 15 to the Consolidated financial statements.

Impairment testing

The Group has made significant investments in goodwill and other intangible assets including IT systems, licences, acquired brands and customer relationships as well as in property, plant and equipment comprising mainly mobile and fixed broadband network. Goodwill, intangible assets with indefinite useful life and intangible assets not yet in use are tested for impairment annually or more often if indicators of impairment exist, whereas other assets are tested for impairment when circumstances indicate there may be a potential impairment.

The determination of impairments of goodwill and other intangible assets as well as property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing, and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the telecommunications industry, increased cost of capital, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions, and other changes in circumstances that indicate an impairment exists. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives, and residual values. When determining the values in use for the cash generating units, additional planning uncertainties are factored in that reflect the risks of macroeconomic development, which could adversely affect future results of operations. The most significant assumptions in goodwill impairment testing comprise of growth in net sales, development of EBITDA, determination of the discount rate (WACC), and long-term growth rate used after the five-year forecast period. The carrying amount of goodwill at 31 December 2019 was EUR 338.7 million (31 December 2018: EUR 327.2 million). Further details on goodwill impairment testing, including a sensitivity analysis, are included in note 15.

Lease agreements

Critical judgements and material estimates are mainly related to the length of the lease period as well as the determination of the discount rate.

Provisions

Provisions for asset retirement obligations related to equipment facilities, masts and telephone poles in use and onerous contracts by DNA are determined based on the net present value (NPV) of DNA's total estimated dismantling or demolition costs for asset retirement obligations and unavoidable costs for onerous costs. The estimates are based on future estimated level of expenses taking into account the effect of inflation, cost-base development and discounting. Assumptions are also used in assessing the time periods for which the asset retirement costs are incurred. Because actual outflows can differ from estimates due to changes in laws and regulations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take into account of any such changes. The discount rate applied is reviewed monthly.

Provisions recognized for future costs related to asset retirement obligations amounted to EUR 4.8 million at 31 December 2019 (EUR 4.8 million at 31 December 2018) and for onerous contracts EUR 0.0 million at 31 December 2019 (EUR 0.5 million at 31 December 2018). See note 25 for more information on provisions.

Revenue recognition

Principal or agent – gross versus net presentation

When DNA acts as a principal, income and payments to suppliers are reported on a gross basis in revenue and operating costs. If the DNA sells goods or services as an agent (mainly value added or content services for mobile services) revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin/commission earned. Whether the Group is considered to be principal or agent in a transaction depends on analysis by management of both the legal form and substance of the agreement between the group and its business partners; such judgments impact the amount of reported revenue and operating expenses but do not impact net income or cash flows. Features indicating that the Group is acting as a principal include: responsibility for providing the goods or services and the group has latitude in establishing prices or provides additional goods and services. Features indicating that the Group is acting as an agent include: it does not have exposure to significant risks and rewards associated with the sale of goods or services or the amount it earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.

New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory until after 1 January 2020 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below:

Definition of Material – Amendments to IAS 1 and IAS 8
The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

No material impact is expected on the Group. Each standard will be adopted by the Group on the effective date, or if the effective date is other than the first day of the reporting period, the next day, subject to endorsement by the EU.

No other already published but not yet applied IFRS standards or IFRIC interpretations are expected to have material impact on the Group.

3 FINANCIAL RISK MANAGEMENT

The main objectives of the Group's treasury operations are funding, optimising cost of capital and managing financing risks. Principles of risk managements are defined in the Group treasury policy, approved by the parent company Board of Directors. The policy includes guidelines for raising capital, investing cash surplus and managing finance risk. The Group treasury activities are centralised at the parent company treasury department which coordinates and monitors financing in the subsidiaries and reports to the Group management. The Group liquidity is centralised by using Group accounts and pooling systems. The parent company is responsible for investing the surplus liquidity as well as managing the Group's external funding requirements.Any finance deficit in the subsidiaries will be financed through internal loans within the Group.

The main financial risks in the Group are liquidity, credit and interest rate risk. The objective of the Group financing risk management is to identify and measure the total risk position created by the Group financing operations and to carry out risk management measures to ensure that the total financing risk will not exceed the Group risk-bearing capacity and objectives. The Group's currency risk is not material since its operations are mainly carried out in Finland.

Liquidity risk

Liquidity risk refers to situations where the Group's financial assets and extra funding opportunities fall short of the Group's requirements or the cost of raising funding s is higher than the market cost. Creating cash flow forecasts and determining any related uncertainties are the key measures to manage liquidity risk. At the end of 2019, the Group had a strong liquidity position with cash and cash equivalents of EUR 17.4 million (EUR 22.7 million), and borrowings (non-current and current) of EUR 501.3 million (EUR 401.9 million). In addition to cash and bank deposits, the Group had unused credit facilities and other committed credit facilities of EUR 265.0 million (EUR 165.0 million). In addition, the company has a commercial paper programme of EUR 200.0 million (EUR 150.0 million), under which EUR 15.0 million (EUR 50.0 million) was drawn by the end of December. The unused credit facilities totalled EUR 450.0 million (EUR 265.0 million). The Group's cash and bank deposits and undrawn committed credit facilities amounted to EUR 282.4 million (EUR 187.7 million). The credit facility of EUR 150 million matures in October 2021 and the Telenor group internal EUR 200 million credit facility signed in December 2019 matures in December 2024. Planned repayments in 2020 total EUR 13.8 million without the commercial paper programmes.

DEBT MATURITY ANALYSIS

2019

EUR thousand	Less than 1 year		1–5 years		over 5 years		Total		**Total**
	Interest payment	Re-payment	Interest payment	Re-payment	Interest payment	Re-payment	Interest payment	Re-payment	**Cash flow**
Borrowings	5,281	28,810	16,612	215,385	3,446	263,846	25,339	508,041	**533,380**
Lease liabilities *	-	15,601	-	42,518	-	22,968	-	81,088	**81,088**
Trade payables	-	111,315	-	-	-	-	-	111,315	**111,315**

*) Undiscounted cash flows

2018

EUR thousand	Less than 1 year		1–5 years		over 5 years		Total		**Total**
	Interest payment	Re-payment	Interest payment	Re-payment	Interest payment	Re-payment	Interest payment	Re-payment	**Cash flow**
Borrowings *	5,247	53,837	17,412	90,769	6,913	265,385	29,572	409,991	**439,563**
Trade payables	-	111,275	-	-	-	-	-	111,275	**111,275**

*) excl. lease liabilities

The following year's repayments are included in current liabilities. At balance sheet date, the average rate of variable rate loans was 0.11% (0.17% and variable rate loans constituted 39% (24%) of the Group's borrowings.

Borrowings from financial institutions have variable rates and bonds have fixed rates. The coupon rate of the bond maturing in March 2021 is 2.875% and the coupon rate for the bond maturing in March 2025 is 1.375%.

Credit risk

The Group has a large number of customers and the individual receivable amounts are small, and as such there are no major individual risks. New customers are subjected to credit check as part of the ordering process, and if any existing customers are found to have credit problems, unsecured new sales are not made. In 2019, the impairment loss of trade receivables totalled EUR 4.4 million (EUR 3.9 million).The maximum exposure to credit risk at the reporting date is the carrying value of financial assets. Customer with weaker solvency are required to pay the basic charges in advance as a deposit. Counterparty risk refers to a situation where the other party fails to meet its obligations under the financing agreement. To restrict and monitor the counterparty risk, investments and derivative instruments are managed by counterparty, financial instrument and maturity limits. Counterparty risk mainly relates to the cash and cash equivalents of the company. DNA is not subject to any significant counterparty risk since cash and cash equivalents are distributed to several financial institutions with good credit ratings.

Trade receiavbles and contract assets

Under IFRS 9, DNA can apply a simplified approach for expected credit losses from trade receivables and contract assets, according to which expected credit losses are measured for impairment purposes at an amount equal to lifetime expected credit losses.

For the purpose of determining expected credit losses, trade receivables and contract assets have been grouped based on their credit risk characteristics and historical loss rates. Contract assets are included in non-invoiced items, and their risk characteristics are similar to trade receivables from similar types of contracts.

The age distribution of outstanding trade receivables is shown in the following table.

EUR thousand	2019	2018
Undue trade receivables	196,209	187,377
Trade receivables 1–45 days overdue	7,705	9,328
Trade receivables 46–90 days overdue	2,284	1,024
Trade receivables 91–180 days overdue	1,223	1,395
Trade receivables more than 180 days overdue	3,067	1,912
Total	**210,488**	**201,037**

Interest rate risk

The Group's interest rate risk primarily comprises interest rate sensitivity of financial items, referring to the direct effect of changes in the interest rate level on financial items, mainly borrowings, and historically also derivative instruments. DNA's interest rate risk arises from borrowings that are issued at floating rates and expose DNA to cash flow interest rate risk. To manage its interest rate risk, the Group may use interest rate derivatives. At 31 December 2019, DNA did not hedge any of its borrowings (31.12.2018 hedged 0%). At the end of 2019, the Group had no interest rate derivatives (EUR 0 million).

Borrowings issued at fixed rates, mainly the fixed rate bonds, expose the Group to fair value interest rate risk. As at 31 December 2019, 61% of DNA's borrowings were fixed rate (76%).

If interest rates had been one percentage point higher, with all other variables held constant, the calculated post-tax result would have been EUR 1.4 million (EUR 0.6 million) lower and, with the corresponding decrease in interest rates, the calculated post-tax result would have been EUR 1.4 million (EUR 0.6 million) higher. The sensitivity analysis covers the Group's variable-rate loans, cash and cash equivalents.

The sensitivity of the fair value of hedge accounting interest rate swaps to changes had zero effect on equity because the company had no active interest rate swaps at the end of 2018 and 2019.

Capital management

The objective of the Group's capital management is to support the business operations by optimising the capital structure, as well as increasing shareholder value by maximising return on capital. The capital structure can be influenced for example through dividend distribution, repayment of capital and planning the cash outflows for investments. The Group management monitors the development of the capital structure for example on the basis of the gearing and equity ratios as well as the det debt to EBITDA ratio. The Group's credit facility agreements include financial covenants requiring an equity ratio of at least 35% and net debt to EBITDA ratio below 3.50:1. These conditions have been met during the financial periods. The equity ratio on the balance sheet date was 38.8% (46.9%) and net debt to EBITDA ratio was 1.83:1 (1.33:1).

FINANCIAL INSTRUMENTS BY CLASS

Financial assets	2019	2018
Financial assets recognised at amortised cost		
Trade receivabes [1]	210,488	201,037
Other financial assets recognised at amortised cost	50,035	46,057
Cash and cash equivalents	17,423	22,654
Financial assets recognised at fair value through other comprehensive income	110	117
Total	**278,056**	**269,865**

Financial liabilities	2019	2018
Financial liabilities recognised at amortised cost		
Trade and other payables [2]	144,840	144,621
Borrowings	576,495	401,927
Total	**721,335**	**546,548**

1) Prepayments are excluded from trade and other receivables as they do not represent financial instruments

2) Trade and other payables do not include items other than financial liabilities because this analysis is only required for financial instruments.

