

A young man with brown hair is sitting on a skateboard at a skatepark. He is wearing a green t-shirt, a grey hoodie, blue jeans, and white sneakers. He is holding a white smartphone to his ear and talking. The skatepark has a large ramp with colorful graffiti, including a large yellow and blue design. The background shows a blurred street scene.

DNA

HALF-YEAR FINANCIAL REPORT
JANUARY–JUNE 2019

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DNA Plc's half-year financial report, January–June 2019

DNA had an excellent first half of 2019, strong growth in mobile service

Summary

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

April–June 2019

- Net sales increased 3.1% and amounted to EUR 232.0 million (225.0 million).
- Mobile service revenue grew 8.1% and was EUR 120.6 million (111.5 million).
- EBITDA increased 7.2% to EUR 77.8 million (72.6 million), or 33.6% (32.3%) of net sales.
- Operating result decreased 0.8% and was EUR 35.7 million (36.0 million). Operating result as a percentage of net sales was 15.4% (16.0%).
- IFRS 16 had a positive effect on EBITDA in the review period and an insignificant impact on operating result (Note 12).
- Earnings per share was EUR 0.19 (0.20).
- Revenue per user (ARPU) for mobile communications increased 1.1% and was EUR 18.6 (18.4).
- The mobile communication subscription turnover rate (CHURN) decreased and was 13.7% (15.4%).
- IFRS 16 had a positive effect on EBITDA in the review period and an insignificant impact on operating result (Note 12).
- Operating free cash flow increased 15.3% and was EUR 111.9 million (97.1 million).
- Earnings per share was EUR 0.39 (0.39).
- The mobile communication subscription base decreased by 0.7%, totalling 2,807,000 (2,827,000).
- Revenue per user (ARPU) for mobile communications decline somewhat and was EUR 18.5 (18.7).
- The mobile communication subscription turnover rate (CHURN) decline and was 15.5% (17.1%).
- The fixed-network subscription base (voice, broadband and cable television) grew to 1,227,000 subscriptions (1,137,000).

January–June 2019

- Net sales increased 3.0% and amounted to EUR 460.9 million (447.3 million).
- Mobile service revenue grew 6.7% and was EUR 238.8 million (223.7 million).
- EBITDA increased 7.4% and was EUR 153.9 million (143.3 million), or 33.4% (32.0%) of net sales.
- There were no items affecting the comparability of EBITDA or operating result in the review or reference periods.
- Operating result decreased 1.0% and was EUR 70.5 million (71.2 million). Operating result as a percentage of net sales was 15.3% (15.9%).

DNA's guidance for 2019 remains unchanged

DNA's net sales in 2019 is expected to remain at the same level as in 2018, and EBITDA in 2019 is expected to increase substantially from 2018. DNA's financial position and liquidity are expected to remain at a healthy level.

DNA's guidance for 2019 is disclosed with consideration to the impact of the adoption of IFRS 16. The adoption of IFRS 16 from the beginning of 2019 is estimated to have a positive impact of approximately EUR 17 million in EBITDA in 2019. The impact of IFRS 16 on operating result (EBIT) is insignificant.

Key figures

Figures are unaudited.

The impact of IFRS 16 on the statement of financial position and income statement is presented in Note 12.

EUR million	4-6/2019	4-6/2018	Change-%	1-6/2019	1-6/2018	Change-%	1-12/2018
Net sales	232.0	225.0	3.1	460.9	447.3	3.0	911.8
EBITDA	77.8	72.6	7.2	153.9	143.3	7.4	284.9
% of net sales	33.6	32.3		33.4	32.0		31.2
Depreciation, amortisation and impairment	42.2	36.6		83.4	72.0		146.0
Operating result, EBIT	35.7	36.0	-0.8	70.5	71.2	-1.0	138.9
% of net sales	15.4	16.0		15.3	15.9		15.2
Net result before tax	33.4	33.8	-0.9	65.6	64.4	1.9	127.7
Net result for the period	26.2	27.0	-3.1	51.4	51.4	0.0	102.2
Return on investment (ROI), %	12.6	14.6		12.6	14.5		14.1
Return on equity (ROE), %	20.8	20.0		18.4	17.2		16.4
Capital expenditure	25.2	30.6	-17.7	57.3	50.5	13.5	138.3
Cash flow after investing activities	9.3	30.8	-69.8	8.5	22.9	-63.2	63.4
Free cash flow to equity	-	-		46.6	27.3		72.0
Net debt	-	-		607.5	418.9		379.3
Net debt/EBITDA	1.95	1.44		1.97	1.46		1.33
Net gearing, %	-	-		118.5	75.8		62.7
Equity ratio, %	-	-		36.7	45.2		46.9
Basic earnings per share, EUR	0.19	0.20		0.39	0.39		0.77
Diluted earnings per share, EUR	0.19	0.20		0.39	0.39		0.77
Personnel at the end of period	-	-		1,648	1,611		1,590

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DNA's financial publications in 2019:

- Interim Report January–September 2019, 22 October 2019
- Capital Markets Day in Helsinki, 26 November 2019

CEO's review

DNA had a very good first half of the year. Our net sales increased 3.0% year-on-year to EUR 460.9 million. The increase was fuelled by the growth of mobile device sales and mobile service revenue, which was boosted by the positive development of our subscription base, mobile broadband services and average billing per customer. In the January–June period, our mobile service revenue grew 6.7% and mobile device sales 15.1%. Our EBITDA grew 7.4% to EUR 153.9 million, or 33.4% of net sales.

Our mobile communication subscription base decreased by 20,000 year-on-year in the second quarter, due to a decrease in prepaid subscriptions. However, our postpaid subscription base increased by 65,000 from the reference period. Revenue per user (ARPU) for mobile communications in April–June increased and was EUR 18.6 (18.4). Our customer CHURN rate, which remained at a very low level of 13.7% (15.4%) in the second quarter, is an indication of high customer satisfaction. Our fixed-network subscription base grew by 90,000 subscriptions.

In May, we strengthened our market position in the Tampere region by acquiring the fibre optic network infrastructure and consumer business of ICT Elmo Oy (formerly Tampereen Puhelin). DNA gained more than 30,000 new fixed-line broadband customers and almost 25,000 new cable TV customers. The extensive fibre-optic network infrastructure will facilitate the introduction of 5G and boosts our competitiveness in the Pirkanmaa region.

We continued to prepare our network for 5G deployment with the introduction of 5G-capable technology and increased network capacity. We also built a 5G network for the SuomiAreena event in Pori where we are showcasing the DNA Smart Home. Outside Pori, DNA's 5G network is already available in Helsinki city centre, and we are expanding the network to other major cities in Finland. Since last autumn, we have also tested a fixed 5G broadband service and started using the actual 5G frequency in the second quarter of 2019. Fixed 5G, or high-speed broadband for detached homes, will be one of DNA's first commercial services provided with the 5G technology. It allows us to bring high-speed broadband connections to detached homes in areas without access to optical fibre connections. Consumers will be able to use 5G services as soon as more technologically mature 5G-capable mobile devices become available at reasonable price points, which is expected to happen in early 2020.



In April, DNA was awarded as the most responsible company in its industry in Finland according to the Sustainable Brand Index study. In total, 10,300 consumers responded to the study in Finland. The annual study is based on the principles of responsibility and the objectives of sustainable development of the UN Global Compact, and it is the largest independent study in its field in the Nordic countries.

We will continue the long-term development of our business, focusing on customer experience, personnel satisfaction and the resulting profitable growth. DNA's guidance for 2019 remains unchanged. DNA's net sales in 2019 is expected to remain at the same level as in 2018. With consideration to the impact of IFRS 16, EBITDA in 2019 is expected to increase substantially from 2018. DNA's financial position and liquidity are expected to remain at a healthy level.

A handwritten signature in blue ink, which appears to be 'Jukka Leinonen'. The signature is fluid and cursive, written over a white background.

Jukka Leinonen
CEO

DNA Plc Half-Year Financial Report 1–6/2019

Operating environment January–June 2019

The Finnish economy has been on the growth path and both consumer and business confidence are strong. Competition remained intense in the first half, in mobile communication services in particular.

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

A clear trend in Finland right now is the migration of xDSL subscribers to considerably faster fixed cable or fibre optic broadband subscriptions or replacement of xDSL connections with 4G mobile data connections. In addition, a growing number of households uses both fixed-network and mobile broadband.

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

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

Regulation

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

The Ministry of Transport and Communications has started the reform of the Act on Electronic Communication Services to implement the requirements of the EU Directive. The new package of directives will mostly be applied to national legislation by the end of 2020. The cap on the cost of intra-EU mobile calls and texts has applied as of 15 May 2019.

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

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

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

Net sales and result

Consolidated key figures

EUR million	4–6/2019	4–6/2018	Change-%	1–6/2019	1–6/2018	Change-%	1–12/2018
Net sales	232.0	225.0	3.1	460.9	447.3	3.0	911.8
EBITDA	77.8	72.6	7.2	153.9	143.3	7.4	284.9
% of net sales	33.6	32.3		33.4	32.0		31.2
Operating result, EBIT	35.7	36.0	-0.8	70.5	71.2	-1.0	138.9
% of net sales	15.4	16.0		15.3	15.9		15.2
Net result for the period	26.2	27.0	-3.1	51.4	51.4	0.0	102.2

April–June 2019

DNA's net sales increased and totalled EUR 232.0 million (225.0 million). The growth was fuelled by strong mobile device sales and mobile service revenue¹, which was boosted by the positive development of the subscription base, mobile broadband services and average billing per customer. Mobile service revenue grew 8.1% and was EUR 120.6 million (111.5 million). Mobile device sales were up 13.3% from the reference period. During the second quarter, 76.2% (74.9%) of net sales was generated by consumer business and 23.8% (25.1%) by corporate business.

EBITDA increased from the reference period and was EUR 77.8 million (72.6 million). The EBITDA percentage of net sales was 33.6% (32.3%). While the positive development is mostly due to the impact of IFRS 16, growth of service revenue also contributed to it.

