FINANCIAL STATEMENTS 2016

BOARD OF DIRECTORS' REPORT

DNA is one of the leading Finnish telecommunications companies. DNA has its own national mobile communications network and the most extensive fibre-optic cable network in Finland, providing high-quality broadband and TV services to DNA's customers. Our business operations are divided into Consumer and Corporate Business segments. In total, DNA has more than 3.8 million subscribers. DNA employs some 1,700 telecommunications professionals, whose work is focused on excellent customer experience in line with DNA's strategy.

The comparison figures in brackets refer to 2015.

Operating environment

The Finnish economy is slowly returning to growth. Unlike many other industries, telecommunications is less affected by the overall economic situation, and the demand for telecommunication services has remained relatively steady for a long period.

The growth of the mobile data market continued, boosted by increased adoption of smart phones, tablets and other internet-connected smart devices as well as the wider availability of 4G speeds. According to a report* published by Tefficient in December, Finns are among the biggest mobile data users in the world as Finland topped the global list for the third consecutive year.

Practically all phones sold in the market in 2016 were smart phones and mostly 4G models. Revenue from voice calls as well as the text message market has been declining steadily in Finland, but this trend is compensated by the growth of the mobile data market. Social networking applications have enriched but also partially replaced some traditional communication methods such as text messaging.

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

Use of TV and video services continued to become more versatile. Traditional TV viewing remained relatively steady. The use of streaming and on-demand video services continued to grow. The steady growth of cable television subscriptions also continued. The use of HDTV broadcasts grew, and customers want to watch content conveniently at a time that works best for them.

Economic uncertainty continued to affect investment decisions in the corporate market, slowing down the decision-making process. The increasingly mobile and networked ways of working had an impact on the access solutions and data communication services adopted by both the private and public sector as mobile data grows in importance. Companies are also interested in the Industrial Internet and its possibilities, which is reflected, for example, in the growth of DNA's M2M (machine to machine) subscription base. The rising business use of cloud services increases the demand for network capacity.

* Tefficient's report: https://corporate.dna.fi/documents/15219/31276591/Tefficient+industry+analysis+5+2016+mobile+data+usage+and+pricing+1H+2016.pdf/b174b22a-ba61-4ffc-9848-78cf203f3114

Regulation

The spectrum auction for licences for commercial use of the 700 MHz band took place in November 2016. DNA won the 2×10 MHz spectrum it pursued in the auction. The 700 MHz band can be used for the construction of 4G networks from the beginning of February 2017.

In the summer of 2016, the Norwegian Norkring AS relinquished the licences granted to it for antenna network operations. The licences were granted to Digita. Current network licences and the programme licences granted for these networks have been extended until the new licences come into force on 17 May 2017.

The European Commission published its proposal for the new European Electronic Communications Code in the autumn of 2016. The reform is expected to have an effect on areas such as market regulation, spectrum management and use of spectrum bands, universal service obligations, regulation of electronic communication services as well as consumer protection. The regulatory package may have a significant impact on DNA's business.

In December, the European Commission approved the implementation act on the roaming Fair Use Policy. The act also limits the use abroad of subscriptions with high data allowances without surcharges. The act ties the cap of "roam like home" usage to the price of the subscription and the operators' wholesale roaming price. If an operator is not able to recover what foreign operators charge for the use of their networks to provide roaming services, they may ask the Finnish Communications Regulatory Authority for permission to apply a surcharge on top of the caps.

The discussion of the proposed wholesale price cap for roaming is continuing. The new roaming regulation is planned to enter into force in the summer of 2017 and may have a significant impact on DNA's business.

The EU General Data Protection Regulation (GDPR) was agreed in the spring of 2016. It shall apply from May 2018. The GDPR and the subsequent review of the Directive on privacy and electronic communications are estimated to have an impact on DNA's business, with regard to the processing of customer data, for example.

Net sales and result

Net sales

DNA's net sales increased and totalled EUR 858.9 million (828.8 million). Net sales were driven by the growth in service revenue as well as the positive development of mobile device sales. Service revenue was boosted in particular by the increased sales of mobile subscriptions and growing use of mobile data, which increased the share of 4G subscriptions in the subscription base. Net sales were burdened by lower demand for pay-TV services as well as lower interconnection prices.

In 2016, 73.5% (72.0%) of net sales was generated by Consumer Business and 26.5% (28.0%) by Corporate Business.

Result

Comparable EBITDA increased and was EUR 247.1 million (226.7 million). The items affecting the comparability of EBITDA in 2016 totalled EUR 10.8 million and were mostly related to the listing of DNA. The comparability of EBITDA in 2015 was affected by a sales profit of EUR 1.1 million. EBITDA increased and was EUR 236.3 million (227.7 million). The EBITDA percentage of net sales remained at 27.5% (27.5%). The increase was fuelled by growth in service revenue and improved operational efficiency.

Comparable operating result increased and was EUR 102.1 million (72.0 million). Operating result increased to EUR 91.2 million (73.1 million). In 2016, operating result was boosted by the improved EBITDA and lower level of depreciation. Operating result as a percentage of net sales increased and was 10.6% (8.8%). Comparability was affected by the same items as for EBITDA.

Financial income and expenses amounted to EUR 9.6 million (11.5 million). Income tax for the period was EUR 16.5 million (11.5 million). Result for the financial period increased and was EUR 65.2 million (50.0 million). Earnings per share was EUR 0.51 (0.39).

Development of subscription base

DNA's mobile communication subscription base grew by 121,000 subscriptions, reaching 2.7 million in total in 2016. The fixed-network subscription base decreased by 7,000 and totalled more than 1.1 million at the end of the year. This is due to the drop in the number of fixed-network voice subscriptions. The number of fixed-network broadband and cable television subscriptions increased by some 6,000 in total in 2016.

CONSOLIDATED KEY FIGURES

EUR million	**2016**	2015	Change, %
Net sales	**858.9**	828.8	3.6%
EBITDA	**236.3**	227.7	3.8%
- % of net sales	**27.5%**	27.5%	
Comparable EBITDA*	**247.1**	226.7	9.0%
- % of net sales	**28.8%**	27.3%	
Operating result, EBIT	**91.2**	73.1	24.8%
- % of net sales	**10.6%**	8.8%	
Comparable operating result, EBIT*	**102.1**	72.0	41.7%
- % of net sales	**11.9 %**	8.7%	
Net result for the period	**65.2**	50.0	30.3%

Number of mobile communication network subscriptions at end of period	**2,742,000**	2,621,000	4.6%
- Revenue per user (ARPU), EUR	**17.1**	17.0	0.6%
- Customer CHURN rate, %	**16.1**	16.0	0.6%
Number of fixed line subscriptions at end of period	**1,113,000**	1,120,000	-0.6%

Cash flow and financial position

Cash flow after investing activities was EUR 83.5 million (97.3 million).

At the end December, DNA had a EUR 150 million revolving credit facility, of which EUR 150 million (150 million) remained undrawn, and a EUR 15 million (15 million) credit facility. The credit facility was extended for the first time, with the agreement of all the banks, by one year and the new maturity is now October 2021. In addition, the company has a commercial paper programme worth EUR 150 million (150 million), under which EUR 5 million (40 million) was drawn by the end of 2016.

DNA's net gearing decreased and came to 53.9% (78.5%) at the end of the year. Trading in the DNA share began on the pre-list of Nasdaq Helsinki (the Helsinki Stock Exchange) on 30 November 2016, and on the official list of the Helsinki Stock Exchange on 2 December 2016. DNA raised gross proceeds of some EUR 50 million and EUR 38.6 million net proceeds from the IPO.

The Group's liquid assets comprising cash and cash equivalents amounted to EUR 46.2 million (25.3 million). Net debt decreased to EUR 321.7 million (412.3 million). The Group's liquid assets and undrawn committed credit limits amounted in total to EUR 211.2 million (190.3 million).

Net debt/EBITDA ratio improved and was 1.36 (1.81) at the end of the year.

DNA's equity ratio was 48.4% (44.1%) at the end of the review period.

Cash flow and financial key figures

EUR million	**2016**	2015
Cash flow after investing activities	**83.5**	97.3

EUR thousand	**31 Dec 2016**	31 Dec 2015
Net debt, EUR million	**321.7**	412.3
Net debt/EBITDA	**1.36**	1.81
Net gearing, %	**53.9**	78.5
Equity ratio, %	**48.4**	44.1

DEVELOPMENT PER BUSINESS SEGMENT

Consumer Business

Consumer Business net sales increased and were EUR 631.3 million (596.3 million).

Net sales were boosted by the positive development in mobile subscription sales, growing use of mobile data, which increased the share of 4G subscriptions in the subscription base, and the positive development of mobile device sales. Net sales were burdened by lower interconnection prices and weaker demand for pay-TV services.

EBITDA increased and was EUR 168.4 million (154.6 million). The increase was fuelled by the positive development of service revenue and improved operational efficiency. The EBITDA percentage of net sales increased to 26.7% (25.9%).

Consumer Business operating result increased and was EUR 74.6 million (56.0 million), or 11.8% of Consumer Business net sales (9.4%). Items affecting EBITDA and operating result comparability were mostly related to the listing of DNA, which were EUR 6.5 million in total. Depreciation of EUR 93.9 million (98.6 million) was allocated to Consumer Business.

Service revenue for 2016 was boosted by the growth of mobile network subscription base as well as favourable mobile billing development.

DNA's mobile device sales developed positively in 2016 and, in terms of sales revenue, were at a higher level than in 2015. Practically all phones sold by DNA in 2016 were smart phones and mostly 4G models. The demand for 4G subscriptions grew steadily during the year and 4G subscriptions dominated subscription sales.

DNA launched a new-generation fibre optic network in May. The DNA Valokuitu Plus (DNA Fibre Optic Plus) subscription enables broadband speeds of up to a Gigabit per second without any changes to the housing company's internal network. In the first phase, the 1 Gbps speed was available to about 300,000 households in the Helsinki Metropolitan region, and in early June was extended to some 80,000 households in Oulu and the surrounding areas. On 9 May, DNA set a new speed record of 3.055 Gbps in the launch event of the DNA Valokuitu Plus network. No other operator in Europe has provided similar speeds in a live environment, i.e. in a broadband network accessed by customers under normal conditions.

On 25 May, a mobile application launched by DNA and Comptel won a Global Telecoms Innovation Award in London. The application placed second in the best Infotainment or utility service category of the Best Mobile Service in Finland 2016 competition. Unveiled at the end of last year, the application simplifies and speeds up the purchase of mobile data for prepaid subscriptions.

In May, DNA and public broadcaster Yle agreed to continue the distribution of Yle's high-definition television channels after 2017. The agreement will be valid until the end of 2026.

DNA launched a new SportMix channel package in the third quarter, allowing customers to pick the sport packages they want from five options. The channel packages are available in DNA's cable and terrestrial networks and practically all the sports channels in DNA's offering are also available for mobile viewing through the DNA TV application.

In November 2016, the DNA TV app was used by more than 300,000 customers. DNA TV combines traditional television, channel packages and programme libraries and brings TV content not only to the television screen but also to mobile devices, making it possible to watch TV whenever and wherever.

Consumer Business key figures

EUR million	**2016**	2015	Change, %
Net sales	**631.3**	596.3	5.9 %
EBITDA	**168.4**	154.6	9.0 %
- % of net sales	**26.7 %**	25.9 %	
Comparable EBITDA	**174.9**	153.5	14.0 %
- % of net sales	**27.7 %**	25.7 %	
Operating result, EBIT	**74.6**	56.0	33.1 %
- % of net sales	**11.8 %**	9.4 %	
Comparable operating result, EBIT	**81.1**	55.0	47.5 %
- % of net sales	**12.8 %**	9.2 %	

Corporate Business

Corporate Business net sales remained at a similar level year-on-year and amounted to EUR 227.5 million (232.6 million).

Net sales were burdened by the reduction in interconnection prices and lower voice traffic volumes. Net sales were impacted positively by the increase in the mobile broadband subscription base.

EBITDA decreased to EUR 67.9 million (73.1 million), or 29.8% of net sales (31.4%). A reduction from the provision for premises had a positive effect on the EBITDA. Operating result decreased and was EUR 16.7 million (17.1 million), or 7.3% of net sales (7.3%). Items affecting EBITDA and operating result comparability were mostly related to the listing of DNA, which were EUR 4.3 million in total. Depreciation to the amount of EUR 51.2 million (56.1 million) was allocated to Corporate Business.

DNA's strategic goal is to increase the market share of its Corporate Business in the coming years. DNA is targeting municipalities, small and mid-sized enterprises and, increasingly, the large enterprise customer segment. DNA's ability to serve the large enterprise segment improved significantly following the acquisition of TDC Finland. DNA has implemented an increasing number of corporate network solutions for Finnish companies in the Nordic region.

DNA signed significant new agreements and extensions to existing contracts with enterprises and the public sector in 2016. The share of small and mid-sized enterprises in particular grew in the customer base. The market position of DNA's Corporate Business has developed as planned and, according to a study conducted in early 2016, DNA's brand recognition and customers' willingness to consider DNA as a service provider reached record-high levels, in particular in the large enterprise customer segment.*

In May, operator Moi started commercial operations as an MVNO in DNA's network.

DNA's Corporate Customer Services were again successful in the annual Asiakkaan Ääni ("Customer's Voice") competition, placing third in the category of best customer service development. The Customer Voice Awards are based on feedback collected by SN4 International Ltd immediately after the customer service experience.

Corporate customer service quality is measured by means of the Net Promoter Score (NPS). The average score improved by more than 38% in 2016.

In September, the European IP address manager RIPE NCC announced that it ranks DNA as the most significant operator providing IPv6 LIR addresses in Finland. DNA has already brought IPv6 functionality to some 2.2 million consumer and corporate subscriptions. Facilitating direct, two-way communication between mobile devices, the new IPv6 protocol is a prerequisite for the increased prevalence of the Internet of Things (IoT).

DNA signed extensive agreements covering several products and services with companies such as Hartwall and L-Fashion Group in 2016.

In November 2016, DNA announced that it will provide WLAN services for hundreds of KONE Corporation offices worldwide. The three-year contract between DNA and KONE includes WLAN deliveries as a full service. The contract covers design, installation and maintenance. DNA delivers solutions like this to KONE and other international companies in cooperation with our strong partner network on a turnkey principle.

M2M (machine to machine) is a growing business area for DNA and customers are interested in the possibilities of the Industrial Internet. DNA is supplying M2M subscriptions for sensors in Enevo's refuse containers worldwide, for example. The sensors in refuse containers are connected to a mobile network in order to indicate which containers are full and need to be emptied. In June, DNA announced that it is also delivering the M2M subscriptions for Buster boats' new infotainment system.

In November, DNA signed an agreement to deliver M2M subscriptions to Econet Ltd, a company specialised in water and environment technology. DNA will deliver thousands of M2M subscriptions to Econet in the coming years. The subscriptions will be installed in data transmission units to be connected to water meters, and they will operate in DNA's network.

*Brand study commissioned by DNA

Corporate Business key figures

EUR million	**2016**	2015	Change, %
Net sales	**227.5**	232.6	-2.2 %
EBITDA	**67.9**	73.1	-7.2 %
- % of net sales	**29.8 %**	31.4 %	
Comparable EBITDA	**72.2**	73.1	-1.3 %
- % of net sales	**31.7 %**	31.5 %	
Operating result, EBIT	**16.7**	17.1	-2.4 %
- % of net sales	**7.3 %**	7.3 %	
Comparable operating result, EBIT	**21.0**	17.1	22.8 %
- % of net sales	**9.2 %**	7.3 %	

CAPITAL EXPENDITURE

Capital expenditure was EUR 143.6 million (154.7 million). Operative capital expenditure decreased 7.5% from 2015 and was EUR 136.9 million (148.0 million), or 15.9% of net sales (17.9%).

Major items included in capital expenditure in the review period were the 4G and 3G networks and fibre and transfer systems.

The focus of DNA's mobile communication network investments is expected to shift from network modernisation and coverage expansion to capacity expansion in the coming years. In practice, this will mean a lower level of operational capital expenditure activity.

Capital expenditure*

EUR million	**2016**	2015	Change, %
Consumer Business	**90.9**	101.5	-10.4 %
Corporate Business	**45.8**	48.2	-4.9 %
Unallocated	**6.9**	5.0	37.5 %
Total capital expenditure	**143.6**	154.7	-7.2 %
Operative capital expenditure**	**136.9**	148.0	-7.5 %
Spectrum licence	**6.7**	6.7	0.0 %
Total capital expenditure	**143.6**	154.7	-7.2 %

* Capital expenditure is defined as additions to property, plant and equipment and intangible assets excluding business acquisitions, gross acquisition cost of spectrum licences and additions through finance leases and asset retirement obligations and including annual cash instalments for the spectrum licences. Unallocated capital expenditure comprises sales commissions.

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

RESEARCH AND DEVELOPMENT

DNA's service development occurs during the ordinary course of business and is accounted for as a normal operating expense. The Group conducted no activities classified as research and development in 2016.

NETWORK INFRASTRUCTURE

DNA makes continuous investments in high-speed mobile networks and fixed-network broadband to support the customers' growing use of subscriptions, devices as well as online and cloud services. In January–December, DNA expanded its 4G and 3G networks by adding some 2,300 base stations. At the end of 2016, DNA's 4G network reached 99.6% of the population in mainland Finland.

In 2016, 4G traffic volumes in DNA's networks grew some 120% year-on-year. DNA's total data traffic volume in mobile communications network grew 76%. At the end of year, more than 82% of all mobile data was transferred in the 4G network.