4 SEGMENT INFORMATION

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

DNA's Consumer segment offers consumers diverse telecommunication services such as communication, information, safety and entertainment, including mobile phones and mobile phone subscriptions, broadband (mobile and fixed), data security services, TV services from connections to channel packages as well as fixed telephone connections.

DNA's Corporate segment offers companies and communities nationwide, standardised and easy-to-use communication and data network solutions, including SMS, telecommunication and voice services, comprehensive solutions as well as services to domestic and international teleoperators.

The primary key indicators for the segments' result monitoring comprise net sales, EBITDA and operating result. Items not allocated to segments include finance items, share of associates' results and income tax expense.

The DNA Group operates in Finland, domestic operations accounting for a majority of its net sales. In 2019, foreign operations accounted for EUR 20.7 million (2018 EUR 22.0 million).

As the products and services of the Group's extensive portfolio are targeted at the mass market, the Group is not dependent on any single customer.

1 Jan–31 Dec 2019

EUR thousand

Business segments	Consumer segment	Corporate segment	Unallocated	Group total
Net sales	**719,706**	**222,387**		**942,093**
EBITDA	**233,532**	**72,043**		**305,575**
Depreciation, amortisation and impairments	110,126	61,757		171,883
Operating result, EBIT	**123,406**	**10,286**		**133,692**
Net finance items			–9,094	–9,094
Share of associates' result			14	14
Result before income tax				124,612
Net result for the period				**98,819**
Capital expenditure *	98,467	60,240	-	158,707
Employees at end of year	933	691		1,624

*) Capital expenditure comprise additions to intangible and tangible assets, excluding business combinations, and additions relating to finance lease agreements and decommissioning obligations. Additionnally, capital expenditure include annual cash instalments for capitalised spectrum licenses. Unallocated capital expenditure comprise sales commissions.

1 Jan–31 Dec 2018

EUR thousand

Business segments	Consumer segment	Corporate segment	Unallocated	Group total
Net sales	**684,919**	**226,838**		**911,758**
EBITDA	**218,764**	**66,156**		**284,921**
Depreciation, amortisation and impairments	95,049	50,974		146,023
Operating result, EBIT	**123,716**	**15,182**		**138,898**
Net finance items			–11,177	–11,177
Share of associates' result			14	14
Result before income tax				**127,736**
Net result for the period				**102,234**
Capital expenditure *	92,867	45,404	-	138,271
Employees at end of year	913	677		1,590

*) Capital expenditure comprise additions to intangible and tangible assets, excluding business combinations, and additions relating to finance lease agreements and decommissioning obligations. Additionnally, capital expenditure include annual cash instalments for capitalised spectrum licenses. Unallocated capital expenditure comprise sales commissions.

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

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

5 REVENUE FROM CONTRACTS WITH CUSTOMERS

The group revenue consists of income from contracts with customers. The Consumer segment revenue in 2019 was EUR 719.7 million (EUR 684.9 million) and the Corporate segment revenue was EUR 222.4 million (EUR 226.8 million). Segment revenue is derived from the transfer of goods and services in the following product lines over time and at a point in time:

2019

EUR thousand	Mobile Service Revenue	Mobile Equipment	Mobile interconnection and Inbound Roaming	Fixed non-voice	Fixed Voice	Total
Timing of revenue recognition						
Point in time	-	147,472	-	12,234	378	160,084
Over time	486,368	-	44,722	229,626	21,293	782,009
Total	**486,368**	**147,472**	**44,722**	**241,860**	**21,671**	**942,093**

2018

EUR thousand	Mobile Service Revenue	Mobile Equipment	Mobile interconnection and Inbound Roaming	Fixed non-voice	Fixed Voice	Total
Timing of revenue recognition						
Point in time	-	133,646	-	12,877	81	146,604
Over time	454,427	-	51,495	235,269	23,964	765,154
Total	**454,427**	**133,646**	**51,495**	**248,146**	**24,045**	**911,758**

Mobile communication services comprise service revenue, mobile network voice services, mobile broadband services, M2M services and mobile virtual network operator (MVNO) services. Mobile device revenue comprises the sales of mobile devices such as mobile phones, tablets and dongles. Mobile interconnection and roaming revenue comprises interconnection revenue, which DNA receives for calls made by other operators' clients to DNA's network, and roaming revenue, which DNA receives from other operators for calls made by foreign mobile operators' subscribers in Finland. Fixed-network revenue for services other than voice services comprises fixed broadband and data services, TV and video services, corporate network value added services as well as the sales of network equipment (e.g. PBX and LAN/WLAN equipment). Fixed-network voice services include all fixed-network voice services and related devices.

Assets and liabilities related to contracts with customers

DNA has recognised the followoing contract assets related to revenue. Contract assets include deferred discounts. Discounts are recognised evenly throughout the contract period.

EUR thousand	2019	2018
Contract asset	8,873	1,076
Loss allowance	–80	–10
Total contract assets	8,793	1,066

DNA hs recognised the followoing contract libility related to revenue. The debt includes activation and connection fees as well as adjustments to subscription and device bundles as a result of the allocation of separate performance obligations on the basis of their relative standalone selling prices. Under the new guidance, activation and connection fees are recognised during the contract period.

EUR thousand	2019	2018
Contract liabilities	4,689	5,122

Significant changes in contract assets and liabilities

Contract assets have increased EUR 7.7 million due to increased connection-equipment sales.

Contract liabilities have decreased EUR 0.4 million. The decrease is mainly due to changes in accruals of connection fees.

Liabilities related to contracts with customers

The following table shows how much of the revenue recognised in the current reporting period relates to carried - forward liabilities.

EUR thousand	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the period	2,440	2,762
Total	2,440	2,762

Management expects that 51% (58%) of the transaction price allocated to the unsatisfied contracts as of 31 December 2019 will be recognised as revenue during the next reporting period EUR –2.1 million (EUR 2.3 million). The remaining 49% (42%) or EUR –2.1 million (EUR 1.7 million) will be recognised during 2021 or later.

The figure above does not include variable consideration, which is constrained.

All other contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Assets recognised from costs to obtain a contract

In addition to the contract balances disclosed above, DNA has also recognised an asset in relation to costs to obtain a contract. The asset is recognised as a cost throughout the contract period consistent with the pattern of recongition of the associated revenue.

EUR thousand	2019	2018
Asset recognised from costs incurred to obtain a contract at 31 December	63,522	61,181
Costs recognised throught profit and loss during the period	30,237	28,441

6 OTHER OPERATING INCOME

EUR thousand	2019	2018
Net gain on sale of non-current assets	13	354
Rental income	3,327	3,072
Other income	535	378
Total	**3,875**	**3,804**

7 OTHER OPERATING EXPENSES

EUR thousand	2019	2018
Maintenance expenses	44,033	41,282
Rental expenses	25,016	40,920
External services	7,607	5,719
Other expenses	41,149	36,671
Total	**117,805**	**124,592**

AUDITOR FEES

EUR thousand	2019	2018
PricewaterhouseCoopers Oy		
Audit fees	101	279
Actions referred to in Section 1.1.2 of the Finnish Auditing Act	-	7
Tax services	63	24
Other services	182	70
Total	**346**	**380**

EUR thousand	2019	2018
Ernst & Young Oy		
Audit fees	157	-
Actions referred to in Section 1.1.2 of the Finnish Auditing Act	8	-
Other services	60	-
Total	**225**	**-**

EUR thousand	2019	2018
KPMG OY AB		
Audit fees	21	-
Total	**21**	**-**

8 DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR thousand	2019	2018
Depreciation and amortisation charges per category		
Intangible assets		
Customer base	4,214	4,126
Brand	2,221	995
Other intangible assets	37,722	32,178
Total	**44,157**	**37,299**
Property, plant and equipment		
Buildings and constructions	7,428	6,097
Machinery and equipment	102,304	102,627
Total	**109,732**	**108,724**
Right-of-use assets		
Land and water	336	-
Buildings and constructions	16,604	-
Machinery and equipment	1,054	-
Total	**17,995**	**-**
Total depreciation, amortisation and impairment	**171,883**	**146,023**

9 EMPLOYMENT BENEFIT EXPENSES

EUR thousand	2019	2018
Wages and salaries	90,000	85,292
Pension expenses – defined contribution plan	14,087	16,142
Pension expenses – defined benefit plan	−44	−33
Share-based payments	6,215	2,719
Other personnel expenses	2,463	3,268
Total	**112,720**	**107,388**

Number of personnel, average

Consumer business	977	932
Corporate business	640	673
Total	**1,624**	**1,606**

Key management compensations are presented in note 32 Related party transactions.

10 FINANCE INCOME

EUR thousand	2019	2018
Interest income from receivables	456	518
Dividend income from other investments	40	6
Total	**496**	**523**

11 PREPAID EXPENSES

EUR thousand	2019	2018
Interest expense	6,570	8,821
Other financial expenses [1)]	3,020	2,879
Total	**9,590**	**11,700**

[1)] Other financial expenses include a one-time financial cost of EUR 0.5 million (EUR 2.1 million) due to re-financing of bonds. Financial expenses related to lease liabilities amounted to EUR 1.3 million (EUR 0.0 million).

12 INCOME TAX EXPENSE

EUR thousand	2019	2018
Income tax, current year	−22,914	−22,868
Income tax, previous year	−86	−4
Change in deferred tax	−2,793	−2,630
Total	**−25,793**	**−25,502**

Reconciliation of the income tax expense and the taxes calculated at the Finnish tax rate:

Net result before tax	124,612	127,736
Income tax at Finnish tax rate 20%	−24,922	−25,547
Tax effects of:		
Income not subject to tax	1,345	4
Non-deductible expenses	−460	−25
Income taxes from previous years	−86	−4
Tax losses of which no deferred income tax asset was recognised	−1,722	-
Share of associates' results net of tax	3	3
Additional deductible expenses	49	67
Tax charge	**−25,793**	**−25,502**

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net result attributable to owners of the parent for the financial period, by the weighted average number of outstanding shares during the financial period. Earnings per share adjusted for dilution effect is calculated by including the potential dilution effect of the share-based reward plan.