Operating result remained at the same level and totalled EUR 35.7 million (36.0 million). Operating result as a percentage of net sales was 15.4% (16.0%). Operating result was weakened by an increase in depreciation.

Financial income and expenses amounted to EUR 2.3 million (2.2 million). Financial expenses for the reference period were increased by the senior unsecured bond issued by DNA. Income tax for the period was EUR 7.3 million (6.8 million). The effective tax rate for the period was 21.8% (20.1%). The net result for the first quarter declined and was EUR 26.2 million (27.0 million). Earnings per share was EUR 0.19 (0.20).

January–June 2019

DNA's net sales increased and totalled EUR 460.9 million (447.3 million). The growth was fuelled by strong mobile device sales and mobile service revenue¹, which was boosted by the positive development of the subscription base, mobile broadband services as well as average billing per customer. Mobile service revenue grew 6.7% and was EUR 238.8 million (223.7 million). Mobile device sales were up 15.1% from the reference period. During the first half of the year, 76.0% (74.6%) of net sales was generated by consumer business and 24.0% (25.4%) by corporate business.

EBITDA increased from the reference period and was EUR 153.9 million (143.3 million). The EBITDA percentage of net sales was 33.4% (32.0%). While the positive development is mostly due to the impact of IFRS 16, growth of service revenue also contributed to it.

Operating result decreased and was EUR 70.5 million (71.2 million). Operating result as a percentage of net sales was 15.3% (15.9%). Operating result was weakened by an increase in depreciation.

Financial income and expenses amounted to EUR 4.9 million (6.9 million). Financial expenses for the reference period were increased by the senior unsecured bond issued by DNA. Income tax for the period was EUR 14.2 million (12.9 million). The effective tax rate for the period was 21.6% (20.1%). The net result was at the level of comparison period and was EUR 51.4 million (51.4 million). Earnings per share was EUR 0.39 (0.39).

¹ Mobile service revenue = revenue generated by mobile subscriptions. Consumer and corporate mobile communication and mobile broadband services, corporate M2M services and corporate mobile virtual network operator (MVNO) services.

Key operative indicators

	4-6/2019	4-6/2018	Change-%	1-6/2019	1-6/2018	Change-%	1-12/2018
Number of mobile communication network subscriptions at end of period				2,807,000	2,827,000	-0.7	2,877,000
Revenue per user (ARPU), EUR	18.6	18.4	1.1	18.5	18.7	-1.0	18.7
Customer CHURN rate, %	13.7	15.4		15.5	17.1		16.2
Number of fixed line subscriptions at end of period				1,227,000	1,137,000	7.9	1,152,000

DNA's mobile subscription base decreased by 20,000 subscriptions year-on-year. The number of postpaid subscriptions was up by 65,000, and their revenue per user (ARPU) increased from the reference period to EUR 18.6 (18.4) in the second quarter. The number of prepaid subscriptions fell by 86,000, but their ARPU increased to EUR 4.5 (3.5). Fixed-network subscription base grew strongly, by 90,000 subscriptions. In June, in addition to good organic growth in subscription base, DNA gained

more than 30,000 fixed-line broadband customers and almost 25,000 new cable TV customers as a result of the ICT Elmo business acquisition.

DNA's customer CHURN rate was 13.7% in the second quarter (15.4%). This was due to high customer satisfaction and DNA's ability to react quickly to competitors' campaigns.

Cash flow and financial position

Cash flow and financial key figures

EUR million	4-6/2019	4-6/2018	Change-%	1-6/2019	1-6/2018	Change-%	1-12/2018
Cash flow after investing activities	9.3	30.8	-69.8	8.5	22.9	-63.2	63.4

EUR million	4-6/2019	4-6/2018	Change-%	1-6/2019	1-6/2018	Change-%	1-12/2018
Net debt, EUR million				607.5	418.9	45.0	379.3
Net debt/EBITDA	1.95	1.44		1.97	1.46		1.33
Net gearing, %				118.5	75.8		62.7
Equity ratio, %				36.7	45.2		46.9

April-June 2019

Cash flow after investing activities was EUR 9.3 million (30.8 million). Cash flow was impacted mostly by the ICT Elmo's business acquisition in May.

January-June 2019

Cash flow after investing activities was EUR 8.5 million (at the end of 2018: 63.4 million). Cash flow was impacted by Moi Mobiili acquisition in January and ICT Elmo's business acquisition in May.

At the end of June, DNA had an undrawn EUR 150 million revolving credit facility (at the end of 2018: 150 million), and undrawn EUR 15 million overdraft facility (at the end of 2018: 15 million). In addition, DNA has a commercial paper programme worth EUR 200 million (at the end of 2018: 150 million), under which EUR 120 million was drawn by the end of the review period (at the end of 2018: 50 million).

Net gearing increased and was 118.5% at the end of June (at the end of 2018: 62.7%). Net gearing was mainly impacted by the dividend payment, business restructuring and the adoption of IFRS 16, which increased liabilities as lease agreements are now disclosed as liabilities in the balance sheet.

DNA's liquidity is at a healthy level. The Group's liquid assets amounted to EUR 36.6 million (at the end of 2018: 22.7 million). Net debt increased and was EUR 607.5 million (at the end of 2018: 379.3 million). The Group's liquid assets and undrawn committed credit limits amounted in total to EUR 201.6 million (at the end of 2018: 187.7 million). In April, DNA paid a dividend of EUR 145.4 million.

Changes in working capital had an EUR 23.2 million (-36.8 million) negative impact on cash flow. The increase in working capital was mostly due to a decline in trade payables in comparison to the end of 2018.

DNA has a strong balance sheet. Net debt/EBITDA ratio was 1.97 at the end of the review period (at the end of 2018: 1.33). DNA's equity ratio was 36.7% at the end of June (at the end of 2018: 46.9%). Both key figures were impacted by the adoption of the IFRS 16 standard, and equity ratio also declined due to the dividend payment.

Standard & Poor's Global Ratings has assigned a long-term credit rating of BBB with a positive CreditWatch to DNA.

Development per business segment

Consumer business

EUR million	4-6/2019	4-6/2018	Change-%	1-6/2019	1-6/2018	Change-%	1-12/2018
Net sales	176.7	168.4	4.9	350.3	333.6	5.0	684.9
EBITDA	59.6	56.1	6.2	117.2	109.5	7.0	218.8
% of net sales	33.7	33.3		33.4	32.8		31.9
Operating result, EBIT	32.8	32.2	1.6	63.9	62.6	2.0	123.7
% of net sales	18.5	19.1		18.2	18.8		18.1

April–June 2019

Consumer business net sales increased and were EUR 176.7 million (168.4 million). Net sales were driven by the increased demand for mobile services as well as good mobile device sales.

EBITDA increased and was EUR 59.6 million (56.1 million). EBITDA was improved by a change in calculation method according to IFRS 16, as well as an increase in mobile service revenue. The EBITDA percentage of net sales was 33.7% (33.3%). Consumer business operating result increased and was EUR 32.8 million (32.2 million), or 18.5% of consumer business net sales (19.1%). Depreciation of EUR 26.8 million (23.9 million) was allocated to consumer business. The increase was mostly due to IFRS 16.

January–June 2019

Consumer business net sales increased and were EUR 350.3 million (333.6 million). Net sales were driven by the increased demand for mobile services as well as good mobile device sales.

EBITDA increased and was EUR 117.2 million (109.5 million). EBITDA was improved by a change in calculation method according to IFRS 16, as well as an increase in mobile service revenue. The EBITDA percentage of net sales was 33.4% (32.8%). Consumer business operating result increased and was EUR 63.9 million (62.6 million), or 18.2% of consumer business net sales (18.8%). Depreciation of EUR 53.3 million (46.9 million) was allocated to consumer business. The increase was mostly due to IFRS 16.

On 11 January 2019, DNA acquired European Mobile Operator Oy. The company's wholly-owned subsidiary Moi Mobiili Oy provides mobile services to private and corporate customers. The acquired business operations have been consolidated into DNA's consumer business figures from the first quarter of 2019 onwards. The transaction is not expected to have a significant impact on DNA's net sales or EBITDA for 2019. Before the acquisition, Moi Mobiili operated a service operator in the DNA mobile network and the revenue was reported in DNA's corporate business figures.

Corporate business

EUR million	4-6/2019	4-6/2018	Change-%	1-6/2019	1-6/2018	Change-%	1-12/2018
Net sales	55.3	56.6	-2.2	110.6	113.7	-2.7	226.8
EBITDA	18.2	16.5	10.6	36.7	33.7	8.9	66.2
% of net sales	33.0	29.2		33.2	29.7		29.2
Operating result, EBIT	2.9	3.7	-21.5	6.7	8.6	-23.0	15.2
% of net sales	5.3	6.6		6.0	7.6		6.7

April–June 2019

DNA's corporate business net sales decreased slightly in the second quarter and were EUR 55.3 million (56.6 million). The decrease was mainly due to the change in the reporting of Moi Mobiili, which is now part of consumer business, as well as the decrease in interconnection charges.

EBITDA decreased from the reference period and was EUR 18.2 million (16.5 million), or 33.0% (29.2%) of net sales. EBITDA was improved by a change in calculation method according to IFRS 16. Operating result decreased and was EUR 2.9 million (3.7 million), or 5.3% (6.6%) of net sales. Depreciation of EUR 15.3 million (12.8 million) was allocated to corporate business. The increase was mostly due to IFRS 16.

January–June 2019

DNA's corporate business net sales decreased in the first half of the year and were EUR 110.6 million (113.7 million). The decrease was mainly due to the change in the reporting of Moi Mobiili, which is now part of consumer business, as well as the decrease in interconnection charges. The demand for mobile services had a positive impact on corporate business net sales.

EBITDA increased from the reference period and was EUR 36.7 million (33.7 million), or 33.2% (29.7%) of net sales. EBITDA was improved by a change in calculation method according to IFRS 16. Operating result decreased and was EUR 6.7 million (8.6 million), or 6.0% (7.6%) of net sales. Depreciation of EUR 30.1 million (25.2 million) was allocated to corporate business. The increase was mostly due to IFRS 16.

