DNA Ltd's

Interim Report

1 January–31 March 2012

Index

DNA’s net sales grew, EBITDA weakened by increase in fixed costs

Summary

- Net sales increased to EUR 186.6 million (173.2 million) year-on-year. This growth was fuelled in particular by terminal device sales.
- EBITDA decreased to EUR 38.6 million (49.8 million), or 20.7 per cent of net sales. The decline was due to higher network, service, personnel and marketing costs, and a EUR 3.2 million provision recognised in the period due to cooperation negotiations. The result of the comparable period was improved by a release of provision consisting of lower than expected integration costs.
- Depreciation amounted to EUR 31.2 million (35.5 million), and operating profit fell to EUR 7.4 million (14.3 million), or 4.0 per cent of net sales.
- DNA and its main shareholders bought a total of 2,027,167 DNA Ltd shares from Sanoma.
- On 30 March 2012, DNA announced that it will start cooperation negotiations due to restructuring of operations.
- The mobile communication subscription base grew year-on-year to 2,329,000 in total (2,112,000).

  Revenue per user (ARPU) for mobile communications amounted to EUR 20.0 (20.5).

  Mobile communication subscription turnover rate (CHURN) was 15.8 per cent (19.1 per cent).

- Due to the fall in the number of telephone subscriptions, DNA’s fixed-line subscription base fell to 1,024,000 (1,051,000) subscriptions (telephone, broadband and cable television).

- DNA’s outlook for 2012 has been revised. The Group’s financial position is estimated to remain good in 2012, and net sales are expected to grow. EBITDA (in euros) and operating profit are estimated to be lower than in 2011 (previously: EBITDA at a similar level, operating profit lower due to an increase in depreciation), however the goal of the restructuring of operations is to improve these figures already towards the end of the review year.

Key figures

Figures are unaudited.

EUR million	1–3/2012	1–3/2011	Change, %
Net sales	186.6	173.2	7.7
EBITDA	38,6*	49.8	−22.6
- % of net sales	20,7*	28.8	
Depreciation	31.2	35.5	−12.2
Operating profit	7,4*	14.3	−48.3
- % of net sales	4,0*	8.3	
Profit before tax	5,7*	13.4	−57.2
Profit for the financial period	4,3*	9.8	−56.8
Return on investment (ROI), %**	3,9*	7.8	
Return on equity (ROE), %**	3,0*	6.4	
Investments	23.4	18.0	30.0
Cash flow after investments***	−8.9	25.9	−134.4

	31 March 2012	31 March 2011	
Net debt, EUR million	288.6	128.7	125.1
Net debt/EBITDA	1.87	0.65	187.7
Gearing, %	58.0	21.5	
Equity ratio, %	51.7	65.2	
Personnel at the end of period	1,045	982	6.4

*includes a EUR 3.2 million provision due to cooperation negotiations
**12-month average
***includes business combinations and financial lease agreements

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Key media

www.dna.fi

CEO’s review:

DNA’s structure is renewed to increase competitiveness

DNA's net sales for January–March increased to EUR 186.6 million (173.2 million). This growth was fuelled in particular by terminal device sales. As regards subscriptions and traffic, net sales growth was restrained by price erosion and the reduction in mobile network termination charges. EBITDA decreased to EUR 38.6 million (49.8 million) due to higher network, service, personnel and marketing costs. The result was also weakened by a non-recurring EUR 3.2 million provision due to cooperation negotiations. Depreciation remained at a high level, and operating profit decreased to EUR 7.4 million (14.3 million). Mobile communication subscription turnover rate (CHURN) improved and came to 15.8 per cent (19.1 per cent). Our financial position remained good, and gearing increased due to the acquisition of own shares.

At the end of March, we announced that we will renew our business structure and initiate cooperation negotiations. Despite opposite estimates, the growth of net sales from traffic and subscriptions slowed down, and we reacted quickly to improve our future financial performance. Our goal is to streamline the organisation and improve the speed, efficiency and profitability of our operations.

The enhancement of our operations and competitiveness takes place in an environment that is undergoing a major change. Changes are fuelled by global web and application-based business models, driven by growing number of smart phones, rapidly increasing traffic volumes that require additional technology investments and increase the cost of operations as well as increasing regulation. Good financial performance in such an environment requires increased focus. We seek to maintain our competitiveness by streamlining and increasing cost-efficiency.

We launched our terrestrial TV business last autumn, entering a changing market. One competitor has since exited due to financing problems, leaving two pay-TV operators on the market. As a result, our terrestrial network is obtaining new programme content, which strengthens our offering. This change supports our position as a nationwide pay-TV operator.

During the review period, the Finnish Government decided to auction the 800 MHz frequencies for mobile communication. The goal of the Ministry of Transport and Communications is to execute the auction early next year. This year, the most significant changes include increasing product packaging in all DNA’s markets and intensifying competition over housing company subscriptions in the fixed network. The decision on prohibiting consumer telemarketing of mobile phone subscriptions is expected during this spring. The possible ban would affect the structure of sales in the market.

Riitta Tiuraniemi

Interim report practices

This interim report has been prepared in accordance with IFRS recognition and measurement principles. For more detailed information on the accounting principles, please see note 1 (Accounting principles).

