Annual Report 2008

Contents

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Do you see pink?

DNA is pink. "That colour is a brilliant idea; never mind that it's quite dreadful," was my sister's felicitous remark when she visited yet another colourful DNA event plastered with pink from floor to ceiling. Very true! Pink is associated with DNA, and the National Board of Patents and Registration of Finland has accepted our pink-fringed logo among other recognised trademarks.

This is good but not quite good enough. It is even more important for us to know what Finns think when they see the DNA pink on the streets or when they hear our name mentioned. We hope they think low cost, cheap even. That is how we have priced our products and that is the message we are sending across the board. There is nothing wrong with being cheap. Price should not prevent people from having access to a universal service such as telecommunications. We consider it vital to offer our customers low-cost telecommunications services so that they will have money left over to do other things.

But low cost is not the only image we want to get across. We also want to be known for excellent customer service; for being responsive and highly competent. A bold move, many have said to me. When good customer service is one of your key communication priorities, poor customer experiences are exposed more easily. We do our best but we all make mistakes. Nevertheless, that is no reason to stop trying and improving. On the following occasion, we will have learned from the mistakes we have made. By customer service, we mean all of our customer contacts in stores and call centres, including the reliability of our services. After all, doesn't the best customer
service simply mean that everything works?

I hope you will enjoy reading our new Annual Report!

Vilhelmiina Wahlbeck
Vice President, Corporate Communications

PS. I love writing lists of everything, even lists of lists that I should be writing. On the following pages, you will find others who reveal their hidden talents and gifts...

“DNA is as flexible as I am”

I CHOSE DNA three years ago when I was going to see my brother in New York and wanted to keep in touch with my family back home – DNA made this possible.

DNA is my personal subscription and I value it a great deal. My son and myself have DNA Kimppa. I often text him and receive many photos of my 18-month-old grandson on my mobile. I love sports – I dance ballet, roller skate in the summer, travel and go sailing.

If I had more spare time, I would take up acting.

KARIN • 52 • BALLET DANCER

Original and bold, efficient and flexible

DNA is Finland's fastest growing telecommunications operator. We offer high-quality, reliable and low-cost telecommunications services nationally to private customers and businesses. Our operating model is highly efficient, allowing us to respond to changes rapidly.

DNA has a great combination of state-of-the-art know-how, decades of experience and fresh energy. It is an interesting, bold and original company.

We know our customers and how much they value good customer service, an extensive product range and value for money. It comes therefore as no surprise that our customers are among the most satisfied mobile communications customers in Finland.

Even as the use of telephones and the internet continues to increase, the telecommunications market in Finland has stalled. In this competitive situation, businesses must remain cost-efficient and stay at the forefront of business development in order to succeed. Equally, in a difficult economic climate, pricing becomes imperative.

The popularity of wireless internet connections will grow everywhere, but the fixed-line network will maintain its position in high-capacity data transfers.

In 2008, our net sales amounted to EUR 647 million. At the year-end, we had around 2.3 million customers, with 3G network coverage of some 80 per cent.

"DNA has around 2.3 million customers"

DNA'S KEY FIGURES 2008 (IFRS)

EUR million	2008	2007
Net sales	647	538
EBITDA	166	136
EBITDA, %	25.7	25.3
EBIT	69	63
EBIT, %	10.7	11.7
Profit/loss before taxes	64	60
Capital expenditure	97	76
Cash flow from operations	147	106
Gearing, %	29.2	6.7
Return on equity (ROE), %	8.1	17.5
Personnel at end of period	982	1 214

The global bubble has burst

2008 was a year of turmoil both in the global and national economy. The prolonged overheating of the financial market and its separation from the real economy led to a credit crunch and collapse of the stock market.

Only around twenty years ago, the size of the financial market was comparable to global gross national income, while prior to the onset of the credit crunch, the size of this market had more than tripled.

Finance, a critical support function for society and companies, had transformed into a vast, independent business without any connection to the real world. However, regulation was lagging behind market development, which is why we are all now faced with paying for the consequences.

Meanwhile, telecommunications have become an essential asset. Economic downturn or not, both private and business customers will want to stay in contact with their friends, family and business partners, search the internet and watch television. These needs create a stable base for DNA's business. We believe in the power of our strong brand, especially in times of economic difficulty.

JAN-ERIK'S MESSAGE:

I am proud of DNA

Having considered my job as DNA's CEO a fixed-term project, I have succeeded in achieving the targets I was set. The time has come to hand this exciting project over to a new person, Riitta Tiuraniemi, who assumed responsibility for leading and developing DNA at the beginning of the year.

When I was appointed DNA's President and CEO in the autumn 2005, we were facing major challenges, which had to be overcome in order for DNA to remain in business. At the time, DNA was making a loss, and its shareholder relationships and structures had room for improvement. Luckily I had a very knowledgeable and skilled team helping and supporting me – achieving everything alone would have been impossible.

In less than three and a half years, we have managed a complete turnaround and made DNA into a profit-making, dividend-paying company. We improved our shareholder interface and now the shareholders, the Board of Directors and the management team share the same view concerning DNA's future. Today, DNA is one of three telecommunications operators in the Finnish market.

DNA means a great deal to me. It has been extremely rewarding to see progress and achieve great results, drawing on the Board's support and trust and working with my wonderful colleagues. I feel that I have achieved the peak of my career at DNA and accumulated many good memories and experiences that will remain with me.

Jan-Erik Frostdahl

I'm addicted to detective novels; I read 80 of them during my three years at DNA, when commuting by train.

"Drawing strength from a single and unified DNA culture"

Key objectives successfully achieved

Despite a stormy operating environment, 2008 turned out to be a year of strong growth and stabilising operations for DNA. Following the acquisition of the fixed-line businesses of six telephone companies in the previous year, one of the year's priorities was the integration and streamlining of these acquisitions into a single operation. Another goal was to promote continued growth in the mobile communication business. Both of these priorities were achieved successfully and according to plan.

'Mokkula' captures Finnish hearts

The mobile modem, nicknamed Mokkula, opened a new market in 2008. Making mobile broadband part of everyday experience in Finland was a genuine breakthrough and launched an upward trend in the mobile broadband business.

Mokkula's success is a perfect example of how telecommunications operators should identify with their customers instead of trying to promote engineering or technology-based product concepts. This is how DNA Mokkula – now an essential part of DNA's brand and appeal – came to be. As one of this year's goals, we want to make Finns understand that 3G mobiles also come with Mokkula and learn to use the internet via ordinary 3G mobile phones.

"3G mobiles also have Mokkula"

More satisfied customers, one company and continued growth

Our goals for 2009 are clear. We are creating one DNA with one corporate culture. A total of 15 companies have joined DNA Group in recent years and it is now time to concentrate all of our operations in one organisation and create a single and unified DNA culture. A natural part of this reorganisation will be a transition from a technology-based structure to a customer-based one. We believe that this will further improve our customer service ability.

Our goal is to continue growing and expanding our geographical service availability in Finland. We intend to become the leading operator in the telecommunications consumer sector within the next few years. In addition, we strongly believe that our distinctive DNA way of meeting our customers and promoting our customer focus will continue to create revenue and growth in the future. In 2008, DNA's customers were already among the most satisfied telecommunications service users in several Finnish surveys. We will maintain this trend by offering our customers clear-cut, easy-to-use telecommunications products with the best value for money.

Telecommunications operators facing change

Although mobile broadband will promote new growth, the telecommunications market in general will no longer grow in Finland or elsewhere in the developed world. Moreover, free internet services are gaining a stronger foothold in the operator business. These will create new challenges for operators used to growing business and high margins.

DNA is well-prepared for this change. Having quickly broken down heavy structures, we operate a light and flexible organisation, which provides us with a great opportunity to battle recession and introduce new business operations. We believe that our efficient operating model will be the key to our future growth, both in Finland and globally.

I would like to thank our customers, employees, shareholders and stakeholders for a rewarding year. Let's make 2009 another year of successful conquests.

Riitta Tiuraniemi
President and CEO

My latest interest is scuba diving. Nothing is as exciting and breathtaking as exploring the deep blue waters.

“I dig DNA’s style, their ads are cool”

I HAVE THIS DREAM SUBSCRIPTION – 3000 of everything, I mean like minutes and texts. I don’t have to count, just talk and text as much as I want, which is great now when my boyfriend is doing his national service.

I chose DNA when I had to start paying my own bills. DNA’s customer service rang and the agent helped me to find the right package.

A lot of my free time is spent in team gymnastics and competing. At the weekends, I hang around with my mates in town and go to the cinema. This spring I’ll have to start revising for the university entrance exams and that’ll be tough.

I’m an aunt to two really cute kids, 6 and 9 years old.

ANNIS • 19 • HIGH SCHOOL GRADUATE

We are a strong player and keep seeking growth

DNA's mission is to have the most satisfied customers, offer the best value for money and achieve growth. We will continue to strengthen our position in the domestic market, where we are seeking to become the most efficient and attractive telecommunications partner. Our growth will be created in new markets and with new operations.

The cornerstones of DNA's strategy are a strong brand, responsive customer care that values customers, select and standardised services, and efficient and extensive distribution. These values will guide all DNA's operations, and each of them will support DNA's strategic mission to become the most efficient and attractive telecommunications partner and the fastest-growing company in its sector.

"Success of Mokkula demonstrates DNA's competence in branding"

A group with two businesses

In 2008, DNA Group was divided into mobile communication and fixed-line network businesses. We focused on integrating our fixed-line network businesses into DNA Group, and it has progressed according to plan and schedule. Growth in the mobile communication business continues, with mobile broadband as one of the key priorities.

Most efficient and attractive

We will strengthen our position in the domestic market, where competition for customers and prices continues to intensify.

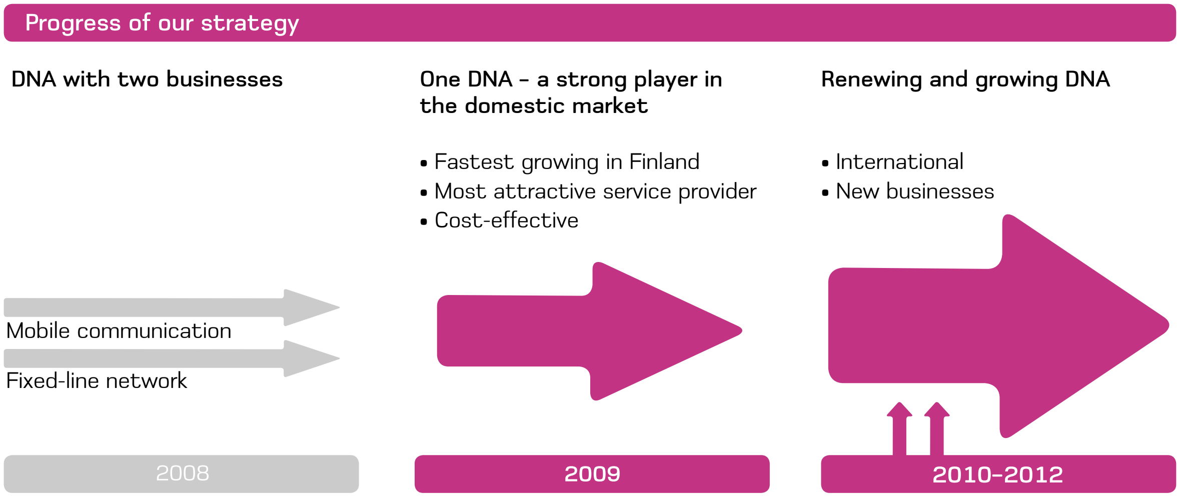
With the help of a simple and responsive operating model, we seek to become the best company in the world in terms of operative efficiency. As the market continues to saturate, continuous improvements in profitability and cost-efficiency are more important than ever.

"The most satisfied customers, the best value for money and the highest growth"

Our mission is to become the most attractive partner for consumers, SMEs and organisations. This mission is supported by our excellent customer care and competitive value for money, as demonstrated by high rates of customer satisfaction and retention.

Seeking growth in international markets

Since DNA's domestic market is achieving only modest growth, we have to expand our business elsewhere. Furthermore, since Finland's market is small and slow to take on new developments, our new operations will be launched in the international market. Such international operations are likely to be carried out with our partners, allowing us to leverage our efficient operating model.



Open to new ideas

Renewing business operations, methods, products and services becomes essential when facing intensifying competition. Our growth opportunities lie in new and innovative ideas. With the help of our internal innovation process, we encourage our employees to contribute to the development of new ideas. Our specialists participate in the process, giving direct feedback to innovators.

Towards a new era

Having clarified our strategy, we reorganised our operations at the beginning of 2009. We have moved from technology-based divisions to a customer-focused operating model with a single, coherent customer interface.

For more information on DNA's new operating model, see the next page.

WE WILL SUCCEED TOGETHER

Having a coherent culture is immensely important to our success, since our culture is our strongest guiding hand in all operations. A strong culture creates a competitive edge as much as pricing, products, distribution or any brand may do.

For a culture to provide a genuine advantage, it should be commensurate with the market and the industry. In the continuously changing telecommunications business, DNA will succeed with a bold, flexible and open culture, where customers are genuinely valued.

Operating processes, practices and the way in which we do business contribute to our corporate culture. That is why a single, coherent operating method is extremely important. Through this profound transformation, we have sought to distance ourselves from our old thinking and methods.

A successful strategy will emerge from a strong culture, which will make us even more powerful and competitive.

Our vision is to become one DNA, have one culture, one clear strategy and a coherent way of operating.

Creating a more effective DNA

The reorganisation of DNA, launched in early 2009, will create an entity with a strong culture, a clear strategy and a coherent way of working. DNA's business is now divided into consumer and corporate businesses, with customer-focused management, planning and monitoring.

We will develop DNA into an active, bold and flexible player seeking change and strong growth in the Finnish and European telecommunications market. Success would not be possible without a genuinely unified DNA with one culture and a clear strategy.

"One DNA with one culture, one clear strategy and a coherent operating method"

Ensuring our competitive edge

The business reorganisation launched in early 2009 is a follow-up on the change implemented on 1 July 2007, involving the combination of six regional telephone companies' local fixed-network businesses into DNA, previously merely a mobile operator.

DNA's business has been divided into consumer and corporate businesses instead of the former mobile, fixed-line network and retail outlet businesses. Our financial reporting has reflected the new operating model as of 1 January 2009.

Highly efficient operating model

We continue to streamline the Group businesses by clarifying and unifying our operations. Our business units will be responsible for profitability and defining our major guidelines, i.e. that we are doing the right things. The operative units will be responsible for the efficiency of operations, i.e. that we are doing things in the right way. They will develop customer service, sales and marketing based on business needs.

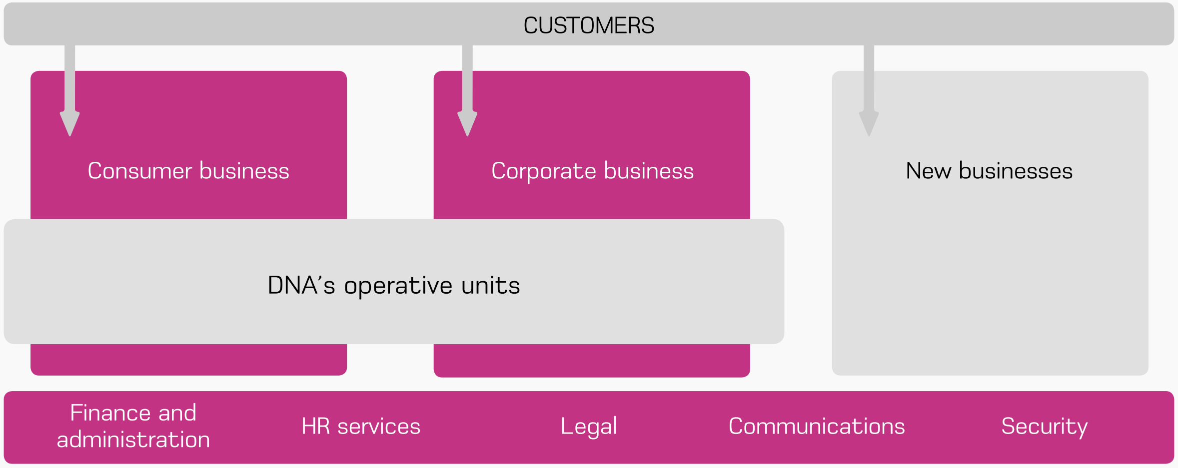
"We are doing the right things in the right way"

Combining skills and vision

The objective of the new operating model is to provide direction, planning and monitoring based on our customers' needs. Through close cooperation between our business operations and operative units, we can ensure that customer-focus and overall targets are met at all levels of DNA.

Achieving growth will be one of our key targets in the future. While we seek growth through competitive pricing, a strong brand and wide distribution, we must also prepare the ground for new business.

Our new operational model focuses on customers



Selected and standardised services

Households

- Recognisable home and mobile phone subscriptions
- Fast broadband and remote working connections
- Diverse cable TV services
- Security services
- Diverse communication, information retrieval, safety and entertainment services, combining the best features of different networks

Businesses

- Communication systems and services for fixed-line networks and mobile communications
- Fixed-line and mobile business networks
- Telecommunications for remote working
- Security services
- Communication, management and retrieval of information and interactive services using various information networks and their combinations

Firm grasp of mobile broadband

In 2008, DNA's mobile communication business succeeded in winning a strong position in the Finnish mobile broadband market through original and bold marketing.

Employing state-of-the-art technology, DNA offers high-quality services to Finnish consumers, companies and organisations as well as produces nationwide network services for service operators.

Our mobile communication business covers mobile phone subscriptions, designed for a variety of uses, and mobile broadband services, which grew significantly in 2008. At the end of 2008, DNA's mobile communications network covered 1 663 000 subscriptions, a year-on-year increase of 345 000 customers.

A year for mobile broadband

Mobile broadband revolutionised telecommunications and keeps changing the ways in which we use the internet. However, it will not replace fixed-line broadband but complement it, meeting different customer needs.

DNA's Mokkula campaign received the Vuoden Markkinointiteko 2008 (Marketing Act of the Year) award granted by the Markkinointi&Mainonta magazine and the Finnish Marketing Association. Mokkula is a sign of our skilful branding and individual marketing communications, which bring a smile to our customers' faces.

Intensifying competition

The best growth opportunities for Finland's mobile communication market will be found in the mobile broadband market. Competition will continue to intensify, highlighting the importance of competitive pricing and the development of new products and services.

DNA is ready to face tough competition. Our production prices are low, and our mobile communication business has developed into an efficient unit over the years. We had successfully increased our market share of the Finnish mobile communication market to 24 per cent by the end of 2008.

"We will succeed in the intensifying competition"

Expanding the coverage of a high-quality 3G network

Some 80 per cent of residents in Finland had access to DNA's 3G network coverage at the end of 2008, and this figure is expected to rise to 90 per cent during 2009. In 2008, over EUR 50 million was invested in DNA's 3G network coverage and capacity increase.

In addition to building new base stations, we will expand the capacity of the existing 3G network. We wish to guarantee broad coverage, smooth 3G data transfer use and a high standard of service. Our goal is to offer the most efficient network in Finland in proportion to customer volumes, ensuring the best value for money on the market.

Continuing to launch new services

At the end of 2008, we launched the DNA Mainio mobile subscription. Partly financed through advertising, this low-cost subscription shows how DNA is capable of developing innovative services and offering customers new choices.

› For mobile communication business key indicators, see page 20.

A strong nationwide player

DNA is a reliable partner in meeting communication needs and providing network solutions. In 2008, DNA's fixed-line network business concentrated on integrating a number of separate functions.

The fixed-line network business offers services to consumers, companies and organisations. Its services cover broadband, cable TV, voice and security solutions, including connections and terminal devices.

At the end of 2008, DNA had 190 000 broadband subscriptions, 263 000 conventional telephone subscriptions, and 229 000 customers covered by DNA's cable TV distribution networks. Broadband services were most in demand, and the number of pay TV subscriptions has also increased.

Successful business integration

2008 was the first complete year for our fixed-line network operations, following the transfer of the business operations of regional telephone companies to DNA and the integration of several companies and cultures. We have set up a new organisation, harmonised our product range and expanded our services. Despite these changes, our customer service standards and customer satisfaction have remained high.

Our business integration process has included streamlining through outsourcing.

Strengthening corporate sales

DNA is pursuing determined growth. Part of our growth targets will be achieved by expanding corporate sales. At the end of 2008, corporate sales were increased in the capital region as well as in the Salo, Kotka, Jyväskylä, Tampere, Lappeenranta, Kajaani and Mikkeli economic regions. During the first phase, we will establish our operations and extend our service range.

Added value for customers

Competition for market share is tough. We consider it important to be among the developers of our industry and to understand the real added value of new services to customers. As the first in Finland to do so, DNA launched a fixed-line network broadband option with unlimited music downloads.

DNA Music Broadband includes access to the catalogue of the world's largest record company. DNA is joining the growing digital music market by offering a legal and secure way of downloading music.

"Different perspectives help us find new ways to serve our customers"

Information technology services for businesses and organisations

DNA is a reliable specialist partner in ICT needs and providing network solutions. While subscription products form the basis of our business sales, the share of sales of various additional services, including firewall and anti-virus services, is growing.

In 2008, DNA launched its corporate server centre service, which helps customers avoid unnecessary investments, while saving on IT management costs and facilitating IT architecture management. Customers can either store their own servers in DNA's data centres or purchase complete server solutions. In either case, DNA will assume responsibility for all server-related matters.

› For fixed-line network business key financial indicators, see page 20.

Dedicated distribution close to our customers

DNA Store is Finland's largest mobile phone distribution chain, with over 70 retail outlets across Finland. DNA Stores are renowned for their great customer service and competitive pricing.

DNA Store Ltd, responsible for the distribution of DNA's telecommunications services, owns two retail chains, DNA Store and DNA Market, providing mobile and broadband services, mobile phones and accessories. DNA Markets also sell television services.

Extensive and highly efficient distribution
DNA Markets are recognised regional retail outlets, offering customers a comprehensive service and a wide range of mobile communication and fixed-line network products and services. There are currently 11 DNA Markets.

DNA Markets are primarily located at major shopping centres, benefiting from high customer volumes. Their product range is based on fast turnover, with sales focused on mobile phones and subscriptions and mobile broadband. There are currently 64 DNA Stores.

In both retail chains, operations are managed centrally. Moreover, continuous and systematic staff development guarantees good product knowledge and coherent practices.

An important channel: telephone sales
We develop our telephone sales to ensure high standards of service, increasing sales and customer satisfaction. By establishing four dedicated call centres, we will be able to improve our professional skills management and service level in telephone sales.

"At DNA's retail outlets, we meet our customers – understanding our customers enables us to offer them telecommunications services that meet their needs"

The first sales-focused call centre was set up in Oulu, and similar operations will be introduced later in Kuopio, Tampere and Turku. The centres will employ 100–150 people.

The call centres will focus on selling DNA's mobile and fixed-line network products and services.

“DNA provides us with the most comprehensive and competitive package”

ISKU SHARES A LONG HISTORY with DNA and its predecessor PHP, reaching back to Isku’s establishment. We use several DNA services, such as mobile phones, landlines, domain subscription and access control.

For us, DNA is a significant link in the business process – we particularly like their ability to understand their customers and identify solutions, as well as their proactive attitude. We trust in DNA as a service provider and expect them to deliver uninterrupted service in each of our 40 sites in Finland.

My mobile number has not changed for 25 years – only the network code is different.

JUKKA • 49 • MANAGING DIRECTOR, ISKU INVEST LTD

DNA – known for its satisfied customers

Having the most satisfied customers is one of DNA's key strategic objectives. Achieving first-class customer satisfaction will be helped along by an original and bold brand, a responsive service according to which customers are genuinely valued, comprehensive and efficient distribution and highly competent service and network production.

Surveys indicate that DNA ranks highest among the large Finnish operators in terms of mobile communication customer satisfaction. In a recent EPSI survey, published at the beginning of November 2008, DNA's quality and image were ranked highest among telecommunications businesses by Finnish consumer and business customers.

We monitor and measure customer satisfaction and retention with the help of internal and external surveys. The results will help us develop our services even further.

Our internal surveys show that low cost is often the reason for choosing DNA's services. We offer our customers solutions which do not break their budget. For example, our broadband was rated the least expensive of 1 Mbit/s wireless broadband subscriptions in October 2008 (the Finnish Communications Regulatory Authority Market Review 3, 2008).

A responsive customer service, which makes the customer feel valued, is a matter of honour for us. Like other telecommunications operators, we report our customer service response times for each quarter. In 2008, we were consistently rated as being among the operators with the shortest response times.

Low cost

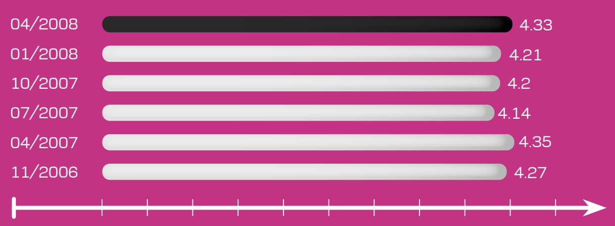
78%

Responsive customer service

46 sec

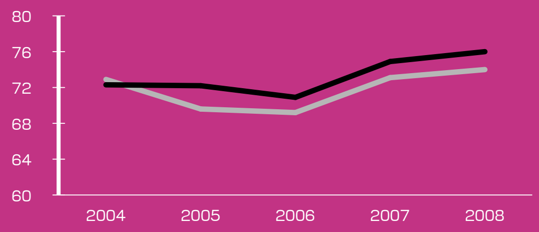
Average response time in 2008

CUSTOMER SATISFACTION



Source: Taloustutkimus

DNA'S CUSTOMER SATISFACTION IS HIGHER THAN IN THE SECTOR IN GENERAL



Source: EPSI rating

We asked our customers what DNA means to them:

83% Reliable
70% Values customers
78% Low cost
58% Happy and original
47% Bold

Source: AddValue

Our customer service strengths:

- **Fair service attitude**
- **Sound knowledge**
- **High availability**
- **Responsiveness – over 60% of calls answered in less than 20 seconds**

DNA reflects its employees

In 2008, DNA's human resources department concentrated on integrating practices and operating models, and implementing organisational changes. Our vision is to create one DNA with a strong culture and coherent practices.

At the end of 2008, DNA Group employed 982 people (1 214 at year-end 2007) of which 62 per cent were men and 38 per cent women. The average age of our employees was 38.8 years.

Promoting competence as part of business development

As part of planning ways to develop DNA's competence base, we introduced a competence management system and carried out a Group-wide skills mapping exercise in November–December 2008.

Our training is based on meeting the needs identified at corporate level and in personal performance reviews.

In 2009, we integrated competence development further into the development of DNA's other operations. Consequently, employee training will meet DNA's future competence needs to a greater extent than before. Our goal is to encourage our employees to assess their operational environment and develop their skills to meet its demands. Learning will form part of DNA's corporate culture.

In March 2009, we will launch a two-year leadership training programme, which will strengthen the role of supervisors and help create a coherent leadership model that meets DNA's needs.