Finnish Shared Network Ltd constructed a new 2G/3G/4G network for mobile communications in Northern and Eastern Finland. The construction of DNA's and Sonera's shared network started in the spring of 2015 and was completed towards the end of 2016. During these 18 months, more comprehensive, high-speed telecommunications connections have been made available for more than 760,000 residents in sparsely populated areas. The combination of the frequencies and resources of two operators made it possible to construct a 4G network with double the speeds very cost-effectively. Customers can enjoy improved coverage in 4G/3G/2G networks.

In the second quarter, DNA became the first operator in Finland to update the theoretical maximum speed of its 4G mobile network to 600 Mbps. The practical speed tests were carried out in Karuby village in Siuntio, where the base station utilises a new three-frequency technology based on LTE, 256 QAM and Ericsson Lean Carrier. The new functionalities increase the mobile network's capacity and speed and were introduced in DNA's 4G network across Finland toward the end of the year.

Data traffic in DNA's mobile network exceeded the volume of fixed broadband traffic in the summer of 2016. In August, some 27,000 terabytes of data were transferred in DNA's fixed broadband network, while the data volume in the mobile communications network was significantly higher at almost 32,000 terabytes.

The 700 MHz spectrum auction organised by the Finnish Communications Regulatory Authority concluded on 24 November 2016. DNA Plc won the 2×10 MHz spectrum it pursued in the spectrum auction and DNA's winning bid for the spectrum totalled EUR 22 million. The licence fee will be paid in equal instalments during a five-year period. The licence period is 17 years (1 February 2017 to 31 December 2033). The new 700 MHz spectrum enables build-up of 4G capacity, particularly in sparsely populated areas.

According to a report released by research company Tefficient in December 2016, DNA's customers have the highest mobile data usage in the world per subscription. DNA carried as much as 9.9 gigabytes of data per subscription each month between January and September 2016. DNA's customers were the world champions of mobile data use also in 2015, using almost six gigabytes of data per subscription each month.

PERSONNEL

At the end of December 2016, DNA Group had 1,668 employees (1,672 employees), of which 683 were women (673) and 985 men (999).

Salaries and employee benefit expenses paid during the year amounted to EUR 112.9 million (106.9 million).

DNA's human resources management aims to establish a team of top experts at DNA, so that each and every task is performed by a dedicated and qualified person. DNA believes that employee satisfaction is of vital importance to the company's ability to deliver high-quality customer service. DNA participates in the annual Great Place to Work (GPTW) survey to track the company's development as an employer.

The positive development of DNA's personnel satisfaction continued in 2016. The survey in 2016 indicated a significant improvement on the levels reported in 2015, which were already good. Results improved across the board for the organisation as a whole. The GPTW surveys to date indicate that skilled and committed employees who build a positive working atmosphere and team spirit are DNA's strength. In particular, DNA's employees have given positive feedback on the opportunities provided by DNA for flexible work, including DNA's genuine method of working, which allows employees to decide independently where they work without discussing this with their supervisor.

In 2016, DNA placed special emphasis on supporting employees' professional development. DNA offers various training opportunities such as versatile in-house coaching sessions, personal competence development training and supervisor coaching. DNA also encourages employees' independent study and supports employees' participation in external training activities.

Personnel by business segment

	2016	2015	2014
Consumer Business	**1,012**	1,000	1,039
Corporate Business	**656**	672	709
Total personnel	**1,668**	1,672	1,748

Personnel by age group

	2016	2015	2014
< 25	**33**	45	96
25–35	**507**	520	549
36–45	**608**	587	561
46–55	**359**	370	392
56–65	**150**	150	150
> 63	**11**	-	-
Total personnel	**1,668**	1,672	1,748

Key personnel indicators

	2016	2015	2014
Average number of personnel	**1,677**	1,710	1,657
Wages and salaries, EUR million	**112.9**	106.9	101.0

CHANGES IN THE GROUP STRUCTURE

There were no significant changes in the Group structure in 2016.

SIGNIFICANT LITIGATION MATTERS

The processing of the claim related to the trademark dispute between Deutsche Telekom AG and DNA that was filed in January 2008 continues at Helsinki District Court. In February 2016, DNA filed an action in the Market Court against Deutsche Telekom AG and its three T-Systems subsidiaries. DNA requests that the defendant be denied the use of those shades of colour pink or magenta in its marketing in Finland that violate DNA's exclusive rights to certain shades of pink acquired through becoming established earlier, or other registered or established trademarks of DNA, which, in violation of the Unfair Business Practices Act (1061/1978), is liable to cause confusion with DNA or its services, marketing, trademarks or other distinctive characters, or means taking unfair advantage of their distinctive character or repute, or damages them. Deutsche Telekom AG has denied DNA's claim and proceedings are pending at the Market Court.

MANAGEMENT AND GOVERNANCE

Decisions of the Annual General Meeting of 2016

DNA Ltd's Annual General Meeting was held on 31 March 2016. The AGM adopted the financial statements and discharged the Board of Directors and the CEO from liability for the financial period 2015. According to the proposal by the Board of Directors, the AGM agreed to pay a dividend of EUR 4.72 per share for the financial year 2015, EUR 40,062,746.40 in total. No dividend will be paid for treasury shares held by the company. The dividend was paid on 11 April 2016.

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

Board members and compensation

The number of Board members was confirmed to be six. Re-elected members of the Board include Jarmo Leino, Jukka Ottela, Kirsi Sormunen, Tero Ojanperä, Anu Nissinen and Margus Schults. At the constitutive meeting of the Board of Directors held subsequent to the AGM, Jarmo Leino was re-elected Chairman.

The AGM confirmed the following annual compensation: EUR 144,000 for the Chairman of the Board and EUR 48,000 for the members of the Board. Based on the decision of the General Meeting, each member and the Chairman of the Board of Directors are entitled to receive 40% of their annual compensation in DNA shares. Such acquired shares are measured at fair value at acquisition date. Certain conditions apply to the transferability of shares. The AGM also decided on the following payments per meeting: for each member of the Board and Committee Chairs, EUR 1,050 per person and for each committee member, EUR 525 per person.

The Board's share repurchase authorisation

The AGM authorised the Board of Directors to decide on the repurchase of treasury shares. Based on the authorisation, the Board of Directors can decide on the repurchase of a maximum of 960,000 treasury shares (the number of shares before the share split decision made at the company's Extraordinary General Meeting of 25 October 2016). This is equal to slightly less than 10% of all company shares. The shares can only be repurchased using the company's unrestricted shareholders' equity. The repurchase can take place in one or several instalments. The authorisation will be effective until 30 June 2017. This authorisation cancels the previous authorisation.

Decisions of DNA Ltd's Extraordinary General Meeting of 25 October 2016

The Extraordinary General Meeting of 25 October 2016 elected Mr. Pertti Korhonen as a new member of the Board of Directors of DNA. The existing members of DNA's Board of Directors will continue as board members. In addition, the Board of Directors decided, conditional upon consummation of the IPO and listing of the DNA, to elect Mr. Pertti Korhonen as the Chairman of the Board of Directors. Mr. Korhonen became the Chairman of the Board on the day following the listing of the company.

The Extraordinary General Meeting decided e.g. to change the company's form from a private limited liability company to public limited liability company and decided on other changes to the company's articles of association including changes required for the contemplated listing. Further, the EGM decided to increase the number of the company's shares by way of a share split, in which new shares will be issued to the shareholders without payment in proportion to their holdings so that, for each share, shareholders received 14 new shares. On 27 October 2016, after the share split, the total number of DNA's shares came to 127,325,850.

In addition, the Extraordinary General Meeting authorised the Board of Directors to decide on a share issue and the granting of options and other special rights entitling to shares.

DNA became a listed company

DNA submitted a listing application to Nasdaq Helsinki Ltd (the Helsinki Stock Exchange) on 24 November 2016 for the listing of the company's shares on the official list of the Helsinki Stock Exchange and launched an initial public offering (IPO). Before the offering, the shares of the Company have not been subject to trading on a regulated market. DNA's shares were offered to private individuals and entities in Finland, employees of DNA or its wholly-owned subsidiaries in Finland, the members of DNA's Board of Directors and the CEO as well as to institutional investors in Finland and internationally. The final subscription price in the offering was EUR 10.10 per share.

Trading in the DNA share began on the pre-list of Nasdaq Helsinki (the Helsinki Stock Exchange) on 30 November 2016, and on the official list of the Helsinki Stock Exchange on 2 December 2016. Trading in the shares subscribed in the personnel offering began on the Helsinki Stock Exchange on 16 December 2016.

DNA issued 4,977,650 new shares, corresponding to approximately 3.9% of the total number of the company's shares outstanding before the offering. In addition, DNA's largest shareholders Finda Oy and PHP Holding Oy and certain other shareholders sold 35,950,000 existing shares in the company. 3,220,000 new shares were issued to private individuals and entities in Finland and 43,500,207 offer shares were allocated to institutional investors in Finland and internationally.

In addition, DNA issued 271,543 new shares to employees in the personnel offering. The subscription price per share in the personnel offering was 10% lower than the final offer price, i.e. EUR 9.09 per offered share.

The total number of the company's shares was 132,303,500 shares after the new shares offered were registered in the Finnish Trade Register. The total number of shareholders after the offering increased and was more than 10,000 shareholders.

Board of Directors

Members of DNA's Board of Directors from 1 January to 31 December 2016 were Jarmo Leino (Chairman until 30 November 2016), Jukka Ottela, Kirsi Sormunen, Tero Ojanperä, Anu Nissinen and Margus Schults. The Extraordinary General Meeting of 25 October 2016 elected Mr. Pertti Korhonen as a new member of the Board of Directors of DNA. In addition, the Board of Directors decided, conditional upon consummation of the IPO and listing of the DNA, to elect Mr. Pertti Korhonen as the Chairman of the Board of Directors. Mr. Korhonen became the Chairman of the Board on the day following the listing of the company, i.e. 1 December 2016. Jarmo Leino continued as a member of the Board.

The Board convened 20 times in 2016. The participation rate of the Board of Directors in the meetings was 100%. In addition to its regular duties, the Board focused on strengthening DNA's Corporate Business, cost-efficiency of investments, cooperation related to the shared mobile communication network constructed by Finnish Shared Network Ltd, fast changes in the operating environment of entertainment business, the efficiency of DNA's ICT infrastructure as well as preparing for the listing the company, monitoring the preparations and making decisions in relation to them.

From 1 January to 31 December 2016, the Audit Committee members included Kirsi Sormunen (Chair), Anu Nissinen and Jukka Ottela. The Audit Committee convened six times in 2016, with a participation rate of 100%.

From 1 January to 31 March 2016, the Compensation Committee comprised Jarmo Leino (Chair), Kirsi Sormunen, Anu Nissinen and Jukka Ottela. On 31 March 2016, DNA Board of Directors nominated Jarmo Leino (Chair), Jukka Ottela and Margus Schults to the Compensation Committee. As of 15 December 2016, Pertti Korhonen was appointed as an additional member to the CC and elected Chair. Jarmo Leino continued as a member of the CC. The CC convened three times, with a participation rate of 100%.

Executive Team

DNA Plc has a line organisation, comprising of Consumer Business, Corporate Business, Technology, and Information Management and IT units as well as support functions.

At the end of 2016, DNA's Executive Team comprised CEO Jukka Leinonen, CFO Timo Karppinen, Senior Vice President, Consumer Business Pekka Väisänen, Senior Vice President, Corporate Business Hannu Rokka, Senior Vice President, Technology Tommy Olenius, Senior Vice President, Human Resources Marko Rissanen, Senior Vice President, Legal Affairs Asta Rantanen, Senior Vice President, Strategy Christoffer von Schantz and CIO Janne Aalto.

Corporate Governance Statement

In accordance with the Finnish Corporate Governance Code, DNA publishes a separate Corporate Governance Statement, including salary and compensation report, for 2016. The statement also covers other important aspects of governance at DNA and will be published with DNA's Annual Report on 1 March 2017, separately from the Board of Director's report.

SHARES

The trading code of the DNA share is "DNA". At the end of the review period, the company's registered shares totalled 132,303,500 (144,275,355) and the share capital registered in the Finnish Trade Register amounted to EUR 72,702,225.65 (EUR 72,702,225.65). In September, the company held 1,129,967 treasury shares, which the Board of Directors decided to cancel at the end of September.

In the share issue of 21 April 2016 related to their annual compensation, members of the Board of Directors subscribed 520 shares in total. These shares were entered into the shareholder register on 4 July 2016.

Trading in the DNA share began on the pre-list of Nasdaq Helsinki (the Helsinki Stock Exchange) on 30 November 2016, and on the official list on 2 December 2016. Since the beginning of trading at the Helsinki Stock Exchange, a total of 56,981 million DNA Plc shares, totalling EUR 95,529 million, were traded on the Helsinki Stock Exchange. The highest quotation of DNA shares was EUR 10.29 and the lowest EUR 9.87. The average rate was EUR 10.09 and volume-weighted average EUR 10.10. The closing quotation on the last trading day of the year, 30 December 2016, was EUR 10.15.

Shareholders and flagging notifications

The number of registered shareholders totalled 11,646 at the end of 2016. At the end of December, the proportion of nominee registrations and direct foreign shareholders was 17.9%.

On 30 December 2016, the largest shareholders of DNA Plc were Finda Oy (33.44%), PHP Holding Oy (23.94%), Ilmarinen Mutual Pension Insurance Company (4.82%), Anvia Oyj (2.21%) and Danske Bank (1.80%). At the end of 2016, they held a total of 66.21% of DNA's shares and voting rights. The holdings were calculated based on the number of outstanding shares.

Under the provisions of the Securities Markets Act, a shareholder of a listed company has an obligation to inform the Financial Supervisory Authority and the listed company in question of the changes in its holding in the listed company's shares. In 2016, DNA did not receive any such flagging notifications.

SECTOR BREAKDOWNS

Nature of ownership 31.12.2016

Shareholders by sector	No. of shares	% of share capital
Households	4,365,584	3.30%
Public sector institutions	10,448,642	7.90%
Financial and insurance institutions	8,684,945,	6.56%
Corporations	83,850,302	63.38%
Non-profit institutions	1,069,936	0.81%
Non-Finnish ownership	187,726	0.14%
Nominee registered	23,696,365	17.91%
Total	132,303,500	100%

DISTRIBUTION OF SHARES

Breakdown by size of holding

No. of shares	No. of shareholders	% of shareholders	No. of shares	% of shares
1-100	3,069	26.35	269,947	0.20
101-500	6,101	52.39	1,398,064	1.06
501-1000	1,526	13.10	1,026,764	0.78
1,001-5,000	737	6.33	1,439,386	1.09
5,001-100,000	181	1.55	2,895,780	2.19
100,001-500,000	16	0.14	4,073,066	3.08
500,001-	16	0.14	121,200,793	91.61
Total	11,646	100	132,303,500	100

Stabilisation measures of DNA's share

Stabilisation measures of DNA's share were carried out first in the pre-list of the Helsinki Stock Exchange and later on the official list within 30 days of the announcement of the final subscription price. Stabilisation measures are performed in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

At the end of the year, DNA's market capitalisation was EUR 1,343 million.

Shares held by members of the Executive Team at the end of 2016

- Jukka Leinonen: 24,501
- Pekka Väisänen: 10,000
- Hannu Rokka: 4,500
- Timo Karppinen: 12,200
- Tommy Olenius: 8,900
- Asta Rantanen: 5,576
- Marko Rissanen: 3,375
- Christoffer von Schantz: 5,375
- Janne Aalto: 6,700

Shares held by members of the Board of Directors at the end of 2016

- Pertti Korhonen: 11,001
- Jarmo Leino: 26,450
- Jukka Ottela: 19,241
- Kirsi Sormunen: 2,000
- Tero Ojanperä: 10,440
- Anu Nissinen: 15,917
- Margus Schults: 6,875

DNA's financial objectives and dividend policy

DNA aims for a payout ratio of some 70 to 90% of DNA's free cash flow to equity for the financial year.

DNA's medium-term financial objectives:

- Net sales growth above market average
- EBITDA margin of at least 30%
- Operative capital expenditure of less than 15% of net sales
- Net debt/EBITDA ratio of less than 2.0%

CORPORATE RESPONSIBILITY

DNA continued the practical implementation of its new corporate responsibility strategy in the last quarter of 2016. In 2016, more than 940 DNA employees participated in discussion or training sessions related to responsibility. Responsibility strategy supports DNA's business objectives and emphasises DNA's responsible attitude towards its customers.

DNA takes responsibility over the environmental effects of its operations. While the strong expansion of DNA's networks and business continues, DNA aims to reduce its total emissions by 15% by 2020 from the levels reported in 2014. The company also aims to improve the energy-efficiency of its networks and to reduce emissions from its radio network in proportion to annual data transfer volumes by 80% by 2020 from 2014. In May 2016, DNA signed up to Society's Commitment to Sustainable Development.

Modernisation of base stations continued as planned. By the end of 2016, more than 90% of the old base stations had been replaced with more energy-efficient models. The project is expected to be completed by the end of 2017.

DNA continued the pilot project as part of the Family Federation of Finland's family-friendly work initiative, which supports DNA's strategic goal of being one of the most desired employers in Finland.

DNA is a main partner of the "HundrED – 100 Koulua" initiative that was launched in December 2015. The initiative is searching for 100 education innovations that will be developed and trialled with a selection of Finnish schools and education experts. DNA is also one of the main partners of SOS Children's Village, supporting it financially and providing data communication connections for its premises.

