DNA Ltd's
Interim Report

1 January–30 September 2012

Index

Growth in DNA's net sales and profit

Summary

July–September 2012

- Net sales increased to EUR 189.2 million (185.4 million) year-on-year. This growth was fuelled in particular by terminal device sales and an increase in the number of mobile, housing company and cable subscriptions.
- EBITDA increased to EUR 53.0 million (44.8 million), or 28.0 per cent (24.1 per cent) of net sales. The increase was due to restructuring of operations and reduced terminal subventions.
- Operating profit increased to EUR 19.7 million (11.2 million), or 10.4 per cent (6.0 per cent) of net sales.
- The mobile communication subscription base grew 7.7 per cent from the end of the comparable period, reaching 2,406,000 in total (2,234,000).

  Revenue per user (ARPU) for mobile communications amounted to EUR 19.7 (20.8).

  Mobile communication subscription turnover rate (CHURN) was 15.5 per cent (15.7 per cent).

- DNA's fixed-line subscription base increased to 1,038,000 (1,035,000) subscriptions (telephone, broadband and cable television) from the end of the comparable period.

January–September 2012

- Net sales increased to EUR 567.4 million (537.4 million) year-on-year. This growth was fuelled by the growth of net sales from subscriptions and terminal device sales.
- EBITDA decreased slightly to EUR 141.1 million (141.9 million), or 24.9 per cent of net sales (26.4 per cent). The decline was due to higher network, service, personnel and marketing costs in the first quarter, as well as a provision recognised in the quarter due to cooperation negotiations.
- Operating profit increased to EUR 44.2 million (37.6 million), or 7.8 per cent (7.0 per cent) of net sales.

  We revise our outlook for 2012 slightly upwards. The Group's financial position should remain good in 2012 and net sales are expected to grow. EBITDA (in euros) is anticipated to remain unchanged year-on-year and operating profit to be slightly higher than in 2011. In the previous quarter, EBITDA (in euros) and operating profit were forecast to be slightly lower than in 2011.

Key figures

Figures are unaudited.

EUR million	7–9/2012	7–9/2011	1–9/2012	1–9/2011
Net sales	189.2	185.4	567.4	537.4
EBITDA	53.0	44.8	141.1*	141.9
- % of net sales	28.0%	24.1%	24.9%*	26.4%
Depreciation	33.3	33.6	96.9	104.3
Operating profit	19.7	11.2	44.2*	37.6
- % of net sales	10.4%	6.0%	7.8%*	7.0%
Profit before tax	17.5	10.3	38.2*	34.8
Profit/loss for the financial period	12.7	7.3	28.8*	25.5
Return on investment (ROI), %**	10.1	6.0	7.6*	6.6
Return on equity (ROE), %**	9.8	4.8	6.7*	5.4
Investments	34.2	27.2	93.3	70.7
Cash flow after investments***	9.1	-21.1	21.8	12.1
Net debt, EUR million			264.0	150.1
Net debt/EBITDA			1.40	0.79
Gearing, %			50.6	24.4
Equity ratio, %			54.3	64.7
Personnel at the end of period			1,426	1,014

*includes a EUR 2.5 million provision due to cooperation negotiations
**adjusted to 12 months
***includes business combinations and financial lease agreements

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Distribution:

Key media

www.dna.fi

CEO's review:

We improved our ability to compete

DNA's net sales for July–September increased to EUR 189.2 million (185.4 million) and EBITDA to EUR 53.0 million (44.8 million). Profit grew by 75.8 per cent to EUR 19.7 million (11.2 million). This growth was mainly fuelled by terminal device sales and an increase in the number of mobile, housing company and cable subscriptions. Our profitability improved due to the restructuring of operations in early 2012.

Since the spring, we have continued to streamline our operations and improve our cost-competitiveness. At the end of June, we acquired a customer service entity from our outsourcing partner GoExcellent. Having integrated this service entity into our consumer and corporate businesses, we have further enhanced the quality and flexibility of our customer service in a business environment that requires ever growing agility and efficiency. We can already see a lighter cost structure and improved customer satisfaction in this quarter.

DNA's new head office was completed in Käpylä, Helsinki, in August. The site benefits from good traffic connections. Most of the DNA staff in the Helsinki Metropolitan Area (550 employees) relocated to the new premises constructed by YIT. Energy-efficient and flexible, our new work environment enables us to be innovative in versatile ways.