Unless otherwise stated, the comparison figures in brackets refer to the equivalent period in the previous year. The information presented in this interim report is unaudited.

Operating environment

During the first quarter of the year, the overall financial environment remained uncertain, and competition in the telecommunications consumer and corporate markets remained intense.

Consumer demand for smart phones continued to increase. Mobile communication services, including mobile voice communication and mobile broadband, enjoyed strong demand. Fixed-network broadband customers were actively switching to higher-speed connections. Demand for pay-TV services remained steady, following the standard annual cycle.

Demand in the corporate market kept switching from fixed-network services to mobile services. This was reflected in particular in decreasing volumes of fixed-network operator services and voice services. Demand for mobile communication services continued to increase, particularly for mobile broadband. Demand for fixed-network broadband services remained steady.

Mobile network termination charges between operators fell from the corresponding period in 2011.

During the review period, price competition over housing company subscriptions intensified among operators, causing prices to fall further. The Housing Company Act was amended in 2010, making it easier for housing companies' annual general meetings to make decisions over subscriptions.

The Finnish Ministry of Transport and Communications presented the Government's proposal on prohibiting consumer telemarketing of mobile phone subscriptions to the Finnish Parliament. Parliament decision is expected during the spring of 2012. DNA has voiced its strong support for the initiative.

In accordance with the Government Programme, the Ministry of Transport and Communications has launched an initiative to bring together and clarify legislation pertaining to electronic communication and the provision of information services. Approximately ten acts will be consolidated to form an information society code. It is estimated that the legal reform will take several years to complete.

The Government issued a resolution at the end of March on the auction of 800 MHz frequencies. The preparations necessary for the auction and the legislative process in the Parliament have commenced, and the auction is expected to take place in early 2013.

The Finnish Communications Regulatory Authority (FICORA) has published draft decisions on metallic subscriber connections and wholesale broadband markets. Final decisions are expected during the summer of 2012. In the draft versions, FICORA has proposed establishing price-caps for subscriber connection products based on book values. DNA opposes the use of book values.

Net sales and profit

Net sales

DNA’s net sales in the first quarter amounted to EUR 186.6 million (173.2 million), increasing by 7.7 per cent on last year.

This growth was fuelled in particular by increased terminal device sales. Net sales growth was restrained by the reduction in mobile network termination charges, price erosion caused by intensifying competition and falling demand for fixed-network services.

During the reporting period, 75.3 per cent (75.7 per cent) of net sales was generated by consumer business and 24.7 per cent (24.3 per cent) by corporate business.

Profit

DNA's EBITDA for the January–March period decreased by 22.6 per cent and came to EUR 38.6 million (49.8 million), accounting for 20.7 per cent of net sales (28.8 per cent). Operating profit decreased by 48.3 per cent to EUR 7.4 million (14.3 million), or 4.0 per cent (8.3 per cent) of net sales.

EBITDA and operating profit were burdened by higher network, service, personnel and marketing costs, and a EUR 3.2 million provision recognised in the period due to cooperation negotiations. The result of the comparable period was improved by a release of provision consisting of lower than expected integration costs.

Depreciation to the amount of EUR 31.2 million (35.5 million) was recorded during the reporting period.

Profit before taxes between January and March came to EUR 5.7 million (13.4 million).

Financial profits and expenses amounted to EUR -1.7 million (-1.0 million). Income tax for the period was EUR 1.5 (3.5 million), and profit decreased to EUR 4.3 million (9.8 million). Earnings per share came to EUR 0.45 (1.02).

Consolidated key figures

EUR million	1–3/2012	1–3/2011	Change, %
Net sales	186.6	173.2	7.7
EBITDA	38,6*	49.8	−22.6
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- % of net sales	4,0*	8.3	
Profit before tax	5,7*	13.4	−57.2
Profit for the financial period	4,3*	9.8	−56.8
Return on investment (ROI), %**	3,9*	7.8	
Return on equity (ROE), %**	3,0*	6.4	
Cash flow after investments***	−8.9	25.9	−134.4

*includes a EUR 3.2 million provision due to cooperation negotiations
**12-month average
***includes business combinations and financial lease agreements

Key operative indicators

	1–3/2012	1–3/2011	Change, %
Number of mobile communication network subscriptions at end of period*	2,329,000	2,112,000	10.3
- Revenue per user (ARPU), EUR**	20.0	20.5	−2.4
- Customer CHURN rate, %**	15.8	19.1	−17.3
Number of fixed-network subscriptions at end of period	1,024,000	1,051,000	−2.6

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

Cash flow and financial position

In the January–March period, cash flow after investments decreased to EUR -8.9 million (25.9 million). This is particularly due to higher working capital and increased investments. The financial position was good, and gearing increased to 58.0 per cent (21.5 per cent) at the period end, due to acquisition of own shares.

The Group's liquid assets at the end of March amounted to EUR 4.8 million (5.1 million), and interest-bearing liabilities to EUR 294.5 million (133.7 million).

During the reporting period, DNA drew a loan of EUR 80 million, based on the credit facility agreement signed with the European Investment Bank in September 2010. The maturity of the loan is seven years. The availability of the draw down expired in March 2012. In addition, the company has a commercial paper programme worth EUR 150.0 million (150.0 million), under which EUR 59.5 million (0.0 million) was drawn by the end of March.