DNA's Corporate Responsibility report for 2016 is included in the Annual Report, which will be published on 1 March 2017.

SIGNIFICANT RISKS AND UNCERTAINTIES

Risk management is part of DNA's strategy process and corporate governance. It is guided by the risk management policy approved by the Board of Directors. The Audit Committee of the Board monitors the implementation of risk management. The CEO is responsible for the practical organisation of risk management and maintenance of the risk management policy. Risk management is a means of ensuring that any risks affecting DNA's business are identified, controlled and monitored.

A more detailed description of DNA's business risks and uncertainties is available in the Corporate Governance Statement, which will be published on 1 March 2017.

Strategic and operative risks

Continued uncertainty related to the overall economic situation continues to have some effect, in particular on the demand for TV services and the corporate market.

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

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

New communication methods and continuous technological development

The rapid phase of technological development affects the entire telecommunication industry and DNA's operations. Alongside traditional communications methods, technological development and new types of services and devices can create new revenue models. Customer behaviour can change rapidly if new services are reliable and easy to use.

As new communications methods gain widespread popularity, they have an impact on the traditional business of operators.

Intense competition in entertainment business

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

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

System and network risks

The nature of DNA's operations and customer requirements place high demands on DNA's information systems and network infrastructure. DNA's business is capital-intensive, and the company's success depends on its ability continuously to maintain and improve its network infrastructure. Use of mobile devices that have a constant network connection is increasing strongly among both business and private users. M2M (machine-to-machine) subscriptions and the Industrial Internet will further expand the volume of data traffic. The role of good information security and data security gain in importance as the use of smart devices and Industrial Internet gain ground.

DNA has invested into high-quality data systems and data analytics tools in 2016 to deepen customer understanding and create a multi-channel customer experience. DNA's business operations depend on IT systems, which involve several interconnected risks.

To optimise the availability of its communications services, DNA employs a range of methods. These include establishing back-up solutions for critical transfer connections by using at least two different routes. Other methods involve duplicating and decentralising the main data centre and communication service systems in the company's equipment facilities.

Regulatory risks

The legislative preparation, interpretation and implementation of EU roaming regulations is still largely incomplete. The elimination of roaming charges and the uncertainty of the level of wholesale roaming charges may have an unfavourable effect on DNA's business. The interpretation and implementation of net neutrality regulations is also incomplete, and may have a significant impact on DNA's broadband business.

Financing risks

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

A more detailed description of the management of financing risks can be found in Note 3 to the consolidated financial statements in DNA's Annual Report.

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. Damager risks are prevented and minimised by means such as security guidelines and personnel training.

EVENTS AFTER THE REVIEW PERIOD

DNA's Board of Directors decided in its meeting on 30 January 2017 to establish a new long-term share-based incentive scheme for senior management and other key employees of the company. The main structure of the system is a Performance Share Plan (PSP) and the Board of Directors decided that a bridge element between DNA's long-term share-based compensation plan launched in 2014, and the new long-term share-based incentive scheme that will begin in 2017, will be covered with an adjusted short-term incentive earning opportunity (Bridge Plan). In addition, DNA has a Restricted Share Plan (RSP).

The PSP consists of separate, share-based reward programmes that begin annually. Each programme has a three-year vesting period. The start of each new programme requires a separate decision by the Board of Directors. The first programme (PSP 2017) starts at the beginning of 2017. Any share-based rewards earned through it will be paid in the spring of 2020, if the performance targets set by the Board of Directors are reached.

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

The Bridge Plan for the transition period consists of two, three-year-long share-based reward programmes. These programmes have a year-long vesting period and a two-year restriction period. The programmes will begin in 2017 and 2018. Any share-based rewards based on the 2017 programme will be handed out in the spring of 2018, if the performance targets set by the Board of Directors are reached. Shares received as a reward cannot be transferred during a two-year restriction period after the vesting period.

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

The restricted share-based reward system can be used as a complementary tool for committing employees in specific situations, such as during acquisitions and recruitment. The Restricted Share Plan consists of share-based incentive programmes that begin every year. 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 first program (RSP 2017) will begin in early 2017, and the rewards earned will be handed out in the spring of 2020. The RSP typically applies to only a few individuals per year. The maximum number of shares to be handed out under the first programme (RSP 2017) will be 45,000 (gross amount from which applicable withholding tax will be deduced, and the remaining net amount will be paid as shares).

DNA adheres to the recommendation on the shareholdings of the Group Executive Team. According to the recommendation, each Executive Team member should own a share in the company, which corresponds to his or her annual fixed gross salary. In order to achieve the recommended ownership, the Executive Team members must retain ownership of at least 50% of the shares they have received through the above-mentioned, share-based incentive systems (calculated based on the net amount of shares left after deduction of the applicable withholding tax), until the person's share in DNA is in line with the recommendation.

The maximum number of shares to be handed out within the above mentioned three share-based incentive systems have been redefined due the change in calculation, from what was published originally on January 31, 2017.

OUTLOOK FOR 2017

Market outlook

The Finnish economy is returning to growth and the value of the telecommunications market has also returned to the growth path. Competition is expected to remain intense in 2017.

In addition to the overall economic situation, net sales and the profitability of the industry are being affected by the increased popularity of IP-based communications solutions driven by the growing number of smart phones and tablets. Moreover, they are affected by the reduction in interconnection prices in the mobile communication network and intense competition in the mobile communication and fixed-line broadband markets in particular.

Strong growth of mobile data use is expected to continue, boosted by the growing number of 4G subscriptions, increased mobile data usage per user as well as growing number of connected mobile devices. In the coming years, mobile data use will shift mostly to 4G networks. Steady growth in the demand for 4G subscriptions continues, and customers are prepared to pay more for faster data connections.

In the consumer market, consumer demand for fast broadband subscriptions and entertainment services in particular is expected to increase. Fixed-network broadband customers are expected to continue to switch to housing company subscriptions. The fixed-network mobile broadband subscription base is expected to remain relatively steady in the near future.

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

Due to the overall economic situation, organisations will continue to seek cost savings, but they also increasingly need to implement new ICT solutions to improve the productivity of their business. More mobile and versatile ways of working will boost demand for services such as cloud and video conference services. Companies transfer their applications to the cloud to increase their operational efficiency, which will boost the demand for secure high speed connections. The demand for Industrial Internet solutions, and subsequently for M2M subscriptions, is expected to grow.

DNA's outlook for 2017

DNA's net sales are expected to remain at a same level and the comparable operating result is expected to improve somewhat in 2017 compared to 2016. The Group's financial position and liquidity is expected to remain at a healthy level.

BOARD OF DIRECTORS' PROPOSAL ON DIVIDEND PAYMENT

DNA Plc's distributable funds in the financial statements amount to EUR 208,858,264, of which profit for the financial year came to EUR 45,686,058.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.55 per share be paid for the financial period 2016.

Based on the number of shares at the end of the year, the total dividend to be paid comes to EUR 72,766,925. The Board of Directors proposes that the remaining non-restricted equity will be retained and carried forward.

DNA's Annual General Meeting 2017

DNA's Annual General Meeting will take place at the Finlandia Hall in Helsinki on 22 March 2017 at 10am. DNA's Board of Directors will issue an invitation to the Annual General Meeting.

DNA Plc

Board of Directors

GROUP KEY FIGURES

EUR million	**2016**	2015	2014	2013
Net sales	**858.9**	828.8	831.5	765.1
EBITDA	**236.3**	227.7	202.2	189.4
- % of net sales	**27.5%**	27.5%	24.3 %	24.8%
Comparable EBITDA	**247.1**	226.7	211.0	195.0
- % of net sales	**28.8%**	27.3%	25.4%	25.5%
Depreciation, amortisation and impairment	**145.0**	154.6	176.6	147.1
Operating result, EBIT	**91.2**	73.1	25.6	42.3
- % of net sales	**10.6%**	8.8%	3.1%	5.5%
Comparable operating result, EBIT	**102.1**	72.0	55.7	47.9
- % of net sales	**11.9%**	8.7%	6.7%	6.3%
Net result before tax	**81.7**	61.6	15.2	36.3
Net result for the period	**65.2**	50.0	12.4	27.9
Return on investment (ROI), %	**9.6**	7.6	2.8	5.2
Return on equity (ROE), %	**11.6**	9.7	2.4	5.3
Capital expenditure	**143.6**	154.7	149.6	128.4
Cash flow after investing activities	**83.5**	97.3	-123.7	-33.6
Free cash flow to equity	**92.6**	101.5	48.7	19.2
Net debt, EUR million	**321.7**	412.3	479.4	326.7
Net debt/EBITDA	**1.36**	1.81	2.37	1.72
Net gearing, %	**53.9**	78.5	95.1	62.7
Equity ratio, %	**48.4**	44.1	41.4	49.4
Personnel at the end of period	**1,668**	1,672	1,748	1,563

RECONCILIATION OF COMPARABLE KEY FIGURES

EUR thousand	**2016**	2015	2014	2013
EBITDA	**236,290**	227,714	202,227	189,406
Direct transaction costs of the listing	**6,486**	-	-	-
Cost impacts on the share-based compensation plan of the listing	**3,795**	-	-	-
Restructuring costs	**528**	-	4,806	-
Net gains from business disposals	**-**	-1,055	-	-
Direct transaction costs related to business acquisitions	**-**	-	3,290	1,278
VAT sanctions, previous periods	**-**	-	630	1,771
Costs related to a study on the strategic alternatives	**-**	-	-	2,554
Comparable EBITDA	**247,100**	226,659	210,954	195,009
Operating result	**91,249**	73,093	25,601	42,312
Direct transaction costs of the listing	**6,486**	-	-	-
Cost impacts on the share-based compensation plan of the listing	**3,795**	-	-	-
Restructuring costs	**528**	-	4,806	-
Net gains from business disposals	**-**	-1,055	-	-
Direct transaction costs related to business acquisitions	**-**	-	3,290	1,278
VAT sanctions, previous periods	**-**	-	630	1,771
Costs related to a study on the strategic alternatives	**-**	-	-	2,554
Write-off of the PlusTV brand	**-**	-	12,490	-
Write-off of other non-current assets	**-**	-	8,862	-
Comparable operating result	**102,059**	72,038	55,680	47,914

FREE CASH FLOW TO EQUITY

EUR thousand	**2016**	2015	2014	2013
Comparable EBITDA	**247,100**	226,660	210,954	195,009
Operative capital expenditure	**-136,890**	-147,950	-142,839	-121,701
Operating free cash flow	**110,210**	78,710	68,115	73,308
Interest paid, net	**-8,608**	-7,792	-9,183	-7,727
Income taxes, paid	**-5,180**	2,096	-10,678	-17,731
Adjusted change in net working capital	**-1,497**	37,917	-2,175	-27,200
Change in provisions	**-2,307**	-9,447	2,620	-1,412
Free cash flow to equity	**92,617**	101,484	48,699	19,238

CASH FLOW AND FINANCIAL KEY FIGURES

	2016	2015	2014	2013
Cash flow after investing activities, EUR million	**83.5**	97.3	-123.7	-33.6
Net debt, EUR million	**321.7**	412.3	479.4	326.7
Net debt/EBITDA	**1.36**	1.81	2.37	1.72
Net gearing, %	**53.9**	78.5	95.1	62.7
Equity ratio, %	**48.4**	44.1	41.4	49.4

PER-SHARE KEY FIGURES

Per-share key indicators*	**2016**	2015	2014	2013
Basic earnings per share, EUR	**0.51**	0.39	0.10	0.22
Diluted earnings per share, EUR	**0.51**	0.39	0.10	0.22
Equity per share, EUR***	**4.5**	4.1	4.0	4.1
Dividend per share, EUR	**0.55****	0.31	0.24	0.24
Dividend per earnings, %	**108%**	81%	242%	108%
Effective dividend yield, %	**5.42 %**	-	-	-
Price/earnings ratio (P/E)	**19.9**	-	-	-
Share price development				
Lowest price	**9.87**	-	-	-
Highest price	**10.29**	-	-	-
Average price	**10.09**	-	-	-
Market capitalisation	**1,342,880,525**	-	-	-
Trading volume for the financial period	**56,981,069**	-	-	-
Trading volume for the financial period, %	**44.6%**	-	-	-
Weighted average adjusted number of shares during the financial period (1,000)	**127,733**	127,306	127,183	127,178
Adjusted number of shares at the end of the financial period (1,000)	**132,304**	127,318	127,187	127,178

*The DNA Plc Extraordinary General Meeting of 25 October 2016 decided on a share split through share issue without payment, and the issued shares were registered in the Finnish Trade Register on 27 October 2016. In the share split, shareholders received 14 new shares for each old share and 118,837,460 new shares were issued, bringing the total number of the company's shares to 127,325,850. The split had no effect on the company's share capital or capital structure. Share key figures have been adjusted according to the new number of shares.
**Board of Directors' proposal
***Calculated from consolidated equity. Earnings per share, EUR in the Financial Statements Bulletin was calculated from parent company equity.

KEY OPERATIVE INDICATORS

	2016	2015	2014	2013
Number of mobile communication network subscriptions at end of period*	**2,742,000**	2,621,000	2,505,000	2,450,000
DNA's own customers*	**2,721,000**	2,618,000	2,483,000	2,377,000,
Revenue per user (ARPU), EUR**	**17.1**	17.0	17.8	18.2
Customer CHURN rate, %**	**16.1**	16.0	16.9	17.1
Number of fixed line subscriptions at end of period	**1,113,000**	1,120,000	1,108,000	1,016,000
Broadband subscriptions	**440,000**	436,000	415,000	322,000
Cable TV subscriptions	**608,000**	606,000	593,000	591,000
Telephone subscriptions	**65,000**	78,000	100,000	103,000

*includes voice and mobile broadband subscriptions
**includes postpaid subscriptions

CALCULATION OF KEY FIGURES

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 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.
Cash flow after investing activities (EUR) =	Net cash generated from operating activities + net cash used in investing activities
Capital expenditure (EUR) =	Capital expenditure comprise additions to property, plant and equipment and intangible assets excluding business acquisitions, gross acquisition cost of spectrum licence and additions through finance leases and asset retirement obligations and including annual cash instalments for the spectrum licence.
Operating free cash flow =	Comparable EBITDA - operative capital expenditure
Free cash flow to equity (FCFE) =	Comparable EBITDA – total capital expenditure excluding the annual cash instalment for spectrum licences - 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 licences and adjusted with the items affecting comparability - net interest paid - income taxes paid - change in provisions adjusted with the items affecting comparability.

*12-month adjusted

DNA presents alternative performance measures as additional information to financial measures presented in the consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows prepared in accordance with IFRS. 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.

CALCULATION OF PER-SHARE KEY FIGURES

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

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

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

$$\text{Dividend per earnings (\%)} = \frac{\text{Dividend per share}}{\text{Earnings per share}}$$

$$\text{Price/earnings ratio (P/E)} = \frac{\text{Stock price per share}}{\text{Earnings per share}}$$

CONSOLIDATED INCOME STATEMENT

EUR in thousands	Note	**1 Jan–31 Dec 2016**	1 Jan–31 Dec 2015
Net sales	5	**858,887**	828,800
Other operating income	6	**3,822**	4,283
Materials and services		**–383,313**	–375,009
Employee benefit expenses	9	**–112,877**	–106,850
Depreciation, amortisation and impairments	8	**–145,041**	–154,622
Other operating expenses	7	**–130,228**	–123,510
Operating result, EBIT		**91,249**	73,093
Finance income	10	**920**	986
Finance expense	11	**–10,504**	–12,499
Share of associates' results	16	**18**	14
Net result before income tax		**81,683**	61,593
Income tax expense		**–16,474**	–11,544
Net result for the period	12	**65,209**	50,049
Attributable to:			
Owners of the parent		**65,209**	50,049
Earnings per share for net result attributable to owners of the parent:			
Earnings per share, basic (EUR)	13	**0.51**	0.39
Earnings per share, diluted (EUR)	13	**0.51**	0.39

Notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR in thousands	Note	**1 Jan–31 Dec 2016**	1 Jan–31 Dec 2015
Net result for the period		**65,209**	50,049
Items that will not be reclassified to profit or loss:			
Remeasurements of post employment benefit obligations	24	**–155**	249
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	11	**0**	112
Other comprehensive income, net of tax:		**–155**	361
Total comprehensive income		**65,053**	50,410
Attributable to:			
Owners of the parent		**65,053**	50,410

Notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR in thousands	Note	**1 Jan–31 Dec 2016**	1 Jan–31 Dec 2015
Assets			
Non-current assets			
Goodwill	15	**327,206**	327,206
Other intangible assets	15	**187,153**	158,429
Property, plant and equipment	14	**427,126**	443,877
Investments in associates	16	**1,199**	1,186
Available-for-sale financial assets	17	**215**	215
Trade and other receivables	18	**36,277**	37,874
Deferred tax assets	19	**14,704**	18,840
Total non-current assets		**993,880**	987,626
Current assets			
Inventories	20	**21,725**	21,082
Trade and other receivables	18	**189,241**	176,591
Income tax receivables		**7,687**	5,940
Cash and cash equivalents	21	**46,238**	25,266
Total current assets		**264,891**	228,879
Total assets		**1,258,771**	1,216,505
Equity			
Equity attributable to owners of the parent			
Share capital	22	**72,702**	72,702
Reserve for invested unrestricted equity	22	**652,719**	607,335
Treasury shares	22	**0**	–103,388
Retained earnings		**–194,203**	–101,778
Net result for the period		**65,209**	50,049
Total equity		**596,427**	524,920