	2019	2018
Net result attributable to owners of the parent, (EUR 1,000)	98,819	102,234
Weighted average number of shares (thousands)	132,087	132,039
Basic earnings per share (euros/share)	0.75	0.77
Effect of the share-based reward plan (1,000)	-	112
Weighted average number of shares for the purpose of calculating EPS adjusted for dilution (thousands)	132,087	132,151
Earnings per share adjusted for dilution effect (EUR/share)	0.75	0.77

14 PROPERTY, PLANT AND EQUIPMENT

EUR thousand	Land and water	Buildings and constructions	Machinery and equipment	Prepayments and non-current assets under construction	Total
31 December 2017					
Cost	713	47,584	1,468,071	63,596	1,579,963
Accumulated depreciation	-	−30,830	−1,127,553	-	−1,158,383
Net book amount	**713**	**16,754**	**340,517**	**63,596**	**421,580**
Year ended 31 December 2018					
Opening net book amount	713	16,754	340,517	63,596	421,580
Additions and transfers	-	5,255	111,524	−17,006	99,773
Disposals	-	−3	−959	-	−961
Accumulated depreciation relating to disposals	-	1	882	-	883
Depreciation charge	-	−6,097	−102,627	-	−108,724
Closing net book amount	**713**	**15,910**	**349,338**	**46,590**	**412,550**
31 December 2018					
Cost	713	52,840	1,578,632	46,590	1,678,775
Accumulated depreciation	-	−36,929	−1,229,295	-	−1,266,224
Net book amount	**713**	**15,910**	**349,338**	**46,590**	**412,550**
Year ended 31 December 2019					
Opening net book amount	713	15,910	349,338	46,590	412,550
Additions and transfers	-	6,229	109,198	16,824	132,251
Disposals	-	−2,524	2,409	−6,084	−6,198
Accumulated depreciation relating to disposals	-	1,705	−3,134	-	−1,429
Depreciation charge	-	−7,428	−102,304	-	−109,732
Closing net book amount	**713**	**13,893**	**355,507**	**57,329**	**427,442**
31 December 2019					
Cost	713	56,549	1,690,235	57,329	1,804,828
Accumulated depreciation	-	−42,655	−1,334,730	-	−1,377,385
Net book amount	**713**	**13,893**	**355,507**	**57,329**	**427,442**

15 INTANGIBLE ASSETS AND IMPAIRMENT TESTING

EUR thousand	Goodwill	Customer base	Brand	Other intangible assets	Prepayments and non-current assets under construction	Total intangible assets
31 December 2017						
Cost	431,685	130,475	41,819	406,533	11,949	1,022,461
Accumulated amortisation and impairment	−104,479	−76,198	−20,447	−313,003	−3,057	−517,188
Net book amount	**327,206**	**54,277**	**21,372**	**93,528**	**8,893**	**505,276**
Year ended 31 December 2018						
Opening net book amount	431,685	130,475	41,819	406,533	11,949	1,022,461
Changes in accounting policy IFRS 15	-	-	-	−15,171	-	−15,171
Opening net book amount	**431,685**	**130,475**	**41,819**	**391,362**	**11,949**	**1,007,290**
Accumulated amortisation and impairment	−104,479	−76,198	−20,447	−313,003	−3,057	−517,188
Accumulated amortisation and impairment – changes in accounting policy IFRS 15	-	-	-	10,796	-	10,796
Accumulated amortisation and impairment	**−104,479**	**−76,198**	**−20,447**	**−302,208**	**−3,057**	**−506,390**
Closing net book amount	**327,206**	**54,277**	**21,372**	**89,153**	**8,893**	**500,901**
1 January–31 December 2018						
Cost	327,206	54,277	21,372	89,153	8,893	500,901
Additions and transfers	-	-	-	35,403	19,984	55,387
Amortisation charge	-	−4,126	−995	−32,178	-	−37,299
Net book amount	**327,206**	**50,151**	**20,377**	**92,379**	**28,876**	**518,989**
Year ended 31 December 2019						
Cost	431,685	130,475	41,819	426,764	31,933	1,062,676
Accumulated amortisation and impairment	−104,479	−80,324	−21,442	−334,386	−3,057	−543,688
Closing net book amount	**327,206**	**50,151**	**20,377**	**92,378**	**28,876**	**518,989**

EUR thousand	Goodwill	Customer base	Brand	Other intangible assets	Prepayments and non-current assets under construction	Total intangible assets
1 Jan 2019						
Cost	431,685	130,475	41,819	426,764	31,933	1,062,676
Accumulated amortisation and impairment	−104,479	−80,324	−21,442	−334,386	−3,057	−543,688
Net book amount 1 Jan 2019	**327,206**	**50,151**	**20,377**	**92,379**	**28,876**	**518,989**
1 January–31 December 2019						
Opening net book amount	327,206	50,151	20,377	92,379	28,876	518,989
Additions and transfers	11,499	3,027	4,925	60,768	−18,320	61,899
Disposals	-	-	-	−11,206	−958	−12,164
Amortisation relating to disposals	-	-	-	10,701	-	10,701
Amortisation charge	-	−4,214	−2,221	−37,722	-	−44,157
Closing net book amount	**338,706**	**48,964**	**23,080**	**114,919**	**9,599**	**535,268**
31 December 2019						
Cost	443,184	133,502	46,744	476,326	12,655	1,112,411
Accumulated amortisation and impairment	−104,479	−84,538	−23,663	−361,407	−3,057	−577,144
Net book amount	**338,706**	**48,964**	**23,080**	**114,919**	**9,599**	**535,268**

Goodwill allocation

Goodwill is allocated to DNA's cash-generating units as follows:

EUR thousand	2019	2018
Consumer segment	192,222	180,723
Corporate segment	146,483	146,483
Total	**338,706**	**327,206**

Impairment testing

In order to carry out impairment testing, goodwill is allocated to cash-generating units (CGUs) in accordance with DNA's business organisation. The balance sheet values of all CGUs are subjected to an annual impairment testing. Apart from goodwill, the Group does not have any other intangible assets with an unlimited useful life. The recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) of each CGU is defined as the value in use according to the projected discounted cash flows (the DCF method). Cash flow projections are based on the plans approved by management, covering a five-year period. Management considers the projections to reflect development to date and other information available from external sources. The (before tax) discount rate (weighted average cost of capital, WACC) used in testing represents 6.9–7.2% depending on the segment.

The growth rate forecasted after five years was depending on the segment 0.9–2.0%.

The impairment test indicated that the recoverable amounts of the CGUs exceeded their balance sheet values and their goodwill have not been impaired. The assumptions used are based on management's best judgement based on the information available a the publication of the financial statements.

The key assumptions used were growth in net sales, development of profitability, weighted average cost of capital (WACC) as well as the cash flow growth rate after the five-year forecast period. The major sensitivities in the result are associated with the forecasted net sales and levels of profitability.

APPLIED PARAMETERS USED INIMPAIRMENT TESTING AND SENSITIVITY ANALYSIS

Applied parameters 2019

Applied forecast parameters	Consumer segment 2019	Corporate segment 2019
Average growth in net sales, %*	1.1	5.0
Average operating margin, % *	35.2	33.0
Average investment, % of net sales *	17.0	21.9
Growth after the forecast period, %	0.9	2.0
WACC, %	7.2	6.9
Amount of headroom, EUR million	1,735	303

*) Five-year forecast period average

The table below illustrates the change in percentage points for the key forecacast parameters before the fair value falls below the carrying value (and other parameters remaining unchanged).

Sensitivity analysis of forecast parameters	Consumer segment 2019	Corporate segment 2019
Average EBITDA, % of net sales	−14.6	−5.6
WACC, %	15.5	3.7

Applied parameters 2018

Applied forecast parameters	Consumer segment 2018	Corporate segment 2018
Average growth in net sales, %*	2.3	2.4
Average operating margin, %*	33.9	31.7
Average investment, % of net sales*	18.0	21.1
Growth after the forecast period, %	0.9	2.0
WACC, %	7.4	7.0
Amount of headroom, EUR million	1,073	260

*) Five-year forecast period average

The table below illustrates the change in percentage points for the key forecacast parameters before the fair value falls below the carrying value (and other parameters remaining unchanged).

Sensitivity analysis of forecast parameters	Consumer segment 2018	Corporate segment 2018
Average EBITDA, % of net sales	−9.4	−5.3
WACC, %	12.9	3.7

16 INVESTMENTS IN ASSOCIATES

EUR thousand	2019	2018
1 January	1,209	1,199
Share of the result for the financial period	10	10
31 December	**1,219**	**1,209**

There was no goodwill related to the carrying value of associated companies in 2019 and 2018.

FINANCIAL INFORMATION ON THE GROUP'S ASSOCIATES, INCLUDING ASSETS, LIABILITIES, NET SALES AS WELL AS THE GROUP'S SHARE OF THE RESULTS.

EUR thousand **2019**	Domicile	Assets	Liabilities	Net sales	Share of result	Group holding
Suomen Numerot Numpac Oy	Helsinki	908	338	1,790	14	33%
Kiinteistö Oy Otavankatu 3	Pori	2,924	108	317	0	36%
Kiinteistö Oy Siilinjärven Toritie	Siilinjärvi	331	39	53	0	38%

2018	Domicile	Assets	Liabilities	Net sales	Share of result	Group holding
Suomen Numerot Numpac Oy	Helsinki	687	149	1,807	14	33%
Kiinteistö Oy Otavankatu 3	Pori	2,915	149	316	0	36%
Kiinteistö Oy Siilinjärven Toritie	Siilinjärvi	321	3	41	0	38%

INTEREST IN JOINT ARRANGEMENT

	Group holding
Suomen Yhteisverkko Oy	49%

The joint arrangement was established in 2014 and is classified as a joint operation.
The contractual arrangement establishes the parties' rights to the assets and obligations for liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses.

DNA recognised its share of 48% (2018 47%) of assets, liabilities, revenues and expenses in its consolidated financial statements.

17 OTHER INVESTMENTS

EUR thousand	2019	2018
Shares in non-listed companies	110	117
Total	**110**	**117**

The Group has chosen a method under which the fair value of items previously classified as available-for-sale financial assets is recognised through profit and loss or other comprehensive income, because these investments are considered to be long-term strategic investments that are not expected to be sold in the short or medium term.

Other investments consist of unquoted shares and are measured at cost, if fair value cannot be reliably estimated or the market is highly illiquid. Other investments are classified as Level 3.

18 TRADE AND OTHER RECEIVABLES

EUR thousand	2019	2018
Non-current receivables		
Trade receivables	39,469	37,795
Prepaid expenses [1]	36,673	37,082
Contract assets	3,881	104
Other non-current receivables	323	1,045
Total non-current receivables	80,347	76,026
Current receivables		
Trade receivables	210,488	201,037
Prepaid expenses [1]	43,023	41,186
Contract assets	4,912	962
Tax receivable	2,155	-
Other current receivables	1,329	1,439
Total	261,908	244,624

[1] Prepaid expenses mainly consist of: IFRS 15 accrued costs EUR 63.5 million (EUR 61.2 million), prepaid production rental invoices, prepayments for IT-support and other prepaid trade payables EUR 12.5 million (EUR 13.0 million), and other prepayments EUR 3.7 million (EUR 4.1 million).

During 2019, the Group has recognised an impairment loss on trade receivables of EUR 4.5 million (EUR 4.0 million). Impairment is recognised on receivables older than 180 days. Non-current receivables are measured at fair value. Fair value of receivables corresponds to book value as the effect of discounting is not material considering the maturity.

To comply with Telenor Group accounting principles, sales deferrals have been transferred from sales receivables to deferred income.

