



INTERIM  
REPORT  
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# Index

Summary	1
CEO's review	3
Operating environment	4
Net sales and profit	5
Cash flow and financial position	7
Development per business segment	8
Investments	10
Network infrastructure	11
Personnel	12
Changes in the Group and capital structure and significant litigation matters	13
Management and governance	14
Shares and shareholders	15
Corporate responsibility	16
Near-term risks and uncertainties	17
Events after the review period	18
Outlook for 2014	19
Consolidated income statement	20
Consolidated statement of financial position	22
Consolidated statement of cash flows	24
Consolidated statement of changes in equity	25
Notes	26
1. Accounting principles	27
2. Segment information	28
3. Investments	30
4. Shareholders' equity	31
5. Interest-bearing net liabilities	32
6. Provisions for other liabilities	33
7. Related party transactions	34
8. Share-based payments	35
9. Derivative fair value measurement hierarchy	36
10. Business combinations	37
Key figures	38

# DNA's net sales and operating profit increased in the second quarter – DNA acquires TDC's Finnish operations

## Summary

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

### April–June 2014

- Net sales increased by 10.4 per cent and came to EUR 202.6 million (183.5 million).
- EBITDA increased by 6.5 per cent to EUR 50.5 million (47.4 million), accounting for 24.9 per cent of net sales (25.8 per cent).
- EBITDA excluding non-recurring items came to EUR 52.6 million (47.8 million).
- Operating profit increased by 12.0 per cent to EUR 12.6 million (11.3 million), or 6.2 per cent of net sales (6.2 per cent).
- Operating profit excluding non-recurring items came to EUR 14.8 million (11.7 million).
- The mobile communication subscription base grew by 2.3 per cent, reaching 2,481,000 in total (2,426,000).
  - Revenue per user (ARPU) for mobile communications amounted to EUR 18.2 (18.7).
  - Mobile communication subscription turnover rate (CHURN) was 15.4 per cent (14.6 per cent).
- Fixed-network subscription base (voice, broadband and cable television) came to 1,043,000 subscriptions at the end of the second quarter (1,011,000). The positive development is due to an increase in the number of broadband subscriptions.

### January–June 2014

- Net sales increased by 8.5 per cent and came to EUR 400.9 million (369.5 million).
- EBITDA increased by 3.9 per cent and came to EUR 98.9 million (95.1 million), accounting for 24.7 per cent of net sales (25.7 per cent).
- EBITDA excluding non-recurring items came to EUR 101.0 million (96.0 million).
- Operating profit increased by 3.6 per cent to EUR 24.3 million (23.5 million), or 6.1 per cent of net sales (6.4 per cent).
- Operating profit excluding non-recurring items came to EUR 26.5 million (24.3 million).
- The mobile communication subscription base grew by 2.3 per cent, reaching 2,481,000 in total (2,426,000).
  - Revenue per user (ARPU) for mobile communications amounted to EUR 18.0 (18.4).
  - Mobile communication subscription turnover rate (CHURN) was 16.5 per cent (16.9 per cent).

## DNA's outlook for 2014 has changed

Net sales is expected to increase distinctly and operating profit moderately in 2014. The Group's financial position is expected to remain fairly healthy.

In the first quarter, net sales and operating profit were expected to increase moderately in 2014. The Group's financial position was expected to remain at the same healthy level.

## Key figures

Figures are unaudited.

EUR million	4–6/2014	4–6/2013	Change, %	1–6/2014	1–6/2013	Change, %	1–12/2013
Net sales	<b>202.6</b>	183.5	10.4%	<b>400.9</b>	369.5	8.5%	766.4
EBITDA ***	<b>50.5</b>	47.4	6.5%	<b>98.9</b>	95.1	3.9%	190.7
- % of net sales	<b>24.9%</b>	25.8%		<b>24.7%</b>	25.7%		24.9%
EBITDA without non-recurring items	<b>52.6</b>	47.8	10.0%	<b>101.0</b>	96.0	5.3%	195.8
- % of net sales	<b>26.0%</b>	26.1%		<b>25.2%</b>	26.0%		25.5%
Depreciation	<b>37.9</b>	36.1		<b>74.5</b>	71.7		147.1
Operating profit ***	<b>12.6</b>	11.3	12.0%	<b>24.3</b>	23.5	3.6%	43.7
- % of net sales	<b>6.2%</b>	6.2%		<b>6.1%</b>	6.4%		5.7%
Operating profit without non-recurring items	<b>14.8</b>	11.7	26.2%	<b>26.5</b>	24.3	9.0%	48.8
- % of net sales	<b>7.3%</b>	6.4%		<b>6.6%</b>	6.6%		6.4%
Profit before tax	<b>10.3</b>	10.7	-3.3%	<b>20.1</b>	21.5	-6.8%	37.7
Profit for the financial period	<b>8.6</b>	7.9	8.6%	<b>16.4</b>	15.8	3.7%	28.9
Return on investment (ROI), %*	<b>5.5</b>	5.8		<b>5.2</b>	6.0		5.4
Return on equity (ROE), %*	<b>6.8</b>	6.2		<b>6.4</b>	6.1		5.5
Investments	<b>27.4</b>	34.2	-20.0%	<b>47.6</b>	56.2	-15.4%	128.4
Cash flow after investments**	<b>-148.8</b>	0.2		<b>-132.9</b>	7.2		-33.6
Interest bearing net debt, EUR million	<b>489.9</b>	285.8	71.4%	<b>489.9</b>	285.8	71.4%	326.7
Interest bearing net debt/EBITDA	<b>2.43</b>	1.51		<b>2.48</b>	1.50		1.71
Net gearing, %	<b>96.3</b>	56.1	71.6%	<b>96.3</b>	56.1		62.6
Equity ratio, %	<b>41.7</b>	53.1		<b>41.7</b>	53.1		49.4
Personnel at the end of period	<b>1,855</b>	1,516	22.4%	<b>1,855</b>	1,516	22.4%	1,563

\* Rolling 12 months

\*\* Includes business combinations and business transfers

\*\*\* Non-recurring items amounted to EUR 2.1 million during the second quarter, consisting mainly of transfer tax related to the acquisition of TDC's Finnish operations. In the reference period April-June 2013, non-recurring items amounted to EUR 0.4 million.