Liabilities

Non-current liabilities

Borrowings	26	**327,659**	362,334
Employment benefit obligations	24	**2,097**	1,939
Provisions	25	**10,739**	13,023
Deferred tax liabilities	19	**25,671**	28,285
Other non-current liabilities		**22,957**	12,502
Total non-current liabilities		**389,123**	418,082

Current liabilities

Borrowings	26	**40,290**	75,210
Provisions	25	**1,351**	1,004
Trade and other payables	27	**221,340**	197,271
Income tax liabilities		**10,240**	18
Total current liabilities		**273,221**	273,503
Total liabilities		**662,344**	691,585
Total equity and liabilities		**1,258,771**	1,216,505

Notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR in thousands	2016	2015 Restated*
Cash flows from operating activities		
Net result for the period	**65,209**	50,049
Adjustments 1)	**169,053**	167,003
Change in net working capital 2)	**16,375**	35,651
Dividends received	**6**	6
Interest paid	**−8,418**	−6,768
Interest received	**492**	463
Other financial items	**−682**	−1,487
Income taxes paid	**−5,180**	2,096
Net cash generated from operating activities	**236,855**	247,012
Cash flows from investing activities		
Investments in property, plant and equipment (PPE) and intangible assets	**−152,405**	−152,398
Proceeds from sale of PPE	**303**	1,026
Other investments	**−1,268**	1,637
Net cash used in investing activities	**−153,370**	−149,735
Cash flows from financing activities		
Proceeds from share issue	**50,067**	158
Direct costs relating to share issue	**−2,209**	0
Dividend payments	**−40,063**	−30,041
Proceeds from borrowings	**59,864**	274,561
Repayment of borrowings	**−130,170**	−327,288
Net cash generated from (used in) financing activities	**−62,512**	−82,610

Change in cash and cash equivalents	**20,973**	14,667
Cash and cash equivalents at beginning of year	**25,266**	10,599
Cash and cash equivalents at end of year	**46,238**	25,266

1) Adjustments:

Depreciation, amortisation and impairment	**145,041**	154,622
Gains and losses on disposals of non-current assets	**–250**	–1,215
Other non-cash income and expense	**–18**	–14
Finance income and expense	**9,584**	11,513
Income tax expense	**16,474**	11,544
Change in provisions	**–1,779**	–9,447
Total adjustments	**169,053**	167,003

2) Change in net working capital:

Change in trade and other receivales	**–10,332**	15,216
Change in inventories	**–643**	–1,585
Change in trade and other payables	**27,351**	22,020
Change in net working capital	**16,375**	35,651

* Note 32

Notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR in thousands	Note	Share capital	Hedge reserve	Reserve for invested unrestricted equity	Treasury shares	Retained earnings	Total equity
1 January 2015		**72,702**	**–112**	**607,335**	**–103,546**	**–72,235**	**504,144**
Comprehensive income							
Net result for the period						50,049	50,049
Other comprehensive income							
Remeasurements of post employment benefit obligations						249	249
Cash flow hedges	11		112				112
Total other comprehensive income, net of tax			112			249	361
Total comprehensive income		**0**	**112**	**0**	**0**	**50,298**	**50,410**
Transactions with owners							
Share issue					158	–158	0
Share-based payments	23					407	407
Dividends relating to 2014	22					–30,041	–30,041
Total contribution by and distributions to owners		**0**	**0**	**0**	**158**	**–29,792**	**–29,634**
31 December 2015		**72,702**	**0**	**607,335**	**–103,388**	**–51,729**	**524,920**

EUR in thousands	Note	Share capital	Hedge reserve	Reserve for invested unrestrict-ed equity	Treasury shares	Retained earnings	Total equity
1 January 2016		**72,702**	**0**	**607,335**	**−103,388**	**−51,729**	**524,920**
Comprehensive income							
Net result for the period						65,209	65,209
Other comprehensive income							
Remeasurements of post employment benefit obligations						−155	−155
Total other comprehensive income, net of tax						−155	−155
Total comprehensive income		**0**	**0**	**0**	**0**	**65,053**	**65,053**
Transactions with owners							
Share issue				50,067	67	−67	50,067
Expenses paid in connection with share issue net of tax				−4,999			−4,999
Reclassification				316			316
Cancellation of treasury shares					103,321	−103,321	0
Share-based payments	23					1,132	1,132
Dividends relating to 2015	22					−40,063	−40,063
Total contribution by and distributions to owners		**0**	**0**	**45,384**	**103,388**	**−142,319**	**6,454**
31 December 2016		**72,702**	**0**	**652,719**	**0**	**−128,995**	**596,427**

Notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.GENERAL INFORMATION

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

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

DNA Plc's Board of Directors approved the release of these consolidated financial statements at a meeting on 30 January 2017. Under the Finnish Limited Liability Companies Act, shareholders can approve or disapprove the consolidated financial statements in the Annual General Meeting held after the release. The Annual General Meeting is also entitled to amend the consolidated financial statements.

2. ACCOUNTING PRINCIPLES

Basis of preparation

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) the IAS and IFRS standards as well as SIC and IFRS interpretations applicable as at 31 December 2015. International Financial Reporting Standards refer to the standards and interpretations applicable by corporations set out by the Finnish Accounting Act and other regulations set out on the basis of this ordinance enforced for application in accordance with the procedure stipulated in the regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the Consolidated financial statements also comply with Finnish accounting and corporate legislation complementing the IFRS standards.

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

New and amended standards adopted by the Group

The Group has adopted the followings standards and amended standards during the financial year commencing 1 January 2016:

The Annual Improvements process collects small and less urgent amendments to the standards and implements them once a year. The amendments had no material effect on the Group's financial statements. Other amendments that came into effect from the beginning of the financial year had no material impact on the Group's financial statements.

Subsidiaries

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

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

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

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

All inter-company transactions, receivables, liabilities, unrealised gains and internal profit distribution are eliminated in the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Distribution of profit between parent company shareholders and non-controlling shareholders is presented in the income statement, and non-controlling interest in equity is presented in the balance sheet as a separate component of shareholder's equity. The Group did not have any non-controlling shareholders during the 2015-2016 financial periods.

Associated companies

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

Associated companies are consolidated using the equity method. If the Group's share of the associated companies' losses exceeds the carrying amount of the investment, the investment is recognised in the balance sheet at zero value and the portion of the losses exceeding the carrying amount is not consolidated unless the Group has agreed to meet the associated companies' obligations. Unrealised profits between the Group and its associated companies are eliminated to the extent of the Group's share of ownership. The investment in each associated company includes goodwill arising from the acquisition. The Group's share of the associated companies' result for the financial year corresponding the Group's share of ownership is recognised separately below the operating result line. The Group's share of its associates' movements in other comprehensive income is recognised in the Group's other comprehensive income. The Group's associates have not had any such items during the financial years 2015 and 2016.

Joint arrangements

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

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

Segment reporting

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

Foreign currency translation

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

Foreign currency transactions

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

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

Property, plant and equipment

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

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

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

The depreciation periods are as follows:

Buildings and constuctions
- Buildings 25 years
- Constructions 10-25 years

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

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

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

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

Intangible assets

Goodwill

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

Research and development expenditure

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

Contractual customer base

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

Other intangible assets

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

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

The useful lives of other intangible assets are as follows:

- Development costs 3 years
- Customer contracts and the related customer relationships 1-20 years
- IT software 3-10 years
- Brand 10-30 years
- Spectrum license 20 years
- Other intangible assets 2-10 years

Inventories

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

Lease agreements

Group as a lessee

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

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

Impairment of property, plant and equipment and intangible assets

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

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

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

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

Employee benefits

Retirement benefit obligations

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

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

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

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

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

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

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

Share-based payments

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

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

Provisions and contingent liabilities

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

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

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

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

Current and deferred income tax

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

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

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

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

Revenue recognition

The Group's net sales mainly comprise of revenue from the sale of voice, data, TV and operator services; periodical, activation and maintenance charges; and revenue from the sale of equipment. Revenue is measured at the fair value of the consideration received or receivable net of discounts and value added taxes.

Revenue is recognised in the period in which the service has been performed, either based on the actual traffic volume or over the contract term. Revenue from the rendering of services is recognised when it is probable that the economic benefit will flow to the Group, and the revenue and expenses related to the transaction can be reliably measured. Revenue from voice and data services is recognised in accordance with the actual use of the service. Termination revenue from voice and data traffic from other operators is recognised at the time of transit across DNA's network. When end customers are charged for services provided by external content providers, amounts collected on behalf of the service provider are not recognised as revenue.

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

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

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

Revenue and expense from construction contracts is recognised using the percentage of completion method. The stage of completion is assessed for each project on the basis of the actual costs incurred for work performed as a proportion of the estimated total cost for the project. When it is probable that the total cost of the project will exceed total project revenue, the expected loss is recognised immediately as an expense. When the outcome of the contract cannot be estimated reliably revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Interest and dividend

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

Borrowing costs

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

Financial assets and liabilities

Financial assets

The Group's financial assets are classified as follows: financial assets at fair value through profit or loss, loans and other receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired and are classified at initial recognition. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the right to receive cash flows has expired or has been transferred and the group has transferred substantially all risks and rewards of ownership

Financial assets at fair value through profit or loss are financial assets held for trading or financial assets classified to this category at initial recognition. Financial assets at fair value through profit or loss are subsequently carried at fair value and gains and losses arising from changes in the fair value are presented within finance income and finance expenses. In DNA these assets comprise derivatives not designated as hedges.

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are included in receivables in the balance sheet and are classified as current assets if they mature within twelve months. . The assets in this category are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Trade receivables is the most significant item included in trade and other receivables in the balance sheet.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These assets are carried at fair value. They are included in non-current assets, unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period and they are reported as current assets. The Group's investment equity securities are classified to this category as they are not held for active trading and they are non-current as nature. Changes in the fair value are recognised in the other comprehensive income and presented as the fair value reserve in equity. When the securities are sold or impaired with the recognition of an impairment loss, the accumulated fair value adjustments are removed from the equity and recognised in the income statement. Unquoted equity securities are recognised at cost if their fair value cannot be reliably measured or the market is very inactive.

Cash and cash equivalents comprise cash in hand and deposits held at call with banks with original maturities of three months or less. Bank overdrafts related to the cash pool accounts are included in current borrowings.

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, the resulting impairment loss is recognised through profit or loss. If in a subsequent period, the amount of impairment loss decreases, the reversal of the previously recognised impairment loss on fixed income investments is recognised in the income statement. However, such an impairment loss on equity investments cannot be reversed through profit or loss.

An impairment loss is recognised for accounts receivable when there is objective evidence that the outstanding amounts cannot be collected in full. Among others, a payment delayed for more than 180 days is considered as such objective evidence. The impairment is determined by the difference between the receivable's carrying amount and the present value of estimated future cash flows calculated using the initial effective interest rate. The carrying value of accounts receivable is decreased by using a separate reduction account and the loss is reported in other operating expenses in the income statement. When the impairment loss is ascertained it is removed from the balance sheet through the reduction account. If, in a subsequent period, the amount of the impairment loss decreases, the reversal of the previously recognised impairment loss is recognised by reducing other operating expenses.

Borrowings

Borrowings recognised initially at the fair value of consideration received less transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest method. Borrowings may include both current and non-current borrowings. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group's derivatives are either cash flow hedges or derivatives not fulfilling the hedge accounting criteria.

During the financial period, the Group has been using interest rate swaps to hedge against loan interest rate risk transferring variable rate loans into fixed-rate loans. Hedge accounting under IAS 39 is applied to the interest rate swaps, and at the closing date they met the criteria for being effective. Changes in the fair value of effective derivatives qualifying for cash flow hedges are recognised in the statement of comprehensive income and presented in the hedge fund of shareholders' equity. Accumulated profit or loss from derivatives recognised in the shareholders' equity is carried in the income statement as income or expense in the period in which the hedged item is recognised in the income statement. When a cash flow hedge instrument expires, is sold or fails to qualify for hedge accounting, any profit or loss accumulated from the hedge instrument remains in shareholders' equity until the forecast cash flow from the transaction occurs. However, if the forecast transaction is not expected to continue, any profit or loss accumulated in the shareholders' equity is immediately recognised in the financial items in the income statement. Any possible non-effective share of the hedge relationship is immediately recognised in the financial items of the income statement. Fair values of interest rate swaps are determined using the discounted cash-flow method.

The Group may also have derivatives that fulfil the criteria for hedge instruments set by the Group risk management, but that do not fulfil the criteria for hedge accounting according to IAS 39. These derivatives are classified as assets or liabilities held for trade and presented in non-current assets or liabilities except when maturity is less than 12 months from the balance sheet date. Their realised and non-realised changes in fair value are recognised as finance income or expense in the income statement.

Share capital

Outstanding ordinary shares are presented in share capital.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Business acquisitions

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

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

Valuation of intangible assets and property, plant and equipment

Intangible assets including goodwill represent approximately 41 percent of DNA's total assets in 2016 (40 % in 2015) and property, plant and equipment represent approximately 34 percent of DNA's total assets in 2016 (36 % in 2015).

Depreciation and amortisation expenses

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

Impairment testing

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

The determination of impairments of goodwill and other intangible assets as well as property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing, and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the telecommunications industry, increased cost of capital, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions, and other changes in circumstances that indicate an impairment exists. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives, and residual values. When determining the values in use for the cash generating units, additional planning uncertainties are factored in that reflect the risks of macroeconomic development, which could adversely affect future results of operations. The most significant assumptions in goodwill impairment testing comprise of growth in net sales, development of EBITDA, determination of the discount rate (WACC), and long-term growth rate used after the five-year forecast period. The carrying amount of goodwill at 31 December 2016 was EUR 327.2 million (31 December 2015: EUR 327.2 million). Further details on goodwill impairment testing, including a sensitivity analysis, are included in note 15.

Provisions

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

Provisions recognized for future costs related to asset retirement obligations amounted to EUR 7.6 million at 31 December 2016 (EUR 8.6 million at 31 December 2015) and for onerous contracts EUR 3.2 million at 31 December 2016 (EUR 4.9 million at 31 December 2015). See note 25 for more information on provisions.

Revenue recognition

Principal or agent – gross versus net presentation

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

Correction to prior period

DNA has reclassified certain items in the consolidated statements of cash flows to correspond its current presentation format. These errors and reclassifications have been retroactively restated according to the requirements of IAS8 Accounting Policies, Changes in Accounting Estimates and Errors (see note 32).

New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below:

IFRS 15 Revenue from Contracts with Customers (which shall be applied for annual reporting periods beginning on or after 1 January 2018). The new standard includes a five-step process which must be applied for contracts with customers before revenue can be recognized. The new standard will replace IAS 18 and IAS 11 standards and the related interpretations.

A new five-step process must be applied for contracts with customers. The steps are the following:

1 identifying the contract

2 identifying the performance obligations

3 determining the transaction price

4 allocation of the transaction price to each performance obligation (to each separate good and service promised to the client) on a relative stand--alone selling price basis

5 recognising the revenue when (or as) the performance obligation is satisfied by transferring the good or service to the client.

Revenue may be recognized over time or at a point in time, and the main criterion is the transfer of control.

The Group has assessed the effects of the standard and has initially identified that changes among others will take place in the following areas:

- Currently DNA applies the residual method for the bundled sale transactions when allocating revenue for the equipment and service components. Under IFRS 15 discounts shall be allocated to the separate performance obligations on the basis of their relative stand-alone selling prices. Residual method can no longer be applied. Therefore the allocation of discounts to the performance obligations changes. A portion of the revenue will be recognized earlier than under current guidance. The change in the allocation method has also an impact on DNA's IT-systems. DNA is currently determining how to practically apply the portfolio method especially for the bundled sale transactions which are typical for the Consumer Business and the accounting treatment of customer loyalty benefits under IFRS 15.
- IFRS 15 includes also more detailed guidance on how to account for contract modifications. The accounting treatment of customer loyalty benefits as well as contract modifications shall change in situations where additional goods or services are offered to the client at the lower than the stand-alone selling price. In that case the modification is treated as a cancellation of the old contract and as establishing a new contract and discounts given on the additional products will be allocated evenly to all of the undelivered goods and services.

Under the new guidance also the point of recognition for certain revenues and contract costs changes. Under the current guidance activation and connection fees are recognized at the time of activation. Under the new guidance activation and connection fees are recognized during the contract period. IFRS 15 requires that incremental costs of obtaining a contract are capitalized. Sales commissions and fees paid on obtaining a contract will be more widely capitalized compared to current practice. Capitalized incremental costs of obtaining a contract are amortized during the contract period. Preparation for the adoption of IFRS 15 continues during the 2017 accounting period. There are also increased disclosure requirements in the new standard. The company will adopt the standard retrospectively on 1 January 2018 with the cumulative effect of initially applying this Standard recognised as an adjustment to the opening balance of retained earnings.

IFRS 9 Financial Instruments and amendments thereto (effective for financial periods beginning on or after 1 January 2018). The new standard replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 will change the classification and measurement of financial instruments, including a new expected credit loss impairment model. The classification and measurement of financial liabilities largely correspond to the current guidance in IAS 39. For hedging accounting, three hedging calculation types will remain in effect. More risk positions than before can be included in hedge accounting, and the principles regarding hedge accounting have been made more consistent with risk management. The Group is currently assessing the potential effects of the standard.

After long preparation, the IASB has published the final version of the IFRS 16 – Leases standard on 13 January 2016. The primary objective of the new accounting standard is to make financial reporting more transparent by introducing a single lessee accounting model. The new standard applies to financial periods beginning on or after 1 January 2019. Earlier application is permitted for companies applying IFRS 15 Revenue from Contracts with Customers. The Group is currently assessing the potential effects of the standard.