Encouraging employees to take the initiative

DNA's human resources management emphasises the importance of competence, high standards of customer service and commitment to life-long learning. Leadership is based on transparency and trust at all levels of the organisation. Our objective is to safeguard our future operations and competitiveness by fostering employee competence, work satisfaction and commitment.

We encourage our employees to develop their skills and take the initiative. Responsive, motivated and service-orientated people are DNA's most important asset.

"Learning will form part of DNA's corporate culture"

Fostering wellbeing and the motivation of employees

In 2008, practical measures promoting wellbeing at work were based on employee surveys and performance reviews.

With regard to fostering wellbeing at work, creating a coherent structure and environment for employees at all levels of the Group was highlighted as one of the most important measures. All employee benefits and practices were harmonised throughout the Group in 2008.

In the spring of 2008, we carried out a work atmosphere survey, achieving a high response rate of 69 per cent. The survey identified team atmosphere, effectiveness, high standards and day-to-day frontline management as DNA's strengths. Employees' commitment to the company and to their own work and personal development were also highlighted. Issues requiring improvement included cooperation between the Group's businesses, communication, and organisational structure and guidance.

Close cooperation
In 2008, we cooperated closely with employee representatives, developing our operations in a spirit of partnership. At the year end we renewed our employee programme agreement for 2009. The objective of the programme is to maintain motivation as part of change management.

Working together for a more effective DNA
The human resources department's objective for 2009 is to create a strong culture for one DNA. This objective is supported by an organisation ready to implement changes, competence development, supervisor training and the strengthening of its internal and external employee image.

At the beginning of 2009, we initiated cooperation negotiations in order to clarify the Group structure and the allocation of work between the DNA Group businesses while ensuring high performance amidst intense competition. In effect, we will focus on establishing a functional organisation and streamlining the corporate structure in order to develop Group operations. We will facilitate this process in line with the transition assistance regulations and draw up a re-employment plan, which will take account of employee wellbeing during the transition process and outline employer support measures. For more information on DNA's new operating model, see pages 10–11.

"DNA's strengths include its great atmosphere and front-line management"

SHARING DNA'S VALUES

Employee representatives, together with the communication and human resources departments, carried out a value project, resulting in a shared set of DNA values.

We first consulted our employees about their views on DNA and the kind of values they would want DNA to represent. Based on their responses, a working group together with the management team began to outline values that could be shared by all DNA employees. Their efforts resulted in DNA's new values: **individuality, boldness and closeness.**

DNA'S EMPLOYEES 31 DECEMBER 2008

	Total	%	Men	%	Women	%	Average age
DNA Ltd	42	4.3	19	45.2	23	54.8	40
Fixed-line Network Business*	687	69.9	497	72.3	190	27.7	43.3
Mobile Communication Business**	206	21.0	115	55.8	91	44.2	37.3
DNA Store Ltd	47	4.8	35	74.5	12	25.5	34.4
DNA Group	982	100	666	62	316	38	38.8

*) DNA Services Ltd and Päijät-Visio Ltd
**) DNA Finland Ltd

Key indicators by DNA's businesses

MOBILE COMMUNICATION BUSINESS 2008

EUR million	2008 (IFRS)	2008 (FAS)	2007 (IFRS)
Net sales	**424**	435	390
EBITDA *	**91**	86	81
EBIT *	**54**	49	47
Capital expenditure	**66**	65	58
Personnel at end of period	**227**	227	207
Amount	12/2008	12/2007	12/2006
Number of subscriptions	**1 663 000**	1 318 000	1 070 000
DNA's own customers	**1 565 000**	1 245 000	980 000

*) 7-12/2008 includes adjustment to group-internal item.

FIXED-LINE NETWORK BUSINESS 2008

EUR million	2008 (IFRS)	2008 (FAS)	2007 (IFRS)
Net sales	**215**	239	138
EBITDA	**60**	67	33
EBIT	**34**	40	20
Capital expenditure	**27**	27	17
Personnel at end of period	**713**	713	951
Number of subscriptions	12/2008	12/2007	
Broadband	**190 000**	195 000	
Telephone subscriptions	**229 000**	253 000	
Cable TV	**263 000**	258 000	

*) 7-12/2008 includes adjustment to group-internal item.

“DNA’s prices and services don’t break my budget”

I TOOK OUT A DNA SUBSCRIPTION a couple of years ago. DNA could offer me the right option for the right price – I only pay for the minutes I use. At DNA’s store, the service was very professional. I felt like a valued customer, and was allowed to make up my own mind about the subscription without any pressure.

My cultural tastes are very diverse – I like concerts, theatre and music. I read a lot, especially novels based in real life and biographies.

I would describe myself as curious, and even bold. I am always excited about trying out new things.

MARJA • 52 • CULTURE LOVER

Recognising the importance of corporate responsibility

We acknowledge our responsibilities towards customers, shareholders, employees and other stakeholders. Responsible business creates a strong foundation for DNA's operations.

DNA's corporate responsibility is based on our corporate values, practices and development of our business operations. Our operations comply with the defined corporate responsibility levels: financial, environmental and social.

Principles of corporate responsibility produce a set of shared policy guidelines and rules. Responsible practices guide us in managing risk, working out innovative service solutions and identifying new business opportunities.

We monitor responsibility with the help of financial and environmental indicators, product and service quality control, and partner audits.

Profitability and competitiveness

DNA's financial responsibility includes meeting the expectations of customers and shareholders, timely investments and product innovation, and generally supporting the economic welfare of our employees and society.

Profitable growth and competitiveness will create opportunities to continuously develop our operations, improve our earning power and grow our business with the requisite prudence. DNA's operations are guided by an unambiguous and sustainable strategy.

DNA issues quarterly financial reports and operates within the limits set by legislation and general agreements.

Caring for the environment is only natural

DNA's environmental responsibility involves the building of communication networks, cooperating with other industry organisations and maintaining our sites. We comply with the current environmental legislation and expect the same from our contractors.

We acknowledge the environmental impact and risks of our business and strive to adapt our operations in order to maintain sustainability and prevent our operations from causing any harmful impact.

"Corporate responsibility is a key aspect of our management culture"

We pay increasing attention to the travel arrangements of our employees and advocate solutions which decrease our requirement for travelling, such as telephone and video conferencing.

DNA emphasises the durability, life cycle and recovery or materials throughout the supply chain. Materials are recycled and waste is sorted on our sites and retail outlets. We decrease our paper consumption by favouring new communication solutions.

Energy consumption is DNA's key environmental responsibility

Our energy decisions are made systematically, cost-effectively and in compliance with environmental protection regulations.

We are engaged in enhancing our environmental reporting, which will cover energy consumption, primarily in offices, data centres and retail outlets, including lighting, cooling and electrical equipment. As DNA does not own any major transport equipment, transport matters are reported by our partners.

Actively greening the industry
DNA is an active participant in the Green ICT working group set up by FiCom, Finnish Federation for Communications and Teleinformatics. Members of the working group include telecommunications and information technology companies, which assess the impact of their operations according to the Global Reporting Initiative indicators, where applicable in the Finnish ICT industry. The project will map the services offered by ICT companies in order to help other sectors improve their energy efficiency. In the spring of 2009, the project will run a campaign informing consumers and other stakeholders about the environmental support provided by the ICT industry and ways in which ICT equipment can be used more energy-efficiently.

Responsible customer service and products
High standards of customer service, best practices, cooperative networking with other businesses, relationships with partners, and support for non-profit causes form part of DNA's social responsibility. Corporate responsibility also has a strong impact on the products and services we offer to customers, as well as on customer service practices in call centres, retail outlets and electronic communications.

DNA'S CUSTOMERS VOTE FOR YOUTH WELLBEING

In December 2008, DNA carried out an online vote for customers and partners on how to allocate the Group's donation, totalling EUR 50 000, to charity.

DNA had chosen three participating charities in advance. A total of almost 5 000 votes were cast, and the winning charity was the No Excuse project, which focuses on the wellbeing of young people. On the basis of the vote, the donated sum was allocated as follows: No Excuse 23 500 euros (47%), the Finnish Red Cross social work project 16 000 euros (32%) and WWF's climate project 10 500 euros (21%).

No Excuse is a project aimed at value-based education, in which the main focus is on the wellbeing of children and youth. No Excuse arranges lessons and events at schools, the central themes being bullying and its effects, the importance of self-respect, living by values and the changes achieved through a new way of thinking. ■

Corporate Governance

Where applicable, DNA follows the Corporate Governance code of Finnish listed companies, which entered into force on 1 January 2009. The code is mainly intended for use by companies listed on the Helsinki Stock Exchange.

DNA Ltd is a Finnish limited company. The obligations and responsibilities of its governing bodies are determined by Finnish legislation and the principles of corporate governance, as defined by the Board of Directors. Parent company DNA Ltd and its subsidiaries form DNA Group, which operates nationwide. The company is registered in Vantaa, Finland.

The ultimate power of decision lies with the shareholders' General Meeting. The company is led by the Board of Directors and the CEO.

In decision-making and administration, DNA adheres to the Finnish Limited Liability Companies Act, the Articles of Association and, where applicable, other regulations concerning listed companies. DNA also follows, where applicable, the Corporate Governance code of Finnish listed companies, which entered into force on 1 January 2009 and is mainly intended for use by companies listed on the Helsinki Stock Exchange.

General Meetings

General Meetings are convened by the Board of Directors. The Annual General Meeting is held by the end of June at the time specified by the Board of Directors, whereas the Extraordinary General Meeting is convened as and when deemed necessary.

General Meetings handle matters proposed by the Board of Directors and other parties. A shareholder shall have the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting, if the shareholder so demands in writing from the Board of Directors well in advance of the meeting, so that the matter can be included in the notice. The notice of the General Meeting is sent to the shareholders no later than eight days before the General Meeting.

The Chairman of the Board of Directors, the CEO and a sufficient number of Board members shall be present at General Meetings. A person standing for election as a member of the Board of Directors for the first time shall be present at the General Meeting deciding on the nomination, unless there are weighty reasons for said person's absence. The auditor shall be present at the Annual General Meeting at all times.

The company has one share series. A share entitles to one vote at General Meetings.

The company Articles of Association include a redemption provision. The right to vote at the General Meetings and the redemption of company shares are restricted by shareholder agreements.

Board responsibilities

The Board of Directors is responsible for organising proper control of the company's administration, operations, accounting and asset management and, where applicable, for improving shareholder value.

The Board of Directors has confirmed a written standing order on the tasks of the Board of Directors, matters to be dealt with, meeting practices and the decision-making process. According to the standing order, without exceptions the Board of Directors handles and decides on matters that are significant for the Group's finances, business or principles.

Board members and term of office

The General Meeting elects a Board of Directors, which under the Articles of Association comprises no less than six and no more than eight ordinary members. A person who has reached the age of 68 cannot be elected to the Board of Directors. When electing members to the Board of Directors, the requirements laid down by the company's operations and development phase will be considered.

The term of office of a member of the Board of Directors expires at the end of the Annual General Meeting following the election.

The Board of Directors elects the chairman from among the members for each term of office. The chairman is responsible for leading the Board of Directors.

Board decision-making and meeting practices
A quorum is constituted by the presence of more than half of the members of the Board of Directors.

The Board of Directors meets as and when deemed necessary, and regularly approximately once per month. The company shall report the number of Board meetings held during the financial period and the participation rate of members. The participation rate of meetings of the Board of Directors was 90 per cent in 2008.

The Board of Directors must carry out an internal self-evaluation of its operations once per year.

Furthermore, the Board of Directors does not have any sub-committees.

CEO
The CEO is responsible for managing the work of the company in line with the guidelines and rules issued by the Board of Directors and informing the Board on the development of the company's business and financial situation. Moreover, the CEO is responsible for arranging the company's routine administration and ensures that the company's asset management has been reliably organised. The CEO is nominated by the Board of Directors.

The CEO shall manage the company's routine administration in line with the guidelines and rules issued by the Board of Directors. Taking into consideration the extent and nature of the company's operations, the CEO may take extraordinary or far-reaching action only when so authorised by the Board of Directors. The CEO ensures that the company's accounts comply with the legislation in force and that asset management has been reliably organised. The CEO is duty-bound to deal independently with matters falling within his/her competence.

Principles of internal control
The Board of Directors has confirmed the principles of internal control, which are based on the widely recognised international principles of good governance.

Organisation of enterprise risk management
Risk management is based on the policy adopted by the Board of Directors, defining the objectives, principles, organisation, responsibilities and key practices of risk management.

Internal audit
The functions and principles of the company's internal audit have been defined in the description confirmed by the Board of Directors. Internal audit is carried out in accordance with the annual plan. Persons carrying out the internal audit and the auditing of the accounts shall communicate in order to coordinate auditing.

The objective of auditing is to ensure that company's targets are met in several areas, such as the effectiveness and efficiency of operations, the reliability of financial and operational reporting, legislative compliance and the safeguarding of assets.

Auditing of the accounts
The financial year comprises each calendar year. Under the Articles of Association, the company has one auditor, nominated by the Annual General Meeting.

The Board of Directors prepares a proposal for an auditor, said proposal being submitted to the Annual General Meeting. This proposal is included in the notice of the Annual General Meeting. The auditor is nominated for an indefinite term and must be a public accountant authorised by the Central Chamber of Commerce.

The auditor shall present the company's shareholders with an auditors' report as part of the financial statements in compliance with the legislation in force, and regularly report to the Board of Directors.

Communications
The company's communication principles have been defined in the communication policy adopted by the Board of Directors.

Insider administration
The company's insider administration is based on the guideline for insiders adopted by the Board of Directors, defining the key practices of insider administration.

The company has designated a person responsible for insider administration and a holder of the insider register. Furthermore, the company maintains a company-specific permanent insider register and, where necessary, a project-specific register.

› For a description of corporate governance in 2008, see page 34 of the Annual Report
› For further details, visit www.dna.fi

Board of Directors

RISTO SIIVOLA

- Chairman of DNA's Board of Directors since 2003
- b. 1947, M.Sc.Techn
- CEO of Oulun Puhelin Holding plc
- I love Scotch malt whisky. I think the oldest I have at the moment is an 18-year-old whisky.

HANNU ISOTALO

- Member of DNA's Board of Directors 2004–2006 and again from 2007
- b. 1947, M.Sc.Techn
- Chairman of the Board of Directors of Lujatalo Ltd
- I heat up a smoke sauna every day during the summer.

ANSSI SOILA

- Member of DNA's Board of Directors since 2008
- b. 1949, M.Sc.Techn, M.Sc. Econ
- Management Professional
- I once flew a glider from Helsinki to Cape Town. It took 6 weeks and we made 26 stops on the way.

ESA HAAVISTO

- Member of DNA's Board of Directors since 2003
- b. 1949, M.Sc.Econ
- CEO of OWH-Yhtiöt Ltd
- I am into all small and large motor vehicles, from ATVs to tractors.

JUHA-PEKKA KESKIAHO

- Member of DNA's Board of Directors since 2003
- b. 1944, Vocational Qualification in Business and Administration, Certified HTM Auditor
- Teollisuusneuvos (honorary Finnish title) and Management Professional
- France and the French lifestyle, including wine and cheese, are very close to my heart.

JARMO LEINO

- Member of DNA's Board of Directors since 2006
- b. 1951, Master of Laws, Master of Laws with court training
- Advocate, Asianajotoimisto Jarmo Leino Ltd
- In the summer, I take to the road and roller skate 40-kilometre routes.

Executive Management

ARTO KAIKKONEN

- Vice President, Corporate Business
- b. 1960, M.Sc.Techn
- With DNA since 2007. Extensive experience of managing telephone companies.
- I actively make use of the paperless office at work.

SIMO MUSTILA

- Vice President, Corporate Finance & Administration
- b. 1967, M.Sc.Econ, MBA
- With DNA since 2001. A real number cruncher.
- I hail from Lempäälä!

RIITTA TIURANIEMI

- CEO, DNA Ltd
- b. 1962, M.Sc.Techn
- With DNA since 2001. Extensive experience of the telecommunications industry.
- I hail from Lapland and love cross-country skiing. I ski to work at least once a year.

HANNU TURUNEN

- Vice President, New Business Operations (Strategy & Business Development)
- b. 1963, M.Sc.Techn, MBA
- With DNA since 2007. Strong experience of creating and developing strategies for various companies.
- In my struggle to achieve perpetual youth, I'm setting my sights on breaking my marathon record, which I set 15 years ago.

TOMMY OLENIUS

- Vice President, Technology
- b. 1962, B.Sc.Techn
- With DNA since 2003. A genuine expert on networks and data security.
- Kari Pulkkinen and myself made the first Finnish real GSM call at the Nummela radio station base station on 21 March 1990.

ERIK SYLVESTERSSON
- Vice President, Sales & Marketing
- b. 1969
- With DNA since 2006. A highly skilled and enthusiastic salesman.
- I'm hooked on boating and bought a Buster for my 40th birthday.

ASTA RANTANEN
- Vice President, Legal Affairs
- b. 1962, Master of Laws
- With DNA since 2003. A sharp and learned lawyer.
- In the summer, I exchange homes with overseas visitors.

PEKKA VÄISÄNEN
- Vice President, Consumer Business
- b. 1966, M.Sc.Econ
- With DNA since 2003. An expert in telecommunications sales and marketing.
- Recently, I have been trying my hand at Japanese cooking.

MARKO RISSANEN
- Vice President, Human Resources
- b. 1974, Vocational Qualification in Business and Administration
- With DNA since 2003. Lohja's gift to human resources.
- I'm passionate about horse racing.

TIMO VARSILA
- Vice President, Products & Content
- b. 1964, M.Sc.Techn
- With DNA since 2003. Experience of product development and management in several telecommunications companies.
- My passion is scuba fishing; I love hunting fish underwater. My record is hitting two breams with one shot.

PETTERI NIEMI
- Vice President, Customer Processes
- b. 1970, M.Sc.Techn
- With DNA since 2001. A young veteran of the telecomms industry.
- Already as a young boy I dreamt of a genuine Vespa. I'm now a proud owner of a Primavera 1976.

For further information on management team members, visit www.dna.fi

"DNA is a trustworthy and reliable partner"

VALUE FOR MONEY WAS THE DECISIVE factor for us when we switched over to DNA at the beginning of 2009.

We have around 1 000 mobile communication subscriptions, 850 of which are at point-of-sale terminals in our coaches. Sales and passenger data is transferred wirelessly to our server during a few hours overnight. Since we operate practically throughout Finland, reliable wireless data transfer with good coverage and speed, irrespective of location, are essential requirements for us.

I dance Argentinean tango and love going to the opera.

RISTO • 60 • COO, KOIVISTON AUTO

Financial Statements 2008

Board of Directors' Report 2008

DNA is a national supplier of mobile communication services, providing diverse voice, data, mobile and cable TV services to private customers and companies. It also offers network and data communication services to service operators.

DNA Group published its first IFRS-compliant financial statements for the financial year ending 31 December 2008, having adopted the International Financial Reporting Standards on 1 January 2006.

Important issues regarding the development of operations in 2008

As part of internal restructuring, the fixed-line network business, primarily that of five regional telephone companies (Päijät-Hämeen Puhelin Oyj, Satakunnan Puhelin Ltd, KPY Palvelut Ltd, Oulun Puhelin plc, Lännen Puhelin Ltd) that was acquired on 1 July 2007 by DNA Ltd, was transferred from DNA Ltd to DNA Services Ltd on 1 January 2008 in compliance with Section 52 d of the Act on Income from Professional Activities. Lohjan Puhelin Ltd and Hiidenverkot Ltd were merged with DNA Palvelut Ltd during the previous financial period on 30 November 2007.

The operations of the DNA Market and DNA Store chains were combined on 1 January 2008. This change was implemented by means of a business acquisition in which the business operations of DNA Market were transferred to DNA Store Ltd.

Furthermore, DNA Services Ltd acquired the national trunk network (transmission and IP/Data) operative business used by the company, from Länsilinkki Ltd on 1 February 2008.

In May, DNA Ltd distributed a total of EUR 100 million to its shareholders, as per each shareholder's entitlement thereof in terms of the proportion of shares held.

In June 2008, DNA Group (DNA) initiated its expansion in Finland in line with its strategy. In 2008, DNA introduced its telecommunications service through its own corporate sales in the capital region as well as in the Kotka, Jyväskylä, Tampere, Lappeenranta, Kajaani, Mikkeli and Salo economic regions.

DNA's outsourcing of its consumer customer service and the related order processing for the fixed-line network business were implemented in June. The purpose of outsourcing is to achieve a level of flexibility and efficiency similar to that of the mobile communication customer service.

The Finnish Competition Authority carried out an inspection of DNA's broadband business in June in Vantaa, Lahti, Kuopio and Oulu.

The ownership, user guidance and monitoring of the DNA brand was concentrated with the Group parent company DNA Ltd on 1 July 2008. DNA Ltd and Domestic Network Association (Espoo's local network association) agreed in September on the transfer of the domain name dna.fi to DNA.

DNA has continued its cooperation with GSM Suomi by entering a five-year cooperation contract on virtual operator operations with GSM Suomi Oyj. This agreement makes DNA an even stronger market leader than before on Finland's network lease markets.

DNA chose HUB Industrial Ltd, specialising in logistics services and the development of logistical processes, as its warehousing partner from 1 October 2008.

DNA invested significantly in Elisa Corporation's shares. In addition, DNA Group acquired shares in Vaasan Läänin Puhelin Ltd and Omnitele Ltd during the financial period. DNA Ltd may distribute some of its shares in Elisa Corporation as a dividend in 2009.

Taking into account the company's development prospects and the current economic climate, the targets set by the Board of Directors were achieved, in terms of eligibility for the equity markets.

Market situation

Competition in the communication markets has remained fierce, accelerated by airtime-inclusive and package campaigns in the mobile communication business. DNA has responded to the competition in several ways, for example by developing in its already high-standard customer service and by expanding the coverage area of its 3G network. According to an EPSI Rating survey published on 2008 November, DNA ranks highest in customer satisfaction, among the large Finnish operators.

Demand has been strongest for mobile broadband services, changing the operational environment. First observed around a year ago, the transfer from fixed-line to mobile broadband continued, although mobile broadband will not completely replace fixed-line broadband. Due to tough competition, the customer churn rate for fixed-line network broadband subscriptions remained high. However, in a saturated market no increase in the total volume of fixed-network broadband subscriptions is expected.

Review of the financial position and financial results

Up to now, the general economic recession has not significantly impinged on the development of our sales.

The Group's 2008 net sales amounted to EUR 647 million and operating profit to EUR 69 million. Growth in net sales was supported by an increase in mobile communication business subscriptions and continued strong sales of mobile broadband.

The profit for the Group's financial period amounted to EUR 47 million (EUR 64 in 2007). The Group's performance was weakened by non-recurring items, which mainly included the integration cost of the fixed-line network business, the outsourcing cost of the fixed-line network customer service, provisions for unused premises, the write-down of Elisa Corporation's shares and accrued interest on subordinated loans. DNA was able to strengthen its consolidated balance sheet during the financial year and pay the current and previous owners interest to a total of circa EUR 4 million on subordinated loans granted by them. The Group has reaped the tax benefits of losses made in previous years.

In 2008, DNA Ltd paid the first dividend in its history, EUR 8.7 million.

Key financial indicators reflecting the company's financial position and results (IFRS indicators for 2006 and 2007 have not been officially confirmed):

EUR million (IFRS)	2008	2007	2006
Net sales	647	538	397
EBIT	69	63	26
EBIT, %	11	12	7
Return on equity (ROE), %	8	18	32
Equity ratio, %	61	67	30

Based on confirmed losses in earlier years, the results for the financial year include a deferred tax deduction of EUR 41.8 million gross (an increase of EUR 6.8 million in 2007). All deferred tax based on confirmed losses has now been recognised in profit and loss.

Shareholders' equity amounted to EUR 554 million (613) at the year end. The Group's liquidity has remained good.

DNA has agreed a loan arrangement with Sampo Bank Plc and Nordea Bank Finland Plc to the value of EUR 150 million. In addition, DNA Ltd has borrowed back EUR 8 million of TyEl pension contributions from the pension insurance company Ilmarinen.

DNA Ltd exchanged loan capital for subordinated convertible bonds issued to DNA Finland Ltd in 2001 and 2002, for shares to the value of circa EUR 31.6 million.

Mobile communication business

Strong growth continued in DNA's mobile communication business in 2008. Despite exceptionally tough competition throughout the year, the growth in DNA's subscriptions remained healthy. The number of DNA Finland Ltd subscriptions amounted to approximately 1 565 000 by the year-end, an increase of circa 320 000 subscriptions since 2007. Market share rose to 24 per cent (an increase of some 3 percentage points). DNA's ARPU declined, mainly due to a significant drop in termination and roaming charges, with an average monthly profit by subscription of EUR 24.5 in 2008 (EUR 27.7 in 2007). The customer churn rate was 13.7 per cent (12.6 per cent in 2007). At the year end, there were circa 1 663 000 customers in DNA's mobile communications network (1 318 000 at year end 2007).

In mobile communication, the strongest growth was in mobile broadband services. In particular, the successful launch of DNA Mokkula has strengthened DNA's market position. Mokkula has become the established term for mobile broadband. DNA's Mokkula campaign received the Vuoden Markkinointiteko 2008 (Marketing Act of the Year) award granted by the Markkinointi&Mainonta magazine and the Finnish Marketing Association.

The Taloustutkimus survey published in April showed that DNA has the most satisfied mobile communication customers among the major telecommunications operators in Finland. Among the most important factors contributing to customer satisfaction are network reception, good customer service and affordable pricing. The quality of DNA's mobile communication customer service has remained excellent throughout the review period.

According to a benchmarking survey performed in May, DNA's 3G network hosted the best broadband speeds in the country. DNA wants to continue to ensure its high customer satisfaction rates in the future, and will invest heavily in the capacity and coverage of its 3G network. In 2008, DNA's 3G network was built at a more intensive rate than ever before in DNA's history, resulting in the continuous expansion of 3G reception to new regions. At year end, around 80 per cent of residents in Finland had access to DNA's 3G services (70 per cent in 2007). DNA's 3G network has also expanded on the 900 MHz frequency, which is particularly suitable for providing 3G services in sparsely populated areas.

DNA launched the Unelma subscription, targeting heavy users of mobile communication services. 2M NetBand and MobileNet were launched in June. In November, DNA launched Mainio, a mobile phone subscription partly financed by advertising. In return for even lower charges, the DNA Mainio subscription offers users benefits, special offers and announcements from DNA and advertisers. The affordable price is based not only on offering marketing content but also on DNA's cost-efficient, customer-driven business approach.

Fixed-line network business

Launched in 2007, the integration of the fixed-line network business into a single entity progressed as planned and on schedule. The rationalisation of the fixed-line network business continued, the most significant project implemented being the outsourcing of our customer service.

The fixed-line network broadband market was rapidly saturated in 2008, owing to declining mobile broadband prices and the expansion of the 3G mobile communication network's coverage and capacity. In the fixed network business, the volume of broadband subscriptions decreased slightly during the year. At the year end, there were some 190 000 subscriptions (195 000 at year end 2007) with a market share of 13 per cent (12 per cent at year end 2007).

Starting from Lohja, DNA began extensive network improvement work to increase the speed of broadband available to property management companies to a maximum of 100 Mb/sec. Depending on the area, the network will be upgraded to either cable television or a fibre optic network.