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## CEO's review



Our net sales for the second quarter increased significantly year-on-year and came to EUR 202.6 million. This increase was fuelled in particular by the acquisition of TDC's Finnish operations and the growth of our entertainment business. Our EBITDA increased to EUR 50.5 million and operating profit to EUR 12.6 million.

As a whole, we are very satisfied with DNA's strong performance in the first half of the year. Despite the challenging overall economic situation, our net sales increased significantly between January and June and came to EUR 400.9 million. This positive development is due to the acquisition of TDC's Finnish operations, development of our entertainment business and the positive development of broadband sales. Our EBITDA and operating profit also increased slightly year-on-year.

The acquisition of TDC's Finnish operation affected our financial position in the second quarter. However, our financial position remained fairly good with a net gearing of 96.3 per cent at the end of the review period. Investments in the second quarter amounted to a total of EUR 27.4 million.

DNA's mobile communications subscriptions base grew by 23,000 subscriptions in the second quarter and came to 2,481,000. Fixed-network subscription base increased by 17,000 between April and June, totalling 1,043,000 subscriptions at the end of the review period. The positive development is due to an increase in the number of broadband subscriptions.

The acquisition of TDC's Finnish operations in the second quarter marks an important step in the development of DNA's corporate business. The agreement with Danish TDC A/S on the acquisition of TDC Ltd Finland and TDC Hosting Ltd was signed in April, and the companies became DNA subsidiaries in June. We also agreed on strategic cooperation in the Nordic region with Danish TDC A/S. The acquisition and cooperation will strengthen our position in the corporate market considerably, supporting our growth strategy. The service offering and expertise of DNA and TDC complement each other nicely, and with the arrangement, a new and strong provider of corporate networks and telecommunication services is established in Finland. The strategic cooperation with TDC A/S offers both DNA and TDC customers high-quality international services.

In the second quarter, we improved our consumer business in response to changing market requirements by combining our broadband and entertainment operations into one entity. The new entertainment business is a much larger unit, with the required resources and expertise to drive and develop our entertainment strategy.

The construction of our global 4G LTE network operating at 800 MHz frequency is proceeding as planned and we added more than 500 new base stations to the network in the second quarter. DNA's 4G LTE network coverage will reach 80 per cent of the population by the end of 2014. We will continue to invest in the speeds and coverage of our networks, development of our corporate business, development of new products and services to our customers and improved customer experience.

Jukka Leinonen  
President and CEO

# Operating environment

The overall economic situation remained challenging during the review period, increasing uncertainty in the telecommunications market. Competition remained intense, in particular in the mobile communications and fixed-network broadband markets.

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

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

In the consumer market, mobile and fixed-network broadband and entertainment services are important growth segments. Consumers are spending more time watching TV programmes, and households have several devices for viewing TV content. The competitive environment has changed quickly, in particular for entertainment services, as international players have entered the market. Competition in the housing company broadband subscription market remained strong.

In corporate services, the overall market situation remained cautious and companies postponed their investment decisions. However, the demand for value added services related to network data security and management as well as mobility-related data solutions continued at a good level. Companies were increasingly interested in M2M-based industrial Internet solutions.

Finnish mobile communications operators signed an agreement on mobile network interconnection prices during the review period. The current price of EUR 2.8/minute will decrease to EUR 1.87/minute as of 1 September 2014. The new prices will be in force until the end of November 2015.

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

The European Parliament will process the Commission's proposal on new legislation to promote the European single market for electronic communications in the term that commenced on 1 July 2014. The main changes that will affect DNA's operations are related to frequency policy, harmonisation of frequency distribution methods, elimination of roaming charges, harmonisation of fixed-network retail products and regulation of net neutrality. Should the new legislation enter into force, it would have a major impact in DNA's business.

Mobile calls, text messages and mobile data services became cheaper when travelling within the European Union as of 1 July 2014. The cheaper rates apply to outgoing and incoming voice calls, outgoing texts and mobile data usage while abroad in the EU. The new prices will also apply in Iceland, Liechtenstein and Norway. The reduction of charges is based on European Union roaming regulations (the Eurotariff).

# Net sales and profit

## April–June 2014

DNA's net sales for the second quarter increased by 10.4 per cent and came to EUR 202.6 million (183.5 million). As of June, net sales were fuelled by the growth of corporate business as a result of the acquisition of TDC's Finnish operations. The increase was also due to the growth in entertainment business as well as the positive development of mobile and fixed-network broadband sales. During the review period, 76.5 per cent (76.5 per cent) of net sales was generated by consumer business and 23.5 per cent (23.5 per cent) by corporate business.

EBITDA increased by 6.5 per cent to EUR 50.5 million (47.4 million), accounting for 24.9 per cent of net sales (25.8 per cent). Operating profit increased by 12.0 per cent to EUR 12.6 million (11.3 million), or 6.2 per cent of net sales (6.2 per cent).

Financial income and expenses amounted to EUR -2.3 million (-0.6 million). Income tax for the period was EUR -1.8 million (-2.8 million). Profit for the financial period improved year-on-year and amounted to EUR 8.6 million (7.9 million). Earnings per share came to EUR 1.0 (0.9).

## January–June 2014

DNA's net sales for the January–June period grew by 8.5 per cent and came to EUR 400.9 million (369.5 million). The increase was due to the growth in entertainment business as well as the positive development of mobile and fixed-network broadband sales.

DNA's EBITDA for January–June increased by 3.9 per cent to EUR 98.9 million (95.1 million), accounting for 24.7 per cent of net sales (25.7 per cent). Operating profit increased by 3.6 per cent to EUR 24.3 million (23.5 million), or 6.1 per cent of net sales (6.4 per cent).