In September, DNA introduced a new and easy way to access the Internet while travelling abroad. The Goodspeed service and personal mobile hotspot allow the use of locally priced data transfer in Europe. Another innovative service available from DNA Stores is an interface created by the Finnish company Simplofon Oy, which simplifies the use of touch screen phones.

DNA's high-definition broadcasts of the London Olympics on the Yle HD channel were available free of charge to some 1.5 million households across the entire service area of DNA's terrestrial and cable network. We expect HDTV viewing to increase quickly as a result of growing sales volumes of HDTVs. This trend is also supported by the Communications Policy Programme for Electronic Media adopted by the Finnish government, stating that the pay-TV operations of terrestrial TV networks will migrate to HDTV networks in the beginning of 2017. At the same time, the 700-megaherz frequency band will be allocated to wireless broadband to promote new distribution channels for audiovisual content. Quick deployment of the 700-megaherz frequency band will provide an alternative for implementing wireless broadband services in sparsely populated areas soon after the auction of the 800-megaherz frequency band.

According to the results of the international EPSI Rating study published in October, DNA has the most satisfied mobile broadband customers, while DNA Welho has the most satisfied customers in the pay-TV market. DNA's service quality is considered the best, and customer value and loyalty are also at the highest level. DNA Welho pay-TV services scored top points in product quality and image again as in 2011. Customer satisfaction is based on improved customer service and fast network.

We expect the economic situation in Finland and Europe to remain turbulent, and the economies to gradually enter a long period of slow growth. The impact of the economic situation will be slow and post-cyclical in the telecommunications market. The competitive situation remains tight.

We revise our outlook for 2012 slightly upwards. The Group's financial position should remain good in 2012 and net sales are expected to grow. EBITDA (in euros) is anticipated to remain unchanged year-on-year and operating profit to be slightly higher than in 2011.

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

Competition remained intense in the Finnish telecommunications market, which was reflected as service price erosion towards the end of the period.

Demand for smartphones remained strong in the consumer market. Demand for mobile services, including mobile voice and mobile broadband, remained solid. The popularity of housing company broadband services increased, and a growing number of housing companies are offering fixed-line broadband connections to their residents. Demand for pay-TV services followed normal seasonal fluctuation.

Demand in the corporate market continued to switch from fixed-network voice services to mobile services as the volumes of mobile voice services increased and fixed-network voice services decreased. Demand for corporate fixed-network broadband services remained steady, and demand for mobile broadband services continued to increase.

The Finnish government adopted a Communications Policy Programme for Electronic Media and submitted it to Parliament as a report in September. Included in the programme is the decision that the 700-megaherz frequency band, currently used for television broadcasts, will be allocated to wireless broadband in 2017. Pay-TV channels will migrate to T2 networks at the same time.

In October, the Finnish Parliament approved the government’s proposal that specifies the conditions for the auction of 800 MHz frequencies.This decision may affect competition, market concentration and end-user pricing.

Net sales and profit

July–September 2012

DNA’s net sales in the third quarter amounted to EUR 189.2 million (185.4 million), increasing by 2.0 per cent on last year. This growth was fuelled in particular by terminal device sales and an increase in the number of mobile, housing company and cable subscriptions.

During the reporting period, 77.3 per cent (75.7 per cent) of net sales was generated by consumer business and 22.7 per cent (24.3 per cent) by corporate business.

EBITDA for the period grew by 18.2 per cent and came to EUR 53.0 million (44.8 million), or 28.0 per cent of net sales (24.1 per cent). Operating profit increased by 75.8 per cent and came to EUR 19.7 million (11.2 million), accounting for 10.4 per cent of net sales (6.0 per cent). The positive EBITDA development was due to increased operational efficiency, reduced terminal subventions and reduced sales costs.

Financial income and expenses amounted to EUR -2.1 million (-0.9 million). Profit increased to EUR 12.7 million (7.3 million). Earnings per share came to EUR 1.50 (0.76).

January–September 2012

DNA’s net sales for the January–September period grew by 5.6 per cent and came to EUR 567.4 million (537.4 million). This growth was fuelled by the growth of net sales from subscriptions and terminal device sales.