As the first in Finland to do so, DNA launched a fixed-line network broadband option with unlimited music downloads. Customers with DNA Music Broadband can download unlimited music without an additional fee.

In the fixed-line network, the marked drop in voice subscriptions and traffic continued, as traffic transferred to the mobile communication network. At the year end, there were some 229 000 fixed-line subscriptions (253 000 at year end 2007) with a market share of 15 per cent (16 per cent at year end 2007).

The slight upward trend in the volume of cable TV subscriptions continued. While the rapid growth in pay TV services seen in the previous year levelled out, the customer churn rate for channel packages, typical of this sector, remained high. DNA's cable TV distribution networks had 263 000 customers at year end 2008 (258 000 at year end 2007), with a market share of 20 per cent (19 per cent at year end 2007).

Retail outlet business

DNA's retail outlet business had a total of 75 DNA Store and DNA Market outlets at the year end.

DNA is about to strengthen its sales by setting up new generation call centres. These call centres will focus on selling DNA's mobile and fixed-line network products and services. They will initially employ around 100–150 people.

Changes in the Group structure

DNA Ltd relinquished its ownership of Länsilinkki Ltd in January 2008.

HTK Netcommunication Ltd merged with DNA Services Ltd on 30 June 2008.

DNA Finland Ltd acquired 4 per cent of Huuked Labs Ltd's shares in June. The company will become a consolidated subsidiary of DNA Ltd in compliance with the IFRS accounting rules.

In November, DNA Ltd acquired the entire capital stock of KRO-Trading Ltd.

RSL Com Networks Ltd merged with its parent company DNA Ltd on 31 December 2008.

Product development and research operations

During the review period, the Group invested EUR 5.1 million (EUR 0.8 million in 2007) in product development and research operations, of which EUR 2.7 million (EUR 0.0 million) was recognised in the balance sheet.

Investments

The Group's capital expenditure amounted to EUR 97 million (EUR 76 million). Major individual items included the 3G network investments, and investments in the fibre and transfer system.

Corporate governance
The Group's corporate governance principles are described in more detail in the chapter "Corporate Governance" of the Annual Report on pages 24–25. The most significant items concerning corporate governance are reviewed in the following.

General meetings
The Annual General Meeting was held on 28 March 2008. In addition, an Extraordinary General meeting was held on 10 September 2008.

Amending the Articles of Association
The Extraordinary General Meeting agreed to amend the section of the Articles of the Association concerning the upper age limit for the members of the Board of Directors.

Board of Directors
During the period under review, the Board of Directors convened 14 times. Between 1 January 2008 and 31 March 2008, the members of the Board of Directors were Risto Siivola (Chairman), Esa Haavisto, Hannu Isotalo, Juha-Pekka Keskiaho, Jarmo Leino and Berndt Schalin. The Annual General Meeting, held on 28 March 2008, elected the following members of the Board of Directors: Risto Siivola, Esa Haavisto, Hannu Isotalo, Juha-Pekka Keskiaho, Jarmo Leino and Anssi Soila as of 1 April 2008. Risto Siivola was elected as Chairman of the Board of Directors.

The participation rate at meetings of the Board of Directors' was 90 per cent.

CEO
The Group CEO was Jan-Erik Frostdahl. Following Jan-Erik Frostdahl's retirement on 31 December 2008, Riitta Tiuranniemi was appointed as the new CEO as of 1 January 2009. Riitta Tiuraniemi previously held the position of CEO in DNA Finland Ltd.

Auditing of the accounts
Authorised Public Accountants PricewaterhouseCoopers Ltd acted as the company's auditor, with Pekka Loikkanen, Authorised Public Accountant, acting as the principal auditor.

Decrease in the premium reserve I
In accordance with the decision taken by the Extraordinary General Meeting on 10 December 2007, the company's premium reserve value was reduced. A total of EUR 100 000 000 was distributed to shareholders on 30 May 2008, representing some EUR 13.20 per share, as a refund of tied invested capital as per each shareholder's entitlement thereof in terms of the proportion of shares held.

Decrease in the premium reserve II
At the EGM, held on 10 September 2008, it was decided to further reduce the premium reserve value as per the balance sheet of 31 December 2007 by a maximum of EUR 41 688 628.79, with the purpose of refunding tied invested capital to shareholders, as per each shareholder's entitlement thereof, so that each shareholder receives approximately EUR 5.50 per share owned. The premium reserve refund per share is determined on the basis of the number of shares held at the time of the refund. If the premium reserve cannot be divided equally between the number of shares, any part that is consequently not refunded is transferred to the non-restricted capital reserve, set up when the premium reserve was reduced. The notification on the decrease in the premium reserve was published on 29 September 2009. Following the notification issued by the Trade Register on 19 January 2009, the company can recognise the reduction of the premium fund as planned, since creditors have not objected to this arrangement.

Increases in share capital, shares owned by the management and the members of the Board of Directors, option rights
At the beginning of the financial period, the company's share stock totalled 7 568 261 shares and the share capital registered in the company's trade register amounted to EUR 72 184 558.98.

The Annual General Meeting, held on 28 March 2008, authorised the Board of Directors to decide on a share issue of maximum of 15 000 new shares as part of the management's share-based remuneration system so that members of the company's management, separately nominated by the Board of Directors, had the right to subscribe for shares as part of the management incentive programme. This authorisation included the right to derogate from the pre-emptive right of the shareholders laid down in Section 9(3) of the Limited Liability Companies Act, due to the existence of a weighty financial reason under Section 9(4)(1) of the Limited Liability Companies.

Under this authorisation, the Board of Directors decided on the rights issue, subject to a charge, on 28 May 2008. In the share issue, a total of 12 500 new shares, with a subscription value of EUR 105.64, were subscribed. Jan-Erik Frostdahl, Riitta Tiuraniemi, Arto Kaikkonen, Simo Mustila and Asta Rantanen each subscribed for 2 500 shares. The new shares issued did not have a nominal value.

Some of the companies that assigned their business operations to DNA Ltd on 1 July 2007 have performed equity capital investments in accordance with the principles of the merger contract for the operations transferred to DNA Ltd without issuing new shares.

At the end of the financial period, the company's share stock totalled 7 580 761 shares and the share capital registered in the company's trade register amounted to EUR 72 184 558.98. The company does not hold any of its own shares, and its shares have no option rights.

Significant litigation matters
Pleading the European Community Trademark Registration 212787, Deutsche Telekom AG filed an action in Helsinki District Court on 4 January 2008, requesting that DNA Ltd be denied the use of the colour pink in its operations. In its counterclaim of 29 October 2008, DNA Ltd demands that the European Community Trademark Registration 212787 be repealed. The hearing of the case continues at Helsinki District Court.

The company is not involved in any other significant litigation. Any litigation matters that were unsettled last year have been settled.

Personnel
At the beginning of the financial year, Group companies employed a total of 1 214 staff (361 staff), with 982 staff (1 214) by the year-end.

Key indicators reflecting the company's personnel:

	2008	2007	2006
The average number of employees for the period	1 095	841	380
Salaries and remunerations for the period (EUR million)	51.1	34.8	14.8

Environmental issues
Environmental issues have been described in the chapter "Recognising the importance of corporate responsibility" of the Annual Report on pages 22–23.

Significant risks and uncertainties

Risk management in DNA Group is guided by the risk management policy approved by the Board of Directors. This policy is based on the COSO ERM Framework and the Corporate Governance recommendation, and defines the objectives, principles, organisation, responsibilities and key practices of risk management.

The purpose of enterprise risk management is to facilitate the achievement of business targets and safeguard the critical factors contributing to the Group's success, such as employees, brand, service quality and customer satisfaction.

A risk is the threat of something negative happening or something positive not happening in relation to DNA's business targets.

Strategic and operative risks

DNA operates in the Finnish telecommunications market, which is characterised by fierce competition and where any prospective reduction in the market may have a negative effect on business. Such a market reduction has been observed in fixed-line network telephone traffic in particular.

Profitable growth continues to face significant challenges in the Finnish market. Intensifying competition, in particular in pricing, may affect the development of DNA's mobile communication operations. Moreover, the steady decline in fixed-line network voice subscriptions and the slowdown in the growth of the broadband market may limit the growth opportunities of the fixed-line network business. The general economic recession and consumers' quickly declining confidence in the favourable development of household economies may have an impact on demand for DNA's products and services and the business operations of telecommunications companies.

Stringent regulation, particularly the authorities' ability to influence the price level and cost structure of DNA's products and services, may also have an impact on DNA's business. Any decline in fixed-network voice traffic may trigger new regulation which aims to ensure service availability and standards, among other factors. The national broadband project will have an effect on regulation regarding universal services and licensing. In addition, the Finnish Government agreed to proceed with a frequency auction pilot during 2009.

Rapid technological development of the industry may have an effect on the Group's operations. The reorganisation of the Group's businesses also requires continuous attention so that DNA's competitiveness can be ensured during the change process.

Financing risk

In order to manage the interest rate risk, some of the loans taken by the Group have been hedged. The Group's borrowings have been spread between fixed- and variable-rate instruments. DNA Group's foreign interest risk is insignificant, as the majority of its cash flow is euro denominated. In order to manage liquidity risk, the company uses credit limits in addition to liquid assets.

Damage risk

With respect to the relevant areas, DNA's operations have been insured against loss and business interruption.

Significant events after the financial year

DNA Group's mobile, fixed network and store businesses will be merged into one operational entity. This business restructuring follows the change implemented on 1 July 2007, involving the integration of the fixed-network businesses of six regional telephone companies into DNA, which had previously been a mobile communications operator.

The business restructuring entails merging the mobile communication service provider DNA Finland Ltd, the fixed-network service supplier DNA Services Ltd, the distribution channel DNA Store Ltd, and the Group parent company DNA Ltd into one operational entity and replacing its current product-specific structure with a customer-specific organisation model. In the future, DNA's business will be divided into consumer and corporate businesses instead of the former mobile, fixed network and retail outlet businesses.

This business restructuring led to the initiation of cooperation negotiations in DNA Group in January 2009. It is estimated that the process will result in staff cuts affecting approximately 100 persons.

DNA set up its first sales-focused call centre in Oulu in February 2009. These operations will expand later to Kuopio, Tampere and Turku.

Evaluation of likely prospects

DNA Group's turnover and gross margin for 2009 are expected to remain at the previous year's level or take a slight upward turn, while the consolidated profit is likely to somewhat weaken, mainly owing to a larger depreciation basis. Considering the loan limits, the Group's financial position is expected to remain healthy. DNA will continue its strong investment in 3G coverage, capacity and services.

Consumer business

In 2009, the consumer business will seek growth. The highest increase in the number of subscriptions is expected in mobile communication network voice subscriptions. The rapid decline in fixed-line network voice subscriptions will continue. In data services, the strong growth in the number of mobile broadband subscriptions is expected to continue, whereas the number of broadband subscriptions in the fixed-line network is estimated to fall slightly. The customer churn for voice subscriptions in the mobile communication network is expected to take a small upward turn, while following the fall in termination charges, the decline in the average revenue per user (ARPU) should continue. However, the ARPU of the fixed-line network broadband subscriptions is anticipated to increase slightly, owing to faster communication speeds. Competition in the consumer market will remain fierce, as demonstrated by strong marketing investment and price offers, particularly related to mobile communication network subscriptions.

Corporate business

The number of DNA's corporate subscriptions is expected to take a dramatic upward turn in 2009, particularly in mobile telephone and mobile broadband services. The new corporate sales offices, launched in 2008, will spring into action during 2009. DNA's goal is to increase the share of new services in sales. Net sales are expected to grow while profitability is likely to develop at a more subdued pace due to sales investments. The operator service market is expected to remain steady.

Board of Directors' proposal for measures called for by profit

The company's distributable funds recognised in the financial statement amounted to EUR 61 168 557,62, of which profit for the financial year came to EUR 57 022 041,48. No essential changes have taken place in the company's financial situation after the end of the financial year, and the solvency testing carried out under Section 13(2) of the Limited Liability Companies Act will not affect the amount of distributable funds.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 3.95 of distributable funds be paid per share, representing a total of EUR 29 944 005.95.

CONSOLIDATED INCOME STATEMENT, IFRS

EUR 1 000	Note	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007	1 Jan–31 Dec 2006
Net sales	**7**	**647 137**	**538 491**	**397 154**
Other operating income	8	5 030	7 463	7 995
Share of associated companies' profits				
Materials and services		-326 035	-297 453	-239 881
Staff expenses	11	-61 200	-44 805	-19 327
Depreciation and write-downs	10	-96 766	-73 162	-48 746
Other operating expenses	9, 12	-99 006	-68 051	-71 224
EBIT		**69 159**	**62 483**	**25 970**
Financial income	13	3 840	2 870	1 179
Loss on financial assets recognised at fair value against profit or loss		-3 376		
Financial expenditure	14	-5 310	-5 440	-10 048
Share of associated companies' profits	19	9	25	7
Profit before taxes		**64 322**	**59 939**	**17 108**
Income taxes	15	-17 487	3 729	19 023
Profit/loss for discontinued operations for the financial period				
Profit for the financial period		**46 834**	**63 668**	**36 131**
Distribution				
For parent company equity holders		46 836	63 668	36 131
For minorities		-1		
Earnings per share of the profit attributable to parent company equity holders:				
Basic and diluted earnings per share (euro)	16	6.2	13.8	10.7

Notes on pages 41-78 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET, IFRS

EUR 1 000	Note	31 Dec 2008	31 Dec 2007	31 Dec 2006
Assets				
Long-term assets				
Goodwill	18	191 600	191 600	15 487
Other intangible assets	18	61 489	58 253	19 370
Property, plant and equipment	17	415 731	418 035	134 110
Equity in associates	19	1 191	1 193	147
Financial assets available for sale	20	12 374	3 828	267
Financial assets at fair value through profit or loss	20			5 716
Receivables	21	5 976	6 269	5 130
Deferred tax assets	22	32 735	44 593	38 032
Total long-term assets		**721 096**	**723 772**	**218 259**
Short-term assets				
Inventories	23	10 675	9 860	2 831
Receivables	21	136 659	146 295	110 525
Financial assets at fair value through profit or loss	20	36 311	6 064	2 263
Tied liquid assets				365
Liquid assets	24	7 339	31 771	39 418
Total short-term assets		**190 984**	**193 991**	**155 401**
Assets total		**912 080**	**917 762**	**373 660**
Shareholders' equity				
Equity attributable to equity holders of the parent company				
Share capital	25, 26	72 375	72 218	39 505
Issue premium fund	25	41 689	141 689	141 689
Current value fund	25	48	175	156
Hedge instrument fund		–978		
Free equity fund	25	407 213	404 604	
Accrued profits		–13 856	–69 827	–104 116
Profit for the financial period		46 834	63 668	36 131
Total shareholders' equity		**553 324**	**612 527**	**113 364**
Long-term liabilities				
Financial liabilities	27, 29	118 570	58 105	104 545
Provisions	28	5 186	4 789	503
Derivatives		1 322		
Deferred tax liabilities	21	61 347	66 058	2 382
Other long-term liabilities	25, 29	2 065	8 311	15 431
Total long-term liabilities		**188 489**	**137 263**	**122 862**
Short-term liabilities				
Financial liabilities	27, 29	50 550	38 725	47 181
Provisions	30	1 699	3 754	
Accruals	30	2 551	3 256	836
Accounts payable	30	77 959	64 925	58 805
Accruals	28	28 045	33 880	23 725
Other short-term liabilities	30, 31	9 463	23 432	6 888
Total short-term liabilities		**170 267**	**167 973**	**137 435**
Total liabilities		**358 756**	**305 236**	**260 296**
Total shareholders' equity and liabilities		**912 080**	**917 762**	**373 660**

Notes on pages 41–78 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1 000	2008	2007	2006
Cash flow from operations			
Profit/loss for the financial period	46 834	63 668	37 136
Adjustments*)	118 652	61 445	-20 178
Change in working capital	-127	-10 154	-17 736
Interest paid	-15 472	-10 593	-9 455
Interest received	2 210	2 127	1 010
Taxes paid	-3 919	-530	2
Net cash flow from operations (A)	**148 178**	**105 964**	**-9 221**
Cash flow from investments			
Investments in tangible and intangible assets	-95 168	-71 838	-61 699
Sales of property, plant and equipment	617		840
Sale of shares	20	163	2
Purchase of shares	-7 877	-15 050	
Acquired subsidiaries and business transfers	-328		
Other shares	-82	-3 516	
Sale of subsidiary less liquid assets at the time of sale		262	3 456
Cash flow from investments (B)	**-102 817**	**-89 979**	**-57 401**
Cash flow from financing			
Fees received from share issue	2 774	7 600	63 164
Dividend distribution	-8 704		
Premium refund	-100 000		
Repayment of short-term loans	-26 660	-16 965	
Withdrawal of long-term loans	133 937	6 216	30 350
Repayments of long-term loans	-38 525	-11 522	-11 051
Increase/decrease in long-term receivables	1 008	-7 590	-395
Other	-33 623	-1 371	-58
Cash flow from financing (C)	**-69 792**	**-23 632**	**82 010**
Change in liquid assets (A+B+C)	-24 432	-7 646	15 389
Liquid assets on 1 January	31 771	39 418	24 029
Liquid assets on 31 December	7 339	31 771	39 418
*) Adjustments			
Depreciations	96 767	73 162	48 746
Non-payment transactions	2 929	-10 557	-58 770
Interest and other financial expenses	5 310	5 440	10 048
Interest receivable	-3 840	-2 870	-1 179
Tax	17 487	-3 729	-19 023
Total	**118 652**	**61 446**	**-20 178**
Change in working capital:			
Change in accounts receivable and other receivables	10 256	916	-32 011
Change in inventories	-815	-2 820	562
Change in accounts payable and other liabilities	-9 568	-8 250	14 725
	-127	**-10 154**	**-16 723**

Notes on pages 41-78 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

EUR 1 000	Share capital	Issue premium fund	Current value fund	Hedge fund	Free equity fund	Accrued profits	Total equity attri-butable to equity holders of the parent company	Minority interest	Total share-holders' equity
SHAREHOLDERS' EQUITY, FAS, 31 December 2005	**31 609**	**86 420**				**–67 575**	**50 454**		**50 454**
Effects of adopting IFRS			111			–32 271	–32 160		–32 160
SHAREHOLDERS' EQUITY, IFRS, 1 January 2006	**31 609**	**86 420**	**111**			**–99 846**	**18 294**		**18 294**
Financial assets available for sale:									
Profit/loss on valuation at fair value			53				53		53
Tax on items taken directly to or transferred from equity			–8				–8		–8
Other changes						–3 155	–3 155		–3 155
Net gain recognised directly in equity			45			–3 155	–3 109		–3 109
Profit for the financial period						36 131	36 131		36 131
Total income and expense			45			32 976	33 021		33 021
Share issue	7 896	55 269					63 164		63 164
Joint ventures						–1 116	–1 116		–1 116
SHAREHOLDERS' EQUITY, IFRS, 31 December 2006	**39 505**	**141 689**	**156**			**–67 986**	**113 364**		**113 364**
SHAREHOLDERS' EQUITY, IFRS, 1 January 2007	**39 505**	**141 689**	**156**			**–67 986**	**113 364**		**113 364**
Financial assets available for sale:									
Profit/loss on valuation at fair value			17				17		17
Tax on items taken directly to or transferred from equity			1				1		1
Other changes						500	500		500
Net gain and loss recognised directly in equity			19			500	519		519
Profit for the financial period						63 668	63 668		63 668
Total income and expense			19			64 168	64 187		64 187
Share issue	32 680				65 350		98 030		98 030
Unregistered share issue	33						33		33
Joint ventures					339 254	–2 341	336 913		336 913
Resale of treasury shares									
SHAREHOLDERS' EQUITY, IFRS, 31 December 2007	**72 218**	**141 689**	**175**		**404 604**	**–6 158**	**612 527**		**612 527**

EUR 1 000	Share capital	Issue premium fund	Current value fund	Hedge fund	Free equity fund	Accrued profits	Total equity attri-butable to equity holders of the parent company	Minority interest	Total share-holders' equity
SHAREHOLDERS' EQUITY, IFRS, 1 January 2008	**72 218**	**141 689**	**175**		**404 604**	**-6 158**	**612 527**		**612 528**
Cash flow hedges:									
Profit and loss recognised in shareholders' equity				-1 322			-1 322		-1 322
Financial assets available for sale:									
Profit/loss on valuation at fair value			-172				-172		-172
Tax on items taken directly to or transferred from equity			45	344			388		388
Other changes					-8	1 006	997		997
Net gain and loss recognised directly in equity			-127	-978	-8	1 006	-108		-108
Profit for the financial period						46 836	46 836	-1	46 836
Total income and expense			-127	-978	-8	47 841	46 728	-1	46 726
Dividend distribution		-100 000				-8 704	-108 704		-108 704
Share issue					2 617		2 617		2 617
Unregistered share issue	157						157		157
SHAREHOLDERS' EQUITY, IFRS, 31 December 2008	**72 375**	**41 689**	**48**	**-978**	**407 213**	**32 979**	**553 324**	**-1**	**553 324**

Notes on pages 41-78 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 THE GROUP IN BRIEF

DNA Group is a national supplier of mobile communication services. The Group parent company is DNA Ltd. The parent company's registered place of business is Vantaa and registered address Ansatie 6a A, 01740 Vantaa, Finland.

Copies of the Consolidated Financial Statements are available online at www.dna.fi or at the Group parent company head office at Ansatie 6a B, 01740 Vantaa, Finland.

DNA Ltd's Board of Directors approved the release of these consolidated financial statements at a meeting on 5 March 2009. 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 statements are based on the IAS and IFRS standards and the SIC and IFRS interpretations effective on 31 December 2008. International Financial Reporting Standards refer to standards and interpretations that comply with the Finnish Accounting Act and regulations issued by virtue thereof and the procedure adopted for application in the European Union according to the IAS Regulation (EC) No 1606/2002. The notes to the consolidated financial statements also comply with Finnish accounting legislation and Community legislation that supplement the IRFS.

The Group has released the first official financial statements under IFRS for the 2008 financial year with reference data from 2007 and 2006. The Group introduced the IFRS standards during 2008, applying IFRS 1 First-time Adoption of International Financial Reporting Standards. The transition date was 1 January 2006.

The reconciliations in section 3 of the notes provide a description of the effects of transition to the IFRS.

The consolidated financial statements have been prepared based on historical cost, excluding financial assets available for sale, financial assets recognised at fair value against profit or loss, and financial liabilities recognised at fair value. The consolidated financial statements are presented in euro.

Subsidiaries

The consolidated financial statements comprise the parent company DNA Ltd and all its subsidiaries. Subsidiaries are entities controlled by the Group. Control is obtained when the Group holds more than half of the voting rights or exercises other governing power. The existence of potential voting rights that are currently exercisable is considered when assessing the terms of control. Control refers to the right to govern the financial operating policies of a company for the purpose of gaining benefit from the company's operations. Mutual shareholding is eliminated by the cost method. Subsidiaries are consolidated from the date on which control is obtained by the Group and de-consolidated from the date on which control ceases. All inter-company transactions, receivables, liabilities, unrealised gains and internal profit distribution are eliminated in the consolidated financial statements. Unrealised losses are not eliminated if they result from impairment. 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. Accrued losses attributable to non-controlling interest are recognised in the consolidated financial statements only up to the amount of the investment.

Associated undertakings

Associated undertakings are companies in which the Group has a significant influence. A significant influence is realised if the Group holds more than 20 per cent 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' profit or loss for the financial year corresponding the Group's share of ownership is recognised separately below the operating profit line.

Segment reporting

The reporting on the operating segments is consistent with the internal reporting to the chief operating decision maker. The Board of Directors, which is responsible for strategic decisions, has been nominated the chief operating decision maker to make decisions about resources to be allocated to the segments and to asses their performance.

Foreign currency translation

The consolidated financial statements are presented in euro, which is the functional and presentation currency of the Group parent company. The company has not recognised any foreign currency items.

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 of the consolidated statement's closing date.

Foreign currency denominated non-monetary items that are measured at fair value are translated into functional currency applying the exchange rates of the measurement date. Other non-monetary items are measured at the transaction-date rate.

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 the corresponding items above the operating profit line.

Property, plant and equipment

Items of property, plant and equipment are carried at their historical cost less accrued amortisation 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. Useful lives of the plant, property and equipment of the fixed-line business, acquired by DNA Ltd on 1 July 2007, have been adjusted to reflect the useful lives applied by the Group.

The useful lives are as follows:

Buildings	25 years
Structures	10–25 years
Machinery and equipment	3–15 years

The residual values and useful lives are reviewed for each interim report and, if appropriate, adjusted to reflect any changes that may have occurred in the expectation of financial benefit.

Depreciation on property, plant and equipment ceases when the asset is classified as held for sale according to IRFS 5 Non-current Assets Held for Sale and Discontinued Operations.

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

Borrowing costs

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

Intangible assets

Goodwill

Goodwill represents the excess of the acquisition cost over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired after 1 January 2006 and measured at the acquisition date. All direct costs arising from the acquisition, such as consulting fees, are included in the acquisition cost. Goodwill arising from business combinations carried out prior to 2006 corresponds to the book value of the previously applied accounting standards, which has been used as the deemed cost in accordance with IFRS. Goodwill is not amortised but tested for impairment annually.

For this purpose, goodwill is allocated to cash generating units (CGUs), or in case of associated companies, goodwill is included in the acquisition cost of the company. Goodwill is recognised at historical cost less impairment.

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 from the date on which the product is technically feasible and commercially viable and is expected to bring future financial benefit. Capitalised R&D expenditure comprises material, work and testing expenses that are the direct result of the process of completing the product for its intended use. Development costs previously recognised as an expense cannot be capitalised in a subsequent period.

Assets are depreciated from the time they are ready for use. Assets not ready for use are tested annually for impairment. Subsequent initial recognition, capitalised R&D expenditure is carried at cost less accrued amortisation and impairment. The useful life of capitalised R&D expenditure is three years, over which period capitalised expenses are recognised as expenses on a straight-line basis.

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 straight-line basis in the income statement over their known or foreseeable useful life.

Intangible assets with indefinite useful life are not amortised but tested annually for impairment.

The useful lives of other intangible assets are as follows:

Customer contracts and the related customer relationships	1–20 years
IT software	3–5 years
Other intangible assets	2–10 years

Inventories

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

Lease agreements

Group as a lessee

Leases on property, plant and equipment are classified as finance leases, if they transfer risks and rewards incidental to ownership substantially to the Group.

Assets acquired through finance lease agreements are recognised in the balance sheet at the lower of the fair value of the leased asset or present value of minimum lease payments. Assets based on finance leases are amortised over their useful life or within the shorter lease term. Payable lease amounts are split between finance expenses and loan repayments over the lease term based on a pattern reflecting a constant periodic interest rate for the remaining debt. Rental obligations are included in interest-bearing liabilities. The Group has used finance lease agreements mainly to lease telecommunication network and IT equipment.

Leases are classified as operating leases if the risks and rewards incidental to ownership are retained by the lessor. Lease amounts paid on the basis of operating leases are recognised as an expense in the income statement over the lease term on a straight-line basis.