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

Capital expenditure

Capital expenditure

EUR million	4-6/2019	4-6/2018	Change-%	1-6/2019	1-6/2018	Change-%	1-12/2018
Consumer business	13.6	20.3	-32.9	32.0	33.7	-5.1	92.9
Corporate business	11.6	10.3	12.2	25.4	16.8	50.7	45.4
Total capital expenditure	25.2	30.6	-17.7	57.3	50.5	13.5	138.3

Capital expenditure is defined as additions to property, plant and equipment and intangible assets excluding business acquisitions, gross acquisition cost of spectrum licenses and additions through asset retirement obligations. Capital expenditure includes annual cash instalments for the spectrum licenses.

EUR million	4-6/2019	4-6/2018	Change-%	1-6/2019	1-6/2018	Change-%	1-12/2018
Operative capital expenditure	23.7	30.6	-22.8	42.0	46.1	-9.0	133.9
% of net sales	10.2	13.6		9.1	10.3		14.7
Lease investments (IFRS 16)	1.6	-		6.8	-		
Spectrum licence	-	-		8.6	4.4	95.5	4.4
Total capital expenditure	25.2	30.6	-17.7	57.3	50.5	13.5	138.3

Operative capital expenditure is reported capital expenditure excluding annual cash instalments for capitalised spectrum licences and lease investments (IFRS16).

April-June 2019

In the second quarter, capital expenditure was EUR 25.2 million (30.6 million). No spectrum license payments were made during the reporting or reference periods. Operative capital expenditure was EUR 23.7 million (30.6 million), or 10.2% (13.6%) of net sales.

January-June 2019

In the first half of 2019, capital expenditure was EUR 57.3 million (50.5 million). Operative capital expenditure decreased to EUR 42.0 million (46.1 million), or 9.1% (10.3%) of net sales. In the first quarter, the spectrum licence fees for the 700 MHz and 3.5 GHz bands contributed EUR 8.6 million (4.4 million) to capital expenditure.

Major individual items included in capital expenditure in the review period were 4G network capacity expansion and development, 5G readiness as well as fibre optic networks and transmission systems.

Network infrastructure and new technologies

DNA makes continuous investments in mobile and fixed networks to keep providing high-quality connections to support the growing use of devices and digital services. DNA's 4G network reaches almost 100% of the population in mainland Finland. In the second quarter of 2019, mobile data volumes in DNA's network were up 19% year-on-year. In April–June, 93% of all mobile data was transferred in the 4G network.

DNA has been systematically preparing its mobile network for 5G with the introduction of 5G-capable technology and increased network capacity. As a result, data speeds in the 4G network have improved despite the growth of traffic volumes. 5G technology tests got under way towards the end of 2018 according to plan. DNA's mobile network is NB-IoT ready. DNA introduced LTE-M technology in its network in May, which makes it possible to introduce new types of IoT services. DNA's M2M subscription base was boosted by building automation systems, the energy sector and the Internet of Things (IoT).

In March, the network upgrade that started in the autumn of 2018 was completed in the cities of Turku and Tampere. DNA's network was upgraded to higher performance and 5G deployment capability. With the introduction of new frequencies and the latest, 5G capable radio network technology, transfer speeds in the network have more than doubled. According to a benchmarking of data speeds completed in May, DNA's 4G network had the best average data speeds in 20 major cities and the most popular ski resorts in Finland as well as along the roads connecting these. (Omnitele 05/2019)

In March, DNA started a comprehensive upgrade of mobile and fixed networks in the Heinola region. During the works, DNA will deploy several new base stations in the mobile network and will expand the fibre optic network. After the upgrade, the network in the Heinola region will be ready for 5G deployment. The introduction of new technology means that the services implemented with the old copper-based technology will be discontinued. After the upgrade is complete, fixed voice and xDSL services will no longer be available.

According to the report* published by Tefficient in March, DNA's customers had the second-highest mobile data usage per subscription in the world, averaging 20.8 gigabytes per month. In 2018, the average figure was 15.9 gigabytes. As usual, DNA's customers were among the highest users of mobile data in Europe in 2018. In April–June 2019, the average mobile data usage of DNA's customers per month reached 23.5 gigabytes. The new 5G networks and services will accelerate the use of mobile data further and will also extend it into new applications

* Tefficient's report #1 2019 <https://tefficient.com/all-operators-climbed-the-tree-4g-turned-usage-growth-into-arpu-growth/> Tefficient is an international telecommunications specialist providing analysis, benchmarks and consulting services.

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

On 31 May 2019, DNA announced the acquisition of ICT Elmo Oy's consumer business and extensive fibre optic network (some 1,700 km of fibre-optic cable). The acquisition will strengthen DNA's market position in the Tampere region. The net sales of the acquired business in 2018 was around EUR 8 million DNA has been a major customer of ICT Elmo's operator business. The total acquisition price is EUR 27.5 million, which equates to an EV/EBITDA of approximately 6.1x with cost synergies considered. DNA will be taking over fewer than 20 members of ICT Elmo's staff. The acquired business will not have a significant impact on DNA's net sales or EBITDA in 2019. The acquired business operations have been consolidated into DNA's figures as of the beginning of June.

Personnel

Personnel by business segment

	30 June 2019	30 June 2018	Change-%	31 December 2018
Consumer Business	946	935	1.2	913
Corporate Business	702	676	3.8	677
Total personnel	1,648	1,611	2.3	1,590

At the end of June 2019, DNA Group had 1,648 employees (1,611), of which 651 were women (645) and 997 men (966). The increase in the number of personnel relates mainly to acquisitions made during the reporting period as well as to seasonal workers in different divisions in summer time.

Salaries and employee benefit expenses paid during the second quarter amounted to EUR 28.4 million (27.1 million).

One of DNA's strategic objectives is being a great place to work. Satisfied, motivated and qualified employees are a crucial foundation for DNA's ability to provide the best customer service on the market. In February 2019, DNA was chosen the best workplace in Finland by the Great Place to Work institute in the category of large organisations. In June, GPTW ranked DNA as one of the best employers in Europe.

Significant litigation matters

The processing of the claim related to the trademark dispute between Deutsche Telekom AG and DNA continues at Helsinki District Court.

Change in DNA's Executive Team

In May, M.Sc. (Tech) (b. 1972) Olli Sirkka was appointed as Senior Vice President, Corporate Business and a member of the Executive Team of DNA Plc. Olli Sirkka is responsible for DNA's Corporate Business division and its development, and he will report directly to the CEO. He is taking over from Hannu Rokka, who left the company in February.

Olli Sirkka will resume his new responsibilities by September 2019. Johan Flykt, Vice President, Corporate Sales, is acting as Senior Vice President, Corporate Business until then.

Decisions of the Annual General Meeting

DNA's Annual General Meeting was held in Helsinki on 28 March 2019. In total, 476 shareholders were present or represented at the meeting, representing 79% of the votes. The AGM adopted the financial statements and discharged the Board of Directors and the CEO from liability for the financial period 2018.

Dividend was confirmed to be EUR 0.70 per share and additional dividend EUR 0.40 per share, in total EUR 1.10 per share. The dividend was paid on 10 April 2019.

The AGM approved the Nomination Committee's proposal of 21 January 2019 concerning the election and remuneration of Board members. The number of Board members was confirmed to be seven. Re-elected members include Pertti Korhonen, Anu Nissinen, Tero Ojanperä, Jukka Ottela and Kirsi Sormunen. Anni Ronkainen and Ted Roberts were elected as new board members. The term of office of the Board members expires at the end of the next AGM.

The AGM decided not to change the remunerations paid to the members of the Board of Directors. The Chairman of the Board is paid an annual remuneration of EUR 144,000 and each Board member EUR 48,000. Further, it was confirmed that the meeting fee per Board meeting will be EUR 1,050. The meeting fees of permanent committees of the Board were confirmed to be EUR 1,050 per meeting to Committee Chairs and EUR 525 to committee members.

Authorised Public Accountants Ernst & Young was elected as the company's auditor. APA Terhi Mäkinen acts as the principal auditor.

The AGM approved the proposal of the Board of Directors to authorise the Board to decide on the repurchase of own shares of the company, as well as to decide on a share issue, to dispose of own shares held by the company and an issue of special rights.

The minutes of the General Meeting are available at www.dna.fi/agm.

At the constitutive meeting of the Board of Directors held after the Annual General Meeting, Pertti Korhonen was elected Chairman, and members of the Audit Committee and the Personnel Committee were elected from among the Board members. Audit Committee members are Kirsi Sormunen (Chair), Jukka Ottela, Ted Roberts and Tero Ojanperä. Personnel Committee members are Pertti Korhonen (Chair), Anni Ronkainen, Anu Nissinen and Jukka Ottela.

Shares and shareholders

Shares

DNA's share is traded on Nasdaq Helsinki (the Helsinki Stock Exchange). On 30 June 2019, DNA's registered shares totalled 132,303,500 (132,303,500) and the share capital registered in the Finnish Trade Register amounted to EUR 72,702,225.65 (EUR 72,702,225.65). At the end of June, the Group held 121,316 treasury shares. In March 2019, a total of 61,473 treasury shares were handed over to participants of the Group's long-term share-based reward system (Bridge Plan 2018).

In January–June 2019, a total of 28,256 million DNA shares, totalling EUR 555 million, were traded on the Nasdaq Helsinki Stock Exchange. The highest quotation was EUR 21.46 and the lowest EUR 16.52. The average rate was EUR 19.64 and volume-weighted average rate EUR 18.65. The closing quotation on the last trading day of the review period, 28 June 2019, was EUR 21.00 and the market capitalisation (without DNA's holding of its own shares) was EUR 2.776 billion (EUR 2.257 billion at end of 2018).

Shareholders and flagging notifications

At the end of the review period, the number of registered shareholders totalled 13,927, nominee registrations included (12). The proportion of nominee registrations and direct foreign shareholders at the end of 2018 was 27.43%.

On 30 June 2019, the largest shareholders of DNA Plc were Find Telecoms Oy (28.26%), PHP Holding Oy (25.78%) and Ilmarinen Mutual Pension Insurance Company (3.49%). At the end of the review period, they held a total of 57.53% of DNA's shares and voting rights.