DNA also drew a loan facility of EUR 100 in 2011, which is included in a financing agreement totalling EUR 300 million. The maturity of the loan is five years. In addition to the loan, the agreement includes a EUR 200 million revolving credit facility which remained undrawn at the end of the period.

The Group’s liquid assets and undrawn committed credit limits amounted to EUR 219.8 million (70.1 million).

The net debt/EBITDA ratio was 1.87 (0.65).

The balance sheet remained strong, with the end-of-period equity ratio totalling 51.7 per cent (65.2 per cent).

Cash flow and financial key figures

	1–3/2012	1–3/2011
Cash flow after investments, EUR million	−8.9	25.9

	31 March 2012	31 March 2011
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Net debt/EBITDA	1.87	0.65
Gearing, %	58.0	21.5
Equity ratio, %	51.7	65.2

Development per business segment

Consumer business

In the period under review, DNA's consumer business net sales increased to EUR 140.5 million (131.1 million), mainly due to the increase in terminal device sales.

EBITDA decreased to EUR 26.9 million (35.8 million), or 19.1 per cent of net sales (27.3 per cent). Operating profit fell to EUR 7.5 million (13.0 million), accounting for 5.3 per cent of net sales (9.9 per cent).

EBITDA and operating profit were burdened by higher network, service, personnel and marketing costs, and the provision due to cooperation negotiations recognised in the period. The result of the comparable period was improved by a release of provision consisting of lower than expected integration costs.

Depreciation to the amount of EUR 19.4 million (22.8 million) was allocated to consumer business.

DNA launched the presales of the Nokia LUMIA 800 smart phone in January.

DNA's mobile broadband product range was renewed on 31 January 2012 by including unlimited prioritised data transmission in DNA's mobile broadband products from L subscriptions upwards. Moreover, the XL and XXL subscriptions use 4G speeds, and two 4G Mokkula modems were added to DNA's product portfolio.

On 20 March 2012, DNA announced the introduction of a 4G WLAN Mokkula modem on the market. The modem connects up to ten devices to the 4G-grade speeds of Dual Carrier and LTE networks. DNA is the first European operator to bring Sierra Wireless's device to the market and sells it exclusively in Finland.

The consumer product offering expanded on 24 February 2012 with the introduction of DNA Dataprepaid, a subscription tailored for wireless data transfer. The largest IT distributor in Finland, Also Finland OY, and DNA announced on 6 March 2012 an agreement whereby a Dataprepaid subscription will accompany all iPad 3G tablets sold via Also. In the future, the subscription will be offered with other tablet models distributed by Also.

DNA launched HIGH TV 3D channel broadcasts in its nationwide cable network on 1 March 2012.

On 2 April 2012, DNA and MTV MEDIA agreed on the broadcasting of the ice hockey world championships in the terrestrial network, also in HDTV. The distribution agreement covers the entire country and includes both standard-quality and HDTV broadcasts. The broadcasts will also be transmitted in DNA's cable network.

Corporate business

Corporate business net sales for the review period increased to EUR 46.1 million (42.1 million) due to the Forte Netservices Oy acquisition and growth in mobile communication services.

EBITDA decreased to EUR 11.7 million (14.0 million), or 25.5 per cent of net sales (33.2 per cent). Operating profit fell to EUR -0.1 million (1.3 million), or -0.1 per cent of net sales (3.1 per cent). EBITDA and operating profit were burdened by, for example, the provision recognised due to cooperation negotiations and personnel costs. The result of the comparable period was improved by a release of provision consisting of lower than expected integration costs.

Depreciation to the amount of EUR 11.8 million (12.7 million) was allocated to corporate business.

On 10 January 2012, DNA and Kemppi Oy, a long-standing customer of DNA and a world-leading manufacturer of arc welding equipment and a provider of solutions for highly productive welding, announced a multi-year agreement on service centre, communication and data communication services.

DNA Oy and Wextra Oy, an ICT expert, agreed on cooperation on 18 January 2012. As a local partner, Wextra will sell DNA's voice and data services to companies, associations and consumers.

BookIT and DNA announced their partnership on 15 February 2012. BookIT, a developer of intelligent SMS services (iSMS), uses DNA's mobile and M2M subscriptions. The companies aim to produce new mobile and telecommunications services, among other things.

Key indicators per business segment

	Consumer business		Corporate business	
EUR million	1–3/2012	1–3/2011	1–3/2012	1–3/2011
Net sales	140.5	131.1	46.1	42.1
EBITDA	26,9*	35.8	11,7*	14.0
- % of net sales	19,1*	27.3	25,5*	33.2
Depreciation	19.4	22.8	11.8	12.7
Operating profit/loss	7,5*	13.0	-0,1*	1.3
- % of net sales	5,3*	9.9	-0,1*	3.1

*includes the provision of the Group due to cooperation negotiations

Investments, R&D and network

Investments

Investments in the January–March period amounted to EUR 23.4 million (18.0 million), or 12.5 per cent of net sales (10.4 per cent). Major individual items included investments in the 3G network and fibre and transfer systems.