DNA's EBITDA for the January–September period decreased by 0.6 per cent and came to EUR 141.1 million (141.9 million), accounting for 24.9 per cent (26.4 per cent) of net sales. Operating profit increased by 17.6 per cent to EUR 44.2 million (37.6 million), or 7.8 per cent (7.0 per cent) of net sales. Profit before tax in January–September came to EUR 38.2 million (34.8 million).

Financial income and expenses amounted to EUR -6.1 million (-2.8 million). Income tax for the period was EUR 9.4 million (9.4 million), and profit increased to EUR 28.8 million (25.5 million). Earnings per share came to EUR 3.27 (2.66).

Consolidated key figures

EUR million	7–9/2012	7–9/2011	1–9/2012	1–9/2011
Net sales	189.2	185.4	567.4	537.4
EBITDA	53.0	44.8	141.1*	141.9
- % of net sales	28.0%	24.1%	24.9%*	26.4%
Operating profit	19.7	11.2	44.2*	37.6
- % of net sales	10.4%	6.0%	7.8%*	7.0%
Profit/loss for the financial period	12.7	7.3	28.8*	25.5

*includes a EUR 2.5 million provision due to cooperation negotiations

Key operative indicators

	7–9/2012	7–9/2011
Number of mobile communication network subscriptions at end of period*	2,406,000	2,234,000
- Revenue per user (ARPU), EUR**	19.7	20.8
- Customer CHURN rate, %**	15.5	15.7
Number of fixed-network subscriptions at end of period	1,038,000	1,035,000

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

Cash flow and financial position

July–September 2012

In the July–September period, cash flow after investments increased to EUR 9.1 million (-21.1 million). This was particularly due to efficient management of working capital and the acquisition of Forte Netservices Oy in the comparable period.

January–September 2012

In the January–September period, cash flow after investments increased to EUR 21.8 million (12.1 million), particularly due to efficient management of working capital.

During the reporting period, DNA drew a loan of EUR 80 million, based on the credit facility agreement negotiated with the European Investment Bank in September 2010. The maturity of the loan is seven years. The availability of the drawdown expired in March 2012. In addition, the company has a commercial paper programme worth EUR 150.0 million (150.0 million), under which EUR 47.0 million (53.0 million) was drawn by the end of September. DNA also has a EUR 200 million revolving credit facility that remained undrawn at the end of the review period.

The financial position was good, although gearing increased to 50.6 per cent (24.4 per cent) at the period end, due to acquisition of own shares. At the end of June, the Group's liquid assets amounted to EUR 7.0 million (12.4 million), and interest-bearing liabilities to EUR 271.0 million (162.5 million).

On 15 March 2012, the company acquired 1,116,896 DNA shares from Sanoma Entertainment Finland Ltd. The total price of the shares was EUR 99,999,962.51 (excluding transfer tax and other acquisition-related costs).

The Group’s liquid assets and undrawn committed credit limits amounted to EUR 222.0 million (77.4 million).

The net debt/EBITDA ratio was 1.40 (0.79).

The balance sheet remained strong, with the end-of-period equity ratio totalling 54.3 per cent (64.7 per cent).

Cash flow and financial key figures

	7–9/2012	7–9/2011	1–9/2012	1–9/2011
Cash flow after investments, EUR million	9.1	-21.1	21.8	12.1

	30 Sept 2012	30 Sept 2011	31 Dec 2011
Net debt, EUR million	264.0	150.1	153.2
Net debt/EBITDA	1.40	0.79	0.81
Gearing, %	50.6	24.4	24.5
Equity ratio, %	54.3	64.7	62.2

Development per business segment

Consumer business

July–September 2012

In the July–September period, DNA's consumer business net sales increased to EUR 146.3 million (140.3 million). EBITDA increased to EUR 39.6 million (29.8 million), or 27.0 per cent of net sales (21.2 per cent). Operating profit increased to EUR 18.8 million (8.9 million), accounting for 12.9 per cent of net sales (6.3 per cent).

The positive development was fuelled by higher sales volumes, the increase in the mobile communication subscriptions, reduced terminal sales subventions and improved operational efficiency.

DNA introduced an easy and less expensive way of accessing the Internet all over Europe: a new mobile solution that provides significant cost savings in data usage. Developed by Uros Ltd, the Goodspeed service and personal mobile hotspot allow the use of locally priced data transfer while one is travelling, making mobile work easier. The size of a smartphone, the device holds up to 10 SIM cards. As many as five devices, such as laptops or smartphones, can be simultaneously connected to it.