Movements in the provision for impairment of trade receivables and contract assets are as follows:

	Contract assets		Trade receivables	
	2019	2018	2019	2018
At 1 January	**10**	**20**	**7,088**	**6,510**
Change in loss allowance recognised in profit or loss during the year	70	–10	4,464	4,018
Receivables written off during the year as uncollectible	-	-	–3,894	–3,440
At 31 December	**80**	**10**	**7,658**	**7,088**

19 DEFERRED TAX ASSETS AND LIABILITIES

EUR thousand

Deferred tax reconciliation

Deferred tax assets 2019	1 January	Recognised in the income statement	Other comprehensive income	Business combinations	31 December
Provisions	1,126	104	−32		1,198
Unused taxable depreciation	2,021	−1,099			922
Other temporary differences	4,544	−557		1,056	5,044
Total	**7,691**	**−1,551**	**−32**	**1,056**	**7,164**

Deferred tax liabilities 2019	1 January	Recognised in the income statement	Other comprehensive income	Business combinations	31 December
Fair value of assets through business combinations	16,428	−2,032		795	15,191
Accelerated depreciation	1,442	399			1,841
Other temporary differences	16,955	2,876			19,831
Total	**34,825**	**1,242**	**0**	**795**	**36,863**

Deferred tax assets 2018	1 January	Recognised in the income statement	Other comprehensive income	Recognised in equity	31 December
Provisions	1,476	−288	−62		1,126
Group eliminations	1,201	−1,201			-
Tax losses	116	−116			-
Unused taxable depreciation	2,426	−405			2,021
Other temporary differences	3,257	374		913	4,544
Total	**8,475**	**−1,636**	**−62**	**913**	**7,691**

Deferred tax liabilities 2018	1 January	Recognised in the income statement	Other comprehensive income	Recognised in equity	31 December
Fair value of assets through business combinations	18,383	−1,955			16,428
Accelerated depreciation	315	1,120		7	1,442
Other temporary differences	4,085	1,828		11,042	16,955
Total	**22,783**	**993**	**0**	**11,049**	**34,825**

20 INVENTORIES

EUR thousand	2019	2018
Materials and supplies	34,303	31,681
Total	**34,303**	**31,681**

During the reporting period, an expense of EUR 155.4 million (EUR 141.4 million) was recognised in the income statement for materials and supplies. Impairments during the period were EUR 0.6 million (EUR 0.7 million).

21 CASH AND CASH EQUIVALENTS

EUR thousand	2019	2018
Cash and cash equivalents	17,423	22,654
Total	**17,423**	**22,654**

22 EQUITY

	Shares outstanding (thousands)	Treasury shares (thousands)	Total number of shares (thousands)	Share capital	Reserve for invested unrestricted equity
1 January 2018	**132,039**	**265**	**132,304**	**72,702**	**653,056**
Share based payment	82	−82	-	-	-
Reclassification	-	-	-	-	−62,420
Capital payment	-	-	-	-	−84,557
31 December 2018	**132,121**	**183**	**132,304**	**72,702**	**506,079**
Share based payment	61	−61	-	-	-
31 December 2019	**132,182**	**122**	**132,304**	**72,702**	**506,079**

DNA Plc has one type of share. The total number of shares is 132,303,500 (132,303,500). The number of outstanding shares is 132,182,184 (132,120,711). The shares do not have a nominal value. On 31 December 2019, DNA Plc’s share capital amounted to EUR 72,702,226. All issued shares have been paid in full.

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity includes other equity type investments and the subscription price of shares insofar as it has not been expressly recognised in the share capital.

Dividends

DNA Plc's Annual General Meeting of 28 March 2019 approved a payment of dividend (EUR 0.70 per share) as well as an additional dividend (EUR 0.40 per share). In total, paid dividends amounted to EUR 1.10 per share. The dividend was paid on 10 April 2019.

Treasury shares

Treasury shares are presented separately in shareholders' equity. The treasury shares fund includes the acquisition costs of the company's treasury shares.

Based on the Board of Directors' decision, DNA Plc has 1 March 2019 transferred 61,473 of the company's treasury shares to persons belonging to the share-based remuneration scheme, Bridge Plan 2018 for the performance period 2018, as settlement in accordance with the plan rules.

After the transfer, DNA holds a total of 121,316 treasury shares which represents 0.09% of voting rights.

Date	Number of shares
1 January 2018	**264,817**
Share issue through share-based payment	−82,028
31 December 2018	**182,789**
Share issue through share-based payment	−61,473
31 December 2019	**121,316**

Parent company DNA Plc's distributable funds as at 31 December 2019

EUR thousand	31 December 2019
Treasury shares	−1,728
Retained earnings	11,187
Net result for the period	190,847
Total distributable funds	**200,306**

23 SHARE-BASED PAYMENTS

DNA's incentive schemes and matching shares plan are terminated and rewards are paid in cash

DNA Plc's Board of Directors has resolved to terminate DNA's long-term share-based incentive schemes for senior executives and other key employees and the matching shares plan for its personnel. The Board of Directors has also resolved on the payment of rewards thereunder in cash.

The resolution by the Board of Directors of DNA covers the Performance Share Plan (PSP) programmes 2017–2019, 2018–2020 and 2019–2021, the Restricted Share Plan (RSP) programme 2019–2021 as well as the matching shares plan period 2019–2020. The payment of the cash reward to around 50 participants in the PSP programme 2017–2019 was paid on 10 October 2019. In the matching share plan, matching shares were disbursed as cash reward to around 1,000 participants by 20 November 2019. In respect of the PSP programmes 2018–2020 and 2019–2021 as well as the RSP programme 2019–2021, the payment of the cash reward to around 70 participants will take place at the latest on 30 June 2020. Payments of the cash reward are conditional on the participants' employment continuing until the payment of the reward or that the participant is a good leaver in accordance with the applicable terms and conditions.

The fair value of the PSP 2017–2019 reward at grant date was 6.28. The fair value of the PSP 2018–2020 awared at grant date was 6.12. The fair value at grant date was valued using a Monte Carlo simulation model, taking into account share price at grant date, Volume Weighted Average Price (VWAP), expected dividends, risk-free interest rates, expected volatility of share prices, as well as correlation coefficients.

Based on the Board of Directors' decision, DNA Plc has on 1 March 2019 transferred 61,473 of the company's treasury shares to persons belonging to the share-based remuneration scheme, Bridge Plan 2018 for the performance period 2018, as settlement in accordance with the plan rules. Withholding tax of EUR 0.7 million was deduced from the gross amount. The shares were released on 29 August 2019.

Based on the Board of Directors' decision, DNA Plc has on 1 March 2018 transferred 82,028 of the company's treasury shares to persons belonging to the share-based remuneration scheme, Bridge Plan 2017 for the performance period 2017, as settlement in accordance with the plan rules. Withholding tax of EUR 1.1 million was deduced from the gross amount. The shares were released on 29 August 2019.

Share-based reward plan	PSP 2019–2021	PSP 2018–2020	Bridge plan 2018	PSP 2017–2019	Bridge plan 2017
Grant date	30 January 2019	17 January 2018	17 January 2018	15 February 2017	15 February 2017
Maximum number of shares	382,158	372,600	115,900	471,000	157,300
Fair value of the reward at grant date	9.66	6.12		6.28	
Share price at grant date	18.39	15.07	15.07	11.36	11.36
Valid until	30 June 2020	30 June 2020	29 August 2019	3 October 2019	29 August 2019
Expected volatility of share prices		19%		23%	
Expected dividends		3.12	1.02	0.63–0.75	
Risk-free interest rate		−0.29%		−0.82%–0.74%	
Implementation	Reclassified as cash based	Reclassified as cash based	As shares and cash	Reclassified as cash based	As shares and cash

Share-based reward plan	RSP 2017–2019	RSP 2018–2020	RSP 2019–2021
Grant date	9 April 2019	9 April 2019	9 April 2019
Maximum number of shares	42 900	45 000	37 500
Fair value of the reward at grant date	20.12	20.12	19.11
Share price at grant date	21.14	21.14	21.14
Valid until	3 October 2019	30 June 2020	30 June 2020
Implementation	Reclassified as cash based	Reclassified as cash based	Reclassified as cash based

Share-Based payments

EUR thousand

Expense recorded in the income statement	Jan–Dec 2019	Jan–Dec 2018
Share-based payments	6,298	2,719

Amount recorded as debt	Jan–Dec 2019	Jan–Dec 2018
Share-based payments	4,049	-

To be paid	30 June 2020
2020	4,780
Total	**4,780**

24 EMPLOYMENT BENEFIT OBLIGATIONS

DNA Group's employee pensions are managed by external insurance companies. The TyEL pension insurances is classified as a defined contribution plan and are managed by the pension insurance companies. DNA also has additional defined benefit plans for some employees. These plans are based on the final salary, and the persons covered receive a supplementary pension at the defined level. The size of the benefit at retirement is determined by factors such as years of service and compensation earned while in employment.

The liability recognised in the balance sheet for the defined benefit plans is determined as follows:

EUR thousand	2019	2018
Liability recognised in the balance sheet:		
Funded defined benefit obligation	5,876	5,809
Fair value of plan assets	–4,336	–4,095
Surplus/deficit	1,540	1,714
Liability recognised in the balance sheet	**1,540**	**1,714**

	Present value of obligation	Fair value of plan assets	Total
1 January 2018	**6,143**	**–4,115**	**2,028**
Current service cost	91		91
Interest cost/income	91	–61	30
	182	–61	121
Remeasurements recognised:			
– Return on plan assets, excluding interest cost/income		–8	–8
– Actuarial gain or loss arising from changes in demographic assumptions	0		0
– Gain or loss arising from changes in financial assumptions	–314		–314
– Experience adjustments	11		11
	–303	–8	–311
Contributions:			
– Contribution paid by employer		–124	–124
Benefits paid:			
– Benefits	–213	213	0
Settlements			
31 December 2018	**5,809**	**–4,095**	**1,714**

	Present value of obligation	Fair value of plan assets	Total
1 January 2019	**5,809**	**–4,095**	**1,714**
Current service cost	76		76
Interest cost/income	97	–69	28
	173	–69	104
Remeasurements recognised:			
Return on plan assets, excluding interest cost/income		–246	–246
Actuarial gain or loss arising from changes in demographic assumptions	0		0
Gain or loss arising from changes in financial assumptions	610		610
Experience adjustments	–522		–522
	88	–246	–158
Contributions:			
Contribution paid by employer		–120	–120
Benefits paid:			
Benefits	–194	194	0
Settlements			
31 December 2019	**5,876**	**–4,336**	**1,540**

Significant actuarial assumptions:

	2019	2018
Discount rate	0.60%	1.70%
Inflation	1.20%	1.60%
Salary growth rate	2.40%	2.80%
Benefit growth rate	1.50%	1.90%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into a weighted average life expectancy in years for a pensioner at the retirement age of 65 as follows:

2019	Men	Women
Plan participants retiring at the end of the financial year	21.4	25.4
Plan participants retiring 20 years after the end of the financial year	22.0	27.0

2018	Men	Women
Plan participants retiring at the end of the financial year	21.4	25.4
Plan participants retiring 20 years after the end of the financial year	22.0	27.0

The sensitivity of the defined benefit obligation to changes in the weighted prinsipal assumptions:

	Impact on defined benefit obligation		
2019	Change in assumption	Increase	Decrease
Discount rate	0.50%	–7.5%	8.5%
Salary growth rate	0.50%	1.1%	–1.1%
Pension growth rate	0.50%	7.0%	–6.3%

	Addition of one year
Life expectancy	5.5%

	Impact on defined benefit obligation		
2018	Change in assumption	Increase	Decrease
Discount rate	0.50%	–7.1%	8.0%
Salary growth rate	0.50%	1.2%	–1.1%
Pension growth rate	0.50%	6.5%	–5.9%

	Addition of one year
Life expectancy	5.1%

The above sensitivity analysis is based on a method where one actuarial assumption changes but the others remain unchanged. In practice, this is unlikely, and some changes in assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The Group is exposed to several risks in relation to the defined benefit plans, the most significant of which are described below.