Group as a lessor

If the lease agreements on items held for lease by the Group transfer risks and rewards incidental to ownership substantially to the lessee, the leases are classified as finance lease agreements and recognised in the balance sheet as a receivable. Receivables are carried at present value. Finance income from the finance lease agreement is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the remaining net investment. The Group has leased out customer equipment based on finance lease agreements.

Any equipment leased out on the basis of other than finance lease agreements are recognised in the property, plant and equipment on the balance sheet. They are amortised over their useful life, as are the corresponding property, plant and equipment in the Group's own use. Lease income is recognised in the income statement over the lease term on a straight-line basis.

Impairment of tangible and intangible assets

Goodwill and other intangible assets with indefinite useful life 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 are tested for impairment whenever events or changes in circumstances indicate that the non-trading position of the asset does not correspond to the recoverable amount.

The need for impairment is reviewed at the level of cash generating units (CGUs), i.e. the lowest unit level that is mostly independent of other units and whose cash flows can be identified separately from other cash flows. 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 CGU, which are discounted to their present value.

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.

Impairment loss is recognised when the carrying amount of an asset 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 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

Pension liabilities

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

Contributions to the defined contribution plans are charged to the income statement in the period to which they relate. Defined benefit plans are other than contribution-based plans, where the employer's pension liability is based on the present value of the obligation arising from the arrangement and on the fair value of the assets included in the arrangement, which are calculated sufficiently regularly using actuarial calculations determined in IAS 19. The Group's obligations with regard to defined benefit plans are calculated using the projected unit credit method. Pension costs are recognised as expenses over the service lives of employees on the basis of calculations made by authorised actuaries. The present value of pension liabilities is determined by using the market yields of high-quality bonds issued by companies or the interest rate of treasury bills as the discount rate. The maturity of bonds and treasury bills correspond in all essential aspects to the maturity of the pension obligation being considered.

In addition to the recognition of national expenses, the IFRS financial statements will recognise the adjustment of pension expenses in accordance with IAS 19, while the change in pension liability/receivable indicated in the calculation will be recognised in the balance sheet, taking into consideration deferred tax.

On the IFRS transfer date of 1 January 2006, all accrued actuarial gains and losses were recognised in the IFRS opening balance in accordance with the exemption under IFRS 1. Any subsequent actuarial gains and losses will be recognised against income statement over the average remaining service lives of employees, to the extent that they exceed the higher of the following: 10% of pension obligations or 10% of the fair value of assets.

The past service cost is recognised as an expense in the income statement on a straight-line basis over the period until the benefits are vested. If the benefits are vested immediately, they are recognised immediately in the income statement.

Share-based payment

DNA Ltd has adopted a share-based incentive programme for the key employees as of 28 May 2008. The key employees have been given the opportunity to subscribe to the company shares. The fair value of service given in return of shares is recognised as an expense. The total amount of expenses is based on the fair value of the granted shares. The amount recognised as an expense is accrued over the period of time during which all vesting conditions should be met. Any effect of the adjustments made to the original estimates is recognised in the income statement and correspondingly in the shareholders' equity. Any payments received for exercising the subscription right less the related direct transaction costs are recognised in the free equity fund.

Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, payment is probable and a reliable estimate can be made on the amount of the obligation. 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.

No provision is recognised for the expenses incurred from the continuing operations of the Group.

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.

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

Income taxes

The tax expense in the income statement comprises tax based on taxable income for the financial period and deferred tax. With regard to items recognised directly in the shareholders' equity, the corresponding tax effect is also recognised as part of the shareholders' equity. Tax based on taxable profit for the financial period is calculated using taxable income and applying the effective tax rate, adjusted to any taxes from previous periods.

Deferred tax is calculated on temporary differences between the carrying amount and tax base of assets. However, deferred tax is not recognised when it arises from initially recognised assets or liabilities other than in a business combination, which does not affect either the accounting or the taxable profit at the time of the transaction. Deferred tax is not recognised for undistributed profits of subsidiaries where it is probable that the difference will not be reversed in the foreseeable future.

The most significant temporary differences arise from the depreciation of property, plant and equipment, unused tax losses and fair value measurement at acquisition.

Deferred tax is computed using tax rates enacted by the financial statement closing date.

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

Revenue recognition

The Group's net sales mainly comprise revenue from the sale of voice, data, TV and operator services; periodical, activation and maintenance charges; and revenue from the sale of equipment. Sales are recognised at fair value, which largely corresponds to the sale value less discounts and sales taxes.

Revenue is recognised in the period in which the service has been performed, either based on the actual traffic volume or over the contract term. Revenue from the rendering of services is recognised when it is probable that the economic benefit will flow to the Group, and the revenue and expenses related to the transaction can be reliably measured. Revenue from voice and data services is recognised in accordance with the actual use of the service. Termination revenue from voice and data traffic from other operators is recognised at the time of transit across DNA's network. When end customers are charged for services provided by external content providers, amounts collected on behalf of the service provider are excluded from revenue.

Subscription fees are recognised as revenue over the subscription period. The sales of pre-paid phone cards, mainly for mobile phones, is deferred and recognised as income based on the actual usage of the cards. Activation and connection fees are recognised at the time of activation. Equipment sales are recognised as income when the delivery has occurred and the risks and rewards incidental to ownership have been transferred to the customer, normally on delivery and following the customer's acceptance.

DNA can bundle services and products to create a single offering. Offerings may include the delivery or execution of a product, service or user right (tie-in deals) and the payment can be issued either as a separate payment or a combination of a separate payment and a continuous payment flow. Equipment is recognised separately from the service, if both items are also sold separately and the ownership of the equipment is transferred to the end user. In the IFRS financial statements, equipment and service revenue is recognised in proportion to the fair value of the individual items. If fair value cannot be reliably measured for the delivered items but it can be measured for the undelivered items, a residual method is used. Under the residual method, the value allocated to the delivered items equals the total arrangement value less the aggregate fair value of the undelivered items. In the IFRS financial statements, DNA has recognised tie-in deals using the residual method. Income from tie-in deals is discounted to the present value while a part of the received payments from customers is recognised in financial income.

Customers are entitled to certain discounts from services and products provided by DNA under the customer loyalty programme. The benefit granted to the customer on the basis of the sales transaction is measured at fair value and the sales corresponding to the fair value are recognised as income when the campaign obligation has been met.

DNA provides corporate customers with comprehensive functionality service agreements in telecommunications, which may include switchboard services, fixed-line network telephony, mobile telephony, data communication and other customised services. Revenue from functionality services is recognised as income over the contract period.

Revenue from long-term contracts is recognised using the percentage of completion method. The stage of completion is determined for each project by reference to the relationship between the costs incurred for work performed to the date of review and the estimated total cost of the project. When it is probable that the total cost of the project will exceed total project revenue, the expected loss is recognised immediately as an expense.

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.

Non-current assets held for sale and discontinued operations

Non-current assets (or the disposal group) and the assets and liabilities included in the discontinued operations are classified as held-for-sale, if their carrying amount is recovered principally through the disposal of the assets rather than through continuing use. For this to be the case, the sale must be highly probable, the asset (or the disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary, the management must be committed to selling, and the sale is expected to be completed within one year from the date of classification.

Immediately prior to the classification, the non-current assets held for sale or the assets and liabilities of the disposed items are measured in accordance with the applicable IRFS standards. From the time of classification, the assets held of sale (or the disposal group) are measured at the lower of carrying amount or fair value less estimated cost to sell. From the time of classification, the assets are not depreciated.

The disposal group includes assets, which do not fall within the scope of IFRS 5, while liabilities are measured in accordance with the applicable IFRS standards also after the classification.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held of sale and meets the following conditions:

1. It represents a separate major line of business or geographical area of operations
2. It is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
3. It is a subsidiary acquired exclusively with a view to resale.

Revenue from discontinued operations is presented as a separate item in the Group's income statement. Assets held for sale, disposal groups, items related to the assets held for sale and recognised directly in the shareholders' equity, and liabilities related to the disposal group are presented separately from other assets in the balance sheet.

Financial assets and liabilities

Financial assets

The Group's financial assets are classified as follows: financial assets at fair value recognised against profit or loss, loans and other receivables, and financial assets held for sale. The classification is determined on the basis of the purpose for which the financial assets were acquired and classified after initial acquisition. Financial assets are initially recognised at fair value. Transaction costs are included in the historical cost, excluding financial assets recognised at fair value against profit or loss. Financial assets are derecognised when the right to receive cash flows has ceased or has been transferred to another party so that the derecognition conditions under IAS 39 are met.

Financial assets recognised at fair value against profit or loss represent financial assets that have been acquired to be held for trading or that are designated to this group when initially recognised. Financial assets recognised at fair value against profit or loss are measured at fair value against profit or loss. Financial assets held for trading are included in the current assets. Derivative instruments that do not qualify for hedge accounting under IAS 39 are classified as non-current assets held for trading, unless they expire within 12 months, in which case they are classified as current assets. If the value of derivatives is negative, they are classified as financial liabilities held for trading (this group does not include any other liabilities). This item is included in the other non-current liabilities, unless it expires within 12 months, in which case it is included in the current liabilities. At the closing date of the consolidated financial statements, the Group did not have any derivates held for trading and hedge accounting was applied to the Group's interest swap agreements.

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in the sales receivables and other receivables in the balance sheet and in the current assets group if they expire within twelve months. The assets in this group are carried at amortised cost using the effective interest method.

Financial assets held for sale are non-derivative assets, which have been designated specifically to this group or not designated to any other group. They are included in the non-current assets, unless they are intended to be held for less than twelve months from the closing date of the financial statement, in which case they are included in the current assets. The Group's share investments belong to this group. The investments have been designated to this group as they are not held for active trading and they are non-current. The fair values of financial assets held for sale are quoted prices in an active market for quoted shares, recognised at the purchase rate at the closing date of the financial statement. Changes in fair value are recognised in the fair value fund of the shareholders' equity. Changes in fair value are transferred from the shareholders' equity to the income statement when the investment is sold or its value has fallen so that an impairment loss has to be recognised for the investment. Unquoted shares are recognised at cost as their fair value cannot be reliably measured due to inactive market.

Liquid assets comprise cash in hand, bank deposits held at call and other highly liquid short-term investments. Items classified as liquid assets mature within three months or less from the date of acquisition. Credit accounts connected to the Group accounts are included in the short-term interest-bearing liabilities and are presented as net amounts, as the Group has a legal contractual right of set-off to make payment or otherwise eliminate the amount owed to creditors either in whole or in part.

The Group reviews at each closing date whether there is any indication of an impaired liquid asset or asset group. If there is objective evidence that the value of an item has impaired, the impairment loss is recognised against profit or loss. Fair value of share investments, which is significantly lower than the acquisition cost, indicates impairment of the share held for sale. If the amount of impairment loss subsequently reduces, the impairment loss recorded for an interest-bearing instrument will be reversed in the income statement. However, impairment loss on a share investment cannot be reversed against profit or loss.

Impairment loss is recognised for accounts receivable when there is objective evidence that the outstanding amounts cannot be collected in full. A payment delayed for more than 180 days is considered as such objective evidence.

Financial liabilities

Financial liabilities are initially measured at the fair value of consideration received. Transaction costs are included in the original carrying amount of financial liabilities. Subsequently all financial liabilities are carried at amortised cost using the effective interest method. Financial liabilities may include both current and non-current liabilities.

Derivative instruments and hedge accounting

Derivatives are recognised at cost that corresponds to their fair value at the time of acquisition. After acquisition, derivative contracts are measured at fair value. Gains and losses arising from fair value measurement are recognised based on the use of derivative contract. At the closing date the Group was using floating-for-fixed interest rate swaps to hedge against loan interest rate risk. Hedge accounting is applied to the interest rate swaps, and at the closing date they met the criteria for being actually effective. The company did not have any hedged derivatives that would not have met the criteria for hedge accounting.

During the financial year, the Group has applied cash flow hedges under IAS 39 to use interest rate swaps in order to hedge variable-rate loans. Changes in the fair value of effective derivatives qualifying for cash flow hedges are recognised in the hedge fund of the shareholders' equity. Accumulated profit or loss from derivatives recognised in the shareholders' equity is carried in the income statement as income or expense in the period in which the hedged item is recognised in the income statement. When a cash flow hedge instrument expires, is sold or fails to qualify for hedge accounting, any profit or loss accumulated from the hedge instrument remains in the shareholders' equity until the forecast cash flow from the transaction occurs. However, if the forecast transaction is not expected to occur any longer, any profit or loss accumulated in the shareholders' equity is immediately recognised in the financial items in the income statement. Any possible non-effective share of the hedge relationship is immediately recognised in the financial items of the income statement. The fair value of publicly traded derivatives is based on the quoted market price on the closing date.

Share capital

Outstanding ordinary shares are included in the share capital.

Operating profit

IAS Standard 1 Presentation of Financial Statements does not define operating profit.

The Group has defined the concept as follows: operating profit is the net total which is formed when other operating income is added to net sales and the following items are detracted: the cost of purchase adjusted by change in the inventory of finished goods and work in progress, the cost of manufacture for own use, the cost of employee benefits, depreciation, impairment loss and other operating expenses. All other items of the income statement are presented below the operating profit line. Exchange differences are included in operating profit, if they arise from business-related items; otherwise they are recognised in financial items.

Accounting principles requiring management judgement and uncertainty factors related to estimates

The estimates made during the preparation of the financial statements are based on the management's best judgement at the closing date of the financial statements. Management estimates are based on historical experience and assumptions on future developments, which were considered well-founded at the closing date, including assumptions on expected development of the Group's economic environment in terms of sales and cost levels. The Group monitors the realisation of these estimates and assumptions on a regular basis together with the business units and with the help of internal and external information sources. Any changes to the estimates and assumptions are recognised during the period in which the change occurs and in all subsequent periods.

Measuring the fair value of assets in business combinations

In major corporate mergers the Group has employed the services of an outside advisor in assessing the fair value of tangible and intangible assets. Value of tangible assets has been compared to the market price of similar assets, and impairment caused by age, wear and other similar factors has been estimated. Measuring the fair value of intangible assets is based on the related estimated cash flows. The management considers the assumptions and estimates to be sufficiently accurate to provide a basis for estimating the fair value. The Group also reviews any indication of impairment loss of tangible and intangible assets at each closing day of the financial statements. For further information about measuring the value of intangible assets in business combinations, see section 17 of the notes.

Impairment testing

The Group tests goodwill, unfinished intangible assets and intangible assets with indefinite useful life annually for impairment. Any indication of impairment is also reviewed in accordance with the basis of preparation described above. Recoverable amounts of cash-generating units are recognised with the help of calculations based on value in use. Preparing such calculations requires the use of estimates.

Revenue recognition

In accordance with the principles of revenue recognition, the income and expenses of long-term projects are recognised on the basis of the stage of completion when the end result of the project can be reliably assessed. Revenue recognition according to the percentage of completion method is based on the estimates of expected income and costs and reliable determination of the project's progress. If estimates of a project's end result are changed, the cumulative effect of adjusted estimates is recognised in the period in which the change becomes probable and it can be estimated. Forecast losses of the project are immediately recognised as an expense.

Tax

In preparing the financial statements, the Group estimates the subsidiaries' future taxable income against which the confirmed losses can be used.

Early adoption of standards

IFRS 8 Operating segments. Supersedes IAS 14. The standard requires that a management approach should be used in presenting segment information in order to harmonise the presentation of segment information and internal reporting. The company has adopted this standard and presented the segment information in accordance with IFRS 8.

Adoption of new and amended IFRS standards and IFRIC interpretations

IASB has issued the following standards and interpretations, which will become effective in 2009 or later. The Group has decided not to apply these standards and interpretations but to adopt them in the future financial periods.

In 2009, the Group will adopt the following standards and interpretations*:

IAS 1 (revised) Presentation of Financial Statements. The revision is aimed at improving users' ability to analyse and compare the information given in financial statements, for example by separating the changes in a company's equity resulting from transactions with owners from other changes. Any non-owner changes are presented in a statement of comprehensive income. In the future, the Group is likely to present both an income statement and a statement of comprehensive income.

IAS 32 (amendment) Financial Instruments: Presentation, and IAS 1 (revision) Presentation of Financial Statements – Puttable financial instruments and obligations arising on liquidation. The revisions require entities to classify the following types of financial instruments as equity: certain puttable financial instruments and certain financial instrument that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. The Group management is in the process of clarifying the effects of the revision on the consolidated financial statements.

IFRS 2 Share-based Payment An amendment to clarify that vesting conditions are service conditions and performance conditions only. All other features that are not vesting conditions should be included in the grant date fair value, and they do not impact on the amount of granted benefits expected to be vested or the valuation after the grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment is not expected to impose any changes to the consolidated financial statements.

IFRIC 11, IFRS 2 Group and Treasury Share Transactions. The interpretation clarifies the accounting for transactions relating to treasury shares or the Group companies by providing guidance on whether share-based payment arrangements should be accounted for as cash-settled or equity-settled in the parent company's and Group companies' financial statements. This interpretation does not have an effect on the consolidated financial accounts.

IFRIC 13 Customer Loyalty Programmes. The interpretation defines transactions, where goods or services are sold to encourage customer loyalty, as sales agreements with different components. Payment received from the customer is allocated to the different components of the agreement based on their fair values. The interpretation does not have an effect on the consolidated financial statements as the adjustment does not change the accounting principles applied by the Group.

IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The interpretation applies to the post-employment defined benefit plans under IAS 19 and other long-term employee benefits in defined benefit plans when the arrangement involves a minimum funding requirement. The interpretation also addresses balance sheet recognition conditions for asset items via future refunds or future reductions of contributions made into the arrangement. The Group management expects the interpretation to have impact on the treatment of certain defined benefit pension arrangements. However, the impact on consolidated financial statements is likely to remain unsubstantial.

IFRIC 15 Agreements for the Construction of Real Estate. The interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and, accordingly, when revenue from the construction should be recognised. This interpretation does not have an effect on the consolidated financial accounts. **

IFRIC 16 Hedges of a Net Investment in a Foreign Operation. IFRIC 16 clarifies the accounting treatment of the hedge of a net investment in a foreign operation. Consequently, a hedge for a foreign net investment only applies to the differences in the functional currency, not in the presentation currency. The hedge instrument may be held by any entity within the group. IAS 21 The Effects of Changes in Foreign Exchange Rates are applied in respect of the hedged item. This interpretation does not have an effect on the consolidated financial accounts. **

In May 2008, IASB issued improvements to 34 standards as part of the annual improvements (Improvements to IFRSs). The amendments, which the Group will adopt in 2009 and the management expects to have impact on the consolidated financial statements, are as follows:

IAS 1 (amendment) Presentation of Financial Statements. The amendment clarifies that financial instruments classified as held for trading in accordance with IAS 39 are not always required to be presented as current assets/liabilities. The Group management expects the interpretation not to have substantial impact on the consolidated financial statements.

IAS 16 (amendment) Property, Plant and Equipment (and the consequent change to IAS 7 Cash Flow Statements). Entities that routinely sell items of property, plant and equipment that they have previously held for rental transfer such assets to inventories at their carrying amount when they are held for sale. The proceeds from the sale of such assets are recognised as revenue in net sales. In accordance with the consequent change in IAS 7, cash flow from the purchase, rental to others and sale of such assets is included in the cash flow from operating activities. The Group management is in the process of clarifying the effects of the revision on the consolidated financial statements.

IAS 19 (amendment) Employee Benefits. The amendment clarifies, for instance, that an amendment to the arrangement, which changes the effect of future salary rises on the agreed benefits, is a curtailment. Negative past service cost arises when a change in the benefits attributable to past service results in a reduction in the present value of the defined benefit obligation. The Group management expects the interpretation not to have substantial impact on the consolidated financial statements.

IAS 20 (amendment) Accounting for Government Grants and Disclosure of Government Assistance. The benefit of government loans with a below-market rate of interest is measured as the difference between the carrying amount determined in accordance with IAS 39 and the proceeds received. The benefit is treated in accordance with IAS 20. The Group management expects the interpretation not to have substantial impact on the consolidated financial statements.

IAS 23 (amendment) Borrowing Costs. The description of borrowing costs has been changed so that interest expenses are calculated in accordance with the effective interest rate method determined in IAS 39. The Group management expects the interpretation not to have substantial impact on the consolidated financial statements.

IAS 27 (amendment) Consolidated and Separate Financial Statements. When investments in subsidiaries accounted for in accordance with IAS 39 are classified as held for sale in accordance with IFRS 5, IAS 39 continues to apply. The Group management expects the interpretation not to have substantial impact on the consolidated financial statements.

IAS 28 (amendment) Investments in Associates (and the consequent changes to IAS 32 Financial Instruments: Presentation, and IFRS 7 Financial Instruments: Disclosures). When investments in associates are accounted for in accordance with IAS 39, only certain of IAS 28's disclosures are required in addition to those required by IAS 32 and IFRS 7. The Group will not limit the information presented in the notes of the consolidated financial accounts as allowed by the changes but will continue to apply the present method of presentation.

IAS 28 (amendment) Investments in Associates (and the consequent changes to IAS 32 Financial Instruments: Presentation, and IFRS 7 Financial Instruments: Disclosures). An investment in an associate is treated as a single asset for impairment testing. Therefore, an impairment loss is not allocated against any single asset items of the investment, such as goodwill. Reversed impairment losses are recognised as adjustments in the carrying amount of the investment to the extent that the recoverable amount of the associate increases. The Group management expects the interpretation not to have substantial impact on the consolidated financial statements.

IAS 31 (amendment) Interests In Joint Ventures (and the consequent changes in IAS 32 and IFRS 7). When investments in joint ventures are accounted for in accordance with IAS 39, only certain of IAS 31's disclosures are required in addition to those required by IAS 32 and IFRS 7. The Group will not limit the information presented in the notes of the consolidated financial accounts as allowed by the changes but will continue to apply the present method of presentation.

IAS 36 (amendment) Impairment of Assets. When discounted cash flows are used to estimate fair value less costs to sell, the financial statements must disclose the same information as when applying the value-in-use method. The change will increase the disclosures for impairment testing in the notes.

IAS 38 (amendment) Intangible Assets. An entity can recognise a prepayment asset only if the payment is received before the entity has the right to access the goods or before the services are received. This means that an expense arising from mail order catalogues is recognised when the entity has access to the catalogues and not only when the catalogues are delivered to the customers. The Group management expects the interpretation not to have substantial impact on the consolidated financial statements.

IAS 38 (amendment) Intangible Assets. Removal of wording according to which the method that results in a lower amount of accumulated amortisation than under the straight-line method can be used only rarely if ever. The Group management expects the interpretation not to have substantial impact on the consolidated financial statements.

IAS 39 (amendment) Financial Instruments: Recognition and Measurement. The amendments clarify, for instance, the classification of derivatives when changes are made to hedge accounting and the definition of instruments held for trading. They also require the use of a revised effective interest rate for the re-measurement of the carrying amount of debt financial instruments on cessation of fair value hedge accounting. The Group management expects the interpretation not to have substantial impact on the consolidated financial statements.

IAS 40 (amendment) Investment Property (and the consequent changes to AS 16). A property under construction or development for future use as an investment property falls within the scope of IAS 40. Therefore, such property is measured at fair value, if the fair value method is applied. However, if the fair value of an investment property under construction cannot be reliably measured, the property is recognised at cost until the construction is completed or the fair value can be measured reliably. This interpretation does not have an effect on the consolidated financial accounts.

IAS 41 (amendment) Agriculture: Under the revised standard, a current market-determined discount rate is used for fair value calculations based on discounted cash flows. The prohibition on taking additional biological transformation into consideration when calculating the fair value is removed. This interpretation does not have an effect on the consolidated financial accounts.

The following new standards and interpretations, effective in 2009, will not have an impact on the consolidated financial statements:*

IFRS 1 (amendment) First-time Adoption of International Financial Reporting Standards and IAS 27 (amendment) Consolidated and Separate Financial Statements. In accordance with the amended standard, first-time adopters of IFRS are allowed to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The change also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The change does not have an effect on the consolidated financial statements, and the Group subsidiaries do not apply IFRS in their separate financial statements.

The Group will adopt the following IASB standards and interpretation in 2010:

IFRS 3 (revised), Business Combinations. The revised standard continues to require the use of acquisition cost method for all business combinations, however with some substantial changes. For example, all fees related to business acquisitions are recognised at acquisition-date fair value, and certain contingent considerations are measured at fair value in profit or loss after the acquisition. Goodwill can be calculated on the basis of the parent's share of the net assets or it can include the goodwill allocated to the non-controlling interest (formerly called minority interest). All transaction costs are recognised as an expense. The Group management is in the process of clarifying the effects of the revision on the consolidated financial statements.

IAS 27 (revised) Consolidated and Separate Financial Statements. The revised standard requires all non-controlling transactions to be recognised in the shareholders' equity if control is not lost. Therefore, non-controlling transactions will no more result in the recognition of goodwill or income/losses in profit or loss. The standard also defines the treatment of transactions when control is lost. Any residual share in the acquisition is measured at fair value and the income or loss is recognised in profit or loss. The Group management is in the process of clarifying the effects of the revision on the consolidated financial statements. **

IAS 39 (amendment) Financial Instruments: Recognition and measurement – Eligible Hedged Items. Inflation cannot be separately designated as a hedged component in fixed-interest loans. In addition, when hedge accounting is applied to options, the time value of options cannot be included in the hedge relationship. This amendment does not have an effect on the consolidated financial accounts. **

IFRS 5 (amendment) Non-current Assets Held for Sale and Discontinued Operations (and the consequent change to IFRS 1 First-time Adoption of International Financial Reporting Standards). The amendment is included in the annual improvements issued by IASB in May 2008. It clarifies that if a plan to partially dispose of a subsidiary results in loss of control, all assets and liabilities of the subsidiary are classified as held for sale, and the appropriate information is disclosed if the criteria for a discontinued operation are met. As a consequence, IFRS 1 is amended so that these changes will apply from the IFRS transition date. The Group management is in the process of clarifying the effects of the revision on the consolidated financial statements. **

IFRIC 17 Distributions of Non-cash Assets to Owners. The interpretation clarifies how asset distribution is measured in a situation where the entity distributes non-cash assets to owners. The Group management is in the process of clarifying the effects of the revision on the consolidated financial statements. **

IFRIC 18 Transfers of Assets from Customers. The interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The Group management is in the process of clarifying the effects of the revision on the consolidated financial statements. **

The following new standards and interpretations, effective in 2010, will not have an effect on the consolidated financial statements:*

IFRIC 12 Service Concession Arrangements. The interpretation concerns contractual arrangements whereby a private operator participates in the development, finance, implementation or infrastructure maintenance of public services.**

* The names of standards and interpretations without an official Finnish translation are presented in English in the Finnish original.