The user-friendly Simplofon user interface developed by Simplofon Oy became available at all DNA Stores nationwide. Simplofon lowers the threshold of moving from a traditional mobile phone to a touch screen one, enabling new groups of users to utilise smartphone features.

DNA's high-definition broadcasts of the London Olympics on the Yle HD channel were available free of charge to some 1.5 million households across the entire service area of DNA's terrestrial and cable network. The channel was available through DNA's networks free of charge and without a separate viewing card.

DNA Ltd and rental housing providers Kiinteistö-KYS Oy, Kuopio Student Housing Company (Kuopas) and Niiralan Kulma Oy have signed an agreement on offering DNA's cable TV and broadband services to residents in Kuopio. The agreement covers in excess of 10,000 apartments.

January–September 2012

In the January–September period, DNA's consumer business net sales increased to EUR 433.7 million (409.4 million), mainly due to the increase in terminal device sales, the mobile communication subscription base and pay-TV services. EBITDA increased to EUR 102.7 million (100.5 million), or 23.7 per cent of net sales (24.6 per cent). Operating profit increased to EUR 42.4 million (34.9 million), accounting for 9.8 per cent of net sales (8.6 per cent).

The positive EBITDA and operating profit development were due to an increase in the number of mobile subscriptions, a decrease in sales costs and improved operational efficiency. The positive development was affected by a provision recognised in the first quarter due to cooperation negotiations.

Consumer business

EUR million	7–9/2012	7–9/2011	1–9/2012	1–9/2011
Net sales	146.3	140.3	433.7	409.4
EBITDA	39.6	29.8	102.7	100.5
- % of net sales	27.0	21.2	23.7	24.6
Operating profit/loss	18.8	8.9	42.4	34.9
- % of net sales	12.9	6.3	9.8	8.6

Corporate business

July–September 2012

Corporate business net sales for the July–September period decreased to EUR 42.9 million (45.1 million), EBITDA decreased to EUR 13.4 million (15.0 million), or 31.2 per cent of net sales (33.3 per cent). Operating profit came to EUR 0.8 million (2.3 million), accounting for 1.9 per cent of net sales (5.2 per cent).

Net sales were burdened mainly by a non-recurring item for operator services recognised in the comparable period in 2011, as well as a decrease in termination revenue.

3G speeds are a new phenomenon in payment-terminal transactions, not only in Finland but across the whole of Europe. Faster and easier transactions are possible with a payment terminal that has been brought to the marketplace by Luottokunta and is 3G-enabled and equipped with a DNA connection. The introduction of new features was natural, because advanced mobile-network technologies enable diverse versatile wireless service communication in Finland.

January–September 2012

Corporate business net sales for the January-September period increased to EUR 133.7 million (128.0 million). EBITDA decreased to EUR 38.4 million (41.4 million), or 28.8 per cent of net sales (32.3 per cent). Operating profit decreased to EUR 1.8 million (2.7 million), or 1.4 per cent (2.0 per cent) of net sales.

EBITDA and operating profit were burdened by higher technology and delivery costs, sales and marketing costs, as well as a provision recognised in the first quarter due to cooperation negotiations. Operating profit was improved by a decrease in depreciation.

Corporate business

EUR million	7–9/2012	7–9/2011	1–9/2012	1–9/2011
Net sales	42.9	45.1	133.7	128.0
EBITDA	13.4	15.0	38.4	41.4
- % of net sales	31.2	33.3	28.8	32.3
Operating profit/loss	0.8	2.3	1.8	2.7
- % of net sales	1.9	5.2	1.4	2.0

Investments and network infrastructure

Investments

July–September 2012

Investments in the July–September period amounted to EUR 34.2 million (27.2 million), or 18.1 per cent of net sales (14.7 per cent).

January–September 2012

Investments in the January–September period amounted to EUR 93.3 million (70.7 million), or 16.4 per cent of net sales (13.2 per cent).

Major individual items in early 2012 included investments in the 3G and 4G networks and fibre and transfer systems.

Investments

EUR million	7–9/2012	7–9/2011	1–9/2012	1–9/2011
Consumer business	23.9	17.6	63.9	46.6
Corporate business	10.3	7.7	27.1	19.9
Un-allocated	0	1.9	2.2	4.2
Total investments	34.2	27.2	93.3	70.7

Network infrastructure

4G speeds are gaining ground alongside 3G, providing customers with even faster connections and better signal coverage, indoors and out. DNA’s 4G-grade speeds are currently available in more than 200 municipalities. DNA’s top-speed 4G LTE network is also continuing to expand: today, it comprises hundreds of base stations and reaches approximately one million Finns.