3. FINANCIAL RISK MANAGEMENT

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

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

Liquidity risk

Liquidity risk refers to situations where the Group's financial assets and extra funding opportunities fall short of the Group's requirements or the cost of raising funding s is higher than the market cost.Creating cash flow forecasts and determining any related uncertainties are the key measures to manage liquidity risk. At the end of 2016, the Group had a strong liquidity position with cash and cash equivalents of EUR 46.2 million (EUR 25.3 million), and borrowings (non-current and current) of EUR 367.9 million (EUR 437.5 million). In addition to cash and bank deposits, the Group had unused credit facilities and other committed credit facilities of EUR 165.0 million (EUR 165.0 million). In addition, the company has a commercial paper programme of EUR 150.0 million (EUR 150.0 million), under which EUR 5.0 million (EUR 40.0 million) was drawn by the end of December. The unused credit facilities totalled EUR 310.0 million (EUR 275.0 million). The Group's cash and bank deposits and undrawn committed credit facilities amounted to EUR 211.2 million (EUR 190.3 million). The credit facility of EUR 150 million was extended during the financial period and the new maturity date is in October 2021. The company can extend the facility by one more year, subject to agreement from all the banks. Planned repayments in 2017 total EUR 35 million without the commercial paper programmes.

DEBT MATURITY ANALYSIS

2016

EUR in thousands	Less than 1 year Interest payment	Less than 1 year Repay-ment	1–5 years Interest payment	1–5 years Repay-ment	Over 5 years Interest payment	Over 5 years Repay-ment	Total Interest payment	Total Repay-ment	Total Cash flow
Borrowings	7,830	40,221	20,924	329,048	0	0	28,754	369,269	398,023
Finance lease liabilities	18	167	27	437	0	0	45	604	649
Trade payables	0	84,911	0	0	0	0	0	84,911	84,911

2015

EUR in thousands	Less than 1 year Interest payment	Less than 1 year Repay-ment	1–5 years Interest payment	1–5 years Repay-ment	Over 5 years Interest payment	Over 5 years Repay-ment	Total Interest payment	Total Repay-ment	Total Cash flow
Borrowings	8,304	75,143	24,550	214,286	4,313	150,000	37,167	439,429	476,596
Finance lease liabilities	23	168	45	583	0	0	68	751	819
Trade payables	0	85,402	0	0	0	0	0	85,402	85,402

The following year's repayments are included in current liabilities. At balance sheet date, the average rate of variable rate loans was 0.9 per cent (0.9 per cent) and variable rate loans constituted 32 per cent (43 per cent of the Group's borrowings.

Borrowings from financial institutions have variable rates and bonds have fixed rates. The coupon rate of the bond maturing in November 2018 is 2.625 per cent and the coupon rate for the bond maturing in March 2021 is 2.875 per cent.

Credit risk

The Group has a large number of customers and the individual receivable amounts are small, and as such there are no major individual risks. New customers are subjected to credit check as part of the ordering process, and if any existing customers are found to have credit problems, unsecured new sales are not made. In 2016, the impairment loss of trade receivables totalled EUR 1.3 million (EUR 3.0 million).The maximum exposure to credit risk at the reporting date is the carrying value of financial assets. Customer with weaker solvency are required to pay the basic charges in advance as a deposit. Counterparty risk refers to a situation where the other party fails to meet its obligations under the financing agreement. To restrict and monitor the counterparty risk, investments and derivative instruments are managed by counterparty, financial instrument and maturity limits. Counterparty risk mainly relates to the cash and cash equivalents of the company. DNA is not subject to any significant counterparty risk since cash and cash equivalents are distributed to several financial institutions with good credit ratings.

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

EUR in thousands	**2016**	2015
Undue trade receivables	**162,417**	141,525
Trade receivables 1-45 days overdue	**8,358**	12,619
Trade receivables 46-90 days overdue	**1,060**	1,130
Trade receivables 91-180 days overdue	**1,235**	904
Trade receivables more than 180 days overdue	**1,674**	1,727
Total	**174,744**	157,905

Interest rate risk

The Group's interest rate risk primarily comprises interest rate sensitivity of financial items, referring to the direct effect of changes in the interest rate level on financial items, mainly borrowings, and historically also derivative instruments. DNA's interest rate risk arises from borrowings that are issued at floating rates and expose DNA to cash flow interest rate risk. To manage its interest rate risk, the Group may use interest rate derivatives. At 31 December 2016, DNA did not hedge any of its borrowings (31.12.2015 hedged 0 %). At the end of 2016, the Group had no interest rate derivatives (EUR 0 million).

Borrowings issued at fixed rates, mainly the fixed rate bonds, expose the Group to fair value interest rate risk. As at 31 December 2016, 68 per cent of DNA's borrowings were fixed rate (57 per cent).

If interest rates had been one percentage point higher, with all other variables held constant, the calculated post-tax result would have been EUR -0.6 million (EUR -1.3 million) lower and, with the corresponding decrease in interest rates, the calculated post-tax result would have been EUR 0.6 million (EUR +1.3 million) higher. The sensitivity analysis covers the Group's variable-rate loans, cash and cash equivalents.

The sensitivity of the fair value of hedge accounting interest rate swaps to changes had zero effect on equity because the company had no active interest rate swaps at the end of 2015 and 2016

Capital management

The objective of the Group's capital management is to support the business operations by optimising the capital structure, as well as increasing shareholder value by maximising return on capital. The capital structure can be influenced for example through dividend distribution, repayment of capital and planning the cash outflows for investments. The Group management monitors the development of the capital structure for example on the basis of the gearing and equity ratios as well as the det debt to EBITDA ratio. The Group's credit facility agreements include financial covenants requiring an equity ratio of at least 35 per cent and net debt to EBITDA ratio below 3.50:1. These conditions have been met during the financial periods. The equity ratio on the balance sheet date was 48.4 per cent (44.1 per cent) and net debt to EBITDA ratio was 1.36:1 (1.81:1).

FINANCIAL INSTRUMENTS BY CLASS

2016

EUR in thousands	Loans and other receivables	Derivatives used for hedging	Available for sale	Total
Assets				
Available-for-sale financial assets			215	215
Derivative financial instruments				0
Trade and other receivables excluding prepayments 1)	210,013			210,013
Cash and cash equivalents	46,238			46,238
Total	256,252	0	215	256,466

2016

EUR in thousands	Loans and other receivables	Financial liabilities recognised at amortised cost	Total
Financial liabilities			
Borrowings (excluding finance lease liabilities) 2)		367,345	367,345
Finance lease liabilities 2)		604	604
Derivative financial instruments			0
Trade and other payables excluding items outside financial liabilities 3)		161,432	161,432
Total	0	529,381	529,381

2015

EUR in thousands	Loans and other receivables	Derivatives used for hedging	Available for sale	Total
Assets				
Available-for-sale financial assets			215	215
Derivative financial instruments				0
Trade and other receivables excluding prepayments 1)	197,295			197,295
Cash and cash equivalents	25,266			25,266
Total	222,560	0	215	222,775

EUR in thousands	Loans and other receivables	Financial liabilities recognised at amortised cost	Total
Financial liabilities			
Borrowings (excluding finance lease liabilities) 2)		436,793	436,793
Finance lease liabilities 2)		751	751
Derivative financial instruments			0
Trade and other payables excluding items outside financial liabilities 3)		161,432	161,432
Total	0	598,976	598,976

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

2) The classification in this note is based on IAS 39 Financial lease liabilities are mainly outside the scope of IAS 39, but fall under application of IFRS 7. This is why financial lease liabilities are presented separately.

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

4 SEGMENT INFORMATION

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

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

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

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

The DNA Group operates in Finland, domestic operations accounting for a majority of its net sales. In 2016, foreign operations accounted for EUR 16.2 million (2015 EUR 16.8 million).

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

1 Jan-31 Dec 2016

EUR in thousands

Business segments	Consumer segment	Corporate segment	Unallocated	Group total
Net sales	**631,343**	**227,544**		**858,887**
EBITDA	**168,437**	**67,853**		**236,290**
Depreciation, amortisation and impairments	93,863	51,178		145,041
Operating result, EBIT	**74,574**	**16,675**		**91,249**
Net finance items			−9,584	−9,584
Share of associates' result			18	18
Result before income tax				81,683
Net result for the period				**65,209**
Capital expenditure*	90,893	45,795	6,916	143,604
Employees at end of year	1,012	656		1,668

1 Jan-31 Dec 2015

EUR in thousands

Business segments	Consumer segment	Corporate segment	Unallocated	Group total
Net sales	**596,250**	**232,550**		**828,800**
EBITDA	**154,577**	**73,137**		**227,714**
Depreciation, amortisation and impairments	98,565	56,057		154,622
Operating result, EBIT	**56,012**	**17,081**		**73,092**
Net finance items			−11,514	−11,514
Share of associates' result			14	14
Result before income tax				61,593
Net result for the period				**50,049**
Capital expenditure*	101,466	48,171	5,028	154,664
Employees at end of year	1,000	672		1,672

* Capital expenditure comprise additions to intangible and tangible assets, excluding business combinations, spectrum license acquisition and additions relating to finance lease agreements and decommissioning obligations. Additionnally, capital expenditure include spectrum license payments made during the reporting period. Unallocated capital expenditure comprise sales commissions.

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

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

5 NET SALES

EUR in thousands	2016	2015
Sale of goods	**121,208**	98,690
Revenue from services	**737,679**	730,110
Total	**858,887**	828,800

During 2016, there were no revenue recognised in relation to construction contracts in progress. At the end of the year, the aggregate costs incurred and recognised profits from construction contracts in progress (less recognised losses) totalled EUR 1.6 million. Advance payments in relation to construction contracts were EUR 0.1 million (EUR 0.1 million).

6 OTHER OPERATING INCOME

EUR in thousands	2016	2015
Net gain on sale of non-current assets	**256**	1,215
Rental income	**2,870**	2,168
Other income	**695**	900
Total	**3,822**	4,283

7 OTHER OPERATING EXPENSES

EUR in thousands	2016	2015
Maintenance expenses	**40,765**	39,648
Rental expenses	**45,142**	40,147
External services	**9,705**	4,572
Other expenses	**34,615**	39,144
Total	**130,228**	123,510

AUDITOR FEES

EUR in thousands	**2016**	2015
PricewaterhouseCoopers Oy		
Audit fees	**260**	222
Actions referred to in Section 1.1.2 of the Finnish Auditing Act	**11**	6
Tax services	**123**	90
Other services	**1,252**	183
Total	**1,646**	501

The above contains the fees to the audit firm elected by the Annual General Meeting. Of the auditor fees, EUR 0.5 million of costs related to the share issue has been recognised under Reserve for invested unrestricted equity in 2016, which reduces the proceeds from the share issue. Remaining fees are recognised in Other operating expenses.

8 DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR in thousands	**2016**	2015
Depreciation and amortisation charges per category		
Intangible assets		
Customer base	**8,024**	10,657
Brand	**909**	949
Other intangible assets	**31,533**	31,065
Total	**40,466**	42,671
Property, plant and equipment		
Buildings and constructions	**6,746**	2,341
Machinery and equipment	**97,829**	109,610
Total	**104,575**	111,951
Total depreciation, amortisation and impairment	**145,041**	154,622

9 EMPLOYMENT BENEFIT EXPENSES

EUR in thousands	**2016**	2015
Wages and salaries	**85,541**	85,473
Pension expenses – defined contribution plan	**15,569**	15,897
Pension expenses – defined benefit plan	**87**	90
Share-based payments	**5,856**	890
Other personnel expenses	**5,825**	4,500
Total	**112,877**	106,850

NUMBER OF PERSONNEL, AVERAGE

Consumer business	**1,013**	1,020
Corporate business	**664**	690
Total	**1,677**	1,710

Key management compensations are presented in note 31 Related party transactions.

10 FINANCE INCOME

EUR in thousands	**2016**	2015
Interest income from receivables	**918**	984
Dividend income on available-for-sale investments	**2**	2
Total	**920**	986

11 FINANCE EXPENSE

EUR in thousands	**2016**	2015
Interest expense on interest-bearing liabilities	**10,504**	12,499
Total	**10,504**	12,499

Other comprehensive income

The items related to financial instruments reported through other comprehensive income as well as adjustments relating to the reclassification is presented below:

Cash flow hedges	**2016**	2015
Transferred to result before tax	**0**	155
Change in fair value	**0**	–14
Tax effect	**0**	–28
Other comprehensive income, net of tax	**0**	112

12 INCOME TAX EXPENSE

EUR in thousands	**2016**	2015
Income tax, current year	**–14,744**	–3,522
Income tax, previous years	**–160**	0
Change in deferred tax	**–1,570**	–8,022
Total	**–16,474**	–11,544

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

Net result before tax	**81,683**	61,593
Income tax at Finnish tax rate 20 per cent	**–16,337**	–12,319
Tax effects of:		
Income not subject to tax	**91**	447
Non-deductible expenses	**–138**	–71
Utilisation of previously unrecognised tax losses	**0**	361
Income taxes from previous years	**–160**	0
Different tax rate of subsidiary	**13**	–6
Share of associates' results net of tax	**4**	3
Additional deductible expenses	**53**	42
Tax charge	**–16,474**	–11,544

13 EARNINGS PER SHARE

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

EUR in thousands	**2016**	2015
Net result attributable to owners of the parent, (EUR 1,000)	**65,209**	50,049
Weighted average number of shares (thousands)*	**127,733**	127,306
Basic earnings per share (euros/share)	**0.51**	0.39
Effect of the share-based reward plan (1000 kpl)	**1,129**	-
Weighted average number of shares for the purpose of calculating EPS adjusted for dilution (thousands)	**128,862**	127,306
Earnings per share adjusted for dilution effect (EUR/share)	**0.51**	0.39

In the accounting periods 2015-2016, the company had two incentive schemes with a potential dilutive effect: a share option scheme and a share-based reward plan. The share option scheme had no dilutive effect during the above-mentioned periods. The shares issued under the share-based reward plan are contingently issuable. The conditions of the share-based creward plan were met as DNA became a listed company. The impact of the plan has been considered in the calculation of diluted earnings per share.

*The DNA Plc Extraordinary General Meeting of 25 October 2016 decided on a share split through share issue without payment, and the issued shares were registered in the Finnish Trade Register on 27 October 2016. In the share split, shareholders received 14 new shares for each old share and 118,837,460 new shares were issued, bringing the total number of the company's shares to 127,325,850. The split had no effect on the company's share capital or capital structure. Share key figures have been adjusted according to the new number of shares.

14 PROPERTY, PLANT AND EQUIPMENT

EUR in thousands	Land and water	Buildings and con-structions	Machinery and equipment	Other property, plant and equipment	Prepay-ments and non-current assets under construction	Total
31 December 2014						
Cost	717	35,031	1,190,992	873	45,685	1,273,298
Accumulated depreciation	-	−15,262	−825,621	-	-	−840,883
Net book amount	**717**	**19,769**	**365,370**	**873**	**45,685**	**432,414**
Year ended 31 December 2015						
Opening net book amount	717	19,769	365,370	873	45,685	432,414
Additions and transfers	-	1,950	68,687	-	52,733	123,370
Disposals	-	-	−2,661	-	-	−2,661
Accumulated depreciation relating to disposals	-	-	2,705	-	-	2,705
Depreciation charge	-	−2,341	−109,610	-	-	−111,951
Closing net book amount	**717**	**19,378**	**324,491**	**873**	**98,418**	**443,877**
31 December 2015						
Cost	717	36,981	1,257,017	873	98,418	1,394,007
Accumulated depreciation	-	−17,603	−932,526	-	-	−950,130
Net book amount	**717**	**19,378**	**324,491**	**873**	**98,418**	**443,877**
Year ended 31 December 2016						
Opening net book amount	717	19,378	324,491	873	98,418	443,877
Additions and transfers	-	6,395	120,033	−873	−36,175	89,380
Disposals	−4	-	−3,897	-	-	−3,902
Accumulated depreciation relating to disposals	-	-	2,345	-	-	2,345
Depreciation charge	-	−6,746	−97,829	-	-	−104,575
Closing net book amount	**713**	**19,028**	**345,142**	**-**	**62,243**	**427,126**
31 December 2016						
Cost	713	43,376	1,373,153	0	62,243	1,479,485
Accumulated depreciation	-	−24,349	−1,028,010	0	0	−1,052,360
Net book amount	**713**	**19,028**	**345,142**	**0**	**62,243**	**427,126**

Capitalised finance leases

EUR in thousands

Property, plant and equipment	**2016**	2015
Cost	**85,470**	85,470
Accumulated depreciation	**85,470**	85,469
Net book amount	**0**	1

15 INTANGIBLE ASSETS AND IMPAIRMENT TESTING

EUR in thousands	Goodwill	Customer base	Brand	Other intangible assets	Prepay-ments and non-current assets under construction	Total intangible assets
31 December 2014						
Cost	431,685	130,475	41,819	327,760	-	931,740
Accumulated amortisation and impairment	−104,479	−52,212	−17,647	−253,328	-	−427,666
Net book amount	**327,206**	**78,264**	**24,172**	**74,431**	**-**	**504,073**
Year ended 31 December 2015						
Opening net book amount	327,206	78,264	24,172	74,431	-	504,073
Additions and transfers	-	-	-	24,680	-	24,680
Disposals	-	-	-	−729	-	−729
Accumulated amortisation relating to disposals	-	-	-	282	-	282
Amortisation charge	-	−10,657	−949	−31,065	-	−42,671
Closing net book amount	**327,206**	**67,607**	**23,223**	**67,600**	**-**	**485,635**
31 December 2015						
Cost	431,685	130,475	41,819	351,711	-	955,691
Accumulated amortisation and impairment	−104,479	−62,869	−18,596	−284,111	-	−470,054
Net book amount	**327,206**	**67,607**	**23,223**	**67,600**	**-**	**485,635**
Year ended 31 December 2016						
Opening net book amount	327,206	67,607	23,223	67,600	-	485,635
Additions and transfers	-	-	-	33,207	35,983	69,190
Disposals	-	-	-	−5,331	-	−5,331
Accumulated amortisation relating to disposals	-	-	-	5,331	-	5,331
Amortisation charge	-	−8,024	−909	−31,533	-	−40,466
Closing net book amount	**327,206**	**59,583**	**22,314**	**69,273**	**35,983**	**514,359**
31 December 2016						
Cost	431,685	130,475	41,819	379,587	35,983	1,019,550
Accumulated amortisation and impairment	−104,479	−70,892	−19,505	−310,313	-	−505,190
Net book amount	**327,206**	**59,583**	**22,314**	**69,273**	**35,983**	**514,359**

Goodwill allocation

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

EUR in thousands	**2016**	2015
Consumer segment	**180,723**	180,723
Corporate segment	**146,483**	146,483
Total	**327,206**	327,206

Impairment testing

In order to carry out impairment testing, goodwill is allocated to cash-generating units (CGUs) in accordance with DNA's business organisation. The balance sheet values of all CGUs are subjected to an annual impairment testing. Apart from goodwill, the Group does not have any other intangible assets with an unlimited useful life. The recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) of each CGU is defined as the value in use according to the projected discounted cash flows (the DCF method). Cash flow projections are based on the plans approved by management, covering a five-year period. Management considers the projections to reflect development to date and other information available from external sources. The (before tax) discount rate (weighted average cost of capital, WACC) used in testing represents 7.4-7.5 per cent depending on the segment.