Changes in the bond yields

According to the employer's IFRS reporting practice, the employer's obligations and liabilities depend on the bond yields on the reporting date. Decrease in yields increases liabilities and the payment obligation of pension benefits calculated according to IAS 19. However, since the employer is not subject to an investment risk in relation to the assets covering the liabilities, an increase in the yield of bonds will also have an effect on reported assets.

Inflation risk

The benefits paid in the plan are tied to the TyEL index, which depends on inflation (80%) and a general salary index (20%). High inflation increases the TyEL index, which in turn increases liabilities (IFRS) and annual contributions to the insurance company.

Salary risk

If the salary of an employee increases by more than the general salary index, the size of benefit will increase, which in turn will increase the benefit obligation, which increases the risk of higher contributions payable by the employer.

Life expectancy risk

As regards the life expectancy risk, the insurance company carries the risk related to actual life expectancy deviating from the expected life expectancy. Changes in life expectancy have an impact on the employer's obligations. The employer's risk in terms of changes in life expectancy only applies to future costs, whereas the insurance company carries the risk for benefits accrued by the change date.

Expected contributions to the post-employment benefit plan in 2020 are expected to total EUR 125 thousand.

The weighted average duration of the defined benefit obligation was 16 years (2018 15 years, 2017 16 years).

Undiscounted pension benefits are expected to mature as follows:

	Pension benefits		
EUR thousand	2019	2018	2017
Less than 1 year	196	270	237
1–5 years	908	1,015	1,023
5–10 years	1,112	1,229	1,193
10–15 years	947	1,107	1,113
15–20 years	859	1,014	1,034
Over 20 years	2,389	3,019	3,304
Total	**6,411**	**7,654**	**7,904**

25 PROVISIONS

EUR thousand	1 January 2019	Additions	Provisions used	Other/ Discount effect	31 December 2019
Asset retirement obligation	4,788	1	-	-	4,789
Restructuring provisions	97	395	–23	-	469
Other provision	208	-	-	-	208
Total	**5,092**	**396**	**–23**	**-**	**5,466**

EUR thousand	1 January 2018	Additions	Provisions used	Other/ Discount effect	31 December 2018
Asset retirement obligation	6,096	-	–1,308	-	4,788
Restructuring provisions	58	39	-	-	97
Onerous contracts	732	1,115	–52	–1,304	490
Other provision	418	-	–209	-	208
Total	**7,304**	**1,154**	**–1,569**	**–1,304**	**5,584**

EUR thousand	2018	2019
Non-current provisions	5,307	4,996
Current provisions	277	470
Total	**5,584**	**5,466**

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

In 2018, 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. On 1 January 2019 DNA adopted IFRS 16 and the provision was reversed. Lease agreements are now subject to impairment testing.

26 BORROWINGS

EUR thousand	2019	2018
Non-current		
Loans from financial institutions	169,231	46,154
Bonds	303,215	301,936
Lease liabilities	60,587	-
Total	**533,033**	**348,090**
Current		
Loans from financial institutions	13,846	3,846
Commercial papers	14,964	49,991
Lease liabilities	14,652	-
Total	**43,463**	**53,837**

In February 2019, DNA has signed with European Investment Bank a EUR 40 million loan agreement which complements the EIB funding of a total of EUR 90 million. In March 2019, DNA has agreed to restructure its long-term credit facilities. A new binding and unsecured credit facility of EUR 150 million for the financing of working capital covers a period of five years and includes two one-year extension options. The credit facility replaced the older EUR 150 million facility signed in 2015.
In addition, DNA has raised its domestic commercial paper programme to EUR 200 million.

In December DNA signed with Telenor ASA a long term Intra Group Revolving Credit Facility Agreement of EUR 200 million. At the end of the year EUR 100m of the facility is used.

DNA has a credit rating from Standard&Poors: BBB+, outlook stable.

The increase in borrowings during the year, is mainly due to the EUR 145.4 million dividend payment in the beginning of April as well as the business combinations for a total of EUR 40.2 million during the first half of the year.

27 NET DEBT

EUR thousand	2019	2018
Non-current borrowings	533,033	348,090
Current borrowings	43,463	53,837
Total borrowings	576,496	401,927
Less cash and cash equivalents	17,423	22,654
Net debt	**559,073**	**379,272**

Change in net debt		**Reported in cash flows from financing activities**		
EUR thousand	Cash	Current borrowings	Non-current borrowings	Net debt
1 January 2018	**23,592**	**154,518**	**173,362**	**304,288**
Change in cash	−937			937
Proceeds from borrowings		563,726	296,154	859,880
Repayment of borrowings		−665,123	−113,810	−778,933
Other non-cash transactions		715	−7,616	−6,901
31 December 2018	**22,654**	**53,837**	**348,090**	**379,272**
1 January 2019 IFRS 16 standard		14,775	67,329	82,104
Change in cash	−5,232			5,232
Proceeds from borrowings		712,180	136,622	848,801
Repayment of borrowings		−762,268	−6,923	−769,191
Other non-cash transactions		24,939	−12,085	12,854
31 December 2019	**17,423**	**43,463**	**533,033**	**559,073**

28 TRADE AND OTHER PAYABLES

EUR thousand	2019	2018
Current financial liabilities carried at amortised cost		
Trade payables	111,315	111,275
Accrued expenses [1]	93,696	71,188
Advances received	22,522	25,918
Contract liabilities	2,876	3,313
Other current liabilities	11,724	14,993
Total current liabilities	**242,133**	**226,687**

[1] Accrued expenses comprise: holiday pay and bonuses including social expenses totalling EUR 20,8 million (EUR 19.7 million), interest expenses EUR 4.1 million (EUR 4.0 million), deferred income EUR 14.2 million (EUR 1.3 million), spectrum license liability EUR 8.6 million (EUR 4.4 million), debt related to share-based reward plan EUR 4.0 million (EUR 0.0 million) as well as other accrued operative expenses EUR 42.0 million (EUR 41.8 million).

29 FAIR VALUE OF BORROWINGS

Non-current borrowings

	2019		2018	
EUR thousand	Carrying amount	Fair value	Carrying amount	Fair value
Loans from financial institutions	69,231	69,182	46,154	46,089
Bonds	303,215	316,690	301,936	306,497
Other borrowings	100,000	100,000	-	-
Lease liabilities	60,587	60,587	-	-
Total	**533,033**	**546,459**	**348,090**	**352,586**

Current borrowings

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans from financial institutions	13,846	13,844	3,846	3,841
Commercial papers	14,964	14,964	49,991	49,991
Lease liabilities	14,652	14,652	-	-
Total	**43,463**	**43,460**	**53,837**	**53,832**

Fair value of borrowings has been calculated by discounting the expected cash flow of borrowings using the market interest rate at balance sheet date plus the company's risk premium. The market value of the bond is the average value of the year-end quoted prices from two banks.

30 LEASE AGREEMENTS

DNA adopted IFRS 16 on the effective date of 1 January 2019 using the modified retrospective transition method, and in accordance with the IFRS 16 transition guidance, comparative information will not be restated. The changes in the reclassification and recognition of agreements resulting from the standard have been entered in the opening balance sheet of 1 January 2019 (note 33).

Amounts recognised in the balance sheet

Right-of-use assets

EUR thousand	Land and water	Buildings and constructions	Machinery and equipment	Total
Net book amount 1 January 2019 *	**3,653**	**79,125**	**1,661**	**84,439**
1 Jan–31 Dec 2019				
Cost at beginning of period	3,653	79,125	1,661	84,439
Additions and transfers	830	8,236	728	9,793
Disposals	–1	–1,217	–159	–1,378
Accumulated depreciation relating to disposals and transfers	1	1,217	159	1,378
Depreciation	–336	–16,604	–1,054	–17,995
Net book amount 31 December 2019	**4,147**	**70,756**	**1,334**	**76,237**
31 December 2019				
Cost	4,482	86,144	2,230	92,854
Accumulated depreciation	–335	–15,387	–895	–16,617
Net book amount	**4,147**	**70,756**	**1,334**	**76,237**

*) 1 January 20119 at the adoption of IFRS 16, right-of-use assets, with the exception of prepaid assets, have been recognised with an equivalent value recorded for the related discounted lease liability. The average weighted discount rate for lease liabilities was 2.2% on 1 January 2019. The average weighted discount rate on 31 December 2019 was 1.4%. Deferred tax assets on 31 December 2019 was EUR 0.2 million.

Lease liabilities

EUR thousand	2019
Non-current	60,587
Current	14,652
Total	**75,239**

Amounts recognised in the statement of profit and loss

Depreciation charge of right-of-use assets

EUR thousand	2019
Land and water	336
Buildings and constructions	16,604
Machinery and equipment	1,054
Total	**17,994**

Interest expense

EUR thousand	2019
Total	**1,272**

Expense ralating to short-term leases*

EUR thousand	2019
Total	**33,699**

*) Short-term lease agreements consist mainly of lease agreements for telecommunications premises and masts. The commitment for the notice period is EUR 17.8 million.

Investment property

DNA has a fixed term lease agreement for the property in Mechelininkatu until the end of 2025. Part of the premises are used by the group and part is sub-leased.

The majority of the lease agreements are indefinite with a 6 month notice period. Additionnally, some agreements are for a fixed term of 2–3 years. Different purposes of use forms different asset groups;

DNA as lessee: The property's original valuation of the lease agreement is treated in the balance sheet as an operative lease agreement as per IFRS-16.

DNA as lessor: as per IFRS-16, the property's premises rented to third parties are valued at fair value on the basis of the lease agreements. The fair value of the investment property is EUR 2.0 million. During 2019, rental income amounted to EUR 3.0 million.

31 GUARANTEES AND CONTINGENT LIABILITIES

In addition, DNA's agreements with some of its main suppliers contain minimum order quantities (units) for the contract period. As DNA has discretion over which units to purchase over the contract period and the price per unit varies, DNA is unable to estimate the exact EUR amount for these commitments.

Lease commitments relating to lease agreements are presented in note 30.

32 RELATED PARTY TRANSACTIONS

DNA Plc's parent company is Telenor Finland Holding Oy and DNA is part of the Telenor Group since 21 August 2019.

DNA's related parties include the main shareholderswhich 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 idenftified as related party.

Parent company DNA Plc's subsidiaries and ownerships:

Company	Country	Share of ownership	Share of votes
DNA Kauppa Oy	Finland	100%	100%
DNA Welho Oy	Finland	100%	100%
European Mobile Operator Oy	Finland	100%	100%
Forte Netservices OOO	Russia	100%	100%

Listing of associated companies is presented in note 16.

The following related party transactions were carried out:

EUR thousand	Sales	Purchases	Receivables	Liabilities
2019				
Organisations exercising significant influence	15	1,810	10	100,305
Associated companies	-	432	-	2
2018				
Organisations exercising significant influence	21	2,759	2	354
Associated companies	-	465	-	2

Key management compensatio

Company's key management comprises the Board of Directors and the Executive team.