DNA’s terrestrial TV network covers some 85 per cent of households in Finland, providing the versatile DNA Welho pay-TV channel offering. DNA is the only operator offering high-definition channels in the terrestrial network. DNA's terrestrial network (VHF band) has a total of 19 channels, nine of which offer high-definition broadcasts. DNA’s cable network offers in excess of 160 TV channels, 30 of which offer high-definition broadcasts and one being a 3D channel.

DNA has commenced tests of second-generation digital cable transmission technology in Helsinki Metropolitan Area in cooperation with Teleste. The new DVB-C2 technology allows highly efficient usage of digital cable capacity, and increases the performance of the network in the future, to comply with the new, increasingly bandwidth-intensive services.

Personnel

At the end of September, DNA had 1,426 employees (1,014).

The average number of DNA employees in January–September was 1,238 (1,000). Salaries and employee benefit expenses paid during the period amounted to EUR 55.0 million (42.4 million). The increase is due to the reversal of the provision for 2011 and a new provision recognised in 2012 due to cooperation negotiations. At the end of the period, DNA employed 617 women (322) and 809 men (692).

DNA initiated cooperation negotiations in the second quarter due to reorganisation of business. As a result, DNA adopted a new organisation model and 57 employees were made redundant.

On 27 September 2012, DNA announced a staff increase of more than 20 persons once all of DNA Welho services' installation and repair operations transfer to DNA proper. The employment of DNA Welho installation technicians does not involve a termination of the partner agreement, business transfer or any intra-company agreements. DNA aims to have the new recruits working by the end of the year.

DNA and GoExcellent agreed on a business transfer on 27 June 2012. DNA gained 481 new employees, as customer service personnel were transferred from GoExcellent and became DNA employees.

Personnel by business segment

	30 Sep 2012	30 Sep 2011
Consumer business	1,025	676
Corporate business	401	338
Total personnel	1,426	1,014

Group structure and significant litigation and regulatory matters

Changes in the Group structure

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

Significant litigation matters

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

Management and governance

DNA Ltd has adopted a line organisation, comprising of Consumer, Corporate and Technical units.

DNA’s Executive Team comprises Chief Executive Officer Riitta Tiuraniemi, Vice President, Consumer Business Pekka Väisänen, Vice President, Corporate Business Jukka Leinonen, Vice President, Technology Tommy Olenius, Vice President, Human Resources Marko Rissanen, Vice President, Legal Affairs Asta Rantanen and as of 1 July, Director of Accounting Maria Strömberg-Hyry. Chief Financial Officer Ilkka Pitkänen resigned at the end of June.

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

The 10 largest shareholders of DNA Ltd on 30 September 2012 included Finda Oy, Oulu ICT Oy, PHP Holding Oy, Osuuskunta KPY, Ilmarinen Mutual Pension Insurance Company, Anvia Oyj, 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 DNA’s shares and voting rights.

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 company holds 1,126,896 treasury shares.

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, while improving technical efficiency and data transfer capacity. The construction of the 4G network continued during 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.

At the end of August, DNA joined the Innolukio project launched by the National Board of Education. DNA supports the development of upper secondary school students’ learning environments with ICT technologies and mobile phones. Other project activities include the Innolukio idea and product development competition for the students, based on tasks issued by partners for the students to complete.

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, through measures such as adding 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 uncertainties is available in the Annual Report at www.dna.fi/annualreporting. There have been no significant changes in near-term risks and uncertainties.

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 an increasing its emphasis on new business. Starting up new business always involves higher risks than conventional and established business operations. Intense market competition places high demands on the quality and availability of operators’ systems and network infrastructure. In addition, they must be able to productise new services quickly and cost-efficiently.

The Finnish telecommunications market is characterised by stringent regulation. Regulation, and in particular, the authorities’ ability to influence the price level of DNA’s products and services, cost structure and the grounds on which frequencies are distributed, may also have an impact on DNA’s business. In October, the Finnish Parliament approved the government’s proposal that specifies the conditions for the auction of 800 MHz frequencies.This decision may affect competition, market concentration and end-user pricing.