In April, Norwegian telecommunications Group Telenor announced that it will acquire 54% of the shares of DNA Plc. Telenor has signed separate agreements with DNA's two largest shareholders, Finda Telecoms and PHP Holding. Finda Telecoms holds 28.3% and PHP Holding 25.8% of the shares in the company.

Finda Oy and PHP Holding Oy's General Meetings approved the acquisition on 6 May 2019 and European Commission approved the transaction on 15 July. Finnish regulatory approval is expected to get during August 2019. Completion of the transaction will trigger a mandatory public tender offer for the remaining outstanding shares in DNA by Telenor. Telenor has announced that the cash consideration per share to be offered in the mandatory tender offer will be EUR 20.90.

During the review period, DNA received no flagging notifications according to Chapter 9, Section 5 of the Securities Markets Act.

Share-based reward systems

DNA has a Performance Share Plan (PSP) for senior management and other key employees. The plan has three three-year earning periods: 2017–2019, 2018–2020 and 2019–2021. In addition, DNA has a Restricted Share Plan (RSP). See note 10 for more information on DNA's share-based incentive schemes.

Matching share plan for DNA personnel

In December 2018, the Board of Directors of DNA Plc decided on the establishment of a matching share plan for all DNA employees. In March 2019, the Board decided on the terms of the first earning period of 2019–2020. In total, 57% of DNA's employees have registered to participate in the plan. The total amount of all savings of the plan period 1 April 2019 to 31 March 2020 may not exceed 5,000,000 euros. The Board of Directors will resolve on the potential following plan periods and their details separately.

DNA's financial objectives and dividend policy

In February, DNA updated its medium-term objectives with respect to EBITDA margin and profit distribution policy. The new EBITDA margin goal was set with consideration to the impact of the adoption of IFRS 16 from the beginning of 2019, which is estimated to have a positive impact of approximately EUR 17 million in EBITDA in 2019. The impact of IFRS 16 on operating result (EBIT) is insignificant.

DNA's medium-term financial objectives:

- net sales growth faster than average market growth
- EBITDA margin of at least 34%
- operative capital expenditure less than 15% of net sales (excluding annual cash instalments for capitalized licence payments and the impact of IFRS 16)
- net debt/EBITDA ratio of less than 2.0 which may be temporarily exceeded if DNA finds attractive opportunities that allow the company to complement its offering in existing markets.

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

Corporate responsibility

DNA continued to implement its updated corporate responsibility strategy in the first half of 2019. DNA's responsibility strategy has four key areas: digital inclusion, being a great place to work, climate-friendly operations and good governance.

DNA's key climate objective is to reduce energy indirect greenhouse gas emissions (Scope 2) by 100% by 2023 from the level reported in 2014. In the first half of 2019, special focus was on further development of emissions calculations at DNA.

DNA also launched a responsibility programme to promote digital inclusion in Finland by supporting the work of SOS Children's Villages Finland, HelsinkiMissio and Hope to prevent digital exclusion of children and the young, senior citizens as well as low-income families.

In April, the Sustainable Brand Index study selected DNA the most responsible company in its industry.

Events after the reporting period

Telenor's offer on DNA's shares pending Finnish regulatory approval

European Commission approved Telenor's offer on DNA's shares on 15 July. The completion of the transaction is subject to Finnish regulatory approval, and Telenor expects to get the approval in August.

Norwegian telecommunications company Telenor Group announced 9th of April that it will acquire DNA's two largest owners', Finda Telecoms Oy and PHP Holding Oy's, shares of DNA Plc, in total 54% of the shares.

DNA is selling its terrestrial network pay-TV business to Digita

On 17 July, DNA announced divestment of its terrestrial TV network pay-TV business to Digita Oy on 1 January 2020. DNA will continue its operations as the leading pay-TV operator in the cable and broadband networks. The deal still requires the approval of the competition authorities, which is expected in the autumn of 2019. The parties will not be disclosing the sale price.

Near-term risks and uncertainties

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

Strategic and operative risks

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

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

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

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

The nature of DNA's operations and customer requirements place high demands on DNA's information systems and network infrastructure. DNA's business is capital-intensive, and continuous maintenance and improvement of the Group's network infrastructure is essentially linked to its success.

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

Use of mobile devices that have a constant network connection is increasing strongly among both business and private users. The Internet of Things (IoT) will further expand the volume of data traffic. As the IoT becomes more common, for example through the introduction of new kinds of smart devices, the role of good information security, data security and high operational network reliability gain in importance. Uncertainty in global trade policies may have an impact on DNA's subcontractors and partners and their product availability, service quality and reliability as well as on our customers' behaviour.

Regulatory risks

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

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

Financing risks

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

Damage risk

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

Outlook for 2019

Market outlook

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

Mobile data use will continue to grow as private and business users increase their use of digital services and OTT video services. This trend will expand the number of high-speed 4G subscriptions as well as mobile data usage per subscription. The share of 4G subscriptions in DNA's mobile subscription base is expected to grow, but at a more moderate rate. We expect the sales of 5G subscriptions to start towards the end of 2019.

Use of mobile devices that have a constant network connection and IP-based communication solutions is increasing strongly among both business and private users.

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

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

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

Private and public-sector organisations are digitising their services and creating new digital business, which makes the availability of networks and services vital. More mobile and versatile ways of working will boost demand for services such as cloud and video conference services. Companies transfer their applications to the cloud to increase their operational efficiency, which will boost the demand for secure high-speed connections.

The demand for Industrial Internet solutions and M2M (Machine to Machine) subscriptions is expected to grow. As the IoT becomes more common, the role of good information security, data security and high operational network reliability gain in importance.

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

DNA's guidance for 2019

DNA's net sales in 2019 is expected to remain at the same level as in 2018, and EBITDA in 2019 is expected to increase substantially from 2018. DNA's financial position and liquidity are expected to remain at a healthy level.

DNA's guidance for 2019 is disclosed with consideration to the impact of the adoption of IFRS 16. The adoption of IFRS 16 from the beginning of 2019 is estimated to have a positive impact of approximately EUR 17 million in EBITDA in 2019. The impact of IFRS 16 on operating result (EBIT) is insignificant.

DNA Plc
Board of Directors

Group key figures

Group key figures

	1 Apr–30 Jun 2019	1 Apr–30 Jun 2018	1 Jan–30 Jun 2019	1 Jan–30 Jun 2018	1 Jan–31 Dec 2018
Earnings per share, basic EUR	0.19	0.20	0.39	0.39	0.77
Earnings per share, diluted EUR	0.19	0.20	0.39	0.39	0.77
Equity per share, EUR			3.88	4.18	4.58
Shares outstanding at the end of the period (thousands)			132,182	132,121	132,121
Weighted average adjusted number of shares during the financial period, basic (thousands)	132,039	132,039	132,039	132,039	132,039
Weighted average adjusted number of shares during the financial period, diluted (thousands)	132,132	132,072	132,129	132,070	132,151
Net debt, EUR in thousands			607,513	418,909	379,273
Net gearing, %			118.5	75.8	62.7
Equity ratio, %			36.7	45.2	46.9
Net debt/EBITDA	1.95	1.44	1.97	1.46	1.33
Return on investment (ROI), %	12.6	14.6	12.6	14.5	14.1
Return on equity (ROE), %	20.8	20.0	18.4	17.2	16.4
Capital expenditure, EUR in thousands	25,213	30,645	57,347	50,535	138,271
Capital expenditure, % of net sales	10.9	13.6	12.4	11.3	15.2
Personnel at end of period			1,648	1,611	1,590

Reconciliation of comparable key figures

There were no items affecting comparability of EBITDA or operating result in the review or reference period.

Free cash flow to equity

EUR in thousands	1 Jan–30 Jun 2019	1 Jan–30 Jun 2018	1 Jan–31 Dec 2018
Comparable EBITDA	153,909	143,252	284,921
Operative capital expenditure	-41,975	-46,135	-133,871
Operating free cash flow	111,934	97,116	151,050
Interest paid, net	-6,829	-15,509	-16,942
Income taxes, paid	-14,848	-1,953	-12,428
Adjusted change in net working capital	-43,688	-50,818	-47,687
Change in provisions	24	-1,537	-2,034
Free cash flow to equity	46,592	27,299	71,959

Key operative indicators

Mobile communication network subscription volumes:

Number of:	30 Jun 2019	30 Jun 2018	31 Dec 2018
Subscriptions*	2,807,000	2,827,000	2,877,000

*Includes only mobile broadband

	1 Apr–30 Jun 2019	1 Apr–30 Jun 2018	1 Jan–30 Jun 2019	1 Jan–30 Jun 2018	1 Jan–31 Dec 2018
Revenue per subscription (ARPU), EUR**	18.6	18.4	18.5	18.7	18.7
Customer churn rate, %**	13.7	15.4	15.5	17.1	16.2

**Includes only postpaid phone subscriptions

Fixed-network subscription volumes:

Number of:	30 Jun 2019	30 Jun 2018	31 Dec 2018
Broadband subscriptions	530,000	470,000	481,000
Cable TV subscriptions	661,000	622,000	630,000
Telephone subscriptions	36,000	45,000	41,000
	1,227,000	1,137,000	1,152,000

Calculation of key figures

Earnings per share (EUR)	=	$\frac{\text{Net result for the period}}{\text{Weighted number of shares during the financial period excl treasury shares}}$
Equity per share, EUR	=	$\frac{\text{Equity attributable to owners of the parent}}{\text{Number of outstanding shares at end of period}}$
Net debt, EUR	=	Non-current and current borrowings – cash and cash equivalents
Net gearing, %	=	$\frac{\text{Net debt}}{\text{Total equity}}$
Equity ratio, %	=	$\frac{\text{Total equity}}{\text{Total assets – advances received}}$
EBITDA, EUR	=	Operating result (EBIT) + depreciation, amortisation and impairments
Return on investment (ROI), %*	=	$\frac{\text{Net result before income taxes + finance expense}}{\text{Total equity + borrowings (average for the period)}}$
Return on equity (ROE), %*	=	$\frac{\text{Net result for the period}}{\text{Total equity (average for the period)}}$
Net debt/EBITDA*	=	$\frac{\text{Net debt}}{\text{Operating result + depreciation + amortisation + impairments}}$
Comparable EBITDA (EUR)	=	EBITDA excluding items affecting comparability
Comparable operating result, EBIT (EUR)	=	Operating result, EBIT excluding items affecting comparability
Items affecting comparability	=	Items affecting comparability being material items outside ordinary course of business such as net gain or losses from business disposals, direct transaction costs related to business acquisitions, write-off of non-current assets, costs for closure of business operations and restructurings, fines, damages and other similar payments.
Cashflow after investing activities (EUR)	=	Net cash generated from operating activities + net cash used in investing activities