Financial income and expenses amounted to EUR -4.3 million (-1.9 million). Income tax for the period was EUR 3.7 million (5.7 million). Profit for the financial period increased and came to EUR 16.4 million (15.8 million). Earnings per share came to EUR 1.9 (1.9).

## Consolidated key figures

EUR million	4–6/2014	4–6/2013	Change, %	1–6/2014	1–6/2013	Change, %	1–12/2013
Net sales	<b>202.6</b>	183.5	10.4%	<b>400.9</b>	369.5	8.5%	766.4
EBITDA	<b>50.5</b>	47.4	6.5%	<b>98.9</b>	95.1	3.9%	190.7
- % of net sales	<b>24.9%</b>	25.8%		<b>24.7%</b>	25.7%		24.9%
EBITDA without non-recurring items	<b>52.6</b>	47.8	10.0%	<b>101.0</b>	96.0	5.3%	195.8
- % of net sales	<b>26.0%</b>	26.1%		<b>25.2%</b>	26.0%		25.5%
Operating profit	<b>12.6</b>	11.3	12.0%	<b>24.3</b>	23.5	3.6%	43.7
- % of net sales	<b>6.2%</b>	6.2%		<b>6.1%</b>	6.4%		5.7%
Operating profit without non-recurring items	<b>14.8</b>	11.7	26.2%	<b>26.5</b>	24.3	9.0%	48.8
- % of net sales	<b>7.3%</b>	6.4%		<b>6.6%</b>	6.6%		6.4%
Profit for the financial period	<b>8.6</b>	7.9	8.6%	<b>16.4</b>	15.8	3.7%	28.9

## Key operative indicators

	4–6/2014	4–6/2013	Change, %	1–6/2014	1–6/2013	Change, %	1–12/2013
<b>Number of mobile communication network subscriptions at end of period*</b>	<b>2,481,000</b>	2,426,000	2.3%	<b>2,481,000</b>	2,426,000	2.3%	2,450,000
- Revenue per user (ARPU), EUR**	<b>18.2</b>	18.7	-2.7%	<b>18.0</b>	18.4	-2.2%	18.2
- Customer CHURN rate, %**	<b>15.4</b>	14.6	5.5%	<b>16.5</b>	16.9	-2.4%	17.1
<b>Number of fixed line subscriptions at end of period</b>	<b>1,043,000</b>	1,011,000	3.2%	<b>1,043,000</b>	1,011,000	3.2%	1,016,000

\*includes voice and mobile broadband



\*\*includes postpaid voice 'subscriptions only

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# Cash flow and financial position

## April–June 2014

In the April–June period, cash flow after investments decreased to EUR -148.8 million (0.2 million). This is particularly due to the acquisition of TDC Ltd Finland and TDC Hosting Ltd.

## January–June 2014

In the January–June period, cash flow after investments decreased to EUR -132.9 million (7.2 million). This is particularly due to the acquisition of TDC Ltd Finland and TDC Hosting Ltd.

DNA has a EUR 200.0 million revolving credit facility, of which EUR 35.0 million (200.0 million) remain undrawn, and a EUR 15.0 million (15.0 million) credit facility. The revolving credit facility was used to finance the acquisition of TDC's Finnish operations. In addition, the company has a commercial paper programme worth EUR 150.0 million (150.0 million), under which EUR 100 million (95.0 million) was drawn by the end of the review period.

DNA's financial position remained fairly good. DNA's net gearing came to 96.3 per cent (56.1 per cent) at the end of the review period. The Group's liquid assets amounted to EUR 27.3 million (7.7 million), and interest-bearing net debt to EUR 489.9 million (285.8 million). The Group's liquid assets and undrawn committed credit limits amounted in total to EUR 77.3 million (222.7 million).

The interest-bearing net debt/EBITDA ratio increased and was 2.48 (1.50) at the end of the review period.

The acquisition of TDC's Finnish operations contributed to the change in the financial position. DNA plans to replace most of the revolving credit facility by long-term financing during 2014.

The balance sheet remained relatively strong, with the end-of-period equity ratio totalling 41.7 per cent (53.1 per cent).

## Cash flow and financial key figures

	4–6/2014	4–6/2013	1–6/2014	1–6/2013	1–12/2013
Cash flow after investments, EUR million	<b>-148.8</b>	0.2	-132.9	7.2	-33.6

  

	30 Jun 2014	30 Jun 2013	31 Dec 2013
Interest bearing net debt, EUR million	<b>489.9</b>	285.8	326.7
Interest bearing net debt/EBITDA	<b>2.48</b>	1.50	1.71
Net gearing, %	<b>96.3</b>	56.1	62.6
Equity ratio, %	<b>41.7</b>	53.1	49.4

# Development per business segment

## Consumer business

### April-June 2014

Net sales increased by 10.4 per cent to EUR 155.1 million (140.4 million) in the second quarter. This growth was fuelled in particular by the growth in entertainment business and the positive development of broadband sales. EBITDA increased and came to EUR 37.4 million (33.1 million). The EBITDA percentage of net sales increased to 24.1 per cent (23.6 per cent). Operating profit increased significantly, by 43.0 per cent, and came to EUR 13.2 million (9.2 million), or 8.5 per cent of net sales (6.6 per cent). Depreciation to the amount of EUR 24.2 million (23.9 million) was allocated to consumer business.

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

The structure of DNA's consumer business organization changed during the period as the broadband and entertainment operations were combined into one entity. The new entertainment business is a much larger unit, with the required resources and expertise to drive and develop DNA's entertainment strategy.

### January-June 2014

Net sales increased by 10.0 per cent to EUR 310.8 million (282.7 million). This growth was fuelled in particular by the growth in entertainment business and the positive development of broadband sales. EBITDA increased to EUR 71.3 million (65.9 million), or 22.9 per cent of net sales (23.3 per cent). The increase was fuelled by growth in net sales and improved operational efficiency. Operating profit increased significantly and came to EUR 22.9 million (18.5 million), or 7.4 per cent of net sales (6.5 per cent).