Investments

EUR million	1–3/2012	1–3/2011
Consumer business	15.5	11.0
Corporate business	6.6	4.6
Non-allocated	1.4	2.4
Total investments	23.4	18.0

Research and development

In the January–March period, the Group invested EUR 0.3 million (0.1 million) in research and development, representing 0.0 per cent (0.0) of net sales. The majority of research and development costs have been recognised as expenses.

Network infrastructure

During the period under review, DNA expanded its 4G services to new locations. At the end of the first quarter, DNA's 4G LTE network reached approximately one million Finns. The company's 3G network reached some 94 per cent and terrestrial TV network some 83 per cent of the population.

Personnel

At the end of March, DNA had 1,045 (982) employees. Year-on-year, this figure grew by 6.4 per cent. The number of consumer business employees totalled 707 (681) and corporate business employees 338 (301). The acquisition of Forte Netservices Oy increased the number of corporate business employees by 37 on 12 July 2011.

The average number of DNA employees in January-March was 1,040 (987). Salaries and fees paid during the period amounted to EUR 17.6 million (9.9 million). At the end of the period, DNA employed 338 women (311) and 707 men (671).

On 30 March 2012, DNA announced that it was to initiate cooperation negotiations on 10 April 2012 to restructure its business operations. The negotiations involve the entire staff of DNA Ltd, excluding the company’s subsidiaries DNA Kauppa Oy and Forte Netservices Oy. It was estimated that reorganising the business operations will result in staff cuts affecting a maximum of 150 employees.

Personnel by business segment

	31 March 2012	31 March 2011
Consumer business	707	681
Corporate business	338	301
Total personnel	1,045	982

Group structure and litigation matters

Changes in the Group structure

There were no changes in the Group structure during the review period.

Significant litigation matters

There were no significant litigation matters during the review period.

Management and governance

Minna Miettinen was appointed DNA Vice President, Products & Content and a member of Executive Team as of 16 January 2012. She reports to DNA Chief Operating Officer Petteri Niemi and is responsible for the management and development of DNA's products and content portfolio. Her predecessor, Timo Varsila resigned on 13 January 2012.

DNA Ltd's Annual General Meeting of 15 March 2012 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 2011.

The Annual General Meeting confirmed the Board of Directors to comprise six members. Re-elected members of the Board include Hannu Isotalo, Jarmo Leino, Jukka Ottela, Tuija Soanjärvi and Anssi Soila. Juha Ala-Mursula was elected a new member. The Annual General Meeting decided not to change the remunerations paid to the members of the Board of Directors and its Committees. PricewaterhouseCoopers Ltd continue as the company auditor with Johan Kronberg as the main auditor.

At the constitutive meeting of the Board of Directors held subsequent to the Annual General Meeting, Jarmo Leino was re-elected Chairman.

The Annual General Meeting amended the number of the members of the Board of Directors specified in the Articles of Association to no less than five (5) and no more than seven (7) ordinary members. The company will domicile in Helsinki. These changes will come into effect on 1 August 2012.

At its meeting on 15 March 2012, the Board elected Tuija Soanjärvi the chair and Jukka Ottela a member of the Audit Committee. The Board elected Jarmo Leino as the chair and Hannu Isotalo and Juha Ala-Mursula as members of the Remuneration and Nomination Committee.

DNA's corporate governance principles are described in more detail in the company's Annual Report at www.dna.fi/annualreporting.

Shares and shareholders

Shareholders

On 16 March 2012, DNA's main shareholders purchased 910,271 DNA Ltd shares held by Sanoma Entertainment Finland Oy. Finda Oy, Oulu ICT Oy, PHP Holding Oy, Osuuskunta KPY and Ilmarinen Mutual Pension Insurance Company completed an ownership arrangement with the purchased shares on 16 March 2012. After the arrangement, the largest owners of DNA Ltd were Finda Oy (32.5 per cent of the share stock), Oulu ICT Oy (22.1 per cent), PHP Holding Oy (19.7 per cent), Osuuskunta KPY (12.9 per cent) and Ilmarinen Mutual Pension Insurance Company (5.0 per cent). Press releases about the details of the arrangement, during which DNA Ltd acquired its own shares, were published on 23 February and 16 March 2012.

The 10 largest shareholders of DNA Ltd on 31 March 2012 were Finda Oy, Oulu ICT Oy, PHP Holding Oy, Osuuskunta KPY, Ilmarinen Mutual Pension Insurance Company, Anvia Plc, Lohjan Puhelin Oy, Pietarsaaren Seudun Puhelin Oy, Karjaan Puhelin Oy and Vakka-Suomen Puhelin Oy. They owned a total of 99.6 per cent of outstanding DNA shares and voting rights.

The transfer of the DNA Ltd shares held by PHP Liiketoiminta Oyj to its parent company PHP Holding Oy was entered into DNA's shareholder register on 6 February 2012.

Dividend

Due to the purchase of DNA's own shares, the Annual General Meeting of 15 March 2012 adjusted the Board of Directors' previous proposal and decided to pay a dividend of EUR 3.50 per share, totalling EUR 29,701,980. The dividend was paid out on 27 March 2012 for shares held by external parties on 19 March 2012.

Shares and the Board's authorisations

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.