* 12-month adjusted

Calculation of key figures

Capital expenditure (EUR)	= Capital expenditure comprises additions to property, plant and equipment and intangible assets excluding business acquisitions, gross acquisition cost of spectrum license and additions through finance leases and asset retirement obligations and including annual cash instalments for the spectrum license and without lease investments (IFRS 16).
Operative capital expenditure	= Operative capital expenditure is reported capital expenditure without annual cash instalments for spectrum licenses.
Operating free cashflow	= Comparable EBITDA – operative capital expenditure
Free Cash Flow to Equity (FCFE)	= Comparable EBITDA – total capital expenditure excluding the annual cash instalment for spectrum licenses – change in net working capital including an adjustment between operative capex and cash-based capex in order to present FCFE on a cash basis, however excluding cash instalments for spectrum licenses and adjusted with the items affecting comparability – net interest paid – income taxes paid – change in provisions excluding items affecting comparability.

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

DNA presents comparable EBITDA and comparable EBIT, which have been adjusted with material items outside of ordinary course of business to improve comparability between periods. EBITDA, comparable EBITDA and comparable EBIT are presented as complementing measures to the measures included in the consolidated income statement because, in DNA's view, they increase

understanding of DNA's results of operations. Net debt, ratio of net debt to EBITDA, net gearing, equity ratio, return on equity and return on investment are presented as complementing measures because, in DNA's view, they are useful measures of DNA's ability to obtain financing and service its debts. Capital expenditure, operative capital expenditure, cash flow after investing activities, operating free cash flow and free cash flow to equity provide also additional information of the cash flow needs of DNA's operations.

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

Quarterly information

EUR million	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Net sales										
Consumer	158.6	162.2	162.5	175.4	165.2	168.4	171.8	179.5	173.6	176.7
Corporate	54.8	57.1	56.2	59.2	57.1	56.6	55.7	57.5	55.3	55.3
Total	213.4	219.3	218.8	234.6	222.3	225.0	227.5	236.9	228.9	232.0
Mobile service revenue										
	100.3	103.7	106.8	109.2	112.2	111.5	114.7	116.0	118.2	120.6
EBITDA										
Consumer	50.7	49.3	53.1	46.7	53.4	56.1	59.2	50.1	57.6	59.6
% of net sales	32.0%	30.4%	32.7%	26.6%	32.3%	33.3%	34.4%	27.9%	33.2%	33.7%
Corporate	15.2	18.3	19.5	19.0	17.3	16.5	17.1	15.3	18.5	18.2
% of net sales	27.8%	32.1%	34.6%	32.1%	30.2%	29.2%	30.7%	26.6%	33.5%	33.0%
Total	65.9	67.6	72.6	65.7	70.7	72.6	76.3	65.4	76.1	77.8
% of net sales	30.9%	30.8%	33.2%	28.0%	31.8%	32.3%	33.5%	27.6%	33.2%	33.6%
Comparable EBITDA										
Consumer	50.7	49.3	53.1	46.7	53.4	56.1	59.2	50.1	57.6	59.6
% of net sales	32.0%	30.4%	32.7%	26.6%	32.3%	33.3%	34.4%	27.9%	33.2%	33.7%
Corporate	15.2	18.3	19.5	19.0	17.3	16.5	17.1	15.3	18.5	18.2
% of net sales	27.8%	32.1%	34.6%	32.1%	30.2%	29.2%	30.7%	26.6%	33.5%	33.0%
Total	65.9	67.6	72.6	65.7	70.7	72.6	76.3	65.4	76.1	77.8
% of net sales	30.9%	30.8%	33.2%	28.0%	31.8%	32.3%	33.5%	27.6%	33.2%	33.6%
Depreciation and amortisation										
Consumer	24.1	24.1	23.5	23.5	23.1	23.9	24.1	24.0	26.5	26.8
Corporate	13.0	13.1	11.7	15.2	12.3	12.8	12.9	12.9	14.8	15.3
Total	37.1	37.1	35.3	38.8	35.4	36.6	37.0	37.0	41.3	42.2
Operating result/EBIT										
Consumer	26.6	25.3	29.5	23.1	30.3	32.2	35.1	26.0	31.1	32.8
% of net sales	16.8%	15.6%	18.2%	13.2%	18.4%	19.1%	20.4%	14.5%	17.9%	18.5%
Corporate	2.2	5.2	7.8	3.7	4.9	3.7	4.2	2.4	3.7	2.9
% of net sales	4.1%	9.2%	13.8%	6.3%	8.6%	6.6%	7.5%	4.1%	6.7%	5.3%
Total	28.9	30.5	37.3	26.9	35.2	36.0	39.3	28.4	34.8	35.7
% of net sales	13.5%	13.9%	17.0%	11.5%	15.8%	16.0%	17.3%	12.0%	15.2%	15.4%
Comparable operating result/EBIT										
Consumer	26.6	25.3	29.5	23.1	30.3	32.2	35.1	26.0	31.1	32.8
% of net sales	16.8%	15.6%	18.2%	13.2%	18.4%	19.1%	20.4%	14.5%	17.9%	18.5%
Corporate	2.2	5.2	7.8	6.8	4.9	3.7	4.2	2.4	3.7	2.9
% of net sales	4.1%	9.2%	13.8%	11.5%	8.6%	6.6%	7.5%	4.1%	6.7%	5.3%
Total	28.9	30.5	37.3	29.9	35.2	36.0	39.3	28.4	34.8	35.7
% of net sales	13.5%	13.9%	17.0%	12.8%	15.8%	16.0%	17.3%	12.0%	15.2%	15.4%
Items affecting comparability										
Consumer	-	-	-	-	-	-	-	-	-	-
Corporate	-	-	-	3.1	-	-	-	-	-	-
Total	-	-	-	3.1	-	-	-	-	-	-

Quarterly information

EUR million	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Capital expenditure										
Consumer	14.4	15.6	15.4	51.5	13.3	20.3	22.8	36.4	18.3	13.6
Corporate	5.8	7.6	8.0	21.9	6.5	10.3	11.2	17.3	13.8	11.6
Un-allocated	1.0	1.1	0.9	0.7	-	-	-	-	-	-
Total	21.2	24.4	24.4	74.1	19.9	30.6	34.0	53.7	32.1	25.2
Personnel										
Consumer	1,002	984	972	942	936	935	934	913	902	946
Corporate	682	682	664	659	663	676	673	677	703	702
Total	1,684	1,666	1,636	1,601	1,599	1,611	1,607	1,590	1,605	1,648
Mobile revenue per user (ARPU)										
Consumer	18.9	19.7	20.1	20.4	20.4	20.3	20.4	20.4	19.7	20.0
Corporate	13.8	13.9	13.2	14.0	13.7	11.9	13.3	13.6	13.4	13.6
Total	17.8	18.5	18.5	19.0	18.9	18.4	18.8	18.9	18.3	18.6
Mobile subscription turnover rate (CHURN)										
	21.0%	15.4%	19.1%	18.1%	18.9%	15.4%	15.8%	14.8%	17.2%	13.7%

Consolidated income statement

EUR in thousands	1 Apr– 30 Jun 2019	1 Apr– 30 Jun 2018	1 Jan– 30 Jun 2019	1 Jan– 30 Jun 2018	1 Jan– 31 Dec 2018
Net sales	232,022	224,966	460,906	447,312	911,758
Other operating income	1,009	882	1,865	1,665	3,804
Materials and services	-97,338	-96,009	-194,921	-191,478	-398,661
Employee benefit expenses	-28,445	-27,079	-56,301	-54,317	-107,388
Depreciation, amortisation and impairments	-42,150	-36,627	-83,400	-72,042	-146,023
Other operating expenses	-29,398	-30,158	-57,640	-59,930	-124,592
Operating result, EBIT	35,699	35,974	70,508	71,210	138,898
Finance income	116	146	233	244	523
Finance expense	-2,378	-2,370	-5,135	-7,094	-11,700
Share of associates' results	-	6	-	12	14
Net result before income tax	33,437	33,756	65,606	64,373	127,736
Income tax expense	-7,277	-6,772	-14,160	-12,941	-25,502
Net result for the period	26,160	26,984	51,446	51,432	102,234
Attributable to:					
Owners of the parent	26,160	26,984	51,446	51,432	102,234
Earnings per share for net result attributable to owners of the parent:					
Earnings per share, basic EUR	0.19	0.20	0.39	0.39	0.77
Earnings per share, diluted EUR	0.19	0.20	0.39	0.39	0.77

Notes are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

EUR in thousands	1 Apr– 30 Jun 2019	1 Apr– 30 Jun 2018	1 Jan– 30 Jun 2019	1 Jan– 30 Jun 2018	1 Jan– 31 Dec 2018
Net result for the period	26,160	26,984	51,446	51,432	102,234
Items that will not be reclassified to profit or loss:					
Remeasurements of post employment benefit obligations	-34	-	-34	-	249
Other comprehensive income, net of tax	-34	-	-34	-	249
Total comprehensive income	26,126	26,984	51,412	51,432	102,483
Attributable to:					
Owners of the parent	26,126	26,984	51,412	51,432	102,483

Notes are an integral part of the consolidated financial statements.