## Consumer business

EUR million	4-6/2014	4-6/2013	Change, %	1-6/2014	1-6/2013	Change, %	1-12/2013
Net sales	<b>155.1</b>	140.4	10.4%	<b>310.8</b>	282.7	10.0%	593.4
EBITDA	<b>37.4</b>	33.1	12.9%	<b>71.3</b>	65.9	8.1%	133.3
- % of net sales	<b>24.1%</b>	23.6%		<b>22.9%</b>	23.3%		22.4%
EBITDA without non-recurring items	<b>36.7</b>	33.6	9.2%	<b>70.5</b>	66.7	5.7%	137.2
- % of net sales	<b>23.6%</b>	23.9%		<b>22.7%</b>	23.6%		23.1%
Operating profit/loss	<b>13.2</b>	9.2	43.0%	<b>22.9</b>	18.5	24.1%	35.7
- % of net sales	<b>8.5%</b>	6.6%		<b>7.4%</b>	6.5%		6.0%
Operating profit without non-recurring items	<b>12.5</b>	9.7	29.0%	<b>22.2</b>	19.3	15.0%	39.7
- % of net sales	<b>8.0%</b>	6.9%		<b>7.1%</b>	6.8%		6.7%

## Corporate business

### April-June 2014

In the second quarter, corporate business net sales increased by 10.4 per cent to EUR 47.5 million (43.1 million). As of June, net sales were fuelled by the growth of corporate business as a result of the acquisition of TDC's Finnish operations.

EBITDA decreased to EUR 13.1 million (14.3 million), or 27.5 per cent of net sales (33.1 per cent). Operating profit decreased to EUR -0.6 million (2.1 million), or -1.2 per cent of net sales (4.8 per cent). EBITDA and operating profit were burdened by non-recurring items. Depreciation to the amount of EUR 13.7 million (12.2 million) was allocated to corporate business.

On 29 April 2014, DNA signed an agreement with Danish TDC A/S on the acquisition of TDC Ltd Finland and TDC Hosting Ltd. At the same time, DNA and TDC A/S agreed on strategic cooperation in the Nordic region. Finnish Competition and Consumer Authority approved DNA's acquisition of TDC's Finnish operations on 26 May 2014. They became DNA's subsidiaries in June. The acquisition supports the implementation of DNA's growth strategy, significantly strengthens DNA's position in the corporate market and provides and expanded service offering to TDC's and DNA's corporate clients. The enterprise value of the acquisition totalled EUR 154 million.

The Finnish government's central purchasing body for products and services, Hansel, chose DNA as a framework supplier after the competitive tendering process for Data Communications 2014-2018.

### January-June 2014

Net sales increased by 3.7 per cent to EUR 90.0 million (86.8 million). This positive development is due to the acquisition of TDC's Finnish operations. Net sales growth was restrained by reduced roaming earnings and decrease in the sales of goods. EBITDA decreased to EUR 27.6 million (29.2 million). EBITDA accounted for 30.6 per cent of net sales (33.6 per cent). Operating profit decreased to EUR 1.4 million (5.0 million), or 1.6 per cent of net sales (5.8 per cent). EBITDA and operating profit were burdened by non-recurring items.

## Corporate business

EUR million	4-6/2014	4-6/2013	Change, %	1-6/2014	1-6/2013	Change, %	1-12/2013
Net sales	47.5	43.1	10.4%	90.0	86.8	3.7%	173.0
EBITDA	13.1	14.3	-8.2%	27.6	29.2	-5.6%	57.5
- % of net sales	27.5%	33%		30.6%	34%		33.2%
EBITDA without non-recurring items	16.0	14.3	12.0%	30.5	29.2	4.3%	58.6
- % of net sales	33.6%	33.1%		33.9%	33.6%		33.9%
Operating profit/loss	-0.6	2.1	-127.7%	1.4	5.0	-71.8%	7.9
- % of net sales	-1.2%	4.8%		1.6%	5.8%		4.6%
Operating profit without non-recurring items	2.3	2.1	13.3%	4.3	5.0	-14.1%	9.0
- % of net sales	4.9%	4.8%		4.8%	5.8%		5.2%

# Investments

## April–June 2014

Investments in the April–June period amounted to EUR 27.4 million (34.2 million), or 13.5 per cent of net sales (18.6 per cent).

## January–June 2014

Investments in the January–June period amounted to EUR 47.6 million (56.2 million), or 11.9 per cent of net sales (15.2 per cent).

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

## Investments

EUR million	4–6/2014	4–6/2013	Change, %	1–6/2014	1–6/2013	Change, %	1–12/2013
Consumer business	18.5	24.3	-24.0%	31.4	39.6	-20.8%	91.2
Corporate business	7.9	9.5	-17.3%	14.1	15.8	-11.0%	35.0
Un-allocated	1.0	0.4	162.0%	2.1	0.7	206.9%	2.3
<b>Total investments</b>	<b>27.4</b>	<b>34.2</b>	<b>-20.0%</b>	<b>47.6</b>	<b>56.2</b>	<b>-15.4%</b>	<b>128.4</b>

# Network infrastructure

In the first half of the year, DNA expanded its mobile communication networks by adding more than 700 new base stations across Finland, 500 of these in the second quarter. DNA's 4G LTE network expanded significantly in cities such as Hyvinkää, Rauma, Lahti, Lohja, Mikkeli and Joensuu. DNA's 4G LTE network currently reaches more than 3 million people in Finland.

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

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

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

# Personnel

At the end of June 2014, DNA Group had 1,855 employees (1,516 employees), of which 750 were women (641) and 1,105 men (875). The increase is due to the transfer of TDC's Finnish personnel to the employ of DNA.

Salaries and employee benefit expenses paid during the second quarter amounted to EUR 24.5 million (22.3 million).