The Annual General Meeting of 15 March 2012 decided to buy a total of 1,116,896 DNA shares in a directed purchase from Sanoma Entertainment Finland Oy. The total purchase price came to EUR 99,999,962.51, or EUR 89.53 per share. The purchase was financed using DNA's unrestricted equity reserve on 16 March 2012, after which external parties held a total of 8,486,280 DNA shares and DNA Ltd held a total of 1,124,396 shares.

The Annual General Meeting authorised the Board of Directors to decide on repurchasing a maximum of 950,000 own shares using the company's unrestricted shareholders' equity. The authorisation includes a right to decide on all terms of the share repurchase and is effective until 30 June 2013. This authorisation cancels the previous authorisation.

Moreover, the Annual General Meeting authorised the Board to decide on issuing a maximum of 950,000 shares and special rights entitling to shares. The authorisation includes a right to decide on all terms related to the issuance of shares and special rights. The authorisation is effective until 30 June 2017, and cancels the previous authorisation.

The Board of Directors was also authorised to make a decision on a conveyance of a maximum of 950,000 acquired own shares. The authorisation includes a right to decide on all terms related to the conveyance. The authorisation will be effective until 30 June 2017.

Corporate responsibility

Electricity consumption of the mobile radio network is the main individual source of DNA’s environmental impact. During the period under review, DNA continued to modernise its radio network with new generation base station devices. Instead of building individual base stations, all mobile communication technologies can be integrated into one base station.

DNA's 4G technology further diminishes relative per-data energy consumption through improved technical performance. The construction of the 4G network continued in the reporting period. In addition, the terrestrial TV network was constructed using existing masts in the mobile communication network, and DNA’s TV broadcasts use frequencies efficiently.

Network modernisation and the adoption of 4G technology are expected to increase the network’s total efficiency considerably, while the need to multiply mobile broadband capacity is growing markedly.

DNA’s corporate responsibility report is based on the Global Reporting Initiative (GRI) reporting model. The report for 2011 was published with the Annual Report and can be found at www.dna.fi/annualreporting. DNA continued the development of corporate responsibility during the reporting period by measures such as adding and an appendix of ethical considerations to new purchase agreements.

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. A more detailed description of DNA's risk management and risks is available in the Annual Report at www.dna.fi/annualreporting. There have been no significant changes to near-term risks and uncertainties.

Licence regulation plays a major role in DNA's mobile communication and terrestrial network businesses. The Government has decided to auction the licences to the broadband 800 MHz mobile network, and the auction is planned to take place in early 2013.

DNA initiated cooperation negotiations on 10 April 2012, to restructure its business operations. The negotiations and restructuring create usual risks related to personnel and temporary weakening of operational efficiency.

Events after the review period

There were no significant events after the review period.

Outlook for 2012

Market outlook

Similarly to 2011, it is estimated that the total value of the Finnish telecommunications market will remain unchanged. Areas likely to experience growth include mobile broadband, and, as pay-TV and IP TV gain ground, TV services. The value of fixed-network voice services is expected to keep falling. The value of the fixed-network broadband business is anticipated to decrease further as a result of intensified competition over housing company subscriptions, enabled by the amendment to the Housing Company Act in 2010.

The termination of the “TV Viihde” pay-TV service on 30 April 2012 will have a significant effect on the terrestrial TV market in Finland.

Uncertainty related to the overall economic situation may increase, which may affect the value of smart phone and TV services and the corporate market.

In addition to the overall economic situation, net sales and profitability of the industry are being affected by the increased popularity of IP-based communication services driven by growing number of smart phones, other market developments, pricing pressures, reduction in mobile termination charges (in December 2011, prices fell from 4.4 cents to 3.8 cents/minute) and increased competition in the mobile communication and fixed-line broadband markets in particular.

DNA’s outlook

Competition in the consumer market is expected to remain intense. DNA anticipates that business operations in the terrestrial TV network and terrestrial network pay-TV will grow slowly. Demand for pay-TV services is affected by consumer confidence related to overall economic development, the termination of the “TV Viihde” service, the more affordable price level introduced by increased competition and awareness of services. In 2012, pay-TV services are expected to gain ground as the most appealing sports coverage moves to pay channels.

Consumer demand for DNA’s mobile broadband services is anticipated to increase. It is expected that fixed-network broadband customers will continue to switch to housing company subscriptions and higher-speed connections. Intensifying competition in the housing company subscriptions market should lead to a lowering of ARPU.

Competition in the corporate market is expected to remain tight. The total value of the communication service market is expected to fall slightly, and the shift from fixed-network voice services to mobile communication-based voice services to continue.

Growth in the demand for mobile communication data services used in company data networks is estimated to remain strong as the increase in mobile work continues. On the other hand, the market value of fixed-network data solutions connecting offices should remain unchanged despite increasing speeds. Demand for added value services for customer networks is anticipated to increase, including data security, management and monitoring services.

DNA will expand its current terrestrial HDTV network and all channel package broadcasts to cover over 85 per cent of the Finnish population in early 2012.

DNA expects to double the coverage of the company’s 4G LTE network to reach over 2 million Finns during 2012. The Group also aims to invest in 3G network capacity in 2012.