** The standard/interpretation has yet to be approved for application in the European Union.

3 ADOPTING IFRS REPORTING

Assets	FAS				IFRS	
EUR 1 000	31 Dec 2005	Adjustments to FAS figures	Re-segmented items	Reference	Effect of adopting IFRS	1 Jan 2006
Assets						
Long-term assets						
Goodwill	13 274			k	-900	12 374
Other intangible assets	2 102		20 167	k	-316	21 953
Other long-term liabilities	20 206		-20 206			
Property, plant and equipment	37 676	677	39	h, i, k	110 086	148 478
Equity in associates	144					144
Financial assets available for sale	64			d, k	133	196
Financial assets at fair value through profit or loss			5 681			5 681
Deferred tax assets			4 000	a, b, c, h, i	12 253	16 253
Total long-term assets	**73 466**	**677**	**9 681**		**121 255**	**205 079**
Total short-term assets						
Inventories	939		648	k	-173	1 414
Long-term receivables						
Deferred tax assets	4 000		-4 000			
Receivables	82 992	177	-1 362	k	-6 424	75 384
Other financial assets	7 783		-5 681			2 103
Tied liquid assets			467			467
Liquid assets	24 496		-467	k	-3 831	20 198
Long-term assets held for sale				k	15 556	15 556
Total short-term assets	**120 211**	**177**	**-10 395**		**5 128**	**115 122**
Assets total	**193 677**	**855**	**-714**		**126 383**	**320 201**
Shareholders' equity						
Share capital	31 609					31 609
Issue premium fund	86 420					86 420
Current value fund				d	111	111
Accrued profits	-54 803	855		a, b, c, e, h, i	-33 097	-87 046
Profit for the financial period	-12 772					-12 772
Total shareholders' equity	**50 454**	**855**			**-32 986**	**18 322**
Long-term liabilities						
Financial liabilities	22 596			h	144 508	167 104
Provisions			1 124	e, i	429	1 553
Accruals	253			k	-253	
Deferred tax liabilities				d	39	39
Other long-term liabilities	9 000			a, c	14 341	23 341
Total long-term liabilities	**31 849**		**1 124**		**159 063**	**192 037**

Assets	FAS				IFRS	
EUR 1 000	31 Dec 2005	Adjustments to FAS figures	Re-segmented items	Reference	Effect of adopting IFRS	1 Jan 2006
Short-term liabilities						
Financial liabilities	13 273					13 273
Accruals	1 010			k	-88	921
Accounts payable	59 457	-7		k	-4 527	54 923
Accruals	26 419	7	-7 838	k	-1 468	17 120
Other short-term liabilities	11 214		6 000	b, k	-174	17 041
Liabilities related to long-term assets held for sale				k	6 563	6 563
Total short-term liabilities	**111 373**		**-1 838**		**306**	**109 842**
Total liabilities	**143 222**		**-714**		**159 370**	**301 878**
Total shareholders' equity and liabilities	**193 676**	**855**	**-714**		**126 383**	**320 201**
	31 Dec 2006					31 Dec 2006
Assets						
Long-term assets						
Goodwill	8 690	-223		f, g	7 020	15 487
Other intangible assets	2 273		15 498	g, n	1 598	19 370
Other long-term liabilities	15 614		-15 614			
Property, plant and equipment	76 418		116	g, h, i,	57 577	134 110
Equity in associates	2 410			g	-2 262	147
Financial assets available for sale	62			d, g	205	267
Financial assets at fair value through profit or loss			5 716			5 716
Receivables from owned joint ventures			360	g	-360	
Other receivables			5 675	g	-545	5 130
Deferred tax assets			27 146	g, h, i, j, l	10 886	38 032
Total long-term assets	**105 467**	**-223**	**38 896**		**74 118**	**218 260**
Short-term assets						
Inventories	377			g	2 454	2 831
Long-term receivables						
Receivables from owned joint ventures	360		-360			
Deferred tax assets	27 146		-27 146			
Receivables	115 672		-5 675	g, l	528	110 525
Financial assets at fair value through profit or loss	7 979		-5 716			2 263
Tied liquid assets			365			365
Liquid assets	39 376		-365	g	406	39 418
Total short-term assets	**190 910**		**-38 897**		**3 388**	**155 401**
Assets total	**296 377**	**-223**	**0**		**77 506**	**373 660**
Shareholders' equity						
Share capital	39 505					39 505
Issue premium fund	141 689					141 689
Current value fund				d	156	156
Accrued profits	-69 652	-223		a, g, h	-34 241	-104 116
Profit for the financial period	-4 543			b, c, e, f, g, h, i, l	40 674	36 131
Total shareholders' equity	106 998	-223			6 588	113 364
Negative consolidation difference	1 334		-1 334	e		

Assets	FAS				IFRS	
EUR 1 000	31 Dec 2006	Adjustments to FAS figures	Re-segmented items	Reference	Effect of adopting IFRS	31 Dec 2006
Long-term liabilities						
Financial liabilities	30 000		23 631	h	50 914	104 545
Provisions			1 334	i	-831	503
Deferred tax liabilities				d g l	2 382	2 382
Other long-term liabilities	31 946		-23 631	a	7 116	15 431
Total long-term liabilities	**63 280**				**59 581**	**122 862**
Short-term liabilities						
Financial liabilities	25 745		5 894	g h	15 543	47 181
Accruals	836					836
Accounts payable	55 850	-7		g	2 961	58 805
Accruals	36 792	7		g	-13 073	23 725
Other short-term liabilities	6 876		-5 894	g	5 905	6 888
Total short-term liabilities	**126 099**				**11 336**	**137 435**
Total liabilities	**189 379**				**70 917**	**260 297**
Total shareholders' equity and liabilities	**296 377**	**-223**			**77 506**	**373 660**
	31 Dec 2007					31 Dec 2007
Assets						
Long-term assets						
Goodwill	16 887	-223		f g	174 936	191 600
Other intangible assets	4 745		15 241	n	53 493	58 253
Other long-term liabilities	15 353		-15 353			
Property, plant and equipment	247 593		-655	h i	171 097	418 035
Equity in associates	1 193					1 193
Financial assets available for sale	3 592			d	236	3 828
Other receivables			5 110	h	1 159	6 269
Deferred tax assets			30 453	g h i j	14 140	44 593
Total long-term assets	**289 363**	**-223**	**29 691**		**415 062**	**723 772**
Short-term assets						
Inventories	9 093		767			9 860
Long-term receivables						
Accounts receivable	5 094		-5 094			
Other receivables	16		-16			
Deferred tax assets	30 453		-30 453			
Leasing receivables				h	123	123
Receivables	145 585		-26	l	612	146 172
Financial assets at fair value through profit or loss	6 064					6 064
Liquid assets	31 771					31 771
Total short-term assets	**228 076**		**-34 822**		**735**	**193 991**
Assets total	**517 439**	**-223**	**-26**		**400 571**	**917 762**

Assets

EUR 1 000	FAS 31 Dec 2007	Adjustments to FAS figures	Re-segmented items	Reference	IFRS Effect of adopting IFRS	IFRS 31 Dec 2007
Shareholders' equity						
Share capital	72 185					72 185
Share issue	33					33
Issue premium fund	141 689					141 689
Current value fund				d	175	175
Free equity fund	65 350			o	339 254	404 604
Share of accrued depreciation transferred	37 144		-37 144			
Accrued profits	-76 056	-223	37 144	a, g, l	-30 692	-69 827
Profit for the financial period	58 588			a, e, f, g, h, i, j, l	5 080	63 668
Total shareholders' equity	**298 933**	**-223**			**313 817**	**612 527**
Long-term liabilities						
Financial liabilities	17 143		22 338	h	18 625	58 105
Provisions	1 700		1 742	e i	1 347	4 789
Obligatory provisions	1 742		-1 742			
Accruals	986		-986			
Deferred tax liabilities	17 213			d, g, l	48 845	66 058
Other long-term liabilities	24 997		-21 086	a m	4 400	8 311
Total long-term liabilities	**63 781**		**266**		**73 216**	**137 263**
Short-term liabilities						
Financial liabilities	8 571		17 942	h	12 211	38 725
Accruals	1 955		1 301			3 256
Accounts payable	64 932	-7				64 925
Accruals	47 703	7	-12 723	g	-1 107	33 880
Provisions			3 754			3 754
Other short-term liabilities	31 564		-10 565	g	2 434	23 433
Total short-term liabilities	**154 726**		**-291**		**-13 539**	**167 973**
Total liabilities	**218 506**		**-26**		**-86 755**	**305 236**
Total shareholders' equity and liabilities	**517 439**	**-223**	**-26**		**-400 572**	**917 762**

	31 Dec 2008					31 Dec 2008
Assets						
Long-term assets						
Goodwill	12 223	-223		f, g	179 600	191 600
Other intangible assets	9 886		15 112	n	36 491	61 489
Other long-term liabilities	15 530		-15 530			
Property, plant and equipment	271 404		418	h, i,	143 909	415 731
Equity in associates	1 191					1 191
Financial assets available for sale	12 310			d	64	12 374
Financial assets at fair value through profit or loss						0
Other receivables	154		4 700	h	1 122	5 976
Deferred tax assets			31 378	h, i, j, p	1 357	32 735
Total long-term assets	**322 698**	**-223**	**36 078**		**362 543**	**721 096**

Assets	FAS				IFRS	
EUR 1 000	31 Dec 2008	Adjustments to FAS figures	Re-segmented items	Reference	Effect of adopting IFRS	31 Dec 2008
Short-term assets						
Inventories	10 675					10 675
Long-term receivables						
Accounts receivable	4 085		-4 085			
Other receivables	615		-615			
Deferred tax assets	31 378		-31 378			
Leasing receivables				h	31	31
Receivables	136 137			l	491	136 627
Financial assets at fair value through profit or loss	36 311					36 111
Liquid assets	7 339					7 339
Total short-term assets	**226 539**		**-36 078**		**522**	**190 984**
Assets total	**549 238**	**-223**			**363 065**	**912 080**
Shareholders' equity						
Share capital	72 218					72 218
Share issue	157					157
Issue premium fund	41 689					41 689
Current value fund				d	48	48
Hedge instrument fund				p	-978	-978
Free equity fund	67 959			o	339 254	407 213
Share of accrued depreciation transferred	45 260		-45 260			
Accrued profits	-33 090	-223	45 260	a, g, l	-258 034	-13 856
Profit for the financial period	67 532			a, e, f, g, h, i, j, l	-20 698	46 834
Total shareholders' equity	**261 724**	**-223**			**291 822**	**553 324**
Long-term liabilities						
Financial liabilities	106 128		-100	h	12 542	118 570
Provisions			2 233	e, i	3 316	5 186
Obligatory provisions	2 233		-2 233			
Derivatives (liability)				p	1 322	1 322
Accruals						
Deferred tax liabilities	16 693			d, g, l	44 654	61 347
Other long-term liabilities	1 731			a, m	334	2 065
Total long-term liabilities	**126 786**		**-100**		**62 167**	**188 489**
Short-term liabilities						
Financial liabilities	42 551		100	h	7 900	50 550
Accruals	2 551					2 551
Accounts payable	77 966	-7				77 959
Accruals	28 213	7	-1 698		1 154	28 045
Provisions			1 698			1 698
Other short-term liabilities	9 447				16	9 463
Total short-term liabilities	**160 727**		**100**		**9 440**	**170 267**
Total liabilities	**287 513**				**71 607**	**358 757**
Total shareholders' equity and liabilities	**549 238**	**-223**			**363 429**	**912 080**

Income statement 1 Jan 2006–31 Dec 2006

	FAS			IFRS	
	1 Jan–31 Dec 2006	Re-segmented items	Reference	Effect of adopting IFRS	1 Jan–31 Dec 2006
Net sales	406 306	-14 952	g, l	5 801	397 154
Other operating income	3 934	2 564	g	1 497	7 995
Share of associated companies' profits	795	-7	g	-788	
Materials and services	-253 148	14 952	g, n	-1 685	-239 881
Staff expenses	-18 338		g	-989	-19 327
Depreciation and write-downs	-28 411	-44 084	f, g, h, i, n	23 749	-48 746
Other operating expenses	-73 549	-22 215	c, e, g, h, i	24 539	-71 224
Profit/loss	**37 589**	**-63 742**		**52 123**	**25 970**
Financial income	1 010		g, h, l	169	1 179
Financial expenditure	-2 182	-322	a, b, g, h, i, l	-7 544	-10 048
Share of associated companies' profits		6 803			7
Extraordinary items	-64 107	64 057	g	50	
Profit/loss before taxes	**-27 691**			**44 799**	**17 108**
Income taxes	23 148		a, b, c, g, h, i, j	-4 125	19 023
Profit/loss for the financial period	**-4 543**			**40 674**	**36 131**

Income statement 1 Jan 2006–31 Dec 2007

	FAS			IFRS	
	1 Jan–31 Dec 2007	Re-segmented items	Reference	Effect of adopting IFRS	1 Jan–31 Dec 2007
Net sales	534 286		g, l	4 206	538 491
Other operating income	5 555		g, h	1 908	7 463
Share of associated companies' profits	329		g	-329	
Materials and services	-298 348		g, n	895	-297 453
Staff expenses	-44 363		g	-443	-44 805
Depreciation and write-downs	-48 865	-1 743	f, g, h, i, n	-22 554	-73 162
Other operating expenses	-84 008	1 622	e, g, h, i	14 335	-68 051
Profit/loss	**64 587**	**-121**		**-1 983**	**62 483**
Financial income	2 249		g, h, l	622	2 870
Value adjustments of long-term investments	500		g	-500	
Financial expenditure	-8 017		a, g, h, i, l	2 576	-5 440
Share of associated companies' profits			g	25	25
Extraordinary items	-121	121			
Profit/loss before taxes	**59 198**			**740**	**59 938**
Income taxes	-610		a, g, h, i, j	4 340	3 729
Profit/loss for the financial period	**58 588**			**6 700**	**63 668**

Income statement 1 Jan 2006–31 Dec 2008

	FAS			IFRS	
	1 Jan–31 Dec 2008	Re-segmented items	Reference	Effect of adopting IFRS	1 Jan–31 Dec 2008
Net sales	647 710		g, l	-574	647 137
Other operating income	5 210		h	-179	5 030
Share of associated companies' profits	9			-9	
Materials and services	-330 416		n	4 381	-326 035
Staff expenses	-61 235		g	35	-61 200
Depreciation and write-downs	-65 100	27	f, g, h, i, n	-31 692	-96 766
Other operating expenses	-109 396	-27	e, h, i	10 417	-99 006
Profit/loss	**86 781**			**-17 622**	**69 159**
Financial income	3 025		h, l	815	3 840
Loss on financial assets recognised at fair value against profit or loss	-3 376				-3 376
Financial expenditure	-10 391		a, g, h, i, l	5 081	-5 310
Extraordinary items				9	9
Profit/loss before taxes	**76 039**			**-11 717**	**64 321**
Income taxes	-8 507		a, g, h, i, j	-8 980	-17 487
Profit/loss for the financial period	**67 532**			**-20 698**	**46 834**

a) Interest on subordinated loans
Following the establishment of Finnet Ltd in 2003 and the related restructuring of subordinated loans, the Group companies have an outstanding debt to the telephone companies consisting of unpaid interest on subordinated loans (for 2001–2003). This interest liability has been recognised in the FAS financial statements in the notes to the financial statement balance sheet. In the IFRS financial statement, such contractual obligations are recognised as a liability, irrespective of any existing company assets or a legal entitlement to repay such debts. Financial liabilities are recognised at fair value and subsequently re-measured at amortised cost. The IFRS financial statement opening balance recognises a liability of TEUR 7 116, and the shareholders' equity has fallen by TEUR 5 266, taking into account deferred taxes. This recording did not change in the IFRS financial statement of 31 December 2006. In 2007 (TEUR 3 085) and 2008 (TEUR 4 031), DNA Networks Ltd and DNA Finland Ltd recognised the accrued interest on subordinated loans through profit or loss.

b) Interest rate hedge agreement
In the IFRS financial statement, the negative fair value of DNA Networks Ltd's interest rate hedge agreement is recognised as a liability. Hedge accounting was not applied in the Group in 2006 and 2007. In the FAS financial statement, the difference between the fair value and the book value has not been taken into account. The IFRS financial statement opening balance recognises a liability of TEUR 53. The interest rate hedge agreement was cancelled on 31 December 2006, when the liability was derecognised through profit or loss.

c) Long-term discounts
The lump sum benefit related to long-term discounts is recognised as a liability in the IFRS financial statement opening balance of 1 January 2006 and as an expense in the accrued profits (the 2006 FAS cost consequence is reversed). The difference between the nominal value and the present value of the liability is recognised as a financing expense in the IFRS financial statement until the end of 2006 (in 2006, the interest expense recognised in the IFRS financial statement amounted to TEUR 322), after which the coupon rate was spread and paid annually in the FAS financial statement.

d) Shares
In the financial statements complying with the FAS, shares are valued at purchase price. In the IFRS financial statement, shares are valued at fair value. Due to valuing at fair price, the value of shares in the opening balance of the IFRS financial statement increased by TEUR 140.

On 31 December 2006, the value of shares in the IFRS financial statement is TEUR 203 higher than in the FAS financial statement. The year-on-year change, TEUR 53, is recognised in the shareholders' equity fair value fund.

On 31 December 2007, the value of shares in the IFRS financial statement is TEUR 236 higher than in the FAS financial statement. The year-on-year change, TEUR 33, is recognised in the shareholders' equity fair value fund.

On 31 December 2008, the value of shares in the IFRS financial statement is TEUR 64 higher than in the FAS financial statement. The year-on-year change, TEUR -172, is recognised in the shareholders' equity fair value fund.

e) Reversal of provision

The FAS financial statement of 31 December 2006 includes a Group provision (TEUR 1 334), which actually constitutes a litigation provision. As this provision does not comply with the requirements of IAS 37, the provision has been reversed in the IFRS financial statement. In addition, the change of provision of TEUR 985 recognised in the FAS financial statement (the income statement 2006) has been reclassified in the other operating expenses. The negative goodwill generated during 2007 by the acquisition of subsidiaries is reversed in the IFRS financial statement and recognised in the other operating expenses at TEUR 366.

f) Reversing goodwill impairment

The transition standard (IFRS 1 – First-time Adoption of International Financial Reporting Standards) is applied to the acquisition cost measurement for acquisitions effective prior to 2006, and the acquisition cost measurement has not been performed again to comply with IFRS 3. The company has applied IFRS 3 to all business combinations effective on 1 January 2006 or later. Impairment loss for goodwill is not recognised in the IFRS, but an impairment test is performed based on the conditions on the date of adoption and annually thereafter. Reversal of impairment in the 2006 FAS financial statement reduced impairment by TEUR 3 872 in the IFRS financial statement. Reversal of impairment in the 2007 FAS financial statement reduced impairment by TEUR 5 852 in the IFRS financial statement. Reversal of impairment in the 2008 FAS financial statement reduced impairment by TEUR 3 646 in the IFRS financial statement.

g) Sonit retail outlet business

The Sonit retail outlet business acquired from DP Holding Ltd in 2006 was directly recognised on 31 December 2006 in the FAS financial statement in DNA Store Ltd, where goodwill was generated by the difference between net assets and the rise in share capital. The acquisition of the retail outlet business was financed by directing DNA Store Ltd's shares to DP Holding Ltd, reducing DNA Group's holding of DNA Store Ltd to 40 per cent. In the FAS financial statement, DNA Store Ltd is an associated company. In compliance with the IFRS, DNA Group has not ceased to hold controlling interest in DNA Store Ltd's shares, since when the acquisition was carried out, DNA Ltd received a call option for the DNA Store Ltd's shares owned by DP Holding Ltd. In the IFRS consolidated financial statement, DNA Store Ltd became a subsidiary as of the IFRS opening balance of 1 January 2006. The call option for the shares held by DP Holding Ltd was exercised on 1 July 2007, when the entire capital stock of DNA Store Ltd was acquired by the Group. The acquisition was financed by a conditional purchased price of TEUR 5 322, part of which was paid later. The business acquisition cost constitutes the 2007 payment instalments, an unpaid purchase price falling due later in 2008 and direct expenses. Part of the difference between the acquisition cost and the book value of the transferred net assets was recognised as customers (intangible asset) and the rest as goodwill.

h) Finance lease agreements

In the FAS financial statement, all lease agreements have been recognised as operating lease agreements. According to the IFRS, a lease is classified as a finance lease if it transfers to the lessee substantially all risks and rewards incidental to ownership. Finance lease agreements are recognised in the profit and loss account as asset and liability at the lower or present value of minimum lease payments and the fair value of the asset, determined at the time when the agreement becomes effective. Minimum lease payments are split into debt payments and financing costs. Financing costs are recognised in the income statement as financing costs and split between the periods of the term of lease based on a pattern reflecting a constant periodic interest rate for the remaining debt. All assets acquired through finance lease agreements are amortised on a straight-line basis over their useful life. Assets acquired through finance lease agreements less accrued amortisation totalled TEUR 113 873 on 1 January 2008 and TEUR 57 187 on 31 December 2006. The amount of finance lease debt came to TEUR 144 508 on 1 January 2006 and TEUR 65 902 on 31 December 2006. Assets acquired through finance lease agreements less accrued amortisation totalled TEUR 30 336 on 31 December 2007. The amount of finance lease debt came to TEUR 30 836 on 31 December 2007. Assets acquired through finance lease agreements less accrued amortisation totalled TEUR 19 419 on 31 December 2008. The amount of finance lease debt came to TEUR 20 608 on 31 December 2008.

i) Decommissioning costs

At the end of the lease, the company is responsible for restoring the object of the lease to its original condition, i.e. disassembling telephone poles, aerial and hardware locations, and masts. In the 2006 FAS financial statement, such decommissioning costs are recognised when they are generated. Under IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), a provision must be recognised for this obligation in the IFRS financial statement. The opening balance of the IFRS financial statement recognises a provision of TEUR 429 for decommissioning and restoration obligations and TEUR 107 capitalised for property, plant and equipment (masts). The provision amounted to TEUR 503 on 31 December 2006. The provision for the decommissioning obligation amounted to TEUR 4 789 on 31 December 2007, of which TEUR 3 198 was capitalised for property, plant and equipment (masts and telephone poles). The amount added to the provision for the decommissioning obligation came to TEUR 3 862 in 2007 owing to acquisitions. The provision for the decommissioning obligation amounted to TEUR 2 952 on 31 December 2008, of which TEUR 2 989 was capitalised. The amount of the provision is reviewed at the end of each reporting period to adjust for the current expectations. The amount capitalised for property, plant and equipment is amortised on a straight-line basis over its useful life.

j) Deferred taxes

The company has not deducted deferred tax assets for confirmed losses and unused tax depreciation in accordance with the principle of prudence observed in the FAS financial statement. In the IFRS financial statement, deferred tax assets are recognised for unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible tax losses and credits can be utilised.

In the IFRS financial statement of 1 January 2006, the company has recognised a deferred tax asset of TEUR 434 owing to unused tax depreciation. In the IFRS financial statement of 31 December 2006, the deferred tax asset owing to the unused tax deprecation amounted to TEUR 384. The change of TEUR 50 was recognised in the income statement as tax expense. In addition, on 31 December 2006 the company recognised TEUR 7 854 of deferred tax asset owing to confirmed losses in the IFRS financial statement.

The deferred tax has been measured based on the adjusted IFRS figures if it has caused a temporary taxable or tax-deductible difference. The most significant temporary differences were a consequence of property, plant and equipment depreciation or acquisition-date fair value measurement in compliance with IFRS 3. A deferred tax asset of TEUR 16 253 and a deferred tax liability of TEUR 39 are recognised in the IFRS opening balance of 1 January 2006. A deferred tax asset of TEUR 10 912 and a deferred tax liability of TEUR 1 376 have been recognised in the adjusted 2006 IFRS financial statement. A deferred tax asset of TEUR 14 110 and a deferred tax liability of TEUR 46 820 have been recognised in the adjusted 2007 IFRS financial statement and correspondingly a deferred tax asset of TEUR 1 358 and a deferred tax liability of TEUR 44 653 have been recognised in the adjusted 2008 IFRS financial statement.

For breakdown of deferred taxes, see section 21 of the notes.

k) Long-term assets held for sale

The sale of Finnet Com Ltd was completed on 10 February 2006. However, the management was committed to the sale on 1 January 2006 (for example, a buyer was actively sought during 2005, and by 1 January 2006 it was considered likely that the sale would be realised within the next 12 months). In the IFRS financial statement balance sheet of 1 January 2006, the assets and liabilities related to Finnet Com Ltd are recognised separately from other assets and liabilities as long-term assets held for sale. This recognition has the following effect on the IFRS opening balance:

EUR 1 000	
Long-term assets classified as held for sale	
Goodwill	900
Other intangible assets	316
Machinery and equipment	3 895
Other shares and holdings	17
Materials and supplies	173
Accounts receivable	5 019
Other receivables	299
Accrued income and deferred expenses	1 106
Cash and bank receivables	3 831
Assets total	16

Liabilities related to long-term assets held for sale

Accruals (long-term)	253
Accruals (short-term)	88
Accounts payable	4 527
Other short-term liabilities	227
Other deferred income	1 468
Total liabilities	7

l) Accounting methods

Tie-in deals

The company can combine services and products to create a single offering (tie-in deals). In the FAS financial statement, the equipment sold in a tie-in deal is recognised separately from the service, if both items are also sold separately and the end-user will have ownership of the equipment. Equipment expenses are recognised at the same time with the related income. However, sales revenue from tie-in deals has not been discounted in the FAS financial statement. In the IFRS financial statement, receivables are measured at fair value and income from tie-in deals is discounted to the present value while a part of the received payments from customers is recognised in financial income. No tie-in deals existed at the time of the opening balance and consequently no adjustments have been made to the opening balance.

The company recognised an adjustment of TEUR 100 relating to the financing costs of tie-in deals in the 2006 financial statement; the adjustment came to TEUR 473 in the 2007 financial statement and TEUR 771 in the 2008 financial statement. The company recognised an adjustment of TEUR 545 relating to the financial income from tie-in deals in the 2006 financial statement; the adjustment came to TEUR 813 in the 2007 financial statement and TEUR 838 in the 2008 financial statement. The company recognised an adjustment of TEUR 645 relating to net sales from tie-in deals in the 2006 financial statement; the adjustment came to TEUR 742 in the 2007 financial statement and TEUR 796 in the 2008 financial statement.

Fibre exchange agreements

The regional telephone companies, acquired by the Group on 1 July 2007, had fibre exchange agreements with other companies. In the FAS financial statement, these agreements have been largely recognised immediately as expense or income. An adjustment has been made to spread the agreement income and expenses over the period of useful life. The fibre exchange agreements have been adjusted to comply with the IFRS in the acquisition cost calculation of the regional telephone companies and amortisation has been recognised in the IFRS balance sheet as receivables and liabilities according to the nature of the agreement.

In the 2007 financial statement, a total of TEUR 1 397 of fibre exchange receivables and TEUR 1 746 of fibre exchange liabilities were recognised. The adjustment of amortisation increased net sales by TEUR 129, with a total impact of TEUR 49 in the 2007 financial statement when expenses and deferred tax were taken into account. In the 2008 financial statement, a total of TEUR 1 272 of fibre exchange receivables and TEUR 1 524 of fibre exchange liabilities were recognised. The adjustment of amortisation increased net sales by TEUR 222, with a total impact of TEUR 72 when expenses and deferred tax were taken into account.