## Personnel by business segment

	<b>30 Jun 2014</b>	<b>30 Jun 2013</b>	<b>Change, % 31 Dec 2013</b>	
Consumer business	1,073	1,055	1.7%	1,104
Corporate business	782	461	69.6%	459
<b>Total personnel</b>	<b>1,855</b>	<b>1,516</b>	<b>22.4%</b>	<b>1,563</b>

# Changes in the Group structure and significant litigation matters

## Changes in the Group structure

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

On 29 April 2014, DNA signed an agreement with Danish TDC A/S on the acquisition of TDC Ltd Finland and TDC Hosting Ltd. Finnish Competition and Consumer Authority approved DNA's acquisition of TDC's Finnish operations on 26 May 2014. The companies became DNA's subsidiaries in June.

## Significant litigation matters

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

# Management and governance

## Group Executive Team

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

On 2 June 2014, DNA appointed Janne Aalto, MBA, the new CIO and member of the Executive Team.

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

## Decisions of the Annual General Meeting of 2014

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

### Board members and remuneration

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

At the constitutive meeting of the Board of Directors held subsequent to the Annual General Meeting, Jarmo Leino was re-elected Chairman. The Board elected Kirsi Sormunen as the chair and Anu Nissinen and Jukka Ottela as members of the Audit Committee. The members and chairs of other committees were elected in the Board meeting of 24 April 2014. The Board decided to discontinue the Remuneration and Nomination Committee in its present form, and introduced a separate Remuneration Committee that is responsible for the preparation of decisions related to the remuneration of DNA's management, key employees and personnel. The Board elected Jarmo Leino as the chair and Kirsi Sormunen, Anu Nissinen and Jukka Ottela as members of the new Remuneration Committee.

DNA's major shareholders established a separate Nomination Committee that is responsible for the election, nomination and remuneration of Members of the Board of Directors. The member of the committee are Esa Haavisto (Finda Oy), Seppo Vikström (PHP Holding Oy) and Esko Torstila (Ilmarinen Mutual Pension Insurance Company).

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

### The Board's share repurchase authorisation

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

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



# Shares and shareholders

## Shareholders

### Owners (10 biggest):

	<b>30 Jun 2014</b>
Finda Oy	49.90%
PHP Holding Oy	37.56%
Ilmarinen Mutual Pension Insurance Company	5.01%
Anvia Oyj	3.47%
Lohjan Puhelin Oy	2.61%
Pietarsaaren Seudun Puhelin Oy	0.83%
Karjaan Puhelin Oy	0.20%
Vakka-Suomen seudun Puhelin	0.15%
Puhelinosuuskunta IPY	0.13%
Orox Oy	0.04%
<b>TOTAL</b>	<b>99.90%</b>

On 31 December 2013, the largest shareholders of DNA Ltd were Finda Oy (49.90 per cent), PHP Holding Oy (37.56 per cent), Ilmarinen Mutual Pension Insurance Company (5.01 per cent), Anvia Oyj (3.47 per cent) and Lohjan Puhelin Oy (2.61 per cent). At the end of the review period, they held a total of 98.55 per cent of DNA's shares and voting rights. The holdings were calculated based on the number of outstanding shares. At the end of the review period, the company held 1,132,144 treasury shares.

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

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

## Shares

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

# Corporate responsibility

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

Modernisation of base stations in the mobile network proceeded on schedule during the review period. In excess of one third of the old base stations have been replaced by more energy-efficient models. The project is expected to be completed by 2017.

DNA agreed on continued cooperation with Innokampus during the review period. As the main partner of the project, DNA encourages innovation and new ideas among students in Finnish schools.

The company is also preparing for the adoption of the GRI G4 Sustainability Reporting Guidelines by updating the materiality analysis in its corporate responsibility reporting.

# Near-term risks and uncertainties

Risk management is part of DNA's strategy process and corporate governance. It is guided by the risk management policy approved by the Board of Directors. The risk management process provides reports on risks and their control methods to the executive management and Board of Directors. Operational plans for the management of significant risks are drafted based on risk management reports, and the Executive Team monitors the implementation of these plans. A more detailed description of DNA's risk management and uncertainties is available in the Annual Report. According to the company, there have been no significant changes in near-term risks and uncertainties in the review period.

## *Strategic and operative risks:*

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

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

Uncertainty related to the overall economic situation has increased, affecting the demand for smart phone and TV services and the corporate market. General decline in purchasing power has a post-cyclical effect on the operator market.

## *System and network risks:*

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

## *Financing risks:*

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

A more detailed description of the management of financing risks can be found in Note 3 to the consolidated financial statements in DNA's Annual Report for 2013.

## *Damage risk:*

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



## Events after the review period

There have been no significant events after the review period.

# Outlook for 2014

## Market outlook

The telecommunications market continues to undergo a change. Network and terminal device technologies will continue to develop at an increasing pace. DNA's operating environment is undergoing significant changes, which is reflected in particular in the increasingly important role of content and value added services as well as an expansion of the operator market to new areas.

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

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

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

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

The market for fixed-network voice services is expected to continue declining. DNA anticipates that business operations in the terrestrial TV network and terrestrial network pay-TV will grow slowly.

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

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

## DNA's outlook for 2014 has changed

Net sales is expected to increase distinctly and operating profit moderately in 2014. The Group's financial position is expected to remain fairly healthy.

In the first quarter, net sales and operating profit were expected to increase moderately in 2014. The Group's financial position was expected to remain at the same healthy level.