The Group’s financial position is estimated to remain good in 2012, and net sales are expected to grow. EBITDA (in euros) and operating profit are estimated to be lower than in 2011, however the goal of the restructuring of operations is to improve these figures already towards the end of the review year.

DNA Ltd

Board of Directors

Interim report practices

This interim report has been prepared in accordance with IFRS recognition and measurement principles. For more detailed information on the accounting principles, please see note 1 (Accounting principles).

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Consolidated income statement, IFRS

EUR million		1 Jan–31 Mar 2012	1 Jan–31 Mar 2011 restated*	1 Jan–31 Dec 2011
Net sales		186.6	173.2	727.5
Other operating income		0.5	1.1	3.9
Materials and services		−98.9	−86.8	−377.1
Employee benefit expenses		−21.8	−12.3	−58.6
Depreciation		−31.2	−35.5	−137.6
Other operating expenses		−27.8	−25.4	−107.4
Operating result, EBIT		7.4	14.3	50.8
Financial income		0.4	0.5	1.6
Financial expense		−2.1	−1.4	−6.2
Share of associated companies' results		0,0	0,0	0,0
Net profit before tax		5.7	13.4	46.2
Income tax		−1.5	−3.5	−10.4
Net profit for the period		4.3	9.8	35.8
Other comprehensive income:				
Cash flow hedges		−0.2	0.2	0.4
Other comprehensive income, net of tax		−0.2	0.2	0.4
Total comprehensive income		4.0	10.0	36.1
Net profit/loss attributable to:				
	Owners of the parent	4.3	9.8	35.8
Comprehensive income attributable to:				
	Owners of the parent	4.0	10.0	36.1
Earnings per share of the profit attributable to equity holders of the parent company				
Basic earnings per share, EUR		0.45	1.02	3.73
Average number of shares				
- Basic		9,417	9,603	9,603

*) Note 9

Consolidated statement of financial position, IFRS

EUR million	31 Mar 2012	31 Mar 2011 restated*	31 Dec 2011
Assets			
Non-current assets			
Goodwill	220.4	209.8	220.4
Other intangible assets	126.9	134.4	129.7
Property, plant and equipment	399.8	394.0	415.4
Investments in associates	1.2	1.1	1.1
Available-for-sale financial assets	0.2	0.2	0.2
Trade and other receivables	11.6	9.9	16.6
Deferred tax assets	22.1	26.0	21.8
Total non-current assets	782.1	775.3	805.1
Current assets			
Inventories	15.4	9.9	14.0
Trade and other receivables	177.8	143.0	171.0
Cash and cash equivalents	4.8	5.1	28.4
Total current assets	197.9	157.9	213.5
Total assets	980.0	933.3	1,018.6
Shareholders' equity			
Equity attributable to owners of the parent			
Share capital	72.7	72.7	72.7
Unrestricted equity reserve	605.4	605.5	605.6
Treasury shares	−102.6	−0.9	−0.9
Retained earnings	−81.9	−89.2	−88.0
Profit for the year	4.3	9.8	35.8
Total equity	497.9	597.9	625.2
Liabilities			
Non-current liabilities			
Interest-bearing non-current liabilities	208.1	82.5	135.1
Retirement benefit obligations	0.2	0.2	0.2
Provision for other liabilities	6.5	7.1	5.7
Derivative financial instruments	1.2	0.8	0.7
Deferred income tax liabilities	55.4	68.1	58.2
Other non-current liabilities	1.3	1.4	1.4
Total non-current liabilities	272.7	160.2	201.3
Current liabilities			
Interest-bearing current liabilities	85.3	51.2	46.5
Provisions for other liabilities	3.3	1.4	0.1
Trade and other payables	120.0	110.9	144.5
Current income tax liabilities	0.8	11.6	0.9
Total current liabilities	209.4	175.2	192.0
Total liabilities	482.1	335.4	393.4
Total equity and liabilities	980.0	933.3	1,018.6

*) Note 9

Condensed consolidated statement of cash flows, IFRS

EUR million	1–3/2012	1–3/2011 restated*	1–12/2011
Cash flows from operating activities			
Profit for the period	4.3	9.8	35.8
Depreciation	31.2	35.5	137.6
Change in working capital	−23.0	1.5	−7.9
Other adjustments	1.1	−4.4	−24.6
Net cash generated from operating activities (A)	13.6	42.4	140.9
Cash flows from investing activities			
Investments in property, plant and equipment (PPE) and intangible assets	−22.6	−16.7	−118.4
Proceeds from sale of PPE	0.1	0.2	0.5
Acquisition of subsidiaries and business transfers	0,0	0,0	−14.1
Change in other investments	−0.1	0,0	0.1
Net cash used in investing activities (B)	−22.5	−16.5	−131.9
Cash flows from financing activities			
Dividends paid	−29.7	−49.9	−49.9
Treasury share acquisition	−101.7	0,0	0,0
Borrowing of interest-bearing liabilities	80.0	0,0	100.0
Repayment of interest-bearing liabilities	−2.3	−18.4	−97.8
Commercial papers, net	34.2	0,0	24.9
Change in non-current receivables	4.8	−1.9	−7.2
Net cash used in financing activities (C)	−14.7	−70.3	−30.0
Change in cash and cash equivalents (A+B+C)	−23.6	−44.4	−21.0
Cash and cash equivalents at beginning of year	28.4	49.5	49.5
Cash and cash equivalents at end of year	4.8	5.1	28.4