The growth rate forecasted after five years was assumed to be 2.0 per cent.

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

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

The change in WACC from previous year is due to the removal of a risk premium associated with unlisted companys.

APPLIED PARAMETERS USED INIMPAIRMENT TESTING AND SENSITIVITY ANALYSIS

Applied parameters 2016

Applied forecast parameters	**Consumer segment 2016**	**Corporate segment 2016**
Average growth in net sales, %*	**1.2**	**1.9**
Average operating margin, % *	**30.4**	**32.8**
Average investment, % of net sales *	**14.5**	**19.4**
Growth after the forecast period, %	**2.0**	**2.0**
WACC, %	**7.5**	**7.4**
Amount of headroom, EUR million	**1,325**	**279**

* Five-year forecast period average

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

Sensitivity analysis of forecast parameters	**Consumer segment 2016**	**Corporate segment 2016**
Average EBITDA, % of net sales	**–11.3**	**–6.4**
WACC, %	**13.4**	**4.3**

Applied parameters 2015

Applied forecast parameters	Consumer segment 2015	Corporate segment 2015
Average growth in net sales, %*	1.3	2.0
Average operating margin, % *	28.2	35.5
Average investment, % of net sales *	13.1	19.1
Growth after the forecast period, %	2.0	2.0
WACC, %	10.2	10.1
Amount of headroom, EUR million	571	172

* Five-year forecast period average

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

Sensitivity analysis of forecast parameters	Consumer segment 2015	Corporate segment 2015
Average EBITDA, % of net sales	–4.6	–3.4
WACC, %	8.4	3.6

16 INVESTMENTS IN ASSOCIATES

EUR in thousands	**2016**	2015
1 January	**1,186**	2,155
Share of the result for the financial period	**14**	10
Decreases	**0**	−980
31 December	**1,199**	1,186

There was no goodwill related to the carrying value of associated companies in 2016 and 2015.

Financial information on the Group's associates, including assets, liabilities, net sales as well as the Group's share of the results.

EUR in thousands

2016	Domicile	Assets	Liabilities	Net sales	Share of result	Group holding
Suomen Numerot Numpac Oy	Helsinki	667	159	1,598	18	33%
Kiinteistö Oy Otavankatu 3	Pori	2,987	321	299	0	36%
Kiinteistö Oy Siilinjärven Toritie	Siilinjärvi	329	3	29	0	38%

2015	Domicile	Assets	Liabilities	Net sales	Share of result	Group holding
Suomen Numerot Numpac Oy	Helsinki	718	251	1,568	10	33%
Kiinteistö Oy Otavankatu 3	Pori	2,962	396	304	0	36%
Kiinteistö Oy Siilinjärven Toritie	Siilinjärvi	333	3	35	0	38%

INTEREST IN JOINT ARRANGEMENT

	Group holding
Finnish Shared Network Ltd	49%

The joint arrangement was established in 2014 and is classified as a joint operation. The contractual arrangement establishes the parties' rights to the assets and obligations for liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses. DNA recognised its share of 44 per cent (2015 42 per cent) of assets, liabilities, revenues and expenses in its consolidated financial statements.

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

EUR in thousands	**2016**	2015
Shares in non-listed companies	**215**	215
Total	**215**	215

There were no changes in available-for-sale financial assets during the financial periods 2015-2016.

18 TRADE AND OTHER RECEIVABLES

EUR in thousands	**2016**	2015
Non-current receivables		
Trade receivables	**29,930**	31,668
Prepaid expenses 1)	**3,970**	4,381
Other non-current receivables	**2,377**	1,824
Total non-current receivables	**36,277**	37,874
Current receivables		
Trade receivables	**174,744**	157,905
Prepaid expenses 1)	**12,989**	11,295
Income tax receivables	**7,687**	5,940
Other current receivables	**1,508**	7,391
Total	**196,927**	182,531

1) Prepaid expenses mainly consist of: prepaid production rental invoices, prepayments for IT-support and other prepaid trade payables EUR 13.8 million (EUR 12.8 million), TyEL pension prepayment EUR 0.4 million (EUR 0.3 million) and other prepayments EUR 2.7 million (EUR 2.5 million).

During 2016, the Group has recognised an impairment loss on trade receivables of EUR 1.3 million (EUR 3.0 million). Impairment is recognised on receivables older than 180 days. Non-current receivables are measured at fair value. Fair value of receivables corresponds to book value as the effect of discounting is not material considering the maturity.

MOVEMENTS IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES ARE AS FOLLOWS:

	2016	2015
1 January	**6,646**	7,933
Provision for receivable impairment	**–546**	892
Receivables written off during the year as uncollectible	**–326**	–2,178
31 December	**5,774**	6,646

19 DEFERRED TAX ASSETS AND LIABILITIES

EUR in thousands	1 January	Recognised in the income statement	Other comprehen-sive income	Recognised in equity	31 December
Deferred tax assets 2016					
Provisions	2,691	−338	39	-	2,392
Finance lease agreements	287	−32	-	-	255
Group eliminations	6,050	−2,428	-	-	3,622
Tax losses	195	92	-	-	287
Unused taxable depreciation	6,912	−2,791	-	-	4,121
Other temporary differences	2,705	1,312	-	12	4,029
Total	18,840	−4,185	39	12	14,704

EUR in thousands	1 January	Recognised in the income statement	Other comprehen-sive income	Recognised in equity	31 December
Deferred tax liabilities 2016					
Fair value of assets through business combinations	23,633	−2,950	-	-	20,683
Accelerated depreciation	287	19	-	-	306
Other temporary differences	4,365	317	-	-	4,682
Total	28,285	−2,615	0	0	25,671

EUR in thousands	1 January	Recognised in the income statement	Other comprehen-sive income	Recognised in equity	31 December
Deferred tax assets 2015					
Financial assets	28	-	–28	-	0
Provisions	4,524	–1,770	–62	-	2,691
Finance lease agreements	415	–128	-	-	287
Group eliminations	8,474	–2,424	-	-	6,050
Tax losses	11,715	–11,520	-	-	195
Unused taxable depreciation	4,779	2,133	-	-	6,912
Other temporary differences	1,256	1,449	-	-	2,705
Total	31,190	–12,260	–90	0	18,840

EUR in thousands	1 January	Recognised in the income statement	Other comprehen-sive income	Recognised in equity	31 December
Deferred tax liabilities 2015					
Fair value of assets through business combinations	28,213	–4,580	-	-	23,633
Accelerated depreciation	78	209	-	-	287
Other temporary differences	4,228	137	-	-	4,365
Total	32,518	–4,234	0	0	28,285

20 INVENTORIES

EUR in thousands	**2016**	2015
Materials and supplies	**21,725**	21,082
Total	**21,725**	21,082

During the reporting period, an expense of EUR 112.4 million (EUR 97.3 million) was recognised in the income statement for materials and supplies.

21 CASH AND CASH EQUIVALENTS

EUR in thousands	**2016**	2015
Cash and cash equivalents	**46,238**	25,266
Total	**46,238**	25,266

22 EQUITY

EUR in thousands	Shares outstanding (thousands)	Treasury shares (thousands)	Total number of shares (thousands)	Share capital	Reserve for invested unrestricted equity
1 January 2015	8,479	1,132	9,611	72,702	607,335
Share issue	9	–2	7		
31 December 2015	8,488	1,130	9,618	72,702	607,335
Share issue	1	–1			67
Cancellation of treasury shares		–1,130	–1,130		
Subdivision of shares (split) through share issue without payment	118,837		118,837		
Share issue	4,978		4,978		50,000
Direct costs relating to share issue					–5,417
Taxes related to share issue expenses					417
Reclassification					316
31 December 2016	132,304	0	132,304	72,702	652,719

DNA Plc has one type of share. The total number of shares is 132,303,500 (144,275,355). DNA Plc had no treasury shares at the end of the review period, because all treasury shares held by the company were cancelled in October. As a result of the cancellation, the amount of -103 321 thousand euros recorded in equity in treasury shares was transferred to retained earnings as a reduction. The number of outstanding shares is 132,303,500 (127,318,050). The shares do not have a nominal value. On 31 December 2016, DNA Plc's share capital amounted to EUR 72,702,226. All issued shares have been paid in full.

Share split

The DNA Plc's Extraordinary General Meeting of 25 October 2016 decided on a share split through share issue without payment, and the issued shares were registered in the Finnish Trade Register on 27 October 2016. In the share split, shareholders received 14 new shares for each old share and 118,837,460 new shares were issued, bringing the total number of the company's shares to 127,325,850. The split had no effect on the company's share capital or capital structure. Share key figures have been adjusted according to the new number of shares.

Rights issue to the Board of Directors*

The rights issue is based on the decision of the Annual General Meeting to allow each member of the Board of Directors to decide whether their annual remuneration shall be paid entirely in cash, or partly in shares and partly in cash. During 2016, a total of 520 shares were subscribed (1,407 shares). Jarmo Leino subscribed 224 new shares, Anu Nissinen 74, Tero Ojanperä 74, Jukka Ottela 74 and Margus Schults 74. The per-share subscription price was EUR 128.54. The new shares issued did not have a nominal value. During 2015, 1,407 treasury share were assigned.

Rights issue to key personnel*

During the reporting period 2015, a total of 375 new shares were subscribed at the per-share subscription price of EUR 95.51. During 2015, 6,475 shares were registered. The new shares issued did not have a nominal value. During 2015, 375 treasury shares were assigned. There were no transactions during 2016.

*before the share split

Shareholders' equity reserves are described as follows:

Reserve for invested unrestricted equity

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

Dividends

A dividend distribution of 40,062,746.40 euros (30,041,194.02 euros) was made for the year 2015.

Treasury shares

The treasury shares account includes the acquisition cost of treasury shares held by the Group.

Treasury shares are presented as a separate component in equity.

Date	Number of shares	Acquisition cost (EUR in thousands)
1.1.2015	1,132,144	103,546
Share issue	–1,782	-170
Returned	125	12
31.12.2015	1,130,487	103,388
1.1.2016	1,130,487	103,388
Share issue	–520	67
Cancellation	–1,129,967	0
31.12.2016	0	0

Parent company DNA Plc's distributable funds as at 31 December 2016

EUR in thousands	31.12.2016
Reserve for invested unrestricted equity	136,561
Retained earnings	26,611
Net result for the period	45,686
Total distributable funds	208,858

23 SHARE-BASED PAYMENTS

Rights issue against payment to Group key personnel in 2014

On 20 November 2014, the Board of Directors decided to introduce a new share-based reward plan in the incentive and commitment scheme of DNA and its subsidiaries. The objective is to align the goals of DNA's owners and the participating key personnel in order to increase the value of DNA, ensure the commitment of the key personnel and to offer them a competitive reward plan based on earning and accumulating company shares.

Participation requires subscription in the directed rights issue

The prerequisite for participating in the share-based reward plan is that a person participating in the share-based reward plan acquires, against payment, shares up to the number determined by the Board of Directors.

Participants have the opportunity to receive a reward as DNA's shares or as cash in connection with stock-exchange listings or main shareholders' exit. Receiving of the reward is tied to the continuance of participant´s employment and ownership of shares up to the number determined by the Board of Directors upon reward payment.

The reward will consist of shares per each subscribed share (base matching shares). Additionally, it is possible to obtain a reward based on the listing or sale price (performance share). For stock-exchange listings, the value of the additional reward, is based on the share price and for exits, on the sale price. If neither takes place by 31 May 2019 at the latest, or if the Board of Directors decides to extend the plan no later than 31 May 2021, the reward is based on the possible increase in the share value during the expected life.

The right to the reward is personal, and is payable only to named participants. Participants cannot transfer the right to the reward to another party. The Board of Directors decides on all matters relating to the shared-based reward plan, such as a participant's right to the reward in case their duties within the Group should change or they leave the employment of DNA before the reward payment.

A maximum total of 1,920,000* new shares can be issued in the plan. The maximum amount, which was 128,000 shares, has been adjusted in accordance with the reward plan conditions on the basis of the share split decision made at the company's Extraordinary Shareholders' Meeting on the 25th of October, 2016. The share subscription period of the new shares was from 27 November to 12 December 2014. Additionnally, the Board of Directors has on the 26th of March 2015, decided to make an addition to the share-based reward plan 2014 target group. The share subscription period of the new shares was from 26 March to 24 April 2015.

Share-based reward plan

Grant date	12 Dec 2014	22 May 2015
Amount of granted instruments*	97,125	5,625
Returned instruments*	1,875	
Share price at grant date*	6.37	6.37
Fair value of the reward at grant date		
Matching share/Share*	6.37	6.37
Performance share*	21.00	21.00
Valid until	31 May 2019	31 May 2019
Expected life	3 years	3 years
Implementation	As shares and cash	As shares and cash

*after the share split

After the listing of the DNA shares, the Board of Directors has confirmed the maximum amount of awarded shares to be 1,458,622 shares. Witholding tax will be deducted and the net reward will be paid as shares in December 2017, one year after the listing.

The fair value of the share at grant date is estimated according to the shares' valuation model.

The determination of fair value is based on assumptions such as expected volatility, fair value of the share at grant date and expected life.

Expense recorded in the income statement	1-12/2016	1-12/2015
Share-based payments	5,581	756

Debt recorded in the statement of financial position	31.12.2016	31.12.2015
Debt related to share-based reward plan	5,153	378

Other share-based payments	31.12.2016	31.12.2015
Personnel offering	275	-
Rights issue to the Board of Directors	-	134

24 EMPLOYMENT BENEFIT OBLIGATIONS

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

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

EUR in thousands	**2016**	2015
Liability recognised in the balance sheet:		
Funded defined benefit obligation	**6,403**	6,131
Fair value of plan assets	**−4,306**	−4,192
Surplus/deficit	**2,097**	1,939
Liability recognised in the balance sheet	**2,097**	1,939

	Present value of obligation	Fair value of plan assets	Total
1 January 2015	6,771	−4,552	2,219
Current service cost	90		90
Interest cost/income	116	−78	38
	206	−78	128
Remeasurements recognised:			
- Return on plan assets, excluding interest cost/income		300	300
- Actuarial gain or loss arising from changes in demographic assumptions	−17		−17
- Gain or loss arising from changes in financial assumptions	−472		−472
- Experience adjustments	−122		−122
	−611	300	−311
Contributions:			
- Contribution paid by employer		−97	−97
Benefits paid:			
- Benefits	−235	235	0
Settlements			
31 December 2015	6,131	−4,192	1,939

	Present value of obligation	Fair value of plan assets	Total
1 January 2016	6,131	–4,192	1,939
Current service cost	87		87
Interest cost/income	114	–78	36
	201	–78	123
Remeasurements recognised:			
- Return on plan assets, excluding interest cost/income		–89	–89
- Actuarial gain or loss arising from changes in demographic assumptions	0		0
- Gain or loss arising from changes in financial assumptions	591		591
- Experience adjustments	–308		–308
	283	–89	194
Contributions:			
- Contribution paid by employer		–159	–159
Benefits paid:			
- Benefits	–212	212	0
Settlements			
31 December 2016	6,403	–4,306	2,097

Significant actuarial assumptions:

	2016	2015
Discount rate	**1.40%**	1.90%
Inflation	**1.60%**	1.60%
Salary growth rate	**3.10%**	3.10%
Benefit growth rate	**1.90%**	1.80%

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

2016	Men	Women
Plan participants retiring at the end of the financial year	21.4	25.4
Plan participants retiring 20 years after the end of the financial year	22.0	27.0

2015	Men	Women
Plan participants retiring at the end of the financial year	21.4	25.4
Plan participants retiring 20 years after the end of the financial year	22.0	27.0

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

Impact on defined benefit obligation

2016	Change in assumption	Increase	Decrease
Discount rate	0.50%	–7.7%	6.7%
Salary growth rate	0.50%	1.5%	–1.4%
Pension growth rate	0.50%	6.8%	–6.2%
			Addition of one year
Life expectancy			5.0%

Impact on defined benefit obligation

2015	Change in assumption	Increase	Decrease
Discount rate	0.50%	–7.3%	8.2%
Salary growth rate	0.50%	1.5%	–1.4%
Pension growth rate	0.50%	6.4%	–5.8%
			Addition of one year
Life expectancy			4.5%

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

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

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

Changes in the bond yields

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

Inflation risk

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

Salary risk

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

Life expectancy risk

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

Expected contributions to the post-employment benefit plan in 2017 are expected to total EUR 162 thousand.