DNA Ltd  
Board of Directors

### **DNA's financial publications in 2014:**

24 October 2014 Interim Report January–September 2014

## Consolidated income statement, IFRS

EUR million	1 Apr–30 Jun		1 Jan–30 Jun		1 Jan–31 Dec
	2014	1 Apr–30 Jun 2013	2014	1 Jan–30 Jun 2013	2013
<b>Net sales</b>	<b>202.6</b>	<b>183.5</b>	<b>400.9</b>	<b>369.5</b>	<b>766.4</b>
Other operating income	1.4	0.5	1.8	1.0	2.4
Materials and services	-99.5	-84.1	-197.3	-171.5	-370.2
Employee benefit expenses	-24.5	-22.3	-48.2	-43.6	-85.4
Depreciation	-37.9	-36.1	-74.5	-71.7	-147.1
Other operating expenses	-29.5	-30.3	-58.2	-60.2	-122.4
<b>Operating result, EBIT</b>	<b>12.6</b>	<b>11.3</b>	<b>24.3</b>	<b>23.5</b>	<b>43.7</b>
Financial income	0.3	0.3	0.6	0.6	1.2
Financial expense	-2.6	-0.9	-4.8	-2.6	-7.2
Share of associated companies' results	0.0	0.0	0.0	0.0	0.0
<b>Net profit before tax</b>	<b>10.3</b>	<b>10.7</b>	<b>20.1</b>	<b>21.5</b>	<b>37.7</b>
Income tax	-1.8	-2.8	-3.7	-5.7	-8.7
<b>Net profit for the period</b>	<b>8.6</b>	<b>7.9</b>	<b>16.4</b>	<b>15.8</b>	<b>28.9</b>
Net profit attributable to:					
Owners of the parent	8.6	7.9	16.4	15.8	28.9
Earnings per share of the profit attributable to equity holders of the parent company					
Basic earnings per share, EUR	1.0	0.9	1.9	1.9	3.4
Average number of shares					
- Basic	8,479	8,479	8,479	8,479	8,479

## Consolidated statement of comprehensive income

<b>Net profit for the period</b>	<b>8.6</b>	<b>7.9</b>	<b>16.4</b>	<b>15.8</b>	<b>28.9</b>
<b>Items that will not be reclassified to profit or loss:</b>					
Actuarial gains (losses) on defined benefit pension plans	-0.2	0.0	-0.2	0.0	0.1
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Cash flow hedges	0.0	0.2	0.1	0.4	0.6
Other comprehensive income, net of tax	-0.2	0.2	-0.1	0.4	0.7
<b>Total comprehensive income</b>	<b>8.4</b>	<b>8.0</b>	<b>16.3</b>	<b>16.2</b>	<b>29.6</b>



Comprehensive income attributable  
to:

Owners of the parent	8.4	8.0	16.3	16.2	29.6

## Consolidated statement of financial position, IFRS

EUR million	30 Jun 2014	30 Jun 2013	31 Dec 2013
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	361.7	221.1	232.3
Other intangible assets	169.7	128.9	173.9
Property, plant and equipment	409.5	393.2	392.3
Investments in associates	2.1	1.7	2.1
Available-for-sale financial assets	0.2	0.2	0.2
Trade and other receivables	49.6	29.5	38.7
Deferred tax assets	30.1	17.9	31.8
<b>Total non-current assets</b>	<b>1,023.0</b>	<b>792.6</b>	<b>871.5</b>
<b>Current assets</b>			
Inventories	20.5	18.2	20.8
Trade and other receivables	179.9	159.7	159.2
Tax receivable	5.6	1.3	0.8
Cash and cash equivalents	27.3	7.7	27.1
<b>Total current assets</b>	<b>233.3</b>	<b>186.8</b>	<b>207.9</b>
<b>Total assets</b>	<b>1,256.3</b>	<b>979.4</b>	<b>1,079.3</b>
<b>Shareholders' equity</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	72.7	72.7	72.7
Other reserves	606.5	606.1	606.5
Treasury shares	-103.5	-103.5	-103.5
Retained earnings	-83.3	-81.7	-82.3
Profit for the year	16.4	15.8	28.9
<b>Total equity</b>	<b>508.8</b>	<b>509.5</b>	<b>522.3</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing non-current liabilities	198.9	154.5	225.8
Retirement benefit obligations	1.7	1.6	1.5
Provision for other liabilities	9.9	7.6	7.6
Derivative financial instruments	0.3	1.5	0.5
Deferred income tax liabilities	35.4	44.7	39.0
Other non-current liabilities	25.6	2.8	21.7
<b>Total non-current liabilities</b>	<b>271.8</b>	<b>212.8</b>	<b>296.1</b>
<b>Current liabilities</b>			
Interest-bearing current liabilities	318.3	139.0	127.9
Provisions for other liabilities	1.7	0.2	0.2
Trade and other payables	155.6	116.6	132.8
Current income tax liabilities	0.1	1.3	0.1





<b>Total current liabilities</b>	<b>475.7</b>	<b>257.0</b>	<b>261.0</b>
<b>Total liabilities</b>	<b>747.5</b>	<b>469.8</b>	<b>557.1</b>
<b>Total equity and liabilities</b>	<b>1,256.3</b>	<b>979.4</b>	<b>1,079.3</b>

## Condensed consolidated statement of cash flows, IFRS

EUR million	Jan-Jun 2014	Jan-Jun 2013	Jan-Dec 2013
<b>Cash flows from operating activities</b>			
Profit for the period	16.4	15.8	28.9
Depreciation	74.5	71.7	147.1
Change in working capital	-14.5	-19.4	-32.9
Other adjustments	-6.0	-5.1	-9.6
<b>Net cash generated from operating activities (A)</b>	<b>70.5</b>	<b>63.0</b>	<b>133.6</b>
<b>Cash flows from investing activities</b>			
Investments in property, plant and equipment (PPE) and intangible assets	-48.6	-55.9	-127.1
Proceeds from sale of PPE	1.6	0.1	0.5
Acquisition of subsidiaries and business transfers	-156.5	0,0	-40.5
Change in other investments	0,0	0,0	0,0
<b>Net cash used in investing activities (B)</b>	<b>-203.4</b>	<b>-55.8</b>	<b>-167.1</b>
<b>Cash flows from financing activities</b>			
Dividends paid	-30.0	-35.0	-35.0
Borrowing of interest-bearing liabilities	269.5	109.6	307.1
Repayment of interest-bearing liabilities	-106.4	-82.3	-219.7
<b>Net cash used in financing activities (C)</b>	<b>133.2</b>	<b>-7.7</b>	<b>52.4</b>
Change in cash and cash equivalents (A+B+C)	0.2	-0.6	18.8
Cash and cash equivalents at beginning of year	27.1	8.2	8.2
Cash and cash equivalents at end of year	27.3	7.7	27.1