*) Note 9

Consolidated statement of changes in equity

EUR million	Share capital	Hedge fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Total equity
Balance at 1 January 2011	72.7	−0.6	605.9	−0.9	−39.4	637.7
Comprehensive income						
Profit for the period					9.8	9.8
Other comprehensive income						
Cash flow hedges, net of tax		0.2				0.2
Total other comprehensive income, net of tax		0.2				0.2
Total comprehensive income	0,0	0.2	0,0	0,0	9.8	10.0
Transactions with owners						
Employee share option scheme: granted options					0.1	0.1
Dividends relating to 2010					−49.9	−49.9
Total contribution by and distributions to owners					−49.8	−49.8
Balance at 31 March 2011 restated*	72.7	−0.4	605.9	−0.9	−79.4	597.9
Balance at 1 January 2012	72.7	−0.3	605.9	−0.9	−52.3	625.2
Comprehensive income						
Profit for the period					4.3	4.3
Other comprehensive income						
Cash flow hedges, net of tax		−0.2				−0.2
Total other comprehensive income, net of tax		−0.2				−0.2
Total comprehensive income	0,0	−0.2	0,0	0,0	4.3	4.0
Transactions with owners						
Treasury share acquisition				−101.7	0.0	−101.7
Employee share option scheme: granted options					0.1	0.1
Dividends relating to 2011					−29.7	−29.7
Total contribution by and distributions to owners	0,0	0,0	0,0	−101.7	−29.6	−131.4
Balance at 31 March 2012	72.7	−0.5	605.9	−102.6	−77.6	497.9

*) Note 9

1 Accounting principles

This interim report has been prepared in accordance with IFRS regulations and measurement principles. However, the report does not fully comply with all 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 2011. This interim report should be read observing the 2011 Financial Statements.

2 Segment information, IFRS 8

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

1 Jan–31 Mar 2012			
EUR 1,000			
Business segments	Consumer segment	Corporate segment	Group total
Net sales	140,507	46,081	186,589
EBITDA	26,854	11,735	38,589
Depreciation	19,402	11,791	31,193
Operating result, EBIT	7,452	−55	7,397
Net financial items			−1,674
Share of associated companies' results			11
Profit before tax			5,734
Profit for the period			4,253
Investments	15,489	6,556	22,045
Employees at end of year	707	338	1,045

1 Jan–31 Mar 2011			
EUR 1,000			
Business segments	Consumer segment	Corporate segment	Group total
Net sales	131,126	42,089	173,215
EBITDA	35,840	13,994	49,834
Depreciation	22,823	12,692	35,515
Operating result, EBIT	13,017	1,302	14,319
Net financial items			−961
Share of associated companies' results			4
Profit before tax			13,361
Profit for the period			9,843
Investments	10,995	4,613	15,608
Employees at end of year	681	301	982

1 Jan–31 Dec 2011			
EUR 1,000			
Business segments	Consumer segment	Corporate segment	Group total
Net sales	554,033	173,498	727,531
EBITDA	132,793	55,610	188,403
Depreciation	86,298	51,266	137,564
Operating result, EBIT	46,496	4,343	50,839
Net financial items			−4,690
Share of associated companies' results			11
Profit before tax			46,161
Profit for the period			35,796
Investments	81,069	34,315	115,384
Employees at end of year	690	345	1,035

3 Investments

EUR 1,000		1–3/2012	1–3/2011	1–12/2011
Capital expenditure				
	Intangible assets	2,828	3,718	26,371
	Property, plant and equipment	20,618	11,891	92,805
Total		23,445	15,608	119 176

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 2011	9,611	72,702	605,927
At 31 March 2011	9,611	72,072	605,927
At 1 January 2012	9,611	72,702	605,927
At 31 March 2012	9,611	72,702	605,927

Number of shares include 1.124.396 treasury shares.
DNA Oy has one type of share. The total number of shares are 9,610,676 (9,610,676). The shares do not have a nominal value. DNA Oy'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 15 March 2012 approved a payment of dividend (EUR 3.5 per share) totalling EUR 29,701,980.00. The dividend was paid on 27 March 2011.

Treasury shares

During the period, the company acquired 1.116.896 treasury shares following the decision made at the annual general meeting 15 March 2012. The cost of the acquisition including transfer tax and other acquisition related costs totalled EUR 101,745,723.26.

The acquisition of treasury shares is deducted from retained earnings

Date	Number of shares	Acquisition cost
16 March 2012	1,116,896.00	101,745,723.26
Total	1,116,896.00	101,745,723.26

Treasury shares aquired during the period represent 11.7 per cent of the votes (treasury shares in total representing 11.7 per cent of the votes).