EUR thousand	2019	2018
Salaries and other short-term employee benefits	4,198	3,563
Pension expenses – defined contribution plan and defined benefit plan	965	894
Share-based payments	3,503	1,182
Total	**8,666**	**5,639**

EUR thousand	2019	2018
Shares issued to management (excl CEO)	35,200	27,004

Terms are described in note 23 Share-based payments

EUR thousand	2019	2018
CEO Jukka Leinonen's salary and commissions:		
Salary and commissions	1,092	784
Accrued pension expenses	178	140
Share-Based Compensation Plan (gross)	1,029	308
Total	**2,299**	**1,231**
Members and deputy members of the Board of Directors		
Korhonen Pertti	153	168
Jukka Ottela	63	68
Kirsi Sormunen	79	68
Anu Nissinen	66	65
Tero Ojanperä	76	62
Margus Schults	18	66
Heikki Mäkijärvi	-	17
Ted Roberts	44	-
Anni Ronkainen	57	-
Total	**556**	**514**

Those Board members who are non-independent of DNA Plc's major shareholders forgo their entitlement for the reward. There were no loans given to the board members or the CEO.

Management's and CEOs' pension commitments

Members of the Group management are entitled to defined benefit pension at the age of 62 and the CEO and deputy CEO of the parent company at the age of 60. They have supplementary defined contribution plans.

33 CHANGES IN ACCOUNTING POLICY IFRS 16

At the initial application on January 1, 2019 all right-of-use assets, with the exception of prepaid assets, were recorded with an equivalent value recorded for the related lease liabilities. As a result, the Group's non-current assets and non-current liabilities increased.

IFRS 16 implementation – reconciliation of lease obligations

EUR million	2018
Operating lease obligations at 31 December 2018	109.9
Agreements excluding VAT [1]	88.6
Agreements outside the scope of IFRS 16 [2]	–7.2
Short-term agreements [3]	–16.9
Agreements not recognised as operating lease agreements [4]	27.4
Obligations 1 January 2019	92
1 January 2019 Weighted average discounting interest rate 2.2%	
Lease agreement obligations at IFRS 16 implementation 1 January 2019 (discounted)	**84.4**

[1] Before implementation, operating lease agreements included VAT. The VAT amount has been excluded for reconciliation purposes.

[2] These agreements do not fulfil the criteria for lease agrerements according to IFRS 16. This group mainly include agreements related to technology such as IRU agreements and capacity leases.

[3] Practical expedient is used where the lease term is 12 months or less.

[4] Agreements not reported as operating lease agreements include agreements recognised in the scope of IFRS 16 as well as prepayments earlier presented in non-current receivables (discounted).

Consolidated statement of financial position 1 January 2019

EUR thousand	31 December 2018	Changes in accounting policy IFRS 16	Adjusted 1 January 2019
Assets			
Non-current assets			
Goodwill	327,206	-	327,206
Other intangible assets	191,783	-	191,783
Property, plant and equipment	412,550	-	412,550
Right-of-use assets	-	84,439	84,439
Investments in associates	1,209	-	1,209
Other investments	117	-	117
Trade and other receivables	76,026	–2,467	73,559
Deferred tax assets	7,691	-	7,691
Total non-current assets	**1,016,582**	**81,972**	**1,098,554**
Current assets			
Inventories	31,681	-	31,681
Trade and other receivables	201,037	-	201,037
Other current receivables	1,439	-	1,439
Accruals	42,148	–358	41,790
Cash and cash equivalents	22,654	-	22,654
Total current assets	**298,960**	**–358**	**298,602**
Total assets	**1,315,541**	**81,614**	**1,397,155**
Equity			
Equity attributable to owners of the parent			
Total equity	**604,770**	**-**	**604,770**

EUR thousand	31 December 2018	Changes in accounting policy IFRS 16	Adjusted 1 January 2019
Liabilities			
Non-current liabilities			
Borrowings	348,090	-	348,090
Lease liabilities	-	67,329	67,329
Employment benefit obligations	1,714	-	1,714
Provisions	5,307	–422	4,885
Deferred tax liabilities	34,825	-	34,825
Other non-current liabilities	34,978	-	34,978
Total non-current liabilities	**424,914**	**66,907**	**491,821**
Current liabilities			
Borrowings	53,837	-	53,837
Lease liabilities	-	14,775	14,775
Provisions	277	–68	209
Trade and other payables	226,687	-	226,687
Income tax liabilities	5,056	-	5,056
Total current liabilities	**285,857**	**14,707**	**300,564**
Total equity and liabilities	**1,315,541**	**81,614**	**1,397,155**

Consolidated income statement

Other operating expenses decrease as leases are now disclosed as depreciation and interest expenses. Additionnally, deferred tax is recognised in the income tax expense.

EUR thousand	1 Jan–31 Dec 2019 excluding IFRS 16	IFRS 16	1 Jan–31 Dec 2019 including IFRS 16
Net sales	**942,093**	**-**	**942,093**
Other operating income	3,875	-	3,875
Materials and services	–409,867	-	–409,867
Employee benefit expenses	–112,720	-	–112,720
Depreciation, amortisation and impairments	–153,889	–17,995	–171,883
Other operating expenses	–135,493	17,688	–117,805
Operating result, EBIT	**133,998**	**–306**	**133,692**
Finance income	496	-	496
Finance expense	–8,318	–1,272	–9,590
Share of associates' results	14	-	14
Net result before income tax	**126,190**	**–1,578**	**124,612**
Income tax expense	–26,011	217	–25,793
Net result for the period	**100,180**	**–1,361**	**98,819**
Attributable to:			
Owners of the parent	100,180	–1,361	98,819

34 BUSINESS COMBINATIONS

DNA Plc acquired the entire capital stock of European Mobile Operator Oy and Moi Mobiili Oy on 11 January 2019. European Mobile Operator Oy's wholly-owned subsidiary Moi Mobiili Oy provides mobile services to private and corporate customers. It has operated since 2016 as a service operator in the DNA mobile network. The acquisition is a natural continuation in implementing DNA's growth strategy.

The purchase price was paid in cash. The assets and liabilibites have been adjusted to their fair value. The goodwill consist of synergy benefits expected and the knowledge of the personnel transferred. Goodwill is not tax deductible.

EUR million	Fair value recorded
Intangible assets	6.5
Accounts receivable and other receivables	1.0
Cash and cash equivalents	0.0
Total assets	**7.4**
Borrowings	1.8
Deferred tax liabilities	−0.3
Trade and other payables	2.0
Total liabilities	**3.6**
Net assets	**3.9**
Total consideration transferred	15.4
Goodwill	11.4

Direct costs of EUR 0.3 million were recorded as other operating expenses.

The acquired subsidiaries' net sales since acquisition was EUR 7.6 million. As the acquisition took place 11 January 2019 the group's net sales and result would have been on the same level year to date.

ICT Elmo consumer and housing company business acquisition

DNA has on 31 May 2019 agreed to purchase an extensive fibre-optic network infrastructure used by ICT Elmo Oy (formerly Tampereen Puhelin) as well as its consumer and housing company business.

The purchase price was paid in cash. The assets and liabilities have been adjusted to their fair value.

EUR million	
Customer base	3.0
Network	24.5
Liabilities	−0.1
Total consideration transferred	**27.5**

Direct costs of EUR 0.2 million were recorded as other operating expenses.

The acquired subsidiaries' net sales since acquisition was EUR 2.7 million. Had the acquisition occurred 1 January 2019, Group net sales would have been EUR 944.1 million and group result is estimated to have been EUR 99,3 million.

35 EVENTS AFTER THE FINANCIAL PERIOD

On 3 February 2020, Telenor Finland Holding Oy gained title to all outstanding shares in DNA and the DNA shares were delisted from Nasdaq Helsinki.

PARENT COMPANY INCOME STATEMENT, FAS

EUR thousand	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Net sales	1	**812,297**	**783,508**
Other operating income		**116,808**	**9,194**
Materials and services			
Purchases		–154,627	–148,608
Change in inventory		2,516	8,735
External services		–199,954	–208,252
Total materials and services		**–352,065**	**–348,125**
Employee expenses			
Salaries and commissions		–83,612	–77,417
Social expenses			
Pensions		–11,701	–13,808
Other social expenses		–2,071	–2,851
Total employee expenses		**–97,384**	**–94,075**
Depreciation and impairments	2		
Depreciation according to plan		–125,168	–127,955
Total depreciation and impairments		**–125,168**	**–127,955**
Other operating expenses	3	**–132,642**	**–124,842**
OPERATING RESULT		**221,847**	**97,704**

EUR thousand	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Finance income and expense	4		
Income from other investments		44	20
Other interest and financial income		565	635
Impairment		–7	-
Interest and other financial expenses		–7,957	–11,482
Total finance income and expense		**–7,356**	**–10,827**
RESULT BEFORE APPROPRIATIONS AND TAX		**214,490**	**86,877**
Appropriations	5		
Depreciation difference		–2,206	-
Group contribution		1,060	26,236
Total appropriations		**–1,146**	**26,236**
Income tax	6	–22,497	–23,888
RESULT FOR THE FINANCIAL PERIOD		**190,847**	**89,225**

PARENT COMPANY BALANCE SHEET, FAS

EUR thousand	Note	2019	2018
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	7		
Intangible rights		69,323	53,182
Goodwill		99,053	102,522
Other capitalised expenditure		44,470	40,184
Prepayments and non-current assets under construction		8,262	27,918
Total intangible assets		**221,107**	**223,806**
Property, plant and equipment	7		
Land and water		713	713
Buildings and constructions		22,166	18,879
Machinery and equipment		264,905	251,362
Other tangible assets		-	873
Advances paid and construction in progress		49,361	40,070
Total tangible assets		**337,145**	**311,897**
Investments	8		
Holdings in Group companies		98,348	82,653
Shares in associated companies		3,982	3,982
Other shares and holdings		1,097	1,330
Total investments		**103,427**	**87,965**
TOTAL NON-CURRENT ASSETS		**661,679**	**623,668**

EUR thousand	Note	2019	2018
CURRENT ASSETS			
Inventory			
Materials and supplies		34,017	31,500
Total inventory		**34,017**	**31,500**
Non-current receivables			
Trade receivables		38,900	37,396
Receivables from Group companies	9	16,395	21,395
Other receivables		9,656	9,271
Deferred tax asset	10	1,860	4,028
Total non-current receivables		**66,811**	**72,090**
Current receivables			
Trade receivables		179,683	167,723
Receivables from Group companies	9	43,818	62,311
Other receivables		707	822
Prepaid expenses	11	17,740	16,088
Total current receivables		**241,948**	**246,944**
Cash and cash equivalents		**14,314**	**18,434**
TOTAL CURRENT ASSETS		**357,089**	**368,967**
TOTAL ASSETS		**1,018,768**	**992,635**

EUR thousand	Note	2019	2018
EQUITY AND LIABILITIES			
EQUITY	12		
Share capital		72,702	72,702
Treasury shares		−1,728	−2,806
Retained earnings		11,187	67,338
Result for the period		190,847	89,225
TOTAL EQUITY		**273,009**	**226,460**
APPROPRIATIONS			
Depreciation difference		2,206	-
TOTAL APPROPRIATIONS		**2,206**	**-**
PROVISIONS	13	**5,687**	**5,436**