## Consolidated statement of changes in equity

EUR million	Share capital	Hedge fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Total equity
<b>Balance at 1 January 2013</b>	72.7	-0.9	606.8	-103.5	-47.2	527.8
<b>Comprehensive income</b>						
Profit for the period					15.8	15.8
<b>Other comprehensive income</b>						
Actuarial gains (losses) on defined benefit pension plans					0.0	0.0
Cash flow hedges, net of tax		0.4				0.4
Total other comprehensive income, net of tax		0.4			0.0	#VALUE!
<b>Total comprehensive income</b>	0.0	0.4	0.0	0.0	15.8	16.2
<b>Transactions with owners</b>						
Employee share option scheme: granted options					0.5	0.5
Dividends relating to 2012					-35.0	-35.0
<b>Total contribution by and distributions to owners</b>	0.0	0.0	0.0	0.0	-34.5	-34.5
<b>Balance at 30 June 2013</b>	72.7	-0.5	606.8	-103.5	-65.9	509.5
<b>Balance at 1 January 2014</b>	72.7	-0.3	606.8	-103.5	-53.4	522.3
<b>Comprehensive income</b>						
Profit for the period					16.4	16.4
<b>Other comprehensive income</b>						
Actuarial gains (losses) on defined benefit pension plans					-0.2	-0.2
Cash flow hedges, net of tax		0.1				0.1
Total other comprehensive income, net of tax		0.1			-0.2	-0.1
<b>Total comprehensive income</b>	0.0	0.1	0.0	0.0	16.2	16.3
<b>Transactions with owners</b>						
Employee share option scheme: granted options					0.2	0.2
Dividends relating to 2013					-30.0	-30.0
<b>Total contribution by and distributions to owners</b>	0.0	0.0	0.0	0.0	-29.8	-29.8
<b>Balance at 30 June 2014</b>	72.7	-0.2	606.8	-103.5	-66.9	508.8

# Notes

- [1. Accounting principles](#)
- [2. Segment information](#)
- [3. Investments](#)
- [4. Shareholders's equity](#)
- [5. Interest-bearing net liabilities](#)
- [6. Provisions for other liabilities](#)
- [7. Related party transactions](#)
- [8. Share-based payments](#)
- [9. Derivative fair value measurement hierarchy](#)
- [10. Business combinations](#)

## 1 Accounting principles

This interim report has been prepared in accordance with IFRS regulations and measurement principles and complies with the requirements of the IAS 34 Interim Financial Reporting standard. The information has been prepared in accordance with the valid International Financial Reporting Standards, as approved for application throughout the European Union. The accounting principles are identical to those applied to the Financial Statements of 31 December 2013 with the exception of new standards effective as of 1st of January 2014. This interim report should be read observing the 2013 Financial Statements. The information presented in the interim report is unaudited.

### **Changes to IFRS standards**

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

## 2 Segment information

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

### 1 Apr–30 Jun 2014

EUR 1,000			
Business segments	Consumer segment	Corporate segment	Group total
<b>Net sales</b>	<b>155,094</b>	<b>47,537</b>	<b>202,631</b>
<b>EBITDA</b>	<b>37,409</b>	<b>13,087</b>	<b>50,496</b>
Depreciation	24,200	13,656	37,856
<b>Operating result, EBIT</b>	<b>13,209</b>	<b>-569</b>	<b>12,640</b>
Net financial items			-2,294
Share of associated companies' results			-28
<b>Profit before tax</b>			<b>10,318</b>
<b>Profit for the period</b>			<b>8,563</b>
Investments	18,499	7,901	26,399
Employees at end of period	1,073	782	1,855

### 1 Apr–30 Jun 2013

EUR 1,000			
Business segments	Consumer segment	Corporate segment	Group total
<b>Net sales</b>	<b>140,435</b>	<b>43,065</b>	<b>183,500</b>
<b>EBITDA</b>	<b>33,146</b>	<b>14,264</b>	<b>47,410</b>
Depreciation	23,910	12,213	36,123
<b>Operating result, EBIT</b>	<b>9,236</b>	<b>2,051</b>	<b>11,287</b>
Net financial items			-581
Share of associated companies' results			-32
<b>Profit before tax</b>			<b>10,675</b>
<b>Profit for the period</b>			<b>7,883</b>
Investments	24,298	9,517	33,815
Employees at end of period	1,055	461	1,516

### 1 Jan–30 Jun 2014

EUR 1,000			
Business segments	Consumer segment	Corporate segment	Group total
<b>Net sales</b>	<b>310,843</b>	<b>90,027</b>	<b>400,871</b>
<b>EBITDA</b>	<b>71,287</b>	<b>27,581</b>	<b>98,867</b>
Depreciation	48,364	26,167	74,531
<b>Operating result, EBIT</b>	<b>22,923</b>	<b>1,414</b>	<b>24,337</b>
Net financial items			-4,253
Share of associated companies' results			-18
<b>Profit before tax</b>			<b>20,065</b>
<b>Profit for the period</b>			<b>16,402</b>

Investments	31,363	14,058	45,420
Employees at end of period	1,073	782	1,855

**1 Jan–30 Jun 2013**

EUR 1,000

Business segments	Consumer segment	Corporate segment	Group total
<b>Net sales</b>	<b>282,707</b>	<b>86,806</b>	<b>369,513</b>
<b>EBITDA</b>	<b>65,934</b>	<b>29,207</b>	<b>95,141</b>
Depreciation	47,460	24,191	71,651
<b>Operating result, EBIT</b>	<b>18,475</b>	<b>5,016</b>	<b>23,490</b>
Net financial items			-1,911
Share of associated companies' results			-49
Profit before tax			21,531
<b>Profit for the period</b>			<b>15,814</b>

Investments	39,635	15,825	55,460
Employees at end of period	1,055	461	1,516

**1 Jan–31 Dec 2013**

EUR 1,000

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

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

### 3 Investments

EUR 1,000	Jan-Jun 2014	Jan-Jun 2013	Jan-Dec 2013
Capital expenditure			
Intangible assets	8,411	15,616	23,839
Property, plant and equipment	39,157	40,558	104,575
<b>Total</b>	<b>47,568</b>	<b>56,174</b>	<b>128,415</b>

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



## 4 Shareholders' equity

EUR 1,000	Number of shares (thousands)	Share capital	Unrestricted equity reserve
At 1 January 2013	9,611	72,702	606,779
At 31 December 2013	9,611	72,702	606,779
At 1 January 2014	9,611	72,702	606,779
At 30 June 2014	9,611	72,702	606,779

Number of shares include 1,132,144 treasury shares.