The weighted average duration of the defined benefit obligation was 17 years (16 years).

Undiscounted pension benefits are expected to mature as follows:

	Pension benefits	
EUR in thousands	**2016**	2015
Less than 1 year	**303**	279
1-5 years	**1,040**	1,127
5-10 years	**1,159**	1,231
10-15 years	**1,181**	1,243
15-20 years	**1,049**	1,097
Over 20 years	**3,427**	3,619
Total	**8,159**	8,596

25 PROVISIONS

EUR in thousands	1 January 2016	Additions	Provisions used	Other/ Discount ffect	31 December 2016
Asset retirement obligation	8,563	6	−943	-	7,627
Restructuring provisions	152	529	−11	-	671
Onerous contracts	4,935	2,263	−352	−3,638	3,207
Other provision	376	210	-	-	586
Total	14,027	3,008	-1,307	−3,638	12,090

EUR in thousands	1 January 2015	Additions	Provisions used	Other/ Discount ffect	31 December 2015
Asset retirement obligation	9,211	1	−649	-	8,563
Restructuring provisions	2,114	0	−1,961	-	152
Onerous contracts	11,780	869	−1,129	−6,586	4,935
Other provision	89	376	-	−89	376
Total	23,194	1,246	−3,739	−6,675	14,027

EUR in thousands	**2016**	2015
Non-current provisions	**10,739**	13,023
Current provisions	**1,351**	1,004
Total	**12,090**	14,027

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.

Restructuring

Cooperation negotiations necessitated by business restructuring have been initiated in the Consumer Segment customer solutions area. The Corporate Segment also initiated cooperation negotiations in the last quarter of 2016, resulting in staff cuts affecting four positions. In relation to these, a provision of EUR 529 thousands was made. The restructuring provision includes a provision for termination costs. The provision relating to terminations will be realised during 2017.

Onerous contracts

This provision is mainly for a non-cancellable lease agreement and covers future leases of unused premises. During the period, the Group has let part of the under-utilised premises and the provision has been reversed. The provision has been discounted. The non-cancellable lease agreement expires in 2025.

26 BORROWINGS

EUR in thousands	**2016**	2015
Non-current		
Loans from financial institutions	**78,814**	113,954
Bonds	**248,408**	247,797
Finance lease liabilities	**437**	583
Total	**327,659**	362,334

Current		
Loans from financial institutions	**35,139**	35,138
Commercial papers	**4,983**	39,904
Finance lease liabilities	**167**	168
Total	**40,290**	75,210

Finance lease liabilities – minimum lease payments

EUR in thousands	**2016**	2015
No later than 1 year	**169**	170
Later than 1 year and no later than 5 years	**480**	649
Total	**649**	819
Future finance charges of finance leases	**–45**	–68
Present value of finance lease payments	**604**	751

Finance lease liabilities – present value of minimum lease payments	**2016**	2015
No later than 1 year	**167**	168
Later than 1 year and no later than 5 years	**437**	583
Total	**604**	751

Total finance lease liabilities	**649**	819

27 TRADE AND OTHER PAYABLES

EUR in thousands	**2016**	2015
Current financial liabilities carried at amortised cost		
Trade payables	**84,911**	85,402
Accrued expenses 1)	**98,744**	76,654
Advances received	**25,155**	25,743
Other current liabilities	**12,529**	9,471
Total current liabilities	**221,340**	197,271

1) Accrued expenses comprise: holiday pay and bonuses including social expenses totalling EUR 21.5 million (EUR 20.1 million), interest expenses EUR 3.9 million (EUR 4.0 million), deferred income EUR 5.4 million (EUR 7.0 million), spectrum license liability EUR 11.1 million (EUR 6.7 million), direct transaction costs of the listing EUR 7.5 million (EUR 0.0), debt related to share-based reward plan EUR 5.2 million (EUR 0.4 million) as well as other accrued operative expenses EUR 44.2 million (EUR 38.5 million).

28 FAIR VALUE OF BORROWINGS

Non-current borrowings

	2016		2015	
EUR in thousands	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Loans from financial institutions	**78,814**	**78,982**	113,954	114,618
Bonds	**248,408**	**262,722**	247,797	256,945
Financial lease agreements	**437**	**437**	583	583
Total	**327,659**	**342,141**	362,334	372,146

Current borrowings

	2016		2015	
EUR in thousands	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Loans from financial institutions	**35,139**	**35,188**	35,138	35,220
Bonds	**4,983**	**4,983**	39,904	39,904
Financial lease agreements	**167**	**167**	168	168
Total	**40,290**	**40,338**	75,210	75,292

Fair value of borrowings has been calculated by discounting the expected cash flow of borrowings using the market interest rate at balance sheet date plus the company's risk premium. The market value of the bond is the average value of the year-end quoted prices from two banks. The fair value of financial lease liabilities do not materially differ from their carrying amount.

29 OPERATING LEASE AGREEMENTS

EUR in thousands	**2016**	2015
Group as lessee		
The future minimum lease payments under non-cancellable operating leases		
Within one year	**50,507**	50,932
Later than one year but no later than five years	**44,037**	45,537
Later than five years	**33,103**	38,783
Total	**127,647**	135,253

The Group leases premises, telecommunication premises, masts, vehicles etc. The lease periods are 1–6 years and normally include the opportunity to continue the agreement after the original end date. The 2016 income statement includes paid operating lease expenses of EUR 45.1 million (EUR 40.1 million). Relating to operating leases, the Group has made a provision of EUR 3.2 million (EUR 4.9 million). For more information see note 25 Provisions.

30 GUARANTEES AND CONTINGENT LIABILITIES

EUR in thousands	**2016**	2015
VAT refund liability	**758**	969

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

Lease commitments relating to operating lease agreements are presented in note 29.

31 RELATED PARTY TRANSACTIONS

DNA's related parties include the main shareholders (Finda Oy, PHP Holding Oy) which have significant influence over the group, subsidiaries, associated companies, joint arrangements and members of the Board of Directors and the management team, including the CEO and the deputy CEO as well as their close family members. In addition, related parties include all entities controlled or jointly controlled by a person idenfitied as related party.

Parent company DNA Plc's subsidiaries and ownerships:

Company	Country	Share of ownership	Share of votes
DNA Kauppa Oy	Finland	100%	100%
DNA Welho Oy	Finland	100%	100%
Huuked Labs Oy	Finland	100%	100%
Forte Netservices OOO	Russia	100%	100%

Listing of associated companies is presented in note 16.

The following related party transactions were carried out:

EUR in thousands	Sales	Purchases	Receivables	Liabilities
2016				
Organisations exercising significant influence	30	2,776	2	3
Associated companies	0	475	0	0
2015				
Organisations exercising significant influence	24	3,527	2	2
Associated companies	0	624	0	2

KEY MANAGEMENT COMPENSATION

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

EUR in thousands	**2016**	2015
Salaries and other short-term employee benefits	**2,932**	2,879
Termination benefits	**0**	76
Pension expenses - defined contribution plan and defined benefit plan	**791**	322
Share-based payments	**2,552**	756
Total	**6,275**	4,033

Options granted to management

The implementation type has been reclassifed as cash. 2010A exprired during 2015 and 2010B expired during 2016. The conditions for the scheme were not fulfilled.

EUR in thousands	**2016**	2015
CEO salaries and commissions:		
Jukka Leinonen	**540**	543

Members and deputy members of the Board of Directors		
Korhonen Pertti	**14**	-
Jarmo Leino	**136**	159
Jukka Ottela	**61**	63
Kirsi Sormunen	**75**	67
Anu Nissinen	**60**	63
Tero Ojanperä	**56**	57
Margus Schults	**57**	57
Anssi Soila	**-**	14
Total	**460**	480

Management's and CEOs' pension commitments

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

32 CORRECTION TO PRIOR PERIODS

DNA has reclassified certain cash flow items to represent the group's current reporting policy. The corrections and reclassifications have been retrospectively revised according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The corrections had the following effect on the Group's figures:

2015

EUR in thousands	Reported	Re-classifications	Restated
Cash flows from operating activities			
Net result for the period	50,049		50,049
Adjustments	165,954	1,048	167,003
Finance income and expense	10,465	1,048	11,513
Change in net working capital	42,114	−6,463	35,651
Change in trade and other payables	28,483	−6,463	22,020
Interest paid	−9,452	2,684	−6,768
Net cash generated from operating activities	249,743	−2,731	247,012
Investments in property, plant and equipment (PPE) and intangible assets	−155,129	2,731	−152,398
Net cash used in investing activities	−152,466	2,731	−149,735
Net cash generated from (used in) financing activities	−82,610	0	−82,610

33 EVENTS AFTER THE REVIEW DATE

DNA's Board of Directors decided in its meeting of 30 January to establish a new long-term share-based incentive scheme for senior management and other key employees of the company. The main structure of the system is a Performance Share Plan (PSP) and the Board of Directors decided that a bridge element between DNA's long-term share-based compensation plan launched in 2014 and the new long-term share-based incentive scheme that will begin in 2017 will be covered with an adjusted short-term incentive earning opportunity (bridge plan). In addition, DNA has a Restricted Share Plan (RSP).

The Performance Share Plan consists of separate, share-based reward programmes that begin annually. Each programme has a three-year vesting period. The start of each new programme requires a separate decision by the Board of Directors. The first programme (PSP 2017) starts at the beginning of 2017. Any share-based rewards earned through it will be paid in the spring of 2020, if the performance targets set by the Board of Directors are reached.

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

The Bridge Plan for the transition period consists of two, three-year-long share-based reward programmes. These programmes have a year-long vesting period and a two-year restriction period. The programmes will begin in 2017 and 2018. Any share-based rewards based on the 2017 programme will be handed out in the spring of 2018, if the performance targets set by the Board of Directors are reached. Shares received as a reward cannot be transferred during a two-year restriction period after the vesting period.

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

The restricted share-based reward system can be used as a complementary tool for committing employees in specific situations, such as during acquisitions and recruitment. The Restricted Share Plan consists of share-based incentive programmes that begin every year. 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 first program (RSP 2017) will begin in early 2017, and the rewards earned will be handed out in the spring of 2020. The RSP typically applies to only a few individuals per year. The maximum number of shares to be handed out under the first programme (RSP 2017) will be 45,000 (gross amount from which applicable withholding tax will be deducted, and the remaining net amount will be paid as shares).

DNA adheres to the recommendation on the shareholdings of the Executive team. According to the recommendation, each team member should own a share in the company, which corresponds to his or her annual fixed gross salary. In order to achieve the recommended ownership, the team members must retain ownership of at least 50 per cent of the shares they have received through the above-mentioned, share-based incentive systems (calculated based on the net amount of shares left after deduction of the applicable withholding tax), until the person's share in DNA is in line with the recommendation.

The maximum number of shares to be handed out within the above mentioned three share-based incentive systems have been redefined due the change in calculation, from what was published originally on January 31, 2017.

PARENT COMPANY INCOME STATEMENT, FAS

EUR in thousands	Note	**1 Jan - 31 Dec 2016**	1 Jan - 31 Dec 2015
NET SALES	1	**713,554**	674,886
Other operating income		**9,750**	9,901
Materials and services			
Purchases		**–111,166**	–98,853
Change in inventory		**647**	1,717
External services		**–215,948**	–226,448
Total materials and services		**–326,467**	–323,583
Employee expenses			
Salaries and commissions		**–82,367**	–74,294
Social expenses			
Pensions		**–13,200**	–13,634
Other social expenses		**–5,206**	–4,065
Total employee expenses		**–100,774**	–91,993
Depreciation and impairments	2		
Depreciation according to plan		**–123,879**	–128,235
Total depreciation and impairments		**–123,879**	–128,235
Other operating expenses	3	**–133,532**	–112,087
OPERATING RESULT		**38,652**	28,890

EUR in thousands	Note	**1 Jan - 31 Dec 2016**	1 Jan - 31 Dec 2015
Finance income and expense	4		
Income from other investments		**6**	6
Other interest and financial income		**713**	663
Interest and other financial expenses		**−10,004**	−11,792
Total finance income and expense		**−9,285**	−11,124
RESULT BEFORE APPROPRIATIONS AND TAX		**29,367**	17,766
Appropriations	5		
Group contribution		**29,475**	1,729
Total appropriations		**29,475**	1,729
Income tax	6	**−13,156**	−4,763
RESULT FOR THE FINANCIAL PERIOD		**45,686**	14,732

PARENT COMPANY BALANCE SHEET, FAS

EUR in thousands	Note	**2016**	2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	7		
Development costs		**59**	168
Goodwill		**115,337**	121,885
Intangible rights		**55,817**	70,660
Other capitalised expenditure		**25,740**	22,005
Total intangible assets		**196,953**	214,717
Property, plant and equipment	7		
Land and water		**713**	717
Buildings and constructions		**13,352**	8,933
Machinery and equipment		**241,675**	244,339
Other tangible assets		**873**	873
Advances paid and construction in progress		**92,247**	83,454
Total tangible assets		**348,860**	338,316
Investments	8		
Holdings in Group companies		**82,653**	82,653
Shares in associated companies		**3,982**	3,982
Other shares and holdings		**1,427**	1,427
Total investments		**88,063**	88,063
TOTAL NON-CURRENT ASSETS		**633,876**	641,097

EUR in thousands	Note	**2016**	2015
CURRENT ASSETS			
Inventory			
Materials and supplies		**21,691**	21,044
Total inventory		**21,691**	21,044
Non-current receivables			
Trade receivables		**29,416**	31,668
Receivables from Group companies	9	**25,395**	12,395
Other receivables		**5,161**	6,536
Deferred tax asset	16	**6,454**	6,038
Total non-current receivables		**66,425**	56,637
Current receivables			
Trade receivables		**150,799**	135,470
Receivables from Group companies	9	**53,047**	4,432
Other receivables		**707**	6,478
Prepaid expenses	10	**12,867**	16,249
Total current receivables		**217,419**	162,629
Cash and cash equivalents		**41,834**	22,678
TOTAL CURRENT ASSETS		**347,370**	262,989
TOTAL ASSETS		**981,247**	904,085

EUR in thousands	Liite	**2016**	2015
EQUITY AND LIABILITIES			
EQUITY	11		
Share capital		**72,702**	72,702
Reserve for invested unrestricted equity		**136,561**	86,494
Retained earnings		**26,611**	51,942
Result for the period		**45,686**	14,732
TOTAL EQUITY		**281,560**	225,870
Provisions	12	**9,327**	10,686
LIABILITIES			
Non-current liabilities	13		
Borrowings		**329,048**	364,286
Advances received		**297**	321
Other non-current liabilities		**23,157**	12,517
Total non-current liabilities		**352,501**	377,123
Current liabilities			
Borrowings		**40,221**	75,143
Advances received		**5,676**	5,093
Trade payables		**69,421**	70,256
Liabilities to Group companies	14	**117,820**	73,265
Other current liabilities		**10,207**	6,281
Accrued expenses	15	**94,512**	60,368
Total current liabilities		**337,858**	290,405
TOTAL LIABILITIES		**690,359**	667,529
TOTAL EQUITY AND LIABILITIES		**981,247**	904,085

PARENT COMPANY CASH FLOW STATEMENT, FAS

EUR in thousands	**1.1.–31.12.2016**	1.1.–31.12.2015
Cash flows from operations		
Result for the period	**45,686**	14,732
Adjustments 1)	**115,295**	132,725
Change in working capital 2)	**835**	32,674
Interest paid	**–8,417**	–6,752
Interest received	**718**	799
Other financial items	**–616**	–1,307
Income taxes paid	**2,215**	2,133
Net cash generated from operating activities	**155,717**	175,003
Cash flows from investments		
Investments in property, plant and equipment (PPE) and intangible assets	**–107,839**	–124,582
Proceeds from sale of PPE	**196**	25
Divested associated company shares	**212**	1,853
Other investments	**0**	–1,250
Short-term investments increase (-) / decrease (+)	**–2,727**	0
Loans granted	**–13,000**	0
Net cash used in investing activities	**–123,158**	–123,954
Cash flows from financing activities		
Proceeds from share issue	**50,067**	158
Direct costs relating to share issue	**–1,000**	0
Osingonjako	**–40,063**	–30,041
Proceeds from borrowings	**105,888**	312,780
Repayment of borrowings	**–130,023**	–326,191
Group contributions received	**1,729**	5,587
Net cash generated from (used in) financing activities	**–13,402**	–37,707

EUR in thousands	**1.1.–31.12.2016**	1.1.–31.12.2015
Change in cash and cash equivalents	**19,157**	13,341
Cash and cash equivalents at beginning of year	**22,678**	9,336
Cash and cash equivalents at end of year	**41,834**	22,678

1) Adjustments:		
Depreciation, amortisation and impairment	**123,879**	128,235
Gains and losses on disposals of non-current assets	**–191**	–1,077
Other non-cash income and expense	**–29,475**	–1,729
Finance income and expense	**9,285**	11,124
Income tax expense	**13,156**	4,763
Change in provisions	**–1,359**	–8,591
Total adjustments	**115,295**	132,725

2) Change in net working capital:		
Change in trade and other receivales	**–27,503**	18,247
Change in inventories	**–647**	–1,578
Change in trade and other payables	**28,986**	16,005
Total change in net working capital	**835**	32,674

PARENT COMPANY ACCOUNTING PRINCIPLES, FAS

Valuation principles

Fixed assets

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

The depreciation/amortisation periods are:

Intangible rights	1 - 20 years
Goodwill	4 - 20 years
Other intangible assets	3 - 10 years
Buildings	25 years
Constructions	10 - 25 years
Machinery and equipment	3 - 15 years

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

Inventory valuation

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

Financial assets

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

Research and development

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

Pensions

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

Deferred tax

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

Correction to prior periods

DNA Plc's cash flow presentation has changed since 2015.