Operating lease agreements

The regional telephone companies, acquired by the Group on 1 July 2007, had long-term lease agreements with third parties, which have been recognised as an immediate cost in the FAS financial statement. These lease agreements are classified as operating leases and largely related to leasing mast and hardware locations. An adjustment has been made to these lease agreements to spread the agreement expenses over the period of useful life. The impact of the assessment has been taken into account in the acquisition cost calculation of the regional telephone companies and the amortisation is recognised in the IFRS balance sheet as other receivables.

With regard to operating lease agreements, a total of TEUR 1 011 of receivables was recognised in the balance sheet and TEUR 29 of expenses was recognised in the income statement of the 2007 financial statement.

With regard to operating lease agreements, a total of TEUR 981 of receivables was recognised in the balance sheet and TEUR 58 of expenses was recognised in the income statement of the 2008 financial statement.

m) Pension obligations

Under the Finnish accounting method, the Group's pension obligations have been recorded in accordance with the local regulations. Following the business acquisition carried out in 2007, the Group assumed new defined contribution plans, for which added obligation has been recognised. The Group's pension obligations increased by TEUR 369 in the 2007 IRFS financial statement. In the 2008 IFRS financial statement pension obligations amounted to TEUR 334. The change in pension obligations has been recognised in profit or loss.

n) Agent commissions

In the FAS financial statement, all sales commissions paid to third parties (agent commissions) have been recognised as immediate expenses. Commissions meeting the criteria of IAS 38 have been adjusted in the IFRS financial statements in order to capitalise them as intangible assets and recognised as expenses amortised over their useful life.

In the financial statement of 31 December 2006, intangible assets came to TEUR 1 547, TEUR 2 421 was recognised in the income statement as expense adjustment and TEUR 875 as increase in depreciation difference.

In the financial statement of 31 December 2007, intangible assets came to TEUR 1 797, TEUR 2 450 was recognised in the income statement as expense adjustment and TEUR 2 200 as increase in depreciation difference.

In the financial statement of 31 December 2008, intangible assets came to TEUR 3 732, TEUR 4 470 was recognised in the income statement as expense adjustment and TEUR 2 534 as increase in depreciation difference.

o) Business acquisitions

See section 6 in the notes.

p) Hedge accounting

The Group has adopted hedge accounting in the 2008 financial year. The provisions for applying hedge accounting include the following: a risk can have an effect on profit or loss and therefore must be hedged; if the hedge relationship is initiated, the hedge will be highly effective; effectiveness of the hedge can be reliably measured; and the hedge is reviewed regularly and has been considered to work effectively throughout the hedging relationship. With cash flow hedges, the forecast transaction must be highly probable and must subject the entity to fluctuations in the cash flow, which can have an effect on profit or loss in the financial statement. In hedge accounting, the change in value generated by the effective part of the hedge instrument is recognised in comprehensive income. The change in value of the ineffective part is recognised in the profit or loss of the reporting period. The item recognised in comprehensive income is recognised in profit or loss during the reporting period when the forecast transaction has an effect on profit or loss.

DNA Group has variable-rate borrowed capital. During the 2008 financial year, the Group signed interest rate swap agreements hedging against changes in variable interest rates. These swap agreements are included in the hedge accounting (cash flow hedge). In the financial period, the effective part of the hedge instrument recognised in the shareholders' equity fund is TEUR 978. The negative change in value of TEUR 1 322 in the hedge instruments has been recognised as a long-term liability.

4 LIQUIDITY RISK MANAGEMENT

The main objectives of the company's financing operations are raising capital, optimising capital expenditure and managing financing risk. Principles of risk managements are defined in the Group financing policy, adopted by the parent company Board of Directors. The policy includes guidelines for raising finance, investing the cash surplus and managing financing risks. The Group financing activities are centralised at the parent company financing department, which coordinates and monitors financing in the subsidiaries, and reports to the Group management. The Group liquidity is centralised with the help of Group accounts and pooling systems. The parent company is responsible for investing the surplus liquidity, while the parent company manages the Group extra funding requirements. Any finance deficit in the subsidiaries is covered by internal loans within the Group.

Liquidity, credit and interest rate risks comprise the key financing risks in the Group The objective of the Group financing risk management is to identify and gauge 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 insignificant, since its operations are carried out in Finland only.

Liquidity risk

Liquidity risk refers to a situation, where the Group's financial assets and extra funding opportunities fall short of the Group's requirements, or the cost of raising liquid assets is higher than the market cost. Creating a cash flow forecast and determining any related uncertainties are the key measures to manage liquidity risk. At the end of 2008, the Group had a good liquidity position. In addition to the Group's liquid assets, EUR 43 million remained out of the loan facility of EUR 150 million. EUR 13 million of the unused loan facility will expire in 2010 and EUR 30 million in 2013.

Debt maturity analysis

2008	Under 1 year		1–5 years		Over 5 years		Total		Total
EUR 1 000	Interest payment	Repayment	Interest payment	Repayment	Interest payment	Repayment	Interest payment	Repayment	Cash flow
Loans from financial institutions	3 854	18 007	5 393	105 775	0	0	9 247	123 614	**413 286**
Telephone company loans	1 335	24 543	0	0	0	0	1 335	24 543	**25 878**
Loan commitments	17	100	30	249	0	0	47	349	**396**
Finance lease debt	508	7 470	1 293	8 820	509	1 783	2 310	18 073	**20 383**
Accounts payable	0	77 959		0	0	0	0	77 959	**77 959**
Accruals	0	28 045		0	0	0	0	28 045	**28 045**
Other borrowing	0	9 893		5 113	0	385	0	15 391	**15 391**

The 2009 repayments are included in the short-team loans.
The average rate of variable-rate loans was 4.51 per cent on the closing date, variable-rate loans constituting 93 per cent of the Group's borrowing.
The TyEL reloans in the pension contribution credit scheme and the majority of finance lease debts have fixed interest rates.

Debt maturity analysis

2007	Under 1 year		1–5 years		Over 5 years		Total		Total
EUR 1 000	Interest payment	Repayment	Interest payment	Repayment	Interest payment	Repayment	Interest payment	Repayment	Cash flow
Loans from financial institutions	1 233	8 471	1 093	17 143	0	0	2 326	25 614	**27 940**
Telephone company loans	1 973	17 942	1 018	24 544	0	0	2 991	42 486	**45 477**
Loan commitments	21	100	39	300	0	49	60	449	**509**
Finance lease debt	936	9 954	2 044	13 500	695	2 340	3 675	25 794	**29 469**
Accounts payable	0	64 925		0	0	0	0	64 925	**64 925**
Accruals	0	33 880		0	0	0	0	33 880	**33 880**
Other borrowing	0	25 690		8 540	0	0	0	34 230	**34 230**

The 2008 repayments are included in the short-team loans.
The average rate of variable-rate loans was 5.71 per cent on the closing date, variable-rate loans constituting 94 per cent of the Group's borrowing.
Finance lease debts have fixed interest rates.

Debt maturity analysis

2006	Under 1 year		1–5 years		Over 5 years		Total		Total
EUR 1 000	Interest payment	Repayment	Interest payment	Repayment	Interest payment	Repayment	Interest payment	Repayment	Cash flow
Loans from financial institutions	1 336	10 951	2 326	25 714	0	0	3 662	36 665	**40 327**
Telephone company loans	3 015	23 439	2 991	31 946	0	0	6 006	55 385	**61 391**
Finance lease debt	646	12 791	7 204	25 802	8 428	21 082	16 278	59 675	**75 953**
Accounts payable	0	58 805	0	0	0	0	0	58 805	**58 805**
Accruals	0	23 725	0	0	0	0	0	23 725	**23 725**
Other borrowing	0	6 888	0	15 432	0	0	0	20 786	**20 786**

The 2007 repayments are included in the short-team loans.
The average rate of variable-rate loans was 4.42 per cent on the closing date, variable-rate loans constituting 79 per cent of the Group's borrowing.
The majority of finance lease debts have fixed interest rates.

Credit risk

The Group has no significant concentrations of credit risk, due to the large number of customers and because the individual receivable amounts are small. New customers are subjected to credit check as part of the ordering process, and if any existing customers are found to have credit problems, they are declined any new business with the Group. The bad debt provisions recognised in the financial statements are considered to correspond to the future bad debt loss from the sales receivable. In 2008, bad debt amounted to TEUR 5 731 (2007: TEUR 1 966, 2006: TEUR 1 907). The maximum credit risk corresponds to the financial asset book value at the end of the financial period. Customer with weaker solvency have been required to pay the basic charges in advance as a deposit. Financing credit risk refers to a situation where the other party does to meets its obligations under the financing agreement. To minimise and monitor the opposing party risk, investments and derivative instruments are managed within the framework adopted by the Board for opposing party, financial instrument and maturity limits.

The age distribution of sales receivables which have matured but not decreased in value are listed in the following table. The distribution also includes the Group internal sales receivables.

EUR 1 000	2008	2007
Not matured	120 683	64 763
Matured 1-45 days	11 716	59 140
Matured 46-90 days	1 920	1 234
Matured 91-180 days	1 807	1 636
Matured over 180 days	5 166	4 276
Total	**141 292**	**131 050**

Interest rate risk

The Group 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, such as interest-bearing loans, investments and derivative instruments. The interest rate sensitivity of the Group's business operations refers to the indirect effect of the interest rate level on purchase and sale prices, salaries and other operative items on the balance sheet. In order to manage the interest rate risk, some of the loans taken by the Group have been hedged. The Group applies hedge accounting in accordance with IAS 39, and the Group's interest rate swaps are covered by the cash flow hedges. The Group's borrowings have been spread between fixed- and variable-rate instruments. 25 per cent of variable-rate loans are hedged.

The Group is also exposed to the fair value interest rate risk through fixed-rate reborrowing of Tyel pension contributions and finance lease debts. The share of fixed-rate loans amounted to 7 per cent on the closing date.

The effect on the Group's profit after taxes caused by a rise of one percentage point in the interest rate of the closing date would amount to EUR 1.1 million (2007: EUR 0.3 million, 2006: EUR 0.4 million) and a corresponding drop in the interest rate would improve the Group's financial performance by EUR 1.1 million (2007: EUR 0.3 million, 2006: EUR 0.4 million). The sensitivity analysis covers the Group's variable-interest loans and liquid assets in bank, as changes in their interest rates would have an effect on the Group.

Market risk in investments

DNA Ltd holds circa 1.8 per cent of Elisa Corporation's shares and votes. The shares are recognised at fair value in profit or loss in the financial statements. In addition to the Elisa shares, the Group has some small share investments but these involve very insignificant risks.

Capital management

The objective of the Group's capital management is to support the business operations, with the help of optimal capital structure, by ensuring normal operating conditions, and to increase shareholder value in order to maximise return on equity. Optimal capital structure will help capital expenditure remain at an optimal level.

DNA defines capital as shareholders' equity and borrowed capital, including loans, advances received, accounts payable, deferred income, deferred tax liabilities and other long- and short-term loans. Dividend distribution, refund of capital and financial planning concerning investments can be used to influence the capital structure. The Group management monitors the development of the capital structure with the help of gearing and solvency ratios. These key indicators can be found in the key indicator table. The Group's loan facility of EUR 150 million includes key indicator covenants for finance institutions, whose conditions have been met during the financial period.

5 SEGMENT INFORMATION UNDER IFRS 8

The Group's operations are managed and reported in line with the following business segments: Mobile Communications, Fixed Network, Retail Outlet Business and Other Operations.

The Mobile Communications Business offers mobile communication network voice and data services to consumers, businesses and operators. The Fixed Network Business offers fixed-line network voice, data and TV services to consumers, businesses and operators. The Retail Outlet Business is a distribution service, including a chain of stores whose product portfolio includes mobile communication, broadband and TV services, and mobile phones and equipment. Other Operations covers the Group's centralised purchase organisation and the operations under the Group management organisation.

All segment-specific data has been provided in accordance with the FAS accounting principles. Reconciliation between FAS and the consolidated IFRS data is presented in the FAS-IFRS Adjustments column.

DNA Store Ltd under the Retail Outlet Business is consolidated as an associated company in the FAS consolidated data until 30 June 2007. However, in the IFRS financial statements, it has been consolidated as a 100% owned subsidiary throughout the reporting period (see the Transition section in the notes). In these segment tables, all data concerning DNA Store Ltd has been presented as a part of the Retail Outlet Business as if it had always been a fully-owned subsidiary. Consequently, the Segments Total, FAS column does not correspond directly to the figures in the FAS consolidated financial statements.

Inter-segment pricing is based on the market prices.

The primary key indicators for the segments' profit and loss monitoring comprise net sales, EBITDA and operating profit. Items that have not been allocated to segments include financial items, extraordinary items and taxes.

In the balance sheet, segments include items that can be allocated to segments either directly or on reasonable grounds. Allocated assets include tangible and intangible assets, inventories, accounts receivable and other non-interest-bearing receivables. Allocated liabilities include accounts payable and other non-interest-bearing liabilities. The balance sheet items that have not been allocated to segments comprise items, which are not directly included in the operative business, such as interest-bearing receivables and liabilities and deferred tax assets and liabilities. In the balance sheet FAS-IFRS adjustments, the deferred taxes related to the fair value allocation of fixed assets and customer accounts are presented on the Segment Liabilities line.

DNA Group's external net sales are divided into three product groups: Mobile Communication Services, Fixed Network Services and Other Services. The product group division follows the segment division so that the Mobile Communications segment net sales are included in the Mobile Communication Services, and the Fixed Network segment net sales are included in the Fixed Network Services. The Retail Outlet Business segment and Other Operations are included in Other Services, which covers the mass market equipment sales and the equipment and service sales of the centralised purchase organisation.

DNA Group operates in Finland, domestic operations accounting for a majority of its net sales. In 2007, foreign operations accounted for TEUR 6 271 (TEUR 6 314 in 2006) of the Group's net sales.

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

1 Jan–31 Dec 2008

EUR 1 000 Business segments	Mobile	Fixed	Store	Other	Elim./ Group	Total segments (FAS)	FAS-IFRS adjust-ment *)	Total Group (IFRS)
Income from external customers	422 383	195 849	16 721	12 756		647 709	-572	647 137
Inter-segment sales	1 439	19 260	35 198	-402	-55 495			
Total net sales	**423 822**	**215 109**	**51 919**	**12 354**	**-55 495**	**647 709**	**-572**	**647 137**
EBITDA **	91 319	60 080	1 284	-649	-162	151 872	14 053	165 925
Depreciation and write-downs	-36 935	-26 517	-465	-1 012	-171	-65 100	-31 665	-96 765
**Profit ** **	**54 384**	**33 563**	**819**	**-1 661**	**-333**	**86 772**	**-17 612**	**69 160**
Share of associated companies' profits							9	9
Net financial items						-10 742	5 896	-4 846
Extraordinary items								
Income taxes						-8 308	-9 180	-17 488
Net income						**67 722**	**-20 887**	**46 834**

31 Dec 2008

EUR 1 000 Business segments	Mobile	Fixed	Store	Other	Elim./ Group	Total segments (FAS)	FAS-IFRS adjust-ment *)	Total Group (IFRS)
Segment assets	279 314	180 040	18 485	48 826	-66 725	459 940	358 402	818 342
Assets unallocated to segments						89 298	4 440	93 738
Total assets	**279 314**	**180 040**	**18 485**	**48 826**	**-66 725**	**549 238**	**362 842**	**912 080**
Segment liabilities	94 797	72 856	6 923	19 114	-73 281	120 409	69 242	189 651
Liabilities unallocated to segments						167 104	2 000	169 104
Shareholders' equity						261 724	291 599	553 324
Total equity and liabilities	**94 797**	**72 856**	**6 923**	**19 114**	**-73 281**	**549 237**	**362 842**	**912 080**
Investments	65 868	26 765	352	3 740		96 725		96 725
Employees, year-end	250	643	47	42		982		982

1 Jan–31 Dec 2007

EUR 1 000 Business segments	Mobile	Fixed	Store	Other	Elim./ Group	Total segments (FAS)	FAS-IFRS adjust-ment *)	Total Group (IFRS)
Income from external customers	389 086	125 928	13 293	10 780		539 087	-596	538 491
Inter-segment sales	1 349	12 453	22 319	3 057	-39 178			
Total net sales	**390 434**	**138 381**	**35 612**	**13 837**	**-39 178**	**539 087**	**-596**	**538 491**
EBITDA	81 167	33 281	2 952	-2 728	148	114 820	20 825	135 645
Depreciation and write-downs	-34 620	-13 611	-411	-219	-192	-49 054	-24 108	-73 162
Profit	**46 547**	**19 670**	**2 541**	**-2 947**	**-44**	**65 767**	**-3 283**	**62 484**
Share of associated companies' profits						355	-329	25
Net financial items						-5 267	2 697	-2 570
Extraordinary items						-121	121	
Income taxes						-610	4 340	3 730
Net income						**60 122**	**3 546**	**63 668**

31 Dec 2007

EUR 1 000 Business segments	Mobile	Fixed	Store	Other	Elim./ Group	Total segments (FAS)	FAS-IFRS adjust- ment *)	Total Group (IFRS)
Segment assets	252 836	190 037	12 988	9 945	-21 455	**444 349**	379 263	**823 612**
Assets unallocated to segments						**73 090**	21 059	**94 149**
Total assets	**252 836**	**190 037**	**12 988**	**9 945**	**-21 455**	**517 439**	**400 322**	**917 762**
Segment liabilities	115 651	54 589	5 653	3 300	-33 039	**146 154**	77 610	**223 764**
Liabilities unallocated to segments						**72 352**	9 118	**81 470**
Shareholders' equity						**298 933**	313 593	**612 526**
Total equity and liabilities	**115 651**	**54 589**	**5 653**	**3 300**	**-33 039**	**517 439**	**400 322**	**917 762**
Investments	57 710	17 284	219	1 219		**76 432**		**76 432**
Employees, year-end	189	951	18	56		**1 214**		**1 214**

1 Jan-31 Dec 2006

EUR 1 000 Business segments	Mobile	Fixed	Store	Other	Elim./ Group	Total segments (FAS)	FAS-IFRS adjust- ment *)	Total Group (IFRS)
Income from external customers	348 128	27 992	8 771	12 834		**397 725**	-571	**397 154**
Inter-segment sales		12 378	20 917	889	-34 184			
Total net sales	**348 128**	**40 370**	**29 688**	**13 723**	**-34 184**	**397 725**	**-571**	**397 154**
EBITDA	**67 678**	**174**	**2 861**	**-2 783**	**136**	**68 066**	**6 650**	**74 716**
Depreciation and write-downs	-25 239	-897	-379	-3 805	1 531	**-28 789**	-19 957	**-48 746**
Profit	**42 439**	**-723**	**2 482**	**-6 588**	**1 667**	**39 277**	**-13 307**	**25 970**
Share of associated companies' profits						**795**	-788	**7**
Net financial items						**-1 172**	-7 697	**-8 869**
Extraordinary items						**-64 108**	64 108	
Income taxes						**23 148**	-4 125	**19 023**
Net income						**-2 060**	**39 191**	**36 131**

31 Dec 2006

EUR 1 000 Business segments	Mobile	Fixed	Store	Other	Elim./ Group	Total segments (FAS)	FAS-IFRS adjust- ment *)	Total Group (IFRS)
Segment assets	209 948	18 566	11 172	6 561	-16 031	**230 216**	62 708	**292 924**
Assets unallocated to segments						**77 332**	3 403	**80 735**
Total assets	**209 948**	**18 566**	**11 172**	**6 561**	**-16 031**	**307 548**	**66 111**	**373 660**
Segment liabilities	96 088	14 524	5 841	5 614	-15 872	**106 195**	57 462	**163 657**
Liabilities unallocated to segments						**94 355**	2 284	**96 640**
Shareholders' equity						**106 998**	6 365	**113 363**
Total equity and liabilities	**96 088**	**14 524**	**5 841**	**5 614**	**-15 872**	**307 548**	**66 111**	**373 660**
Investments	77 140	775	1 568	56	-83	**79 455**		**79 455**
Employees, year-end	295	53	18	5		**371**		**371**

*) Segment table FAS-IFRS adjustment

**) Includes adjustment of Group's internal item

The following table illustrates the key differences between segment information and Group's IFRS financial statements. For more information about adjustments, see note 3 "Adopting IFRS reporting" and note 6 "Business acquisitions".

EUR 1 000	Net income		Assets		Shareholders' equity		Equity and liabilities	
Adjustment	2008	2007	2008	2007	2008	2007	2008	2007
1. Acquisition of regional telephone companies	−14 661	−6 494	319 153	338 966	278 977	293 639	40 175	45 327
2. Reversal of goodwill depreciation	1 391	5 200	13 370	9 724	10 790	9 399	2 580	325
3. Adjustments related to lease agreements	−382	−1 279	20 690	31 604	−181	387	20 870	31 216
4. Adjustments related to financial items	3 107	2 283	408	1 284	−807	−2 808	1 215	4 093
5. Deferred tax (confirmed loss)	−12 222	3 984		12 222		12 222		
6. Other adjustments	1 880	−147	9 221	6 523	2 820	755	6 402	5 768
Total FAS-IFRS adjustments	**−20 887**	**3 546**	**362 842**	**400 323**	**291 599**	**313 594**	**71 242**	**86 729**

Adjustment	2006	2006	2006	2006
1. Acquisition of regional telephone companies				
2. Reversal of goodwill depreciation	4 199	3 872	4 199	−327
3. Adjustments related to lease agreements	23 779	57 657	1 110	56 548
4. Adjustments related to financial items	5 385	2 053	−5 110	7 163
5. Deferred tax (confirmed loss)	7 804	8 238	8 238	
6. Other adjustments	−2 976	−5 709	−2 072	−3 638
Total FAS-IFRS adjustments	**38 191**	**66 111**	**6 365**	**59 746**

1. The effect of the acquisition of the regional telephone companies can be largely explained by the fact that fair values were used in consolidating the acquisition. On the balance sheet, fair value allocations amounting to a total of EUR 184 million and generated goodwill of EUR 176 million were recognised for the acquisition. On the cash flow statement, the difference comprised the fair value depreciation and tax effect.
2. The segment information is based on FAS accounting principles, where goodwill depreciation is recognised as an expense in the profit or loss. Under the IFRS, goodwill depreciation is reversed.
3. In the segments, lease agreements are handled under the FAS principles, i.e. all lease agreements are recognised as operating lease agreements, and the paid leases are recognised as lease expenses in the profit or loss. In the IFRS financial statements, lease agreements are divided into finance lease agreements and operating lease agreements. Finance lease agreements are capitalised and the planned depreciation is recognised in the balance sheet. The most significant lease agreement adjustments are related to the GSM network infrastructure agreements.
4. Adjustments to financial items relate to subordinated loans, processing of long-term discounts and valuation of financial instruments to fair value.
5. The adjustment includes the effect of deferred tax recognised for confirmed loss.
6. Other adjustments include several less significant adjustments relating to income recognition, decommissioning expenses, pensions, agent commissions, DNA Store integration, re-segmenting etc.

6 BUSINESS ACQUISITIONS

In 2007, the Group acquired the operations of six regional telephone companies. As part of the acquisition, the Group received two subsidiaries, whose shares where sold during the financial period. These sales did not have any material effect on the Group's financial performance. The Group did not sign any other business acquisitions or sales during 2007.

Acquisition of regional telephone companies

Description and basis of the acquisition

DNA Group saw significant expansion on 1 July 2007, when the businesses of Päijät-Hämeen Puhelin plc, Oulun Puhelin plc, Lännen Puhelin Ltd, KPY Palvelut Ltd and Satakunnan Puhelin Ltd transferred to DNA Ltd. Lohjan Puhelin was transferred to the Group through a share transaction on 7 May 2007 and has been included in the consolidated financial statements as of 1 May 2007. The acquisitions formed a strategic entity and are accounted for as a single acquisition in the financial statements.

The extensive expansion of DNA Group will improve its competitiveness in the fixed-network business in particular. The expansion of the Group will ensure a positive development in ownership value, local operations, profitable business growth and future success. Moreover, the combination of resources will expand the service range, provide competitiveness and larger than ever resources for, among other things, product development and marketing.

The two main strengths of the new company lie in its national mobile business and merged regional fixed-network business. As a result of the arrangement, the group now operates as a nationwide, full-service operator.

Economic impact

The impact of the regional telephone companies on the Group's 2007 net income came to TEUR 10 041 including fair value adjustment. DNA Group's pro forma figures in the below table present the situation as if the acquisition had been completed on 1 January 2007.

1 Jan–31 Dec 2007

EUR 1 000	DNA Group	Acquisition of regional telephone companies	DNA Group pro forma
Pro forma net sales	538 491	83 460	621 951
Pro forma net income	64 737	10 308	75 045

Calculating acquisition cost and goodwill

Acquisition cost	
Cash payment	15 000
Fair value of the share-based payment	434 133
Related to the acquisition	
Direct expenses related to the acquisition	1 281
Total acquisition cost	**450 414**
Fair value of acquired net assets (see breakdown below)	274 865
Goodwill	**175 549**
Allocating goodwill to CGUs	
– Fixed network	141 458
– Mobile communication	34 091

A total of 3 617 773 company shares were granted in the acquisition transaction. Fair value of the share-based payment is based on the share price of EUR 120/share applied in the Lohja business acquisition. The subscription price was settled in the negotiations between two independent parties.

Goodwill generated in the transaction is based on the strong profitability and cash flow of the acquired businesses and the synenergy benefits created by the restructuring.

Effect on cash flow

Total cash payment for the purchase price	–16 281
Acquired business cash assets	13 514
Net effect	**–2 768**

Assets and liabilities transferred to the Group

The book values and fair values of the asset items and liabilities transferred to the Group are as follows:

	Balance sheet value	Fair value adjustments	Fair values
Goodwill	342	-342	
Intangible assets	2 355		2 355
Customer relationships		38 336	38 336
Deferred tax assets	785		785
Long-term investments	2 141		2 141
Tangible assets	144 713	146 025	290 738
Inventories	6 651		6 651
Long-term receivables	1 609		1 609
Short-term receivables	31 154		31 154
Liquid assets	10 392		10 392
Total acquired assets	**200 142**	**184 019**	**384 161**
Deferred tax liabilities	14 445	47 934	62 379
Other long-term liabilities	6 995		6 995
Short-term liabilities	39 922		39 922
Total liabilities transferred to the Group	**61 362**	**47 934**	**109 296**
Total acquired net assets	**138 780**	**136 085**	**274 865**

The fair value adjustment of tangible assets of TEUR 146 025 represents the telecommunication network included in the acquisition. Uniform principles have been followed in the measurement of fair value for the telecommunication network in all acquired businesses. Fair value has been measured for each technology and is based on calculating the reconstruction value. The calculation takes into consideration economic and functional obsolescence of the various technologies.