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

**Dividends**

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

## 5 Net liabilities

EUR 1,000	30 June 2014	30 June 2013	31 December 2013
Non-current and current interest-bearing liabilities	517,193	293,523	353,724
Less short-term investments, cash and bank balances	27,284	7,674	27,054
<b>Total</b>	<b>489,909</b>	<b>285,849</b>	<b>326,670</b>

## 6 Provisions for other liabilities

EUR 1,000	1 Jan 2014	Additions	Provisions used	Business changes/Discount Combinations	Other changes/Discount effect	30 Jun 2014
Decommissioning provisions	6,810	310	0	0	1,615	8,735
Restructuring provisions	205	0	0	0	0	205
Onerous contracts	767	18	-88	2,632	-668	2,661
<b>Total</b>	<b>7,782</b>	<b>328</b>	<b>-88</b>	<b>2,632</b>	<b>947</b>	<b>11,601</b>

## 7 Related party transactions

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

EUR 1,000	Sales	Purchases	Receivables	Liabilities
<b>6/2014</b>				
Organisations exercising significant influence	12	1,889	3	276
Associated companies	0	338	0	2
<b>6/2013</b>				
Organisations exercising significant influence	34	2,204	4	264
Associated companies	0	179	0	4
<b>12/2013</b>				
Organisations exercising significant influence	50	4,338	3	34
Associated companies	0	518	0	80

## 8 Share-based payments

### Conditions of share-based incentive scheme

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

### Option scheme

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

### Option scheme

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

### Share options outstanding

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

	Options
<b>On 1 January 2014</b>	62,000
Granted options	
Forfeited options	
Exercised options	
Expired options	
<b>On 30 June 2014</b>	62,000

There were no new options granted during 2014.

## 9 Derivative fair value measurement hierarchy

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Other inputs observable either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 - Unobservable inputs

### 30 June 2014

	Level 1	Level 2	Level 3
<b>Liabilities 1000€</b>			
Interest rate swaps			
Designated at fair value through profit or loss		0	
Derivatives hedge accounting		274	
<b>Total</b>		<b>274</b>	

### 31 December 2013

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

## 10 Business combinations

DNA Ltd acquired the entire capital stock of TDC Finland Oy and TDC Hosting Oy on 4 June 2014. TDC is a leading provider of corporate data networks in the Nordic countries especially for large and medium-sized enterprises. The purchase price was paid in cash. The fair value assessment of the transferred assets and liabilities has not yet been made. The transferred assets and liabilities have preliminary been recorded in the balance sheet as follows:

### EUR million

Intangible assets and property, plant and equipment	39.9
Trade and other receivables	19.7
Cash and cash equivalents	12.7
Trade and other payables	32.5
Purchase consideration, preliminary	169.2
Goodwill	129.4

The final purchase consideration will be specified in July 2014 ( estimated effect is EUR 0.0 to 0.5 million). Direct costs of EUR 3.3 million were recorded as other operating expenses.

The acquired subsidiaries' net sales for 1 January to 31 May amounted to EUR 37.2 million and profits amounted to EUR 0.8 million. If the acquisition had occurred on 1 January 2014, Group net sales would have been EUR 438.0 million and the Group would have made a profit of EUR 17.2 million.

## Key figures

	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Dec 2013
Equity per share, EUR	60.0	60.1	60.0	60.1	61.6
Interest bearing net liabilities, EUR million	489.9	285.8	489.9	285.8	326.7
Net gearing, %	96.3%	56.1%	96.3%	56.1%	62.6%
Equity ratio, %	41.7%	53.1%	41.7%	53.1%	49.4%
Interest bearing net debt/EBITDA	2.43	1.51	2.48	1.50	1.71
Return on investment (ROI), %	5.5%	5.8	5.2%	6.0%	5.4%
Return on equity (ROE), %	6.8%	6.2	6.4%	6.1%	5.5%
Investments, EUR million	27.4	34.2	47.6	56.2	128.4
Investments, % of net sales	13.5%	18.6%	11.9%	18.6%	16.8%
Personnel at end of period	1,855	1,516	1,855	1,516	1,563

## Key operative indicators

## Mobile communication network subscription volumes:

Number of:	Mar 2014	Mar 2013	Jun 2014	Jun 2013	Dec 2013
Subscriptions*	2,458,000	2,412,000	2,481,000	2,426,000	2,450,000
DNA's own customers*	2,389,000	2,311,000	2,423,000	2,332,000	2,377,000

	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Dec 2013
Revenue per subscription (ARPU), EUR**	18.2	18.7	18.0	18.4	18.2
Customer churn rate, %**	15.4	14.6	16.5	16.9	17.1

\*Includes only mobile broadband

\*\*Includes only postpaid phone subscriptions

## Fixed-network subscription volumes:

Number of:	Mar 2014	Mar 2013	Jun 2014	Jun 2013	Dec 2013
Broadband subscriptions	339,000	307,000	360,000	309,000	322,000
Cable TV subscriptions	590,000	594,000	590,000	590,000	591,000
Telephone subscriptions	97,000	116,000	93,000	112,000	103,000



## Calculation of the key indicators

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

\* 12-month adjusted



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