Consolidated statement of financial position

EUR in thousands	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS			
Non-current assets			
Goodwill	338,706	327,206	327,206
Other intangible assets	192,036	170,614	191,783
Property, plant and equipment	413,183	399,003	412,550
Right-of-use assets	82,147	-	-
Investments in associates	1,205	1,207	1,209
Other investments	117	117	117
Trade and other receivables	72,102	71,815	76,026
Contract assets	2,366	-	-
Deferred tax assets	7,662	7,896	7,691
Total non-current assets	1,109,523	977,858	1,016,582
Current assets			
Inventories	29,225	27,483	31,681
Trade and other receivables	240,739	220,995	243,652
Contract assets	3,218	1,372	972
Cash and cash equivalents	36,614	23,575	22,654
Total current assets	309,797	273,425	298,960
Total assets	1,419,319	1,251,283	1,315,541
Equity			
Equity attributable to owners of the parent			
Share capital	72,702	72,702	72,702
Reserve for invested unrestricted equity	506,079	506,079	506,079
Treasury shares	-1,728	-2,806	-2,806
Retained earnings	-115,613	-74,899	-73,439
Net result for the period	51,446	51,432	102,234
Total equity	512,886	552,509	604,770
LIABILITIES			
Non-current liabilities			
Borrowings	379,937	312,546	348,090
Lease liabilities	64,475	-	-
Contract liabilities	1,469	1,616	1,809
Employment benefit obligations	1,737	2,021	1,714
Provisions	4,886	5,315	5,307
Deferred tax liabilities	34,495	33,680	34,825
Other non-current liabilities	24,490	16,997	33,169
Total non-current liabilities	511,489	372,175	424,914
Current liabilities			
Borrowings	183,971	129,938	53,837
Lease liabilities	15,744	-	-
Contract liabilities	3,065	2,945	3,313
Provisions	208	458	277
Trade and other payables	187,545	189,000	223,374
Income tax liabilities	4,410	4,258	5,056
Total current liabilities	394,944	326,599	285,857
Total equity and liabilities	1,419,319	1,251,283	1,315,541

Notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

EUR in thousands	1 Jan– 30 Jun 2019	1 Jan– 30 Jun 2018	1 Jan–31 Dec 2018
Cash flows from operating activities			
Net result for the period	51,446	51,432	102,234
Adjustments ¹⁾	102,480	90,061	180,329
Change in net working capital ²⁾	-23,198	-36,843	-45,100
Dividends received	12	10	10
Interest paid	-5,305	-5,176	-6,438
Interest received	176	131	335
Other financial items	-1,700	-10,465	-10,839
Income taxes paid	-14,848	-1,953	-12,428
Net cash generated from operating activities	109,062	87,198	208,104
Cash flows from investing activities			
Investments in property, plant and equipment (PPE) and intangible assets	-58,209	-64,511	-145,058
Proceeds from sale of PPE	13	261	402
Business combinations	-42,415	-	-
Net cash used in investing activities	-100,610	-64,250	-144,657
Cash flows from financing activities			
Direct costs relating to share issue	-	-	-3,314
Dividends paid	-145,400	-145,333	-145,333
Proceeds from borrowings	509,505	519,930	859,880
Repayment of borrowings	-349,941	-397,562	-778,932
Repayment of lease liabilities	-8,656	-	-
Net cash used in financing activities	5,508	-22,965	-64,385
Change in cash and cash equivalents	13,960	-17	-937
Cash and cash equivalents at beginning of period	22,654	23,592	23,592
Cash and cash equivalents at end of period	36,614	23,575	22,654
Adjustments ¹⁾ :			
Depreciation, amortisation and impairment	83,400	72,042	146,023
Gains and losses on disposals of non-current assets	-6	-221	-324
Other non-cash income and expense	-	-12	-14
Finance income and expense	4,902	6,850	11,177
Income tax expense	14,160	12,941	25,502
Change in provisions	24	-1,537	-2,034
Total adjustment	102,481	90,061	180,329
Change in net working capital ²⁾ :			
Change in trade and other receivables	1,211	-1,087	-27,678
Change in inventories	2,456	-4,575	-8,772
Change in trade and other payables	-26,865	-31,182	-8,649
Change in net working capital	-23,198	-36,843	-45,100

Notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

EUR in thousands	Share capital	Reserve for invested unrestricted equity	Treasury shares	Retained earnings	Total equity
1 January 2018	72,702	653,056	-4,055	-75,619	646,085
Comprehensive income					
Net result for the period				102,234	102,234
Other comprehensive income					
Total other comprehensive income, net of tax				249	249
Total comprehensive income	-	-	-	102,483	102,483
Transactions with owners					
Reclassification		-62,420		62,420	-
Share-based payments			1,250	285	1,535
Dividends relating to 2017				-60,776	-60,776
Capital payment		-84,557			-84,557
Total contribution by and distributions to owners	-	-146,977	1,250	1,930	-143,797
31 December 2018	72,702	506,079	-2,806	28,794	604,770
1 January 2019	72,702	506,079	-2,806	28,794	604,770
Comprehensive income					
Net result for the period				51,446	51,446
Other comprehensive income					
Total other comprehensive income, net of tax				-34	-34
Total comprehensive income	-	-	-	51,412	51,412
Transactions with owners					
Share-based payments			1,078	1,027	2,104
Dividends relating to 2018				-145,400	-145,400
Total contribution by and distributions to owners	-	-	1,078	-144,374	-143,296
30 June 2019	72,702	506,079	-1,728	-64,168	512,886

Notes are an integral part of the consolidated financial statements.

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1 Accounting principles

This Half Year Financial Report has been prepared in accordance with IFRS regulations and measurement principles and complies with the requirements of the IAS 34 standard. The information has been prepared in accordance with International Financial Reporting Standards, as approved for application throughout the European Union. The accounting principles are identical to those applied to the Financial Statements of 31 December 2018 with the exception of new and amended standards effective as of 1 January 2019. This report should be read in connection with the 2018 Financial Statements. The information presented in the report is unaudited.

The following new standard have been adopted as of 1 January 2019:

On 13 January 2016, IASB published IFRS 16 Leases, effective for the financial period beginning on 1 January 2019. The changes introduced by the standard to the recognition, valuation and presentation of leases mainly apply to accounting by lessees. For lessors, the accounting of leases remains mostly as is. The lessor continues to classify its leases as operating or finance leases in accordance with almost the same principles as in IAS 17 Leases. DNA adopted IFRS 16 on the effective date of 1 January 2019 using the modified retrospective transition method, and in accordance with the IFRS 16 transition guidance, comparative information will not be restated. The changes in the reclassification and recognition of agreements resulting from the standard have been entered in the opening balance sheet of 1 January 2019.

The standard is applied to leases previously identified as leases under IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. In the adoption of IFRS 16, right-of-use assets have been recognised to reflect the amount corresponding to the discounted lease liability. The average weighted discount rate for lease liabilities was 2.2% on 1 January 2019.

The Group applies practical relief regarding short-term agreements. IFRS 16 is not applied to leases with a lease term of 12 months or less. Short-term agreements are

recognised as an expense in the income statement and included in the notes to the financial statements.

DNA Plc mostly acts as a lessee. The Group enters into agreements to lease office premises, equipment facilities and aerial sites in particular. According to current accounting practices, they are classified as operating lease agreements. For office premises, the average lease period is 2 to 5 years and for equipment facilities 4 to 7 years. Due to the nature of leases, the Group currently estimates that the most essential impacts of the adoption of the IFRS 16 standard will be related to leased premises and equipment spaces. In addition, the Group has individual major agreements related to technology which have an essential impact on the assets and liabilities on the balance sheet. The Group subleases some premises, the leases of which are reported as operating leases. The agreements are recognised as a right-of-use asset and lease liability in accordance with IFRS 16. Proceeds from the leasing of the assets are presented in the notes to the financial statements. Impairment testing will be carried out where necessary if there is any indication in the reassessment of the agreements.

The relevant estimates and discretionary factors in the application of the standard are mainly related to the assessment of the lease period and to the determination of the discount rate used. The discount rate is determined by using the additional borrowing rate and adjusted quarterly. Leases may include options for continuation or termination. At the Group's discretion, options will not be taken into account in the assessment of the lease period unless the use of the option is reasonably certain. No residual value guarantees are included in the leases.

Maintenance rents or other use-based payments included in leases will be specified if they are relevant and can be reliably separated from the agreement. After consideration, DNA will not otherwise separate non-lease components from associated lease components and will report lease components and non-lease components as a single lease component. Leases that do not meet the definition of IFRS 16 are recognised as an expense during the duration of the agreement.

2 Revenue

The group revenue consists of income from contracts with customers. The Consumer segment revenue in Q2 2019 was EUR 176.7 million and the Corporate segment revenue was EUR 55.3 million. Segment revenue is derived from the transfer of goods and services in the following product lines over time and at a point in time :

1 Apr–30 Jun 2019	Mobile Service Revenue	Mobile Equipment	Mobile interconnection and Inbound Roaming	Fixed non-voice	Fixed Voice	Total
Timing of revenue recognition						
Point in time	-	35,188	-	2,589	47	37,824
Over time	120,551	-	11,148	57,009	5,490	194,198
Total	120,551	35,188	11,148	59,598	5,537	232,022

1 Apr–30 Jun 2018	Mobile Service Revenue	Mobile Equipment	Mobile interconnection and Inbound Roaming	Fixed non-voice	Fixed Voice	Total
Timing of revenue recognition						
Point in time	-	31,054	-	3,231	58	34,343
Over time	111,535	-	13,069	59,747	6,271	190,622
Total	111,535	31,054	13,069	62,979	6,328	224,966

1 Jan–30 Jun 2019	Mobile Service Revenue	Mobile Equipment	Mobile interconnection and Inbound Roaming	Fixed non-voice	Fixed Voice	Total
Timing of revenue recognition						
Point in time	-	68,491	-	6,417	296	75,204
Over time	238,771	-	22,043	113,785	11,102	385,701
Total	238,771	68,491	22,043	120,202	11,398	460,906

1 Jan–30 Jun 2018	Mobile Service Revenue	Mobile Equipment	Mobile interconnection and Inbound Roaming	Fixed non-voice	Fixed Voice	Total
Timing of revenue recognition						
Point in time	-	59,493	-	5,779	66	65,338
Over time	223,686	-	26,066	119,159	13,063	381,974
Total	223,686	59,493	26,066	124,938	13,128	447,312

1 Jan–31 Dec 2018	Mobile Service Revenue	Mobile Equipment	Mobile interconnection and Inbound Roaming	Fixed non-voice	Fixed Voice	Total
EUR in thousands						
Timing of revenue recognition						
Point in time	-	133,646	-	12,877	81	146,604
Over time	454,427	-	51,495	235,269	23,964	765,155
Total	454,427	133,646	51,495	248,146	24,045	911,758

Mobile communication services comprise service revenue, mobile network voice services, mobile broadband services, M2M services and mobile virtual network operator (MVNO) services. Mobile device revenue comprises the sales of mobile devices such as mobile phones, tablets and dongles. Mobile interconnection and roaming revenue comprises interconnection revenue, which DNA receives for calls made by other operators' clients to DNA's network, and roaming revenue, which DNA receives from other operators

for calls made by foreign mobile operators' subscribers in Finland. Fixed-network revenue for services other than voice services comprises fixed broadband and data services, TV and video services, corporate network value added services as well as the sales of network equipment (e.g. PBX and LAN/WLAN equipment). Fixed-network voice services include all fixed-network voice services and related devices.