EUR thousand	Note	2019	2018
LIABILITIES			
Non-current liabilities	14		
Borrowings		379,231	356,154
Advances received		239	253
Intercompnay borrowings		100,000	-
Other non-current liabilities		25,835	33,277
Deferred tax liability	10	947	1,304
Total non-current liabilities		**506,252**	**390,988**
Current liabilities			
Borrowings		28,810	53,837
Advances received		3,695	4,764
Trade payables		93,940	94,063
Liabilities to Group companies	15	21,325	140,511
Other current liabilities		10,584	14,050
Accrued expenses	16	73,260	62,525
Total current liabilities		**231,615**	**369,751**
TOTAL LIABILITIES		**737,867**	**760,739**
TOTAL EQUITY AND LIABILITIES		**1,018,768**	**992,635**

PARENT COMPANY CASH FLOW STATEMENT, FAS

EUR thousand	1 Jan –31 Dec 2019	1 Jan –31 Dec 2018
Cash flows from operations		
Result for the period	190,847	89,225
Adjustments 1)	49,212	135,954
Change in working capital 2)	–8,185	–17,474
Interest paid	–5,640	–6,436
Interest received	690	636
Other financial items	–1,061	–10,795
Income taxes paid	–27,865	–22,208
Net cash generated from operating activities	**197,998**	**168,902**
Cash flows from investments		
Investments in property, plant and equipment (PPE) and intangible assets	–114,323	–126,807
Proceeds from sale of PPE	1	23
Business combinations	–15,699	-
Other investments	–26,863	-
Short-term investments increase (–) / decrease (+)	–18,526	-
Loans granted	–6,000	–1,000
Proceeds from loans receivables	5,000	1,000
Net cash used in investing activities	**–176,409**	**–126,784**
Cash flows from financing activities		
Distribution of dividend	–145,400	–145,333
Proceeds from borrowings	845,237	851,463
Repayment of borrowings	–751,778	–778,932
Group contributions received	26,236	28,474
Net cash generated from (used in) financing activities	**–25,705**	**–44,327**

EUR thousand	1 Jan –31 Dec 2019	1 Jan –31 Dec 2018
Change in cash and cash equivalents	**–4,116**	**–2,209**
Cash and cash equivalents at beginning of year	18,434	20,642
Cash and cash equivalents at end of year	14,317	18,434
1) Adjustments:		
Depreciation, amortisation and impairment	125,168	127,955
Profit from merger	–107,206	-
Gains and losses on disposals of non-current assets	–1	–23
Other non-cash income and expense	1,146	–26,236
Finance income and expense	7,356	10,827
Income tax expense	22,497	23,888
Change in provisions	251	–457
Total adjustment	**49,212**	**135,954**
2) Change in net working capital:		
Change in trade and other receivales	4,395	–8,869
Change in inventories	–2,516	–8,735
Change in trade and other payables	–10,063	130
Total change in net working capital	**–8,185**	**–17,474**

PARENT COMPANY ACCOUNTING PRINCIPLES, FAS

Information regarding the group

The company is part of the DNA-group. DNA Plc is the parent company of the DNA-Group, domiciled in Helsinki. Copies of the Consolidated Financial Statements are available online at www.dna.fi or at the Group parent company head office at Läkkisepäntie 21, 00620 Helsinki, Finland.

DNA is part of the Telenor Group. Telenor ASA is the parent company of the Telenor Group. Copies of the Consolidated Financial Statements are available at Telenor head office at Snarøyveien 30, N-1360 Fornebu, Norway.

Valuation principles

Fixed assets

Intangible assets and property, plant and equipment are shown on the balance sheet as acquisition costs, less planned depreciation. Planned depreciation is recorded on a straight-line basis over the useful life of an asset.

The depreciation/amortisation periods are:	
Intangible rights	1–20 years
Goodwill	4–20 years
Other intangible assets	3–10 years
Buildings	25 years
Constructions	10–25 years
Machinery and equipment	3–15 years

The depreciation period of the merger loss capitalised to the balance sheet is 20 years, based on management's view that the merger will generate economic benefits for a minimum of 20 years.

Inventory valuation

Inventories are stated at the lower of acquisition cost or replacement cost or likely realisable value.

Financial assets

The company applies the valuation of financial assets under KPL 5:2§

Research and development

Development expenditure is recognised as annual costs for the year in which it is incurred. Development expenditure expected to generate future economic benefits are capitalised under intangible assets and amortised over three years.

Pensions

The company's employee pensions are managed by an external insurance company. Pension contributions and other costs for the financial period are based on the actuary calculations. Expenditure on pensions is recognised as an expense for the year in which it is incurred.

Deferred tax

Deferred tax has been determined for temporary differences between tax bases of assets and their amounts in financial reporting, using the tax rates effective for future years confirmed on the balance sheet date. The balance sheet includes the deferred tax asset at its estimated realisable amount. The deferred tax asset comprises provisions, deferred depreciation and other temporary differences and the deferred tax liability comprises sharebased payments.

Comparability with prior period

In the transition to Telenor reporting, the grouping of some accounts was changed for 2019. The notes contain more information about the change. Huuked Labs Oy was merged into DNA Plc 31 December 2019. The impact on the result was EUR 107,206,251.20.

Foreign currency translations

Items denominated in foreign currencies are translated using the Bank of Finland average rate.

PARENT COMPANY INCOME STATEMENT NOTES, FAS

1 NET SALES

EUR thousand	2019	2018
Net sales	**812,297**	**783,508**
Domestic	791,634	761,555
Foreign	20,663	21,953
Total	**812,297**	**783,508**
During the financial period, parent company employed personnel on average		
Total	**1,336**	**1,333**

2 DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR thousand	2019	2018
Amortisation of intangible assets	44,821	44,256
Depreciation of tangible assets	80,348	83,699
Total	**125,168**	**127,955**
Depreciation and amortisation total	**125,168**	**127,955**

3 OTHER OPERATING EXPENSES

EUR thousand	2019	2018
Operating and maintenance costs	42,936	40,291
Rental costs	54,889	53,678
External services	7,088	5,253
Other cost items	27,729	25,620
Total	**132,642**	**124,842**

Auditor fees

PricewaterhouseCoopers Oy		
Auditing fees	64	223
Actions referred to in Section 1.1,2 of the Finnish Auditing Act	-	7
Tax consulting	63	24
Other fees	182	70
Total	**309**	**323**

Ernst & Young Oy		
Auditing fees	129	-
Tax consulting	8	-
Other fees	60	-
Total	**196**	**-**

4 FINANCE INCOME AND EXPENSE

EUR thousand	2019	2018
Dividends		
from associated companies	4	4
from others	40	6
Gains on disposals of non-current assets	-	10
Total	**44**	**20**
Other interest and financial expense		
Interest income from group companies	291	393
Interest income from others	274	242
Total other interest and finance income	**565**	**635**
Impairment of available-for-sale financial assets	7	-
Other interest and financial expense		
Interest expense to group companies	3	-
Interest expense	5,664	6,680
Other finance expense	2,291	4,802
Total other interest and financial expense	**7,957**	**11,482**
Total financial income and expense	**−7,356**	**−10,827**

5 APPROPRIATIONS

EUR thousand	2019	2018
Depreciation difference	–2,206	-
Group contribution	1,060	26,236
Total appropriations	**–1,146**	**26,236**

6 INCOME TAX

EUR thousand	2019	2018
Direct taxes	20,686	22,837
Income tax from previous periods	-	3
Change in deferred tax asset	2,168	–256
Change in deferred tax liability	–357	1,304
Total income tax	**22,497**	**23,888**

PARENT COMPANY BALANCE SHEET NOTES, FAS

7 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

EUR thousand	2019	2018
Development costs		
Acquisition cost 1 January	3,828	3,828
Acquisition cost 31 December	**3,828**	**3,828**
Accumulated amortisation 1 January	3,828	3,816
Amortisation for the financial period	-	12
Accumulated amortisation 31 December	3,828	3,828
Book value 31 December	**0**	**0**
Intangible rights		
Acquisition cost 1 January	265,338	259,972
Transfers	26,500	5,365
Acquisition cost 31 December	**291,838**	**265,338**
Accumulated amortisation 1 January	212,156	196,668
Amortisation for the financial period	10,360	15,487
Accumulated amortisation 31 December	222,515	212,156
Book value 31 December	**69,323**	**53,182**
Goodwill		
Acquisition cost 1 January	150,768	150,768
Additions	3,027	-
Acquisition cost 31 December	**153,795**	**150,768**
Accumulated amortisation 1 January	48,246	41,839
Amortisation for the financial period	6,496	6,408
Accumulated amortisation 31 December	54,742	48,246
Book value 31 December	**99,053**	**102,522**

EUR thousand	2019	2018
Other non-current intangible assets		
Acquisition cost 1 January	230,746	201,157
Transfers	31,378	29,589
Acquisition cost 31 December	**262,124**	**230,746**
Accumulated amortisation 1 January	190,562	168,212
Amortisation for the financial period	27,092	22,350
Accumulated amortisation 31 December	217,654	190,562
Book value 31 December	**44,470**	**40,184**
Prepayments and non-current assets under construction		
Acquisition cost 1 January	27,918	8,105
Additions	38,222	54,768
Transfers	–57,878	–34,955
Book value 31 December	**8,262**	**27,918**
Total intangible assets	**221,107**	**223,806**
Land and water		
Acquisition cost 1 January	713	713
Book value 31 December	**713**	**713**
Buildings and constructions		
Acquisition cost 1 January	33 669	28 421
Transfers	5 406	5 249
Acquisition cost 31 December	**39 075**	**33 669**

EUR thousand	2019	2018
Accumulated depreciation 1 January	14 790	12 757
Depreciation for the financial period	2 119	2 033
Accumulated depreciation 31 December	16 909	14 790
Book value 31 December	**22 166**	**18 879**
Machinery and equipment		
Acquisition cost 1 January	1 221 254	1 128 909
Transfers	91 772	92 410
Disposals	–1 797	–64
Acquisition cost 31 December	**1 311 230**	**1 221 254**
Accumulated depreciation 1 January	969 892	888 291
Depreciation for the financial period	78 229	81 665
Depreciation relating to disposals	–1 797	–64
Accumulated depreciation 31 December	1 046 324	969 892
Book value 31 December	**264 905**	**251 362**
Other tangible assets		
Acquisition cost 1 January	873	873
Disposals	–873	-
Acquisition cost 31 December	**0**	**873**
Depreciation for the financial period	873	-
Depreciation relating to disposals	–873	-
Book value 31 December	**0**	**873**

EUR thousand	2019	2018
Prepayments and non-current assets under construction		
Acquisition cost 1 January	40 070	55 971
Additions	109 496	81 758
Transfers	–100 205	–97 658
Acquisition cost 31 December	**49 361**	**40 070**
Total property, plant and equipment	**337 145**	**311 897**

After reassessment, accelerated depreciations was used on assets in other tangible assets.