The fair value of customer relationships, TEUR 38 336, is recognised in the other intangible assets and defined on the basis of the estimated length of customer relationships and the discounted cash flows generated by the existing customer accounts. The depreciation periods of the customer relationships are measured at 1–20 years on the basis of the estimated length of relationships

7 NET SALES

EUR 1 000	2008	2007	2006
Proceeds of sale of goods	30 696	40 857	15 989
Income from services	616 440	497 634	381 165
Total	**647 137**	**538 491**	**397 154**

8 OTHER OPERATING INCOME

EUR 1 000	2008	2007	2006
Sales profit of property, plant and equipment	464	1 745	
Rental income	623	476	257
Other income items			
– Other income items	2 660		1 277
– Sales profit from discontinued operations		4 132	4 741
– Supplier refunds	1 042	1 077	1 706
– Penalties	241		
Insurance compensations		34	14
Total	**5 030**	**7 463**	**7 995**

9 OTHER OPERATING EXPENSES

EUR 1 000	2008	2007	2006
Property, plant and equipment sales loss and decommissioning	2 323	10	91
Operating and maintenance costs	15 225	8 797	16 287
Rental costs	32 692	31 215	27 555
External services	3 720	3 572	2 465
Other cost items	45 045	24 455	24 826
Total	**99 006**	**68 051**	**71 224**
Auditor fees			
PricewaterhouseCoopers Ltd			
Auditing fees	315	91	94
Tax consulting	57	20	6
Other fees	307	347	12
	679	**459**	**112**
KPMG Ltd			
Auditing fees		39	
Other fees	164	20	
	164	**59**	

10 DEPRECIATION AND WRITE-DOWNS

EUR 1 000	2008	2007	2006
Depreciation by asset group:			
Intangible assets			
Customer relationships	3 711	1 867	148
Other intangible assets	13 518	10 338	10 113
Total	**17 229**	**12 205**	**10 261**
Property, plant and equipment			
Buildings and structures	1 745	752	
Machinery and equipment	77 792	60 204	38 486
Other tangible assets		2	
Total	**79 536**	**60 957**	**38 486**

11 EMPLOYMENT BENEFIT EXPENDITURE

EUR 1 000	2008	2007	2006
Payment of wages and salaries	48 717	35 087	15 620
Pension expenses – defined contribution plans	7 730	6 702	2 741
Pension expenses – defined benefit plans	97	44	
Other social expenses	4 657	2 972	966
Total	**61 200**	**44 805**	**19 327**
Average number of Group employees for the financial period			
Mobile	209	189	302
Fixed	772	951	57
Retail outlet business	55	18	21
Other	59	56	21
Total	**1 095**	**1 214**	**401**

For information about the management employee benefits and loans, see note 32 "Related party transactions" in the notes.

12 RESEARCH AND DEVELOPMENT EXPENDITURE

EUR 1 000	2008	2007	2006
Research and development costs recognised as expense	2 333	630	
Capitalised development costs	1 681	23	

13 FINANCIAL INCOME

EUR 1 000	2008	2007	2006
Interest income from loans and other receivables	3 232	2 465	896
Interest income from financial assets recognised at fair value against profit or loss	310	382	275
Net gain from financial assets recognised at fair value against profit or loss	0	8	0
Dividend income from investments available for sale (shares)	286	0	0
Dividend income from financial assets recognised at fair value against profit or loss	13	15	8
Total	**3 840**	**2 870**	**1 179**

14 FINANCIAL EXPENSES

EUR 1 000	2008	2007	2006
Interest expenses from financial liabilities	4 954	5 353	10 047
Other financial expenses	356	88	2
Total	**5 310**	**5 440**	**10 048**

15 INCOME TAX

EUR 1 000	2008	2007	2006
Tax based on the taxable income for the financial period	-9 446	-902	0
Taxes for prior financial periods	-101	0	-490
Deferred tax	-7 941	4 631	19 513
Total	**-17 487**	**3 729**	**19 023**

Reconciliation of the income statement tax expenses and the Group's taxes calculated at the domestic tax rate of 26 per cent:

EUR 1 000	2008	2007	2006
Profit/loss before taxes	64 322	59 939	17 108
Taxes calculated at the domestic tax rate	-16 724	-15 584	-4 448
Differences:			
Tax-free income	810	138	348
Non-deductible expenses	-624	-455	-58
Goodwill impairment loss	0	0	0
Use of previously unrecognised tax losses	0	12 299	151
Deferred tax assets recognised for tax losses	0	6 838	31 000
Taxes for prior financial periods	-101	0	-490
Other items	-849	494	-7 479
Taxes in the income statement	**-17 487**	**3 729**	**19 023**

16 EARNINGS PER SHARE

EUR 1 000	2008	2007	2006
Profit/loss for the financial period attributable to the parent company equity holders, continuing operations	46 836	63 668	36 131
Weighted number of shares during the financial period	7 569	4 624	3 382
Basic earnings per share (euros/share), continuing operations	6.2	13.8	10.7

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders for the financial period by the weighted average number of outstanding shares during the financial period.
The company does not hold any instruments, which cause dilution effect.

17 PROPERTY, PLANT AND EQUIPMENT

EUR 1 000	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in process	Total
2006						
Acquisition cost 1 January	**0**	**0**	**211 935**	**59**	**6 936**	**218 931**
Increase and transfer	0	0	29 903	0	10 528	40 431
Business mergers	0	0	385	0	-13 750	-13 365
Decrease	0	0	-14 578	-59	-1 372	-16 009
Acquisition cost 31 December	**0**	**0**	**227 646**	**0**	**2 342**	**229 987**
Accrued amortisation and write-downs 1 January	**0**	**0**	**67 159**	**0**	**0**	**67 159**
Depreciation of decrease	0	0	-9 767	0	0	-9 767
Write-down	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
Depreciation for the financial period	0	0	38 486	0	0	38 486
Accrued amortisation and write-downs 31 December	**0**	**0**	**95 877**	**0**	**0**	**95 877**
Book value 31 December	**0**	**0**	**131 768**	**0**	**2 342**	**134 110**
2007						
Acquisition cost 1 January	**0**	**0**	**227 646**	**0**	**2 342**	**229 987**
Increase and transfer	534	7 815	49 858	0	38 522	96 729
Business mergers	0	17 348	264 063	5	1 481	282 987
Decrease	0	0	-3 798	0	-30 083	-33 881
Acquisition cost 31 December	**534**	**25 163**	**537 769**	**5**	**12 262**	**575 733**
Accrued amortisation and write-downs 1 January	**0**	**0**	**95 877**	**0**	**0**	**95 877**
Depreciation of decrease	0	0	0	0	0	0
Write-down	0	0	0	0	0	0
Other changes	0	0	863	0	0	863
Depreciation for the financial period	0	752	60 204	2	0	60 957
Accrued amortisation and write-downs 31 December	**0**	**752**	**156 944**	**2**	**0**	**157 698**
Book value 31 December	**534**	**24 411**	**380 825**	**3**	**12 262**	**418 035**
2008						
Acquisition cost 1 January	**534**	**25 163**	**537 769**	**5**	**12 262**	**575 733**
Increase and transfer	841	2 834	53 584	0	67 898	125 151
Business mergers	0	0	0	0	0	0
Decrease	-2	-29	-3 039	-5	-44 008	-47 079
Acquisition cost 31 December	**1 373**	**27 968**	**588 314**	**0**	**36 152**	**653 806**
Accrued amortisation and write-downs 1 January	**0**	**752**	**156 944**	**2**	**0**	**157 696**
Depreciation of decrease	0	0	-133	-2	0	-135
Write-down	0	0	0	0	0	0
Other changes	0	0	977	0	0	978
Depreciation for the financial period	0	1 745	77 792	0	0	79 536
Accrued amortisation and write-downs 31 December	**0**	**2 496**	**235 579**	**0**	**0**	**238 075**
Book value 31 December	**1 373**	**25 472**	**352 735**	**0**	**36 152**	**415 731**

Property, plant and equipment includes property acquired through finance lease agreement as follows:

2006

EUR 1 000	Machinery and equipment
Acquisition cost	89 106
Accrued amortisation	46 445
Book value	42 661

2007

EUR 1 000	Machinery and equipment
Acquisition cost	85 455
Accrued amortisation	62 220
Book value	23 235

2008

EUR 1 000	Machinery and equipment
Acquisition cost	86 754
Accrued amortisation	75 100
Book value	11 653

18 INTANGIBLE ASSETS

2006

EUR 1 000	Goodwill	Customer relationships	Other intangible assets	Total
Acquisition cost 1 January	**21 817**	**0**	**88 675**	**110 492**
Increase and transfer	2 906	0	8 497	11 403
Business mergers	3 147	148	63	3 358
Transfer to long-term held for sale	0	0	0	0
Decrease	-3 305	0	-1 705	-5 010
Acquisition cost 31 December	**24 564**	**148**	**95 530**	**120 242**
Accrued amortisation 1 January	**9 666**	**0**	**71 390**	**81 056**
Depreciation of decrease	-2 899	0	-5 343	-8 242
Other changes	2 310	0	0	2 310
Transfer to long-term held for sale	0	0	0	0
Depreciation for the financial period	0	148	10 113	10 261
Accrued amortisation 31 December	**9 077**	**148**	**76 160**	**85 385**
Book value 31 December	**15 487**	**0**	**19 370**	**34 857**

2007

EUR 1 000	Goodwill	Customer relationships	Other intangible assets	Total
Acquisition cost 1 January	**24 564**	**148**	**95 530**	**120 242**
Increase and transfer	164 632	38 336	10 772	213 740
Business mergers	11 982	0	2 187	14 169
Decrease	0	0	-320	-320
Acquisition cost 31 December	**201 179**	**38 484**	**108 169**	**347 832**
Accrued amortisation 1 January	**9 077**	**148**	**76 160**	**85 385**
Business mergers	0	0	10	10
Depreciation of decrease	0	0	-122	-122
Other changes	502	0	0	502
Depreciation for the financial period	0	1 867	10 338	12 205
Accrued amortisation 31 December	**9 579**	**2 014**	**86 386**	**97 979**
Book value 31 December	**191 600**	**36 470**	**21 783**	**249 853**

2008

EUR 1 000	Goodwill	Customer relationships	Other intangible assets	Total
Acquisition cost 1 January	**201 179**	**38 484**	**108 169**	**347 832**
Increase and transfer	0	0	20 638	20 638
Business mergers	0	0	0	0
Decrease	0	0	-325	-325
Acquisition cost 31 December	**201 179**	**38 484**	**128 482**	**368 144**
Accrued amortisation 1 January	**9 579**	**2 014**	**86 386**	**97 979**
Business mergers	0	0	0	0
Depreciation of decrease	0	0	-153	-153
Other changes	0	0	0	0
Depreciation for the financial period	0	3 711	13 518	17 229
Accrued amortisation 31 December	**9 579**	**5 725**	**99 751**	**115 055**
Book value 31 December	**191 600**	**32 758**	**28 731**	**253 089**

Goodwill allocation

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

EUR 1 000	2008	2007	2006
Mobile communication	46 447	46 447	12 356
Fixed network	141 936	141 936	207
Retail outlet business	3 217	3 217	2 924
Total	**191 600**	**191 600**	**15 487**

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 test.

In addition to goodwill, the Group does not hold other intangible assets with indefinite useful life.

The recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) of CGU is defined as the value in use according to the forecast discounted cash flows (the DFC method). Cash flow forecasts are based on the plans approved by the management, covering a five-year period. The management considers the forecasts to reflect development to date and other information available from external sources.

The (after tax) discount rate (weighted average cost of capital, WACC) used in testing represents 9.7–11.8 per cent depending on the segment. The growth forecast after five years is 2.0 per cent.

The tests indicate that the recoverable amounts of all CGUs exceeded their balance sheet values and, consequently, their goodwill had not impaired. The management considers the applied assumptions to be reasonable in the light of information available at the time of producing the financial statements.

The key assumptions applied to calculating the value in use included growth in net sales, development of profitability, weighted average cost of capital (WACC) and the cash flow growth rate after the five-year forecast period. The most significant profit and loss sensitivities are related to the forecast net sales and profitability levels.

Parameters and their sensitivity analyses applied in the impairment testing

	Mobile communication			Fixed network			Retail outlet business		
Applied forecast parameters	2008	2007	2006	2008	2007	2006	2008	2007	2006
Amount by which the book value is exceeded, MEUR	576	713	486	114	208	–	3	5	10
Average growth in net sales, %	7	8.6	7.8	-1.3	1.7	–	2.8	0.1	0.8
Average operating margin, % *	25	24.0	16.2	30.6	32.4	–	3.9	3.5	3.4
Average investment, % of net sales *	12	9.8	6.9	10.8	10.0	–	0.9	0.9	1.0
Growth after the forecast period, %	2.0	2.0	2.0	2.0	2.0	–	2.0	2.0	2.0
WACC, %	11	11.4	9.7	9.3	9.7	–	10.9	11.8	9.8

*) Five-year forecast period average

The below table illustrates the percentage unit change for the key forecast parameters when fair value is equal to book value (and other parameters remain unchanged).

	Mobile communication			Fixed network			Retail outlet business		
Sensitivity analysis of forecast parameters	2008	2007	2006	2008	2007	2006	2008	2007	2006
Average EBITDA, % of net sales	-9.1	-10.4	-6.9	-4.4	-6.6	–	-0.5	-1.5	-2.4
WACC, %	18.3	22.1	13.7	1.9	3.8	–	2.3	13.8	15.3

19 SHARES IN ASSOCIATED COMPANIES

EUR 1 000	2008	2007	2006
At the beginning of the financial year	1 193	147	144
Share of the profit or loss for the financial period	9	25	7
Increase		1 043	
Decrease	-10	-22	-4
At the end of the financial year	**1 191**	**1 193**	**147**

Goodwill is not included in the associated companies' book value in 2008, 2007 and 2006.

Information about the Group's association companies, including their total assets, liabilities, net sales and profit/loss

EUR 1 000	Domicile	Assets	Liabilities	Net sales	Share of profit	Share of ownership
2008						
Suomen Numerot Numpac Ltd	Helsinki	483	276	1 124	35	25%
Kiinteistö Oy Otavankatu 3	Pori	2 517	893	193		36%
Kiinteistö Oy Siilinjärven Toritie	Siilinjärvi	333	5	45	-3	37.60%
2007						
Suomen Numerot Numpac Ltd	Helsinki	691	507	1 417	30	25%
Kiinteistö Oy Otavankatu 3	Pori	2 516	1 142	194		36%
Kiinteistö Oy Siilinjärven Toritie	Siilinjärvi	332	1	34		37.60%
2006						
Suomen Numerot Numpac Ltd	Helsinki	920	752	1 549	27	25%

DNA Group's real estate companies are not included in the consolidated financial statements, as their exclusion does not have any significant effect on the Group's financial position.

20 OTHER FINANCIAL ASSETS

EUR 1 000	2008	2007	2006
Financial assets at fair value through profit or loss			
Financial assets at fair value through profit or loss	36 311	6 064	7 979
Total	**36 311**	**6 064**	**7 979**
Financial assets available for sale			
Publicly quoted share investments	105	239	245
Unquoted share investments	12 269	3 589	22
Total	**12 374**	**3 828**	**267**
Reconciliation of financial assets available for sale			
Book value 1 January	3 828	267	214
Increase	8 782	3 568	
Decrease	64		
Change to fair value	-172	-6	53
At the end of the financial year	**12 374**	**3 828**	**267**

21 RECEIVABLES

EUR 1 000	2008	2007	2006
Long-term loans and other receivables			
Finance lease receivables	99	149	
Other long term receivables	5 877	6 120	5 130
Total	**5 976**	**6 269**	**5 130**
Short-term loans and other receivables			
Finance lease receivables	130	123	
Accounts receivable	120 691	127 861	93 963
Loan receivables		7	
Accrued income and deferred expenses	5 131	3 947	3 646
Other short-term receivables	10 707	14 356	12 915
Total	**136 659**	**146 295**	**110 525**

The Group has recognised a bad debt of TEUR 5 731 euros for accounts receivable for the financial year (TEUR 1 967 in 2007 and TEUR 1 907 in 2006).

Accounts receivable older than 180 days have been recorded as bad debt. Long-term receivables are measured at fair value. Fair value of short-term loans and other receivables corresponds to book value, as discounting does not have any essential effect on them when maturity is taken into consideration.

Finance lease receivable maturities:

EUR 1 000	2008	2007
Finance leasing receivables – total value of minimum leases		
Within one year	155	148
Longer than one year and for a maximum of five years	135	199
After five years		
Total	**290**	**348**

EUR 1 000	2008	2007
Finance leasing receivables – present value of minimum leases		
Within one year	130	123
Longer than one year and after a maximum of five years	99	149
After five years		
Total	**229**	**272**
Receivables accrued in the future	62	76
Total finance lease receivables	290	348

22 DEFERRED TAX ASSET AND LIABILITY

Breakdown of deferred taxes

EUR 1 000	1 Jan	Recognised in the income statement	Recognised in the shareholders' equity	Transfers between items	Business mergers	31 Dec
Deferred tax asset 2008						
Financial assets	1 048	-1 048	344	0	0	344
Negative depreciation difference	384	-384	0	0	0	384
Provisions	459	112	0	0	0	571
Finance lease agreements	257	65	0	0	0	322
Unused tax losses	41 838	-41 838	0	0	0	0
Other temporary differences	607	30 890	0	0	0	31 498
Total	**44 593**	**-12 202**	**344**	**0**	**0**	**32 735**
Deferred tax liability 2008						
Measuring intangible and tangible assets at fair value in business mergers	45 327	-5 151	0	0	0	40 175
Accrued depreciation differences	17 213	115	-405	0	0	16 693
Finance lease agreements	120	-120	0	0	0	0
Other temporary differences	3 398	1 125	-45	0	0	4 478
Total	**66 058**	**-4 261**	**-450**	**0**	**0**	**61 347**
Deferred tax asset 2007						
Financial assets	1 850	-802	0	0	0	1 048
Negative depreciation difference	384	0	0	0	0	384
Provisions	104	184	0	0	171	459
Finance lease agreements	470	-249	0	0	37	257
Unused tax losses	35 000	6 838	0	0	0	41 838
Other temporary differences	224	39	0	0	344	607
Total	**38 032**	**6 009**	**0**	**0**	**552**	**44 593**
Deferred tax liability 2007						
Measuring intangible and tangible assets at fair value in business mergers	0	-2 368	-239	0	47 934	45 327
Accrued depreciation differences	0	3 257	13 957	0	0	17 213
Finance lease agreements	856	-736	0	0	0	120
Other temporary differences	1 526	1 226	15	0	632	3 398
Total	**2 382**	**1 378**	**13 732**	**0**	**48 565**	**66 058**

EUR 1 000	1 Jan	Recognised in the income statement	Recognised in the sharehol-ders' equity	Transfers between items	Business mergers	31 Dec
Deferred tax asset 2006						
Financial assets	3 742	-1 892	0	0	0	1 850
Negative depreciation difference	434	-50	0	0	0	384
Provisions	84	21	0	0	0	104
Finance lease agreements	7 965	-7 495	0	0	0	470
Unused tax losses	4 000	31 000	0	0	0	35 000
Other temporary differences	0	266	0	0	-42	224
Total	**16 225**	**21 849**	**0**	**0**	**-42**	**38 032**
Deferred tax liability 2006						
Finance lease agreements	0	856	0	0	0	856
Other temporary differences	38 937	1 479	8	0	0	1 526
Total	**38 937**	**2 336**	**8**	**0**	**0**	**2 382**

The Group did not have unused confirmed losses on 31 December 2008.

23 INVENTORIES

EUR 1 000	2008	2007	2006
Materials and supplies	10 675	9 093	2 831
Work in process	0	767	0
Total	**10 675**	**9 860**	**2 831**

For the 2007 financial year, a write-down of EUR 200 000 was recognised in order to reduce the inventory book value to correspond to the net realisable value. No write-downs were recognised for the 2008 and 2006 financial years.

24 LIQUID ASSETS

EUR 1 000	2008	2007	2006
Cash and bank deposits	7 339	31 771	39 418
Total	**7 339**	**31 771**	**39 418**

25 NOTES TO SHAREHOLDERS' EQUITY

EUR 1 000	Number of shares	Share capital	Issue premium fund	Free equity fund
31 Dec 2005	**3 161**	**31 609**	**86 420**	
Share issue	790	7 896	55 269	
Change to fair value				
31 Dec 2006	**3 950**	**39 505**	**141 689**	
Share issue	3 618	32 680		65 350
Change to fair value				
Joint ventures				339 254
Unregistered share issue		33		
31 Dec 2007	**7 568**	**72 218**	**141 689**	**404 604**
Share issue	13			
Refunding the premium fund			-100 000	
Unregistered share issue		157		2 617
Other change				-8
31 Dec 2008	**7 581**	**72 375**	**41 689**	**407 213**

DNA Ltd has one type of share. The number of shares came to 7 580 761 (7 568 261 in 2007 and 3 950 488 in 2006).
The shares do not have a nominal value. DNA Ltd's share capital amounts to EUR 72 184 559. All issued shares have been paid in full.
The company does not hold any of its own shares.

The free equity funds are described as follows:

Issue premium fund

Where option rights or subscription rights based on convertible bonds were decided under the previous Limited Liability Companies Act, the proceeds received from options and convertible bonds, less any transaction costs, have been recognised in share capital and issue premium fund

Current value fund

Changes in value of financial assets available for sale are recognised in the current value fund, and changes in fair value of derivative instruments, used as cash flow hedges, are recognised in the hedge fund.

EUR 1 000	2008	2007	2006
Current value fund	48	175	156
Hedge fund	-978		
Total other funds	**-931**	**175**	**156**

Free equity fund

The free equity fund includes other quasi-equity investments and the subscription price of shares insofar as it has not been expressly recognised in the share capital.

Dividends

After the closing date, the Board of Directors has proposed to distribute a dividend of EUR 29 944 005.95 (EUR 8 703 500 in 2007).

27 PENSION LIABILITIES

DNA Group's employee pensions are managed by external insurance companies. The TEL pension insurances are managed as defined contribution plans in the pension insurance companies. Following the business acquisition of 1 July 2007, the company acquired additional pension insurances. The liability recognised in the balance sheet for the defined benefit plans is determined as follows: In addition to the recognition of national expenses, the IFRS financial statements will recognise the adjustment of pension expenses in accordance with IAS 19, while the change in pension liability/receivable indicated in the calculation will be recognised in the balance sheet, taking into consideration deferred tax.

EUR 1 000	2008	2007
Present value of pension liabilities	4 613	2 851
Fair value of assets	-4 152	-2 508
Deficit/Surplus	461	343
Unrecognised actuarial gains (+) and losses (-)	-127	26
Net liability	334	369
Amounts on the balance sheet:	0	0
Liabilities	334	369
Receivables	0	0
Net liability		

26 SHARE-BASED PAYMENTS

Conditions of share-based incentives

DNA Ltd ("Company") has adopted a share-based incentive programme for the key employees as of 28 May 2008. The key employees have been given the opportunity to subscribe a total of 13 750 shares in the company. The subscription price is EUR 105.64 per share. The shares shall be subscribed no later than 19 September 2008 and the subscription price paid no later than 26 September 2008.

The Board of Directors agreed on the programme on 28 May 2008 and issued a clarification for its decision on 28 August 2008. The programme does not have an earning period. The shares are subjected to two prohibition periods with regard to share transfer. The first prohibition period ("Transfer Prohibition 1") will be valid for two years from the time of subscription and the second prohibition period ("Transfer Prohibition 2") will be valid for two years from the end of the Transfer Prohibition 1. Key employees may not transfer shares without advance written consent by the DNA's Board of Directors during the Transfer Prohibition 1. During the Transfer Prohibition 2, key employees may not transfer more than 30 per cent of their shares without advance written consent by the DNA's Board of Directors.

The Transfer Prohibitions will not be valid should all DNA's shares be sold to a third party. Key employees may also have to sell a part or all of their shares in the initial public offering (IPO). In this case, the Transfer Prohibition does not apply to the shares sold at the time.

Arrangement	
Nature of arrangement	Shares
Date of granting	28 May 2008
Number of granted instruments	12 500
Subscription price	1 320 500.00
Share price at the time of granting	105.64
Valid for	19 Sep 2008
Implementation	As shares

EUR 1 000	2008	2007
The defined benefit pension expense is determined in the income statement as follows:		
Current service cost	78	41
Interest cost	145	66
Expected return on any plan assets	-126	-63
Total	**97**	**44**
See note 11		
Changes in the present value of the obligation are as follows:		
Obligation at the beginning of the financial year	2 851	2 917
Service cost	78	41
Interest cost	145	66
Pensions paid	-316	-29
Actuarial gains (+) and losses (-)	1 855	-144
Obligation at the end of the financial period	**4 613**	**2 851**

EUR 1 000	2008	2007
Changes in the fair value of the plan assets are as follows:		
Fair values of the plan assets at the beginning of the financial year	2 508	2 570
Expected return on any plan assets	126	63
Actuarial gains (+) and losses (-)	1 702	-118
Employer contributions to the plan	132	22
Pensions paid	-316	-29
Fair values of the plan assets at the end of the financial year	**4 152**	**2 508**
Used actuarial assumptions as of 31 December		
Discount rate	6%	5%
Expected rate of return on any plan assets	5%	5%
Expected rate of salary increases	4%	4%
Expected rate of pension increases	2%	2%

EUR 1 000	2008	2007
The amounts for the current financial year and the two previous financial years are as follows:		
Present value of obligation	4 613	2 851
Fair value of the plan assets	-4 152	-2 508
Deficit/Surplus	461	343

The Group expects to contribute EUR 150 000 to the defined benefit pension plans in 2009.

28 PROVISIONS

EUR 1 000	1 Jan 2006	Increase	Used provisions	Reversal of unused provision	Effect of discount	31 Dec 2006
Decommissioning provision	429	0	14	0	87	503
Restructuring provisions	1 124	0	1 124	0	0	0
	1 553	**0**	**1 138**	**0**	**87**	**503**
	1 Jan 2007					31 Dec 2007
Decommissioning provision	503	3 862	47	0	470	4 789
Restructuring provisions	0	3 754	0	0	0	3 754
	503	**7 617**	**47**	**0**	**470**	**8 543**
	1 Jan 2008					31 Dec 2008
Decommissioning provision	4 789	0	39	0	-268	4 482
Restructuring provisions	3 754	443	2 499	0	0	1 699
Onerous contracts	0	1 089	51	342	8	704
	8 543	**1 453**	**2 589**	**0**	**-260**	**6 884**

EUR 1 000	2008	2007	2006
Long-term provisions	5 186	4 789	503
Short-term provisions	1 699	3 754	0
Total	**6 884**	**8 543**	**503**

Restructuring

As part of the Group's efforts to improve efficiency, DNA initiated cooperation negotiations in 2007. The restructuring provision includes a provision for termination costs. The termination provision has been largely realised during 2008, and the remaining provision will be realised in 2009.

Decommissioning costs

The decommissioning costs comprise the estimated decommissioning costs of data centres, masts and telephone poles. The estimated decommissioning period for telephone poles is circa 15 years, and 10 years for data centres and masts. Realising the decommissioning costs do not involve any significant uncertainties. The provisions are discounted to present value, which is also their fair value. Following the 2007 mergers and acquisitions, the Group acquired an additional decommissioning provision of EUR 3.9 million for masts, data centres and telephone poles.

Onerous contracts

Following the restructuring, the Group has partially under-utilised premises, which have non-voidable lease agreements. The Group has let part of the under-utilised premises, while some of the premises have been reoccupied by the Group. The provision for onerous contracts covers the net loss for under-utilised premises in full. The provision is discounted to present value, which is also the fair value. The non-voidable lease agreements will expire between 2009 and 2020.