3 Segment information

1 Apr–30 Jun 2019

EUR in thousands Business segments	Consumer segment	Corporate segment	Unallocated	Group total
Net sales	176,720	55,302		232,022
EBITDA	59,608	18,241		77,849
Depreciation, amortisation and impairments	26,832	15,319		42,150
Operating result, EBIT	32,776	2,923		35,699
Net finance items			-2,262	-2,262
Share of associates' results			0	0
Net result before income tax				33,437
Net result for the period				26,160
Capital expenditure*	13,648	11,565	-	25,213
Employees at end of period	946	702	-	1,648

1 Apr–30 Jun 2018

EUR in thousands Business segments	Consumer segment	Corporate segment	Unallocated	Group total
Net sales	168,409	56,557		224,966
EBITDA	56,109	16,493		72,601
Depreciation, amortisation and impairments	23,859	12,769		36,627
Operating result, EBIT	32,250	3,724		35,974
Net finance items			-2,224	-2,224
Share of associates' results			6	6
Net result before income tax				33,756
Net result for the period				26,984
Capital expenditure*	20,339	10,305	-	30,645
Employees at end of period	935	676	-	1,611

1 Jan–30 Jun 2019

EUR in thousands Business segments	Consumer segment	Corporate segment	Unallocated	Group total
Net sales	350,298	110,607		460,906
EBITDA	117,162	36,747		153,909
Depreciation, amortisation and impairments	53,307	30,093		83,400
Operating result, EBIT	63,855	6,653		70,508
Net finance items			-4,902	-4,902
Share of associates' results			0	0
Net result before income tax				65,606
Net result for the period				51,446
Capital expenditure*	31,964	25,383	-	57,347
Employees at end of period	946	702	-	1,648

*Capital expenditure comprises additions to intangible and tangible assets, excluding business combinations, and additions relating to decommissioning obligations. Additionally, capital expenditure includes capitalised spectrum license payments made during the reporting period.

3 Segment information

1 Jan–30 Jun 2018

EUR in thousands Business segments	Consumer segment	Corporate segment	Unallocated	Group total
Net sales	333,639	113,673		447,312
EBITDA	109,503	33,749		143,252
Depreciation, amortisation and impairments	46,928	25,113		72,042
Operating result, EBIT	62,575	8,636		71,210
Net finance items			-6,850	-6,850
Share of associates' results			12	12
Net result before income tax				64,373
Net result for the period				51,432
Capital expenditure*	33,688	16,848	-	50,535
Employees at end of period	935	676	-	1,611

1 Jan–31 Dec 2018

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

*Capital expenditure comprises additions to intangible and tangible assets, excluding business combinations, and additions relating to decommissioning obligations. Additionally, capital expenditure includes capitalised spectrum license payments made during the reporting period.

As key figures for business segments, in addition to segment net sales, DNA presents comparable EBITDA and comparable EBIT, which have been adjusted with material items outside of ordinary course of business to improve comparability between periods. DNA's chief operative decision-maker assesses segment performance mainly based on these key figures. Items affecting comparability include essential items such as net gain or losses from business disposals, direct transaction costs related to

business acquisitions, impairment of non-current assets, costs for closure of business operations and restructurings, fines or other similar payments, damages as well as costs related to a one time study on the Company's strategic alternatives to grow its shareholder base, costs related to the strategic assessment work of the Board of Directors as well as direct transaction costs of and cost impacts of the listing.

4 Capital expenditure

EUR in thousands	1 Apr– 30 Jun 2019	1 Apr– 30 Jun 2018	1 Jan– 30 Jun 2019	1 Jan– 30 Jun 2018	1 Jan– 31 Dec 2018
Capital expenditure*					
Intangible assets	6,906	9,123	24,576	19,173	38,753
Property, plant and equipment	18,307	21,522	32,771	31,362	99,518
Total	25,213	30,645	57,347	50,535	138,271

*Capital expenditure comprises additions to intangible and tangible assets, excluding business combinations, and additions relating to decommissioning obligations. Additionally, capital expenditure includes capitalised spectrum license payments made during the reporting period.

Major individual items included in capital expenditure are 4G network capacity expansion and development, 5G readiness as well as fibre optic networks and IT.

5 Equity

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

DNA Plc has one type of share. The total number of shares is 132,303,500 (132,303,500). The number of outstanding shares is 132,182,184 (31 December 2018 132,120,711). The shares do not have a nominal value. On 30 June 2019, DNA Plc's share capital amounted to EUR 72,702,226. All issued shares have been paid in full.

Dividends

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

Treasury shares

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

After the transfer, DNA holds a total of 121,316 treasury shares.

	Amount
Treasury shares 1 January 2019	182,789
1 March 2019 Share issue - share-based incentive scheme	-61,473
Treasury shares 31 December 2019	121,316

Treasury shares represent 0.09 per cent of the votes.

6 Borrowings

EUR in thousands	30 June 2019	30 June 2018	31 December 2018
Non-current borrowings			
Loans from financial institutions	77,367	9,964	46,154
Bonds	302,570	302,582	301,936
Lease liabilities	64,475	-	-
Total	444,412	312,546	348,090
Current borrowings			
Loans from financial institutions	64,069	31,318	3,846
Bonds	-	38,637	-
Commercial papers	119,902	59,983	49,991
Lease liabilities	15,744	-	-
Total	199,715	129,938	53,837

The increase in borrowings during Q2, is mainly due to the EUR 145.4 million dividend payment in the beginning of April and the EUR 27.5 million ICT Elmo Oy business combination in the end of May.

7 Net debt

EUR in thousands	30 June 2019	30 June 2018	31 December 2018
Non-current borrowings	444,412	312,546	348,090
Current borrowings	199,715	129,938	53,837
Total borrowings	644,128	442,484	401,927
Less cash and cash equivalents	36,614	23,575	22,654
Net debt	607,513	418,909	379,273

EUR in thousands	Reported in cash flows from financing activities			
	Cash	Current borrowings	Non-current borrowings	Net debt
1 January 2018	23,592	154,518	173,362	304,288
Change in cash	-937			937
Proceeds from borrowings		563,726	296,154	859,880
Repayment of borrowings		-665,123	-113,810	-778,932
Other non-cash transactions		715	-7,616	-6,901
31 December 2018	22,654	53,837	348,090	379,273
1 January 2019 IFRS 16 standard		14,775	67,329	82,104
Change in cash	13,960			-13,960
Proceeds from borrowings		466,785	34,064	500,849
Repayment of borrowings		-349,941		-349,941
Other non-cash transactions		14,259	-5,070	9,188
30 June 2019	36,614	199,715	444,412	607,513

8 Provisions

EUR in thousands	1 January 2019	Additions	Provisions used	Other/ Discount effect	30 June 2019
Asset retirement obligation	4,788	0	–	–	4,789
Restructuring provisions	97	–	–	–	97
Other provision	208	–	–	–	208
Total	5,094				5,094

Asset retirement obligation

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

9 Related party transactions

DNA's related parties include the main shareholders (Finda Oy, Finda Telecoms Oy, PHP Holding Oy) which have significant influence over the group, subsidiaries, associated companies, joint arrangements and members of the Board of Directors and the management team,

including the CEO and the deputy CEO as well as their close family members. In addition, related parties include all entities controlled or jointly controlled by a person identified as related party.

The following related party transactions were carried out:

Jan–Jun 2019

EUR in thousands	Organisations exercising significant influence	Associated companies
Sales	9	-
Purchases	1,152	216
Receivables	2	-
Liabilities	263	-

Jan–Jun 2018

EUR in thousands	Organisations exercising significant influence	Associated companies
Sales	9	-
Purchases	1,340	229
Receivables	2	-
Liabilities	205	34

Jan–Dec 2018

EUR in thousands	Organisations exercising significant influence	Associated companies
Sales	21	-
Purchases	2,759	465
Receivables	2	-
Liabilities	354	2

10 Share-based payments

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

DNA's Board of Directors decides to continue the long-term incentive plans for senior executives and other key employees. DNA has a Performance Share Plan (PSP) for senior executives and other key employees. The PSP consists of three separate three-year performance periods; 2017–2019, 2018–2020 and 2019–2021.

The purpose of the long-term incentive system is to harmonise shareholders' and senior executives' goals in order to increase DNA's value, and to commit executives and other key employees to DNA by offering them a competitive, long-term reward plan in the company.

The system mainly consists of a Performance Share Plan (PSP), which is complemented by a separate share-based Bridge Plan. In addition, DNA has a Restricted Share Plan (RSP).

The Performance Share Plan

The Performance Share Plan consists of separate, share-based reward programmes that begin annually. Each programme has a three-year vesting period. The start of each new programme requires a separate decision by the Board of Directors.

The first programme (PSP 2017) started at the beginning of 2017. Any share-based rewards earned through it will be paid in the spring of 2020, if the performance targets set by the Board of Directors are reached.