5 Net liabilities

EUR 1,000	31 March 2012	31 March 2011	31 December 2011
Non-current and current interest-bearing liabilities	293,424	133,736	181,601
Less short-term investments, cash and bank balances	4,808	5,066	28,448
Total	288,616	128,670	153,153

6 Provisions for other liabilities

EUR 1,000	1 Jan 2012	Additions	Provisions used	Discount effect	31 Mar 2012
Decommissioning provisions	4,292			808	5,101
Restructuring provisions	752	3,161			3,913
Onerous contracts	812		−29	3	786
Total	5,856	3,161	−29	811	9,800

Restructuring provision

At the end of March, personnel were informed of the reorganisation of DNA's business structure, resulting in the initiation of cooperation negotiations on 10 April 2012. The restructuring provision includes a provision for termination costs. The provision relating to terminations will realise during 2012. The provision includes unemployment insurance costs for terminated employment contracts.

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 excercises significant influence is considered a related party.

EUR 1,000	Sales	Purchases	Receivables	Liabilities
3/2012				
Organisations exercising significant influence	2	449	0	0
Associated companies	0	46	0	0

EUR 1,000	Sales	Purchases	Receivables	Liabilities
3/2011				
Organisations exercising significant influence	2,528	585	920	32
Associated companies	0	32	0	0

EUR 1,000	Sales	Purchases	Receivables	Liabilities
12/2011				
Organisations exercising significant influence	8,842	2,915	1	8
Associated companies	0	197	0	0

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
Exercise price	EUR 97.00	EUR 97.00
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
On 1 January	108,000
Granted options	
Forfeited options	8,000
Exercised options	
Expired options	
On 31 March	100,000

The weighted average fair value of options granted during 2011 was EUR 38.73 per option (2010A: EUR 35.47 per option). The fair value of the options was determined by using a valuation model. The significant inputs of the model were the share price of EUR 98.66, exercise price shown above less dividends paid in 2010 of EUR 4.35, volatility of 38 per cent, an expected option life of two years, and a risk-free interest rate of 2.82 per cent (2010A: 2.49 per cent).

The costs of the share option scheme are expensed during the expected life of the options. Management´s estimate of the expected life of the options was updated from two years to three and a half years.

9 Prior period adjustments

After the publishing of the Q3 2011 interim report, an internal system error was detected which has been corrected retrospectively. The comparative figures for 31 March 2011 have been adjusted as follows:

Consolidated statement of comprehensive income

EUR million	Published	Adjustment	Restated
NET SALES	175.2	−2.0	173.2
Other operating income	1.1		1.1
Expenses	−160.0		−160.0
OPERATING RESULT, EBIT	16.3	−2.0	14.3
Financial items	−1.0		−1.0
Share of associated companies' results	0.0		0.0
NET PROFIT BEFORE TAX	15.3	−2.0	13.4
Income tax	−4.0	0.5	−3.5
NET PROFIT FOR THE PERIOD	11.3	−1.5	9.8
OTHER COMPREHENSIVE INCOME:			
Cash flow hedging	0.2		0.2
Other comprehensive income, net of tax	0.2		0.2
TOTAL COMPREHENSIVE INCOME	11.5	−1.5	10.0
Earnings per share, basic, EUR	1.18		1.02
Average number of shares			
- Basic	9,603		9,603

Consolidated statement of financial position

EUR million	Published	Adjustment	Restated
TOTAL NON-CURRENT ASSETS	775.3		775.3
Trade and other receivables	145.4	−2.4	143.0
Other current assets	15.0		15.0
TOTAL CURRENT ASSETS	160.4	−2.4	157.9
TOTAL ASSETS	935.7	−2.4	933.3
TOTAL EQUITY	599.4	−1.5	597.9
TOTAL NON-CURRENT LIABILITIES	160.2		160.2
Current income tax liabilities	12.1	−0.5	11.6
Trade and other payables	111.4	−0.5	110.9
Other current payables	52.6		52.6
TOTAL CURRENT LIABILITIES	176.1	−1.0	175.2
TOTAL EQUITY AND LIABILITIES	935.7	−2.4	933.3

Key figures

	1–3/2012	1–3/2011	31 Dec 2011
Equity per share, EUR	52.9	62.3	65.1
Interest-bearing net liabilities, EUR million	288.6	128.7	153.2
Gearing, %	58.0%	21.50%	24.5%
Equity ratio, %	51.7%	65.2%	62.2%
Net debt/EBITDA	1.87	0.65	0.81
Return on investment (ROI), %	3.9%	7.8%	6.6%
Return on equity (ROE), %	3.0%	6.4%	5.7%
Investments, EUR million	23.4	18.0	119.5
Investments, % of net sales	12.5%	10.4%	16.4%
Personnel at end of period	1,045	982	1,035

Key operative indicators

Mobile communication network subscription volumes:

Number of:			
Subscriptions*	2,329,000	2,112,000	2,285,000
DNA's own customers*	2,218,000	2,014,000	2,188,000
Revenue per subscription (ARPU), EUR**	20.0	20.5	20.4
Customer churn rate, %**	15.8	19.1	16.4
*Includes only mobile broadband			
**Includes only postpaid phone subscriptions			

Fixed-network subscription volumes:
Number of:

Broadband subscriptions	298,000	297,000	299,000
Cable TV subscriptions	592,000	602,000	602,000
Telephone subscriptions	134,000	152,000	138,000

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)
Net debt/EBITDA*	=	Interest-bearing net liabilities / EBIT + depreciation + amortisation

* 12-month adjusted