8 INVESTMENTS

EUR thousand	2019	2018
Holdings in Group companies		
Book value 1 January	82,653	82,653
Additions	15,697	-
Disposals	–2	-
Book value 31 December	**98,348**	**82,653**
Shares in associated companies		
Book value 1 January	3,982	3,982
Book value 31 December	**3,982**	**3,982**
Other shares and holdings		
Book value 1 January	1,330	1,330
Disposals	–225	-
Impairment	–7	-
Book value 31 December	**1,097**	**1,330**
Parent company ownerships:		
Holdings in Group companies		
DNA Kauppa Oy	100%	100%
DNA Welho Oy	100%	100%
European Mobile Operator Oy	100%	0%
Forte Netservices OOO	100%	100%
Huuked Labs Oy	0%	100%

DNA Plc acquired European Mobile Oy on 11 January 2019.
Huuked Labs Oy was merged into DNA Plc 31 December 2019.
All group companies are included in the parent company consolidated financial statements.

EUR thousand	2019	2018
Interests in joint arrangements		
Suomen Yhteisverkko Oy	49%	49%
Shares in associated companies		
Suomen Numerot Numpac Oy	33.33%	33.33%
Kiinteistö Oy Otavankatu 3	36%	36%
Kiinteistö Oy Siilinjärven Toritie	38%	38%

Suomen Numerot Numpac Oy is included in the parent company consolidated financial statements

9 RECEIVABLES FROM GROUP COMPANIES

EUR thousand	2019	2018
Long-term loan receivables	16,395	21,395
Short-term loan receivalbes	6,000	-
Trade receivables	15,099	32,769
Prepaid expenses	3,134	3,305
Group account receivables	18,526	-
Group contribution receivables	1,060	26,236
Total	**60,213**	**83,705**

The company has issued a subordinated loan of EUR 6,000,000.00 under Chapter 12 of the Companies Act (624/2006) to Moi Mobiili Oy. The loan is recorded as a long-term debt in the receiving company and in DNA Plc it is recorded as a long-term receivable from group companies. The maturity date of the loan is 20 March 2025. The annual interest rate is 5%.

Repayment of the loan is subordinate to other debts and obligations in bankruptcy and liquidation. Otherwise, repayment of capital and payment of interest may be effected only to the extent that the amount of the company's unrestricted equity and all capital loans at the time of payment exceeds the amount of the loss recognized in the balance sheet for the latest financial year. If the interest payable on the subordinated loan cannot be paid, the interest shall be transferred to the first financial statement on the basis of which it can be paid. No capital or interest shall be secured.

10 DEFERRED TAX LIABILITY/ASSET

EUR thousand	2019	2018
Deferred tax asset		
Deferred tax asset from provisions	1,200	1,150
Deferred tax asset from deferred depreciation	539	1,219
Deferred tax asset from temporary differences	121	1,659
Total deferred tax asset	**1,860**	**4,028**
Deferred tax liability		
Deferred tax liability from sharebased payment	-	1,304
Deferred tax liability from loss on sale of bond	947	-
Total deferred tax liability	**947**	**1,304**

11 PREPAID EXPENSES

EUR thousand	2019	2018
Trade payables	9,417	8,061
Other receivables	6,169	8,027
Tax receivables	2,155	-
Total	**17,740**	**16,088**
Unrecognised costs		
Of the bond issue costs:		
Remainder of the capitalised long-term deferred receivables	1,172	1,497
Remainder of the capitalised short-term deferred receivables	325	325

12 EQUITY

EUR thousand	2019	2018
Share capital 1 January	72,702	72,702
Share capital 31 December	**72,702**	**72,702**
Reserve for invested unrestricted equity 1 January	-	146,925
Capital payment	-	−84,557
Reclassification	-	−62,368
Reserve for invested unrestricted equity 31 December		
Treasury shares 1 January	−2,806	−4,055
Decrease	1,078	1,250
Treasury shares 31 December	**−1,728**	**−2,806**
Retained earnings 1 January	156,563	65,578
Dividend distribution	−145,400	−60,776
Share-based payments	24	168
Reclassification	-	62,368
Retained earnings 31 December	**11,187**	**67,338**
Result for the period	**190,847**	**89,225**
Total equity	**273,009**	**226,460**
Distributable funds		
Retained earnings	11,187	67,338
Net result for the period	190,847	89,225
Treasury shares	−1,728	−2,806
Total distributable funds	**200,306**	**153,758**

13 PROVISIONS

EUR thousand	2019	2018
Estimated decommissioning costs of data centres and masts	4,641	4,641
Onerous contracts*	369	490
Pension provision	207	97
Restructuring provision	261	-
Other provisions	208	208
Total provisions	**5,687**	**5,436**

*) The provision covers the under-utilised premises for the full agreement term until 2025.

14 NON-CURRENT LIABILITIES

EUR thousand	2019	2018
Bonds	310,000	310,000
Loans from financial institutions	69,231	46,154
Loans from other group companies	100,000	-
Other long-term liabilities	25,835	33,277
Accrued expenses	239	253
Deferred tax liability	947	1,304
Total non-current liabilities	**506,252**	**390,988**
Non-current liabilities with a maturity of over five years.		
Borrowings	263,846	265,385

15 LIABILITIES TO GROUP COMPANIES

EUR thousand	2019	2018
Trade payables	2,988	9,638
Accrued expenses	7,092	7,831
Group account payables	11,245	123,042
Total liabilities to Group companies	**21,325**	**140,511**

16 ACCRUED EXPENSES

EUR thousand	2019	2018
Holiday pay and bonuses	21,230	23,143
Interest expenses	4,052	4,029
Sales accruals	12,638	1,957
Income tax		5,024
Other accruals	35,340	28,372
Total accruals	**73,260**	**62,525**

According to Telenor Group accounting principles, sales deferrals are transferred from sales receivables to deferred income EUR 8.903 thousands (2018 EUR 7.671 thousands).

17 PLEDGED ASSETS AND CONTINGENT LIABILITIES

EUR thousand	2019	2018
Pledged assets		
Other obligations on behalf of Group companies		
Bank guarantee	1,360	1,272
Contingent liabilities and other liabilities		
Finance lease payments		
Payments due during the next financial period	473	653
Payments due at a later date	260	463
Total finance lease payments	**733**	**1,117**

Leasing contracts are made for three-year periods.

Other contractual obligations

Loan collaterals involve the application of covenants. The agreed covenants are related to the good financial position and liquidity of the Group. Violation of any covenants may result in increased financing costs or termination of the loan agreements. The Group monitors the covenants and they have been met during the financial period.

Leasehold commitments *	101,235	100,447

*) Includes EUR 0,4 million (EUR 0,5 million) for the non-voidable lease agreement reported under the provision for onerous contracts.
In addition, DNA's agreements with some of its main suppliers contain minimum order quantities (units) for the contract period.
As DNA has discretion over which units to purchase over the contract period and the price per unit varies, DNA is unable to estimate the exact EUR amount for these commitments.

18 RELATED PARTY TRANSACTIONS

DNA's related parties include the main shareholders 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 company acquires products sold to external parties from its related parties. Related party transactions are with same terms than transactions carried out with independent parties.

Key management compensation

EUR thousand	2019	2018
CEO Jukka Leinonen		
Wages and salaries	1,092	781
Share-based incentive scheme (gross)	1,029	310
Total	**2,121**	**1,091**
Members and deputy members of the Board of Directors		
Pertti Korhonen	153	168
Jukka Ottela	63	68
Kirsi Sormunen	79	68
Anu Nissinen	66	65
Tero Ojanperä	76	62
Margus Schults	18	66
Heikki Mäkijärvi	0	17
Ted Roberts	44	0
Anni Ronkainen	57	0
Total	**556**	**515**

Those Board members who are non-independent of DNA Plc’s major shareholders forgo their entitlement for the reward.

No loans have been granted to the Members of the Board of Directors or the CEO.

Members of the Executive team are entitled to defined benefit pension at the age of 62 and the CEO and deputy CEO of the parent company at the age of 60. They have supplementary defined contribution plans.

SIGNATURES OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

Helsinki, 10 February 2020

Jørgen C. Arentz Rostrup
Chairman of the Board of Directors

Fredric Scott Brown
Member of the Board of Directors

Nils Katla
Member of the Board of Directors

Tero Ojanperä
Member of the Board of Directors

Anni Ronkainen
Member of the Board of Directors

Kirsi Sormunen
Member of the Board of Directors

Ulrika Steg
Member of the Board of Directors

Jukka Leinonen
President and CEO

AUDITORS' NOTE

An auditors' report have been issued today on the performed audit.

Helsinki, 14 February 2020

Ernst & Young Oy

Authorised Public Accountants

Terhi Mäkinen

Authorised Public Accountant

AUDITORS' REPORT

(Translation of the Finnish original)

To the Annual General Meeting of DNA Corporation

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of DNA Corporation (business identity code 0592509-6) for the year ended 31 December, 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in 7 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>Revenue Recognition
We refer to the Group's accounting policies and the note 5

DNA Group delivers goods and services which can be sold separately or bundled. There is an inherent risk around the accuracy of revenue recognized given the complexity of IT systems, high volume of customer contracts and transactions, and changing business and pricing models (tariff structures, incentive arrangements, discounts etc.). The application of revenue recognition accounting standards is complex and revenue recognition involves a number of key judgements and estimates.

Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2) due to the identified risk of material misstatement in revenue recognition.</td><td>Our audit procedures, considering the significant risk of material misstatement related to revenue recognition, included amongst other:
▪ assessing the application of group's accounting policies over revenue recognition and comparing the group's accounting policies over revenue recognition with applicable accounting standards;
▪ testing the IT general controls and application controls over the main IT systems and applications that bill material revenue streams;
▪ testing the revenue recognized including testing of group's controls on revenue recognition, when applicable. Our testing included among other tracing the information to agreements and testing cash receipts for a sample of customers back to the customer invoice on a sample basis;
▪ testing the end-to-end reconciliation from billing system to accounting system;
▪ testing the accruals for deferred and unbilled revenue;
▪ assessing the revenue recognized with substantive analytical procedures and
▪ assessing the group's disclosures on revenue recognition.</td></tr>
</table>

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Goodwill *We refer to the Group's accounting policies and the note 15* At the balance sheet date 31 December 2019, the value of goodwill amounted to EUR 339 million representing 23 % of total assets and 61 % of total equity (2018: EUR 327 million, 25 % of total assets and 54 % of total equity). The valuation of goodwill was a key audit matter as: ▪ the management's annual impairment test is complex and involves judgments ▪ the annual impairment test is based on market and economical assumptions ▪ the goodwill balance is significant. The cash flows of the cash generating unit are based on the value in use. Changes in the assumptions used can significantly impact the value in use. The value in use is dependent on several assumptions such as the growth in net sales, development in EBITDA, discount rate and the long term growth rate used. Changes in these assumptions can lead to an impairment.	Our audit procedures included, among others, involving valuation internal specialists to assist us in evaluating the assumptions and methodologies used by the group including those related to forecasted net sales, EBITDA, the weighted average cost of capital and long term growth rate used in discounting the cash flows. We reviewed the sensitivity in the available headroom by cash generating unit and focused on whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We compared the historical forecasting of the group with actual outcome and we compared projections to the latest budgets approved by the board. We checked the mathematical accuracy of the underlying calculations. We compared the groups' disclosures related to impairment tests in note 15 in the financial statements with presentation requirements in applicable accounting standards and we reviewed the information provided on sensitivity analysis.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 28 March 2019.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 14.2.2020

Ernst & Young Oy

Authorized Public Accountant Firm

Terhi Mäkinen

Authorized Public Accountant