The first programme will be built on the following performance targets: DNA's total shareholder return (TSR) compared to a peer group over the period 2017–2019, and DNA's cumulative cash flow in 2017–2019. The first programme has about 50 participants, and the maximum number of shares to be handed out will be 471,000 (gross amount from which applicable withholding tax will be deducted, and the remaining net amount will be paid as shares).

The second programme PSP 2018–2020 started at the beginning of 2018. Any share-based rewards earned through it will be paid in the spring of 2021, if the performance targets set by the Board of Directors are achieved. The performance targets applied to the programme are DNA's total shareholder return (TSR) compared to a peer group over the period 2018–2020, and

DNA's cumulative cash flow in 2018–2020. The programme has around 50 participants, and the maximum number of shares to be distributed will be 372,600 (the gross amount from which the applicable withholding tax will be deducted, and the remaining net amount will be paid as shares).

The programme PSP 2019–2021 starts at the beginning of 2019. Any share-based rewards earned through it will be paid in the spring of 2022. The performance targets applied to the programme are DNA's EBITDA development over the period 2019–2021 and DNA's total shareholder return compared to a peer group over the period 2019–2021. The programme has around 70 participants, and the maximum number of shares to be distributed will be 382,158 (the gross amount from which the applicable withholding tax will be deducted, and the remaining net amount will be paid as shares).

The Bridge Plan

The Bridge Plan for the transition period consists of two, three-year-long share-based reward programmes. These programmes have a year-long vesting period and a two-year restriction period. The first programme began in 2017. Share-based rewards based on the 2017 programme were handed out in the spring of 2018, because the performance targets set by the Board of Directors were reached (EBITDA and EBITDA margin among others). Shares received as a reward cannot be transferred during a two-year restriction period after the vesting period.

The performance targets applicable to the share-based reward system during the transition period are based on DNA's key strategic objectives for the vesting periods in question. The first programme has about 50 participants, and the maximum number of shares to be handed out will be 157,300 (gross amount from which applicable withholding tax will be deducted, and the remaining net amount will be paid as shares).

The performance targets applicable to the share-based reward programme, the Bridge Plan 2018, which began in January 2018, are based on DNA's key strategic objectives for the vesting period in question. Share-based rewards based on the 2018 programme were handed out in the spring of 2019, because the performance targets set by the Board of Directors were reached (EBITDA and EBITDA margin among others). Shares received as a reward cannot be transferred during a two-year restriction period after the vesting period.

10 Share-based payments

The programme has around 50 participants, and the maximum number of shares to be handed out will be 115,900 (gross amount from which applicable withholding tax will be deducted, and the remaining net amount will be paid as shares). Any rewards based on the programme

will be distributed in the spring of 2019, if the performance targets set by the Board of Directors are achieved. Shares received as a reward cannot be transferred during the two-year restriction period after the vesting period.

Share-based reward plan	PSP 2019–2021	PSP 2018–2020	Bridge plan 2018	PSP 2017–2019	Bridge plan 2017
Grant date	30 January 2019	17 January 2018	17 January 2018	15 February 2017	15 February 2017
Maximum number of shares	382,158	372,600	115,900	471,000	157,300
Fair value of the reward at grant date	9.66	6.12		6.28	
Share price at grant date	18.39	15.07	15.07	11.36	11.36
Valid until	31 December 2021	31 December 2020	31 December 2020	31 December 2019	31 December 2019
Expected volatility of share prices		19%		23%	
Expected dividends		3.12	1.02	0.63–0.75	
Risk-free interest rate		–0.29%		–0.82%–0.74%	
Expected life	3 years	3 years	3 years	3 years	3 years
Implementation	As shares and cash	As shares and cash	As shares and cash	As shares and cash	As shares and cash

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

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

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

The restricted share-based reward system (RSP)

The restricted share-based reward system can be used as a complementary tool for committing employees in specific

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

The RSP typically applies to only a few individuals per year. The rewards earned of the first programme (RSP 2017) will be distributed in 2020. The maximum number of shares distributed under the programme is 42,900 (gross amount from which applicable withholding tax will be deducted, and the remaining net amount will be paid as shares). The rewards earned of the RSP 2018–2020 share-based reward programme will be distributed in the spring of 2021. The maximum number of shares distributed under the programme is 45,000 (gross amount from which applicable withholding tax will be deducted, and the remaining net amount will be paid as shares). The rewards earned of the RSP 2019–2021 share-based reward programme will be distributed in the spring of 2022. The maximum number of shares distributed under the programme is 37,500 (gross amount from which applicable withholding tax will be deducted, and the remaining net amount will be paid as shares).

10 Share-based payments

Share-based reward plan	RSP 2017–2019	RSP 2018–2020	RSP 2019–2021
Grant date	9 April 2019	9 April 2019	9 April 2019
Maximum number of shares	42,900	45,000	37,500
Fair value of the reward at grant date	20.12	20.12	19.11
Share price at grant date	21.14	21.14	21.14
Valid until	30 April 2020	15 March 2021	15 March 2022
Expected life	3 years	3 years	3 years
Implementation	As shares and cash	As shares and cash	As shares and cash

Matching shares plan of DNA personnel

The Board of Directors of DNA Plc has decided on the establishment of a matching shares plan for all DNA personnel. The purpose of the plan is to steer the activities of personnel towards the attainment of strategic objectives, as well as to improve the long-term commitment of personnel and offer incentives in the form of potential increase in share value.

Participation in the matching shares plan is voluntary.

The first saving period in 2019–2020 begins in April 2019 and will run until March 2020. Each employee may participate in one saving period at a time, with the saved shares purchased quarterly at market value after the publication of financial results. Participants may purchase shares up to a value of 500 euros per month. The matching shares issued for the saved shares will be paid in a single instalment at the end of the holding period, with DNA issuing each participant one matching share for two purchased shares. The Board of Directors of DNA will decide annually on possible new saving periods and their terms.

Share-Based payments

EUR in thousands

Expense recorded in the income statement	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Share-based payments	1,863	1,508	2,719

11 Business combinations

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

The purchase price was paid in cash. The assets and liabilities were preliminary reported in the interim statement 31 March 2019 at their carrying amounts and have now been adjusted to their fair value. The goodwill consists of synergy benefits expected and the knowledge of the personnel transferred.

EUR in millions	Fair value recorded
Intangible assets	6.5
Accounts receivable and other receivables	1.0
Cash and cash equivalents	0.0
Total assets	7.4
Borrowings	1.8
Deferred tax liabilities	-0.3
Trade and other payables	2.0
Total liabilities	3.6
Net assets	3.9
Total consideration transferred	15.4
Goodwill	11.5

Direct costs of EUR 0.3 million were recorded as other operating expenses. The acquired subsidiaries' net sales since acquisition was EUR 4.8 million. As the acquisition took place 11 January 2019 the group's net sales and result would have been on the same level year to date.

ICT Elmo consumer and housing company business acquisition

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

The purchase price was paid in cash. The fair value assessment of the transferred assets and liabilities has not yet been made. Assets and liabilities are recorded preliminary:

Assets	27.6
Liabilities	0.1
Total consideration transferred	27.5

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

The acquired subsidiaries' net sales since acquisition was EUR 0.4 million. Had the acquisition occurred 1 January 2019, Group net sales would have been EUR 463,1 million.

12 Changes in accounting policy IFRS 16

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

Consolidated statement of financial position 1 January 2019

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

12 Changes in accounting policy IFRS 16

EUR in thousands	31 December 2018	Changes in accounting policy IFRS 16	Adjusted 1 January 2019
LIABILITIES			
Non-current liabilities			
Borrowings	348,090	-	348,090
Lease liabilities	-	67,329	67,329
Employment benefit obligations	1,714	-	1,714
Provisions	5,307	-422	4,885
Deferred tax liabilities	34,825	-	34,825
Other non-current liabilities	34,978	-	34,978
Total non-current liabilities	424,914	66,907	491,821
Current liabilities			
Borrowings	53,837	-	53,837
Lease liabilities	-	14,775	14,775
Provisions	277	-68	208
Trade and other payables	226,687	-	226,687
Income tax liabilities	5,056	-	5,056
Total current liabilities	285,857	14,707	300,564
Total equity and liabilities	1,315,541	81,614	1,397,155

Consolidated income statement

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

EUR in thousands	1.1.–30.6.2019 excluding IFRS 16	IFRS 16	1.1.–30.6.2019 including IFRS 16
Net sales	460,906	-	460,906
Other operating income	1,865	-	1,865
Materials and services	-194,921	-	-194,921
Employee benefit expenses	-56,301	-	-56,301
Depreciation, amortisation and impairments	-74,336	-9,064	-83,400
Other operating expenses	-66,719	9,079	-57,640
Operating result, EBIT	70,494	15	70,508
Finance income	233	-	233
Finance expense	-4,394	-742	-5,135
Share of associates' results	0	-	0
Net result before income tax	66,333	-727	65,606
Income tax expense	-14,207	47	-14,160
Net result for the period	52,126	-680	51,446
Attributable to:			
Owners of the parent	52,126	-680	51,446

13 Events after the review date

Telenor's offer on DNA's shares pending Finnish regulatory approval

European Commission approved Telenor's offer on DNA's shares on 15 July. The completion of the transaction is subject to Finnish regulatory approval, and Telenor expects to get the approval in August.

Norwegian telecommunications company Telenor Group announced 9th of April that it will acquire DNA's two largest owners', Finda Telecoms Oy and PHP Holding Oy's, shares of DNA Plc, in total 54% of the shares.

DNA is selling its terrestrial network pay-TV business to Digita

On 17 July, DNA announced divestment of its terrestrial TV network pay-TV business to Digita Oy on 1 January 2020. DNA will continue its operations as the leading pay-TV operator in the cable and broadband networks. The deal still requires the approval of the competition authorities, which is expected in the autumn of 2019. The parties will not be disclosing the sale price.

DNA's financial publications and AGM in 2019:

- Interim Report January–September 2019, 22 October 2019
- Capital Markets Day in Helsinki, 26 November 2019