29 FINANCIAL LIABILITIES

EUR 1 000	2008	2007	2006
Long-term liabilities			
Loans from financial institutions	105 607	17 143	25 714
Telephone company loans		24 543	31 946
Other loan commitments	249	349	
Finance lease debt	10 602	15 840	46 884
Other long-term liabilities	2 111	229	
Total	**118 570**	**58 105**	**104 545**
Short-term liabilities			
Loans from financial institutions	18 007	8 471	10 952
Telephone company loans	24 543	17 942	23 439
Other loan commitments	100	100	
Finance lease debt	7 470	9 954	12 791
Other short-term liabilities	430	2 257	
Total	**50 550**	**38 725**	**47 181**

Finance lease liability maturities:

EUR 1 000	2008	2007	2006
Finance leasing liabilities - total value of minimum leases			
Within one year	7 978	10 891	13 437
Longer than one year and for a maximum of five years	10 113	15 544	33 006
After five years	2 291	3 036	29 511
Total	**20 382**	**29 470**	**75 954**
Finance leasing liabilities - present value of minimum leases			
Within one year	7 470	9 954	12 791
Longer than one year and after a maximum of five years	8 820	13 499	25 802
After five years	1 783	2 340	21 082
Total	**18 072**	**25 794**	**59 675**
Financial expenses accrued in the future	**2 310**	**3 676**	**16 278**
Total finance lease liabilities	**20 382**	**29 470**	**75 954**

30 ACCOUNTS PAYABLE AND OTHER LIABILITIES

EUR 1 000	2008	2007	2006
Short-term financial liabilities carried at amortised cost			
Accounts payable	77 959	64 925	58 805
Accruals*	28 045	33 880	23 725
Accruals	2 551	3 256	836
Other short-term liabilities	9 463	23 433	6 888
Total short-term	**118 018**	**125 493**	**90 253**

*) The most significant accruals:
Holiday and performance pay including social expenses: EUR 6.9 million (EUR 7.4 million in 2007 and EUR 2.3 million in 2006), interest costs: EUR 0.9 million (EUR 3.5 million in 2007 and EUR 0.3 million in 2006), and other operating cost accruals: EUR 20.2 million (EUR 18.6 million in 2007 and EUR 10.7 million in 2006).

31 FAIR VALUE OF LIABILITIES

	2008		2007		2006	
EUR 1 000	Book value	Fair value	Book value	Fair value	Book value	Fair value
Long-term liabilities						
Loans from financial institutions	105 607	109 212	17 143	17 208	25 714	25 697
Telephone company loans	0	0	24 543	24 499	31 946	31 866
Other loan commitments	249	249	349	349	0	0
Finance lease debt	10 602	10 602	15 840	15 840	46 884	46 884
Other long-term liabilities	5 498	5 498	8 540	8 540	15 431	15 431
Total	**121 957**	**125 562**	**66 416**	**66 436**	**119 976**	**119 878**
Short-term liabilities						
Loans from financial institutions	18 007	18 104	8 471	8 488	10 952	10 950
Telephone company loans	24 543	24 908	17 942	17 929	23 439	23 423
Other loan commitments	100	100	100	100	0	0
Finance lease debt	7 470	7 470	9 954	9 954	12 791	12 791
Other short-term liabilities	115 897	115 897	124 495	124 495	89 417	89 417
Total	**166 017**	**166 479**	**160 963**	**160 966**	**136 599**	**136 581**

Fair value of liabilities has been calculated by discounting the expected cash flow of liabilities using the market interest rate of the closing date plus the company's risk premium.

Derivatives

Derivative instruments allocated to cash flow hedging in 2008, MEUR

			< 1 year	1–5 years	> 5 years
Interest rate swaps		Nominal value	–	35.0	–
Interest rate swaps	Positive	Fair value	–	–	–
	Negative	Fair value	–	1.3	–

The Group had no derivative instruments in 2007. In 2008, hedge accounting under IAS 39 was applied to all derivative instruments with cash flow hedges.

32 OPERATING LEASE AGREEMENTS

Group as a lessee

Minimum lease amounts paid on the basis of non-voidable operating lease agreements:

EUR 1 000	2008	2007	2006
Within one year	21 884	27 915	29 093
Longer than one year and within a maximum of five years	6 892	15 174	10 672
After five years	1 885	6 813	992
Total	**30 662**	**49 901**	**40 757**

The Group leases premises, telecommunication premises, masts, vehicles etc. The lease periods are 1-6 years and normally include the opportunity to continue the agreement after the original end date. The 2008 income statement includes lease expenses of EUR 24.4 million based on the operating lease agreements.

33 GUARANTEES AND CONTINGENT LIABILITIES

EUR 1 000	2008	2007	2006
Debts for which mortgages on companies are given as securities			
Loans from financial institutions	8 571	25 714	29 204
Mortgages given	0	82 000	99 500
Mortgages on company assets held by the Group	99 550	17 550	0
Guarantees given on behalf of Group companies			
Mortgage on company assets	0	5 046	5 046
Bank guarantees	0	0	33 265
Pledged deposits	0	1 100	1 100

34 RELATED PARTY TRANSACTIONS

The related parties of the Group comprise the parent company, subsidiaries and the associated companies. The related parties also include members of the (Supervisory Board), Board of Directors and the management teams, including the CEO and the senior vice-president.

The parent and subsidiary relationships of the Group are as follows:

Company	Country	Share of ownership	Share of votes
DNA Finland Ltd	Finland	100%	100%
DNA Services Ltd	Finland	100%	100%
RSL COM Networks Ltd*	Finland	100%	100%
RSL COM Turku Ltd	Finland	100%	100%
DNA Store Ltd	Finland	100%	100%
HTK Netcommunication Ltd**	Finland	100%	100%
Päijät-Visio Oy	Finland	100%	100%
KRO Trading Ltd	Finland	100%	100%
Huuked Labs Ltd	Finland	4%	50%

*) RSL Com Networks Ltd merged with DNA Ltd on 31 December 2008.
**) HTK Netcommunication Ltd merged with DNA Services Ltd on 30 June 2008.

For the list of associated companies, see section 18 of the notes.

The following related party transactions were carried out:

EUR 1 000	Sales	Purchases	Receivables	Liabilities
2008				
Organisations exercising significant influence	821	3 176	28	1 882
Associated undertakings	1	214		
Other related parties	380	86		6
2007				
Organisations exercising significant influence	173	1 160	484	2 602
Associated undertakings		13		
Other related parties	380	1 260	54	4 411
2006				
Other related parties	158		13	

Management employee benefits

EUR 1 000	2008	2007	2006
Salaries and other short-term employee benefits	2 955	2 033	1 372
Termination benefits	109		195
Post-employment benefits	0	114	
Total	**3 065**	**2 147**	**1 567**

Salaries and commissions

EUR 1 000	2008	2007	2006
CEOs	1 269	640	724
Deputy CEO			
Members and deputy members of the Board of Directors	402	311	200
Members of the Supervisory Board	0	12	28

35 EVENTS AFTER THE END OF THE REPORTING PERIOD

DNA Group's mobile, fixed network and store businesses will be merged into one operational entity. This business restructuring follows the change implemented on 1 July 2007, involving the integration of the fixed-network businesses of six regional telephone companies into DNA, which had previously been a mobile communications operator.

The business restructuring entails merging the mobile communication service provider DNA Finland Ltd, the fixed-network service supplier DNA Services Ltd, the distribution channel DNA Store Ltd, and the Group parent company DNA Ltd into one operational entity, alongside DNA and replacing its current product-specific structure with a customer-specific organisation model. In future, DNA's business will be divided into consumer and corporate businesses instead of the former mobile, fixed network and retail outlet businesses.

This business restructuring initiated cooperation negotiations in DNA Group in January 2009. It is estimated that the process will result in staff cuts affecting approximately 100 persons.

DNA set up the first sales-focused call centre in Oulu in February 2009. The operations will be expanding later to Kuopio, Tampere and Turku.

The plans for DNA Finland Ltd and DNA Services Ltd to merge with DNA Ltd were signed on 28 January 2009.

36 OWNERSHIP STRUCTURE AND INFORMATION ABOUT SHAREHOLDERS

Ownership structure 31 December 2008	%
Private undertakings	48.16
Public undertakings	38.94
Foreign	12.96

Information about shareholders	no	% of shares and votes
Lännen Teletieto Ltd	2 008 214	26.49
PHP Liiketoiminta plc	1 513 856	19.97
Oulun Puhelin Holding plc	1 433 670	18.91
Kuopion Puhelin Ltd	993 864	13.11
3i	973 537	12.84
Other shareholders	657 620	8.67
Total	**7 580 761**	**100.00**

PARENT COMPANY INCOME STATEMENT, FAS

EUR 1 000	Note	1 Jan–31 Dec 2008		1 Jan–31 Dec 2007	
NET SALES	1		**12 299**		**111 674**
Other operating income			30 202		7 665
Materials and services					
Purchases		11 932		10 599	
Increase or decrease in inventory				346	
External services		648	12 580	30 650	41 595
Staff expenses					
Salaries and commissions		3 585		18 542	
Social expenses					
Pensions		644		3 950	
Other social expenses		313	4 542	1 643	24 136
Depreciation and write-downs	2				
Depreciation according to plan			7 062		11 101
Other operating expenses	3		20 835		26 800
PROFIT/LOSS			**-2 520**		**15 708**
Financial income and expenses					
Income from other investments		30 214		9	
Other interest and financial income		15 075		13 025	
Depreciation of securities held for trading purposes		3 376			
Interest and other financial expenses		8 726	33 188	2 971	10 064
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS			**30 668**		**25 771**
Extraordinary income	4		35 383		45
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAX			**66 051**		**25 816**
Appropriations	5		-461		-12 371
Income taxes	6		8 568		314
PROFIT/LOSS FOR THE FINANCIAL PERIOD			**57 022**		**13 759**

PARENT COMPANY BALANCE SHEET, FAS

EUR 1 000	Note		31 Dec 2008		31 Dec 2007
ASSETS					
FIXED AND OTHER NON-CURRENT ASSETS					
Intangible assets	7				
Development costs		1 271			
Goodwill				300	
Intangible rights		115 208			
Other long-term liabilities		1 477	117 956	2 466	2 765
Tangible assets	7				
Land and water				507	
Buildings and structures				7 462	
Machinery and equipment		838		127 001	
Advances paid and construction in process		22	860	1 130	136 100
Long-term investments	8				
Holdings in Group companies		122 115		75 647	
Shares in participating interests		180		1 062	
Other shares and holdings		4 411		3 470	
Subordinated loans receivable		6 380	133 087	63 880	144 059
TOTAL FIXED ASSETS			**251 902**		**282 924**
INVENTORIES AND OTHER NON-CURRENT ASSETS					
Inventories					
Materials and supplies					4 994
Receivables					
Long-term receivables					
Loan receivables from Group companies		26 855		30 000	
Loan receivables					
Other receivables				16	
Deferred tax assets		878	27 733	314	30 330
Short-term receivables					
Accounts receivable		3 018		19 384	
Receivables from Group companies		40 836		7 023	
Loan receivables				7	
Other receivables		766		1 425	
Accrued income and deferred expenses		266	44 886	12 578	40 418
Financial securities					
Other securities	9		36 311		2 333
Cash and bank receivables			2 135		25 657
TOTAL CURRENT ASSETS			**111 064**		**103 731**
TOTAL ASSETS			**362 966**		**386 656**
LIABILITIES					
SHAREHOLDERS' EQUITY	10				
Share capital			72 375		72 218
Issue premium fund			41 689		141 689
Other funds					
Free equity fund			67 967		65 350
Retained loss			-63 821		-70 094
Profit for the financial period			57 022		13 759
TOTAL SHAREHOLDERS' EQUITY			**175 232**		**222 922**
APPROPRIATIONS	**11**				**61 986**
PROVISIONS FOR LIABILITIES AND CHARGES	**12**				**1 207**
LIABILITIES					
Long-term					
Loans from financial institutions		98 933		17 143	
Accruals				986	
Liabilities to Group companies		45 400		12 660	
Other long-term liabilities		6 842	151 175	449	31 238
Short-term					
Loans from financial institutions		18 007		8 571	
Accruals				113	
Accounts payable		3 101		12 624	
Liabilities to Group companies		6 841		23 044	
Other short-term liabilities		5 979		4 037	
Accruals		2 633	36 560	20 913	69 303
TOTAL LIABILITIES			**187 735**		**100 541**
TOTAL EQUITY AND LIABILITIES			**362 966**		**386 656**

PARENT COMPANY CASH FLOW STATEMENT, FAS

EUR 1 000	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Cash flow from operations		
EBIT	-2 520	15 708
Adjustments to profit	7 685	11 010
Change in working capital	-39 114	-20 997
Interest	6 349	10 055
Dividends	30 214	9
Extraordinary items in operations	33 085	
Tax	-9 446	314
Cash flow from operations	26 255	16 098
Cash flow from investments		
Investments in tangible and intangible assets	-123 966	-14 894
Tangible and intangible assetscapital gains		82
Increase in other long-term investments		
Decrease in other long-term investments	79 251	
Acquired subsidiaries	-353	-29 495
Purchase of shares	-1 038	-3 411
Sale of shares	20	163
Sale of subsidiaries	383	262
Total cash flow from investments	-45 702	-47 294
Cash flow before financing	-19 447	-31 196
Cash flow from financing		
Rights issue	1 791	7 600
Dividend distribution	-8 704	
Premium refund	-100 000	
Repayment of short-term loans	-8 571	-4 286
Withdrawal of long-term loans	307 210	4 400
Repayments of long-term loans	-159 571	
Increase/decrease in long-term receivables	3 145	44
Other	-39 687	-138
Total cash flow from financing	-4 388	7 620
Cash flow after financing	-23 835	-23 576
Change in liquid assets	**-23 835**	**-23 576**
Liquid assets on 1 January	27 990	41 806
Liquid assets transferred in the business transfer	2 020	9 759
Liquid assets on 31 December	2 135	27 990

Liquid assets include balance sheet cash and bank balances.

PARENT COMPANY ACCOUNTING PRINCIPLES, FAS

Deferred tax
Deferred tax asset 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 date of the financial statements. The balance sheet includes the deferred tax asset at its estimated realisable amount.
The deferred tax asset, EUR 877 794.08, comprises obligatory provisions in the financial statements.

Valuation Principles
Fixed assets
Intangible and tangible assets 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 as follows:

Intangible rights	2–10 years
Goodwill	5–10 years
Other long-term liabilities	3–5 years
Buildings	25 years
Structures	0–25 years
Machinery and equipment	3–15 years

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

Financial assets
Securities are recognised at market value. Valuation differences are recognised directly in the income statement.

Expenditure on research and product development
Development expenditure is recognised as annual costs for the year in which it is incurred. Expenditure divided into three or more years is capitalised under long-term liabilities 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.

Items denominated in foreign currencies
Items denominated in foreign currencies are translated using the Bank of Finland average rate valid on 31 December 2008.

Comparability of data from the previous financial period
When data is compared to the previous financial period, it should be noted that the fixed-line network business was transferred on 1 January 2008 to DNA Services Ltd, and the fixed-line businesses of the regional telephone company were merged with the Group on 1 June 2007, providing the key explanation for the significant increase observed in net sales, the related expenditure and figures on the balance sheet.

1 NET SALES

EUR 1 000	2008	2007
Domestic	12 299	111 637
Foreign		37
Total	**12 299**	**111 674**
During the financial period, the Group and parent company employed on average		
Total	55	471

2 DEPRECIATION AND WRITE-DOWNS

EUR 1 000	2008	2007
Depreciation of intangible and tangible assets	7 062	11 101

Balance-sheet item-specific depreciation breakdown is included in fixed assets

3 OTHER OPERATING EXPENSES

EUR 1 000	2008	2007
Property, plant and equipment decommissioning	547	51
Operating and maintenance costs	8 608	2 903
Rental costs	7 375	8 558
External services	2 630	3 936
Other cost items	1 676	11 351
Total	**20 835**	**26 800**
Auditor fees		
PricewaterhouseCoopers Ltd		
Auditing fees	165	72
Tax consulting	46	6
Other fees	296	331
KPMG Ltd		
Auditing fees		39
Other fees	162	20

4 EXTRAORDINARY ITEMS

EUR 1 000	2008	2007
Group contribution	33 085	
Merger profit	2 299	45
Total	35 384	45

5 APPROPRIATIONS

EUR 1 000	2008	2007
Difference between planned depreciation and depreciation for taxation	-461	-12 371

6 DIRECT TAXES

EUR 1 000	2008	2007
Direct taxes on actual operations	-9 446	
Difference in deferred tax asset	878	314
Difference in deferred tax liability		
Direct taxes	-8 568	314

7 FIXED ASSETS

EUR 1 000	2008	2007
Development costs		
Acquisition cost 1 January		
Transfers between items	1 292	
Decrease		
Acquisition cost 31 December	1 292	
Accrued amortisation 1 January		
Depreciation for the financial period	22	
Accrued amortisation 31 December	22	
Book value 31 December	1 271	
Intangible rights		
Acquisition cost 1 January		
Increase	121 282	
Decrease		
Acquisition cost 31 December	121 282	
Accrued amortisation 1 January		
Depreciation for the financial period	6 073	
Accrued amortisation 31 December	6 073	
Book value 31 December	115 208	
Goodwill		
Acquisition cost 1 January	4 731	4 389
Increase		
Increase from mergers and acquisitions		342
Decrease	-4 731	
Acquisition cost 31 December		**4 731**
Accrued amortisation 1 January	4 432	4 389
Depreciation of sales/decrease	-4 432	
Depreciation for the financial period		43
Accrued amortisation 31 December		4 432
Book value 31 December		**300**

EUR 1 000	2008	2007
Other long-term liabilities		
Acquisition cost 1 January	3 654	1 133
Increase	946	783
Increase from mergers and acquisitions		1 855
Increase due to construction in progress	345	
Decrease	-2 512	-118
Acquisition cost 31 December	**2 433**	**3 654**
Accrued amortisation 1 January	1 188	734
Depreciation of sales/decrease	-678	-66
Depreciation for the financial period	446	520
Accrued amortisation 31 December	955	1 188
Book value 31 December	**1 477**	**2 466**
Land and water		
Acquisition cost 1 January	507	
Increase		16
Increase from mergers and acquisitions		491
Decrease	-507	
Book value 31 December		**507**
Buildings and structures		
Acquisition cost 1 January	7 811	
Increase		892
Increase from mergers and acquisitions		6 919
Decrease	-7 811	
Acquisition cost 31 December		**7 811**
Accrued amortisation 1 January	349	
Depreciation of sales/decrease	-349	
Depreciation for the financial period		349
Accrued amortisation 31 December		349
Book value 31 December		**7 462**
Machinery and equipment		
Acquisition cost 1 January	137 259	104
Increase	458	13 601
Increase from mergers and acquisitions		123 585
Transfers between items	249	
Sales		
Decrease	-136 830	-30
Acquisition cost 31 December	**1 136**	**137 259**
Accrued amortisation 1 January	10 259	68
Depreciation of sales/decrease	-10 483	
Depreciation for the financial period	522	10 191
Accrued amortisation 31 December	298	10 259
Book value 31 December	**838**	**127 001**
Advances paid and construction in progress		
Acquisition cost 1 January	1 130	
Increase	1 272	981
Increase from mergers and acquisitions		1 481
Decrease	-495	-1 331
Transfers between items	-1 886	
Acquisition cost 31 December	**22**	**1 130**

8 INVESTMENTS

EUR 1 000	2008	2007
Holdings in Group companies		
Book value 1 January	75 647	44 216
Increase	76 190	30 414
Transfer		2 151
Decrease	29 722	1 134
Book value 31 December	**122 115**	**75 647**
Shares in participating interests		
Book value 1 January	1 062	2 170
Increase		1 207
Transfer		-2 151
Decrease	881	165
Share of associated companies' profits		
Dividends		
Book value 31 December	**180**	**1 062**
Other shares and holdings		
Book value 1 January	3 470	3
Increase	1 121	3 467
Decrease	-180	0
Book value 31 December	**4 411**	**3 470**
Subordinated loans receivable		
Book value 1 January	63 880	63 880
Increase	500	
Decrease	58 000	
Book value 31 December	**6 380**	**63 880**

Group and parent company holdings

EUR 1 000	2008	2007
Group companies		
DNA Finland Ltd	100%	100%
DNA Services Ltd	100%	100%
RSL Com Networks Ltd	100%	100%
DNA Store Ltd	100%	40%
KRO Trading Ltd	100%	
RSL Com Turku Oy	100%	
Associated companies		
Suomen Numerot Numpac Ltd	25%	25%

9 SECURITIES

EUR 1 000	2008	2007
The financial securities include shares	36 311	2 333

10 SHAREHOLDERS' EQUITY

EUR 1 000	2008	2007
Share capital 1 January	72 218	39 505
Increase in share capital		32 680
Share issue	157	33
Share capital 31 December	**72 375**	**72 218**
Issue premium fund 1 January	141 689	141 689
Premium refund	-100 000	
Issue premium fund 31 December	**41 689**	**141 689**
Free equity fund 1 January	65 350	
Increase	2 617	65 350
Free equity fund 31 December	**67 967**	**65 350**
Retained loss 1 January	-56 335	-70 094
Dividend distribution	-8 704	
Adjustments to the previous financial period	1 218	
Retained loss 31 December	**-63 821**	**-70 094**
Profit/loss for the financial period	**57 022**	**13 759**
Total shareholders' equity	**175 232**	**222 922**
Statement of distributable earnings 31 December		
Retained loss	-63 821	-70 094
Free equity fund	67 967	65 350
Profit/loss for the financial period	57 022	13 759
Total distributable funds	**61 169**	**9 015**

11 APPROPRIATIONS

EUR 1 000	2008	2007
Appropriations comprise accrued depreciation difference	0	61 986

12 OBLIGATORY PROVISION

EUR 1 000	2008	2007
Likely estimated decommissioning costs of data centres and masts have been included in the obligatory provisions	0	1 207

13 DEFERRED TAX LIABILITY/ASSET

EUR 1 000	2008	2007
Pledged assets		
Deferred tax asset from depreciation of securities	878	
Deferred tax asset from obligatory provisions		314

14 NOTES TO PLEDGED ASSETS AND CONTINGENT LIABILITIES

EUR 1 000	2008	2007
Pledged assets		
Debts for which mortgages on companies are given as securities		
Loans from financial institutions	8 571	25 714
Mortgages given		50 000
Mortgages on company assets held by the company	50 050	17 550
Contingent liabilities and other liabilities		
Leasing payments		
Payments due during the next financial period	682	724
Payments due at a later date	578	532
Total	**1 260**	**1 256**
Leasing contracts are made for three-year periods.		
Other liabilities		
Leasehold commitments	10 600	13 717
Guarantees	1 722	
Other liabilities	909	409

15 NOTES TO RELATED PARTY TRANSACTIONS

EUR 1 000	2008	2007
Management salaries and commissions		
Board members and managing directors	909	164

No money loans have been granted to the members of the Board of Directors or the managing director.

Key Financial Indicators

	31 Dec 2008	31 Dec 2007	31 Dec 2006
INCOME STATEMENT			
Net sales (MEUR)	647	538	397
EBITDA (MEUR)	166	136	75
EBITDA, % of net sales	25.6	25.2	18.8
Profit (MEUR)	69	62	26
Profit, % of net sales	10.7	11.6	6.5
Profit for the financial period (MEUR)	47	64	36
Return on equity (ROE), %	8.0	17.5	31.9
Return on investment (ROI), %	9.9	13.7	10.2
BALANCE SHEET			
Equity ratio, %	60.8	67.0	30.4
Net liabilities/EBITDA	0.97	0.30	1.47
Gearing, %	29.2	6.7	96.8
Balance sheet total (MEUR)	912	918	374
INVESTMENTS IN FIXED ASSETS			
Gross investment (MEUR)	97	76	79
Gross investment, % of net sales	15.0	14.1	20.0
EMPLOYEES			
Average number of employees for the financial period	1 095	1 214	401
Per-share key indicators			
Earnings per share (EPS) (EUR)	6.2	13.8	10.7
Capital and reserves per share (EUR)	73.0	80.9	28.7
Dividend per share (EUR)	3.95	1.15	–
Dividend per earnings, %	63.8	8.4	–
Effective divident yield, %	–	–	–
Price/earnings ratio (P/E)	–	–	–
Share price trend	–	–	–
Market capitalisation	–	–	–
Trading volume for the financial period	–	–	–
Trading volume for the financial period, %	–	–	–
Weighted adjusted number of shares during the financial period (1,000)	7 568	4 624	3 382
Adjusted number of shares at the end of the financial period (1,000)	7 568	7 568	3 950

CALCULATION OF THE KEY INDICATORS

EBITDA (EUR) = Profit + depreciation and amortisation

$$\text{Return on equity (ROE), \%} = \frac{\text{Profit for the financial period}}{\text{Total shareholders' equity (annual average)}} \times 100$$

$$\text{Return on investment (ROI), \%} = \frac{\text{Profit before taxes + interest and other financing expenditure}}{\text{Balance sheet total – non-interest bearing liabilities (annual average)}} \times 100$$

$$\text{Equity ratio, \%} = \frac{\text{Shareholders' equity}}{\text{Balance sheet total – advance payments received}} \times 100$$

Interest-bearing net liabilities (EUR) = Interest-bearing liabilities – liquid assets

$$\text{Gearing, \%} = \frac{\text{Interest-bearing liabilities – liquid assets}}{\text{Total shareholders' equity}} \times 100$$

CALCULATION OF PER-SHARE KEY INDICATORS

$$\text{Earnings per share (EUR)} = \frac{\text{Profit for the financial period attributable to equity holders of the parent company}}{\text{Weighted number of shares during the financial period}}$$

$$\text{Capital and reserves per share (EUR)} = \frac{\text{Equity attributable to equity holders of the parent company}}{\text{Number of shares on the closing date}}$$

$$\text{Dividend per share (EUR)} = \frac{\text{Dividend distribution for the financial period}}{\text{Number of shares on the closing date}}$$

$$\text{Dividend per earnings, \%} = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Signatures of the Board of Directors' Annual Report and Financial Statements

Vantaa, on this 5 day of March, 2009

Risto Siivola
Chairman of the Board of Directors

Esa Haavisto
Member of the Board of Directors

Hannu Isotalo
Member of the Board of Directors

Juha-Pekka Keskiaho
Member of the Board of Directors

Jarmo Leino
Member of the Board of Directors

Anssi Soila
Member of the Board of Directors

Riitta Tiuraniemi
President and CEO

Auditors' Note
The above Financial Statements and Annual Report have been prepared according to sound accounting procedures. We issued today an auditors' report.

Vantaa, on this 5 day of March, 2009

PricewaterhousCoopers Ltd
Authorised Public Accountants

Pekka Loikkanen
Authorised Public Accountant

Scenes from the Executive Management's photo shoot…


RIITTA


MARKO


SIMO


ERIK


TIMO


ARTO


PETTERI


TOMMY


ASTA


HANNU


PEKKA

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