DNA has reclassified certain cash flow items to represent the company's current reporting policy.

	Reported	Re-classifications	Restated
Cash flows from operating activities			
Net result for the period	14,732	0	14,732
Adjustments	131,676	1,048	132,725
Finance income and expense	10,076	1,048	11,124
Change in net working capital	35,493	–2,820	32,674
Change in trade and other payables	18,825	–2,820	16,005
Interest paid	–10,743	3,991	–6,752
Other financial items	0	–1,307	–1,307
Net cash generated from operating activities	174,090	913	175,003

Cash flows from investing activities			
Investments in property, plant and equipment (PPE) and intangible assets	–123,669	–913	–124,582
Net cash used in investing activities	–123,042	–913	–123,954

Comparability with prior period

The information for the prior period is comparable with the information reported for 2015.

Foreign currency translations

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. NET SALES

EUR in thousands	**2016**	2015
Domestic	**697,375**	658,770
Foreign	**16,179**	16,117
Total	**713,554**	674,886

During the financial period, parent company employed personnel on average		
Total	**1,388**	1,438

2. DEPRECIATION AND AMORTISATION

EUR in thousands	**2016**	2015
Depreciation of intangible assets	**44,218**	44,776
Depreciation of intangible and tangible assets	**79,661**	83,460
Total	**123,879**	128,235

3. OTHER OPERATING EXPENSES

EUR in thousands	**2016**	2015
Operating and maintenance costs	**40,337**	39,563
Rental costs	**52,402**	39,918
External services	**15,263**	4,043
Other cost items	**25,530**	28,563
Total	**133,532**	112,087

In 2016, rental costs were increased by leases of mast and antenna sites as well as a provision for unused premises that was smaller than in the previous year. Costs of external services were increased by costs related to the listing.

Auditor fees

PricewaterhouseCoopers Oy		
Auditing fees	**207**	160
Actions referred to in Section 1.1.2 of the Finnish Auditing Act	**11**	6
Tax consulting	**123**	90
Other fees	**1,252**	183
Total	**1,594**	439

4. FINANCE INCOME AND EXPENSE

EUR in thousands	**2016**	2015
Dividends		
from associated companies	**4**	4
from others	**2**	2
Total dividends	**6**	6
Other interest and financial income		
Interest income from group companies	**343**	255
Interest income from others	**371**	408
Total other interest and finance income	**713**	663
Other interest and financial expense		
Interest expense	**8,343**	9,437
Other finance expense	**1,661**	2,356
Total other interest and financial expense	**10,004**	11,792

5. APPROPRIATIONS

EUR in thousands	**2016**	2015
Group contribution	**29,475**	1 ,729
Total appropriations	**29,475**	1 ,729

6. INCOME TAX

EUR in thousands	**2016**	2015
Direct taxes	**13,411**	3,466
Income tax from previous periods	**160**	0
Change in deferred tax	**−416**	1,297
Total income tax	**13,156**	4,763

7. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

EUR in thousands	**2016**	2015
Development costs		
Acquisition cost 1 January	**3,828**	3,689
Transfers	**0**	139
Acquisition cost 31 December	**3,828**	3,828
Accumulated amortisation 1 January	**3,660**	3,468
Amortisation for the financial period	**108**	193
Accumulated amortisation 31 December	**3,769**	3,660
Book value 31 December	**59**	168
Goodwill		
Acquisition cost 1 January	**150,768**	150,768
Acquisition cost 31 December	**150,768**	150,768
Accumulated amortisation 1 January	**28,883**	22,306
Amortisation for the financial period	**6,548**	6,577
Accumulated amortisation 31 December	**35,431**	28,883
Book value 31 December	**115,337**	121,885
Intangible rights		
Acquisition cost 1 January	**225,052**	218,372
Transfers	**5,650**	6,680
Disposals	**–127**	0
Acquisition cost 31 December	**230,575**	225,052

EUR in thousands	**2016**	2015
Accumulated amortisation 1 January	**154,392**	133,194
Amortisation for the financial period	**20,492**	21,198
Amortisation relating to disposals	**–127**	0
Accumulated amortisation 31 December	**174,758**	154,392
Book value 31 December	**55,817**	70,660

Other non-current intangible assets		
Acquisition cost 1 January	**161,016**	149,749
Transfers	**20,804**	11,267
Disposals	**–4,309**	0
Acquisition cost 31 December	**177,510**	161,016

Accumulated amortisation 1 January	**139,011**	122,203
Amortisation for the financial period	**17,069**	16,808
Amortisation relating to disposals	**–4,309**	0
Accumulated amortisation 31 December	**151,770**	139,011
Book value 31 December	**25,740**	22,005
Total intangible assets	**196,953**	214,717

EUR in thousands	**2016**	2015
Land and water		
Acquisition cost 1 January	**717**	717
Disposals	**−4**	0
Book value 31 December	**713**	717
Buildings and constructions		
Acquisition cost 1 January	**18,173**	16,223
Transfers	**6,057**	1,950
Acquisition cost 31 December	**24,230**	18,173
Accumulated depreciation 1 January	**9,240**	8,045
Depreciation for the financial period	**1,638**	1,196
Accumulated depreciation 31 December	**10,878**	9,240
Book value 31 December	**13,352**	8,933
Machinery and equipment		
Acquisition cost 1 January	**976,889**	923,921
Transfers	**75,360**	55,090
Disposals	**−774**	−2,122
Acquisition cost 31 December	**1,051,474**	976,889
Accumulated depreciation 1 January	**732,550**	652,408
Depreciation for the financial period	**78,023**	82,264
Depreciation relating to disposals	**−774**	−2,122
Accumulated depreciation 31 December	**809,799**	732,550
Book value 31 December	**241,675**	244,339

EUR in thousands	**2016**	2015
Other tangible assets		
Acquisition cost 1 January	**873**	873
Acquisition cost 31 December	**873**	873

Advances paid and construction in progress		
Acquisition cost 1 January	**83,454**	41,625
Additions	**116,664**	116,955
Transfers	**–107,871**	–75,126
Acquisition cost 31 December	**92,247**	83,454
Total property, plant and equipment	**348,860**	338,316

8. INVESTMENTS

EUR in thousands	**2016**	2015
Holdings in Group companies		
Book value 1 January	**82,653**	82,653
Book value 31 December	**82,653**	82,653
Shares in associated companies		
Book value 1 January	**3,982**	3,794
Increase	**0**	1,250
Disposals	**0**	−1,062
Book value 31 December	**3,982**	3,982
Other shares and holdings		
Book value 1 January	**1,427**	1,427
Book value 31 December	**1,427**	1,427
Parent company ownerships:		
Holdings in Group companies		
DNA Kauppa Oy	**100%**	100%
Huuked Labs Oy	**100%**	100%
DNA Welho Oy	**100%**	100%
Forte Netservices OOO	**100%**	100%

All group companies are included in the parent company consolidated financial statements.

	2016	2015
Interests in joint arrangements		
Finnish Shared Network Ltd	**49%**	49%
Shares in associated companies		
Suomen Numerot Numpac Oy	**33,33%**	33,33%
Kiinteistö Oy Otavankatu 3	**36%**	36%
Kiinteistö Oy Siilinjärven Toritie	**38%**	38%

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

9. RECEIVABLES FROM GROUP COMPANIES

EUR in thousands	**2016**	2015
Long-term sales receivables	**25,395**	12,395
Sales receivables	**18,969**	830
Prepaid expenses	**1,877**	1,872
Group account receivables	**2,727**	0
Group contribution receivables	**29,475**	1,729
Total	**78,441**	16,827

10. PREPAID EXPENSES

EUR in thousands	**2016**	2015
Trade payables	**9,194**	9,078
Other receivables	**3,673**	7,171
Total	**12,867**	16,249

Unrecognised costs		
Of the bond issue costs:		
Remainder of the capitalised long-term deferred receivables	**1,396**	2,285
Remainder of the capitalised short-term deferred receivables	**889**	889

11. EQUITY

EUR in thousands	**2016**	2015
Share capital 1 January	**72,702**	72,702
Share capital 31 December	**72,702**	72,702
Reserve for invested unrestricted equity 1 January	**86,494**	86,336
Share issue	**50,067**	158
Reserve for invested unrestricted equity 31 December	**136,561**	86,494
Retained earnings 1 January	**66,674**	81,983
Dividend distribution	**−40,063**	−30,041
Retained earnings 31 December	**26,611**	51,942
Result for the period	**45,686**	14,732
Total equity	**281,560**	225,870
Distributable funds		
Retained earnings	**26,611**	51,942
Net result for the period	**45,686**	14,732
Reserve for invested unrestricted equity	**136,561**	86,494
Total distributable funds	**208,858**	153,168

12. PROVISIONS

EUR in thousands	**2016**	2015
Estimated decommissioning costs of data centres and masts	**4,978**	5,223
Onerous contracts*	**3,207**	4,935
Pension provision	**142**	152
Restructuring provision	**414**	0
Other provision	**586**	376
Total provisions	**9,327**	10,686

*The provision covers the under-utilised premises for the full agreement term until 2025. During 2015 and 2016, DNA has let part of the under-utilised premises.

13. NON-CURRENT LIABILITIES

EUR in thousands	**2016**	2015
Bonds	**250,000**	250,000
Loans from financial institutions	**79,048**	114,286
Other non-current liabilities	**23,157**	12,517
Accrued expenses	**297**	321
Total non-current liabilities	**352,501**	377,123

Non-current liabilities, maturing in over 5 years		
Bond	**0**	150,000

14. LIABILITIES TO GROUP COMPANIES

EUR in thousands	**2016**	2015
Trade payables	**12,856**	2,219
Accrued expenses	**7,891**	19,997
Group account payables	**97,073**	51,049
Total liabilities to Group companies	**117,820**	73,265

15. ACCRUED EXPENSES

EUR in thousands	**2016**	2015
Holiday pay and bonuses	**29,377**	18,288
Interest expenses	**3,888**	3,962
Sales accruals	**5,380**	7,006
Income tax	**10,230**	0
Other accruals	**45,637**	31,112
Total accruals	**94,512**	60,368

16. DEFERRED TAX LIABILITY/ASSET

EUR in thousands	**2016**	2015
Deferred tax asset from provisions	**1,865**	2,137
Deferred tax asset from deferred depreciation	**2,110**	2,980
Deferred tax asset from temporary differences	**2,478**	921
Total deferred tax liability/asset	**6,454**	6,038

17. PLEDGED ASSETS AND CONTINGENT LIABILITIES

EUR in thousands	2016	2015
Pledged assets		
Other obligations on behalf of Group companies		
Bank guarantee	**1,197**	855
Contingent liabilities and other liabilities		
Finance lease payments		
Payments due during the next financial period	**831**	1 034
Payments due at a later date	**517**	683
Total finance lease payments	**1,348**	1 718

Leasing contracts are made for three-year periods.

Other contractual obligations

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

Leasehold commitments*	**115,320**	124 073

*Includes EUR 3.2 million (EUR 4.9 million) for the non-voidable lease agreement reported under the provision for onerous contracts.

VAT refund liability	**758**	969

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

18. RELATED PARTY TRANSACTIONS

Transactions

2016 EUR in thousands	DNA Welho Oy	DNA Kauppa Oy	Forte Netservices OOO	Finnish Shared Network Ltd	Total
Sales	39,051	2,839	0	3,178	45,067
Purchases	–126	–36,771	–111	–11,029	–48,036
Interest	210	24	0	102	336
Group contribution	29,475	0	0	0	29,475
Total	68,609	–33,908	–111	–7,749	26,842

2015 EUR in thousands	DNA Welho Oy	DNA Kauppa Oy	Forte Netservices OOO	Finnish Shared Network Ltd	Total
Sales	23,108	2 770	18	514	26,410
Purchases	–254	–34,064	–78	–2,827	–37,223
Interest	222	2	1	36	261
Group contribution	0	1,729	0	0	1,729
Total	23,076	–29,563	–59	–2,276	–8,822

The company acquires products sold to external parties from its related parties. Terms used in related party transactions are the same as terms used in transactions carried out with independent parties.

Key management compensation

EUR in thousands	**2016**	2015
CEO Jukka Leinonen	**540**	543
Members and deputy members of the Board of Directors	**460**	480
Korhonen Pertti	**14**	-
Jarmo Leino	**136**	159
Jukka Ottela	**61**	63
Kirsi Sormunen	**75**	67
Anu Nissinen	**60**	63
Tero Ojanperä	**56**	57
Margus Schults	**57**	57
Anssi Soila	**-**	14

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

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

SIGNATURES OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

Helsinki, on this 31st of January 2017

Pertti Korhonen Chairman of the Board of Directors	Jarmo Leino Member of the Board of Directors
Jukka Ottela Member of the Board of Directors	Anu Nissinen Member of the Board of Directors
Kirsi Sormunen Member of the Board of Directors	Tero Ojanperä Member of the Board of Directors
Margus Schults Member of the Board of Directors	Jukka Leinonen President and CEO

AUDITORS' NOTE

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

Helsinki 14.2.2017

PricewaterhouseCoopers Oy

Authorised Public Accountants

Mika Kaarisalo
Authorised Public Accountant

AUDITOR'S REPORT

To the Annual General Meeting of DNA Oyj

In our opinion

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

What we have audited

We have audited the financial statements of DNA Oyj (business identity code 0592509-6) for the year ended 31 December, 2016. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

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

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

Independence

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

Overview

- Overall group materiality is € 6 million. We determined materiality using net sales and profit before tax as the benchmark.
- Audit scope: we have performed an audit of parent company DNA Oyj and its Finnish subsidiaries
- Recognition of revenue in correct amount in the correct period
- Impairment testing

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 6 million (previous year € 4 million)
How we determined it	We determined materiality using net sales and profit before tax as the benchmark.
Rationale for the materiality benchmark applied	We chose to use both net sales and profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

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

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Recognition of revenue in correct amount in the correct period See note 5 Net Sales to the consolidated financial statements The net sales of the group for the period 1 January to 31 December, 2016 was € 858,9 (828,8) million. Our audit focused on revenue recognition since the various sales processes of the Group are system dependent and the Group uses several different invoicing systems. We identified and evaluated the following risks that might lead to the net sales not being presented correctly in the financial statements: ■ The system dependency and material quantity of sales transactions require the company to have sufficient and functional controls to ensure correctness of net sales. Lack of controls might lead to undetected systematic errors. ■ The sales processes' system dependency and material quantity of sales transactions require the company to have sufficient and functional controls to ensure that sales revenue is recognised and recorded as sales in the correct financial period.	We have reviewed the various sales processes of the Group and mapped the related controls, through which the Group management aims to ensure that all transactions are recorded in correct amount in the correct period in the company accounts. As part of our audit: ■ We tested the functionality of the identified controls and evaluated their sufficiency in identifying and/or preventing material misstatement ■ Inspected through sampling the correctness of invoicing in various billing systems by comparing the invoiced amounts to contracts made by clients and/or price lists ■ In addition, we have audited the most material accruals of revenue made in the financial statements through testing the functionality of the key periodisation reports and performing both analytic auditing procedures and manual audit procedures to ascertain correctness of the accruals.
Impairment Testing See note 15 Intangible Assets and Impairment Testing to the consolidated financial statements Goodwill recorded in the consolidated financial statements amounts to € 327,2 (327,2) million. The management of the company is responsible for the impairment testing. As described in the accounting principles to the consolidated financial statements, the identification of impairment indicators as well as the estimation of future cash flows and the determination of fair values for assets (or group of assets) require management to make significant judgements. The most significant assumptions in impairment testing are growth in net sales, development of EBITDA, determination of discount rate (WACC) and the long term growth rate used after the five-year forecast period. We have identified and evaluated the risk that assumptions used in the impairment testing are not appropriate for the purpose and that the presented amount of goodwill is too high.	We obtained and reviewed the impairment testing calculations of the management. As a part of the audit: ■ We accessed calculations prepared by the management and evaluated the accounting principles used in their preparation ■ We discussed the most material assumptions used in the estimation of cash flows and compared them to the internal and external information available as well as to the long-term strategic plans and budget approved by the management. ■ We reviewed and evaluated the basis for and mathematical accuracy of the definition of the discount rate (WACC) ■ We tested the mathematical correctness of the impairment testing calculations.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

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

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

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

In our opinion

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

If, based on the work we have performed on the information included in the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 14 February, 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mika Kaarisalo
Authorised Public Accountant

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