DNA’s business environment is very sensitive to change, and the pace of change is increasing. Uncertainty related to the overall economic situation may increase, which may affect the value of smartphone and TV services and the corporate market.

Events after the review period

In October, the Finnish Parliament was processing the government's proposal that specifies the conditions for the auction of 800 MHz frequencies. DNA has voiced its concerns on the effect of this legislation on competition, market concentration and end-user pricing. It is important that competition, end-user pricing and other effects of the auction are monitored and assessed to ensure that, in the future, other frequency bands will be allocated in a way that best promotes competition.

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 continue falling.

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 smartphones, other market developments, pricing pressures, the reduction in mobile termination charges and competition in the mobile communication and fixed-line broadband markets in particular.

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, albeit slowly. In 2012, pay-TV services are expected to become increasingly popular as the most appealing sports coverage moves to pay channels. As regards TV and movie content, competition is increasing as global players (HBO and Netflix) set up operations in the Finnish market.

It is anticipated that consumer demand for DNA's mobile 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 subscription market is expected to remain intense, but the price erosion that has been characteristic of the market is expected to ease off. 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 terminal-based voice services is forecast to continue.

The economic situation in Finland and Europe is expected to remain turbulent, and the economies to gradually enter a long period of slow growth. However, the impact of the weakening economic situation will be slow and post-cyclical in the telecommunications market.

DNA's outlook

We revise our outlook for 2012 slightly upwards. The Group's financial position should remain good in 2012 and net sales are expected to grow. EBITDA (in euros) is anticipated to remain unchanged year-on-year and operating profit to be slightly higher than in 2011. In the previous quarter, EBITDA (in euros) and operating profit were forecast to be slightly lower than in 2011.

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).

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.

Consolidated income statement, IFRS

EUR million	1 Jul–30 Sep 2012	1 Jul–30 Sep 2011	1 Jan–30 Sep 2012	1 Jan–30 Sep 2011	1 Jan–31 Dec 2011
Net sales	189.2	185.4	567.4	537.4	727.5
Other operating income	0.5	1.1	1.6	3.3	3.9
Materials and services	−94.4	−98.1	−289.8	−273.4	−377.1
Employee benefit expenses	−16.1	−14.5	−55.5	−42.4	−58.6
Depreciation	−33.3	−33.6	−96.9	−104.3	−137.6
Other operating expenses	−26.3	−29.1	−82.6	−83.0	−107.4
Operating result, EBIT	19.7	11.2	44.2	37.6	50.8
Financial income	0.5	0.4	1.2	1.1	1.6
Financial expense	−2.6	−1.3	−7.3	−3.9	−6.2
Share of associated companies' results	0,0	0,0	0,0	0,0	0,0
Net profit before tax	17.5	10.3	38.2	34.8	46.2
Income tax	−4.8	−2.9	−9.4	−9.4	−10.4
Net profit for the period	12.7	7.3	28.8	25.5	35.8
Other comprehensive income:					
Cash flow hedges	−0.3	0.1	−0.8	0.3	0.4
Other comprehensive income, net of tax	−0.3	0.1	−0.8	0.3	0.4
Total comprehensive income	12.4	7.3	28.0	25.8	36.1
Net profit/loss attributable to:					
Owners of the parent	12.7	7.3	28.8	25.5	35.8
Comprehensive income attributable to:					
Owners of the parent	12.4	7.3	28.0	25.8	36.1
Earnings per share of the profit attributable to equity holders of the parent company					
Basic earnings per share, EUR	1.50	0.76	3.27	2.66	3.73
Average number of shares					
- Basic	8,485	9,603	8,792	9,603	9,603

Consolidated statement of financial position, IFRS

EUR million	30 Sep 2012	30 Sep 2011	31 Dec 2011
Assets			
Non-current assets			
Goodwill	221.1	220.4	220.4
Other intangible assets	129.4	135.2	129.7
Property, plant and equipment	402.5	383.5	415.4
Investments in associates	1.8	1.1	1.1
Available-for-sale financial assets	0.2	0.2	0.2
Trade and other receivables	16.7	15.7	16.6
Deferred tax assets	20.3	24.2	21.8
Total non-current assets	791.9	780.4	805.1
Current assets			
Inventories	17.1	16.8	14.0
Trade and other receivables	163.8	154.3	171.0
Cash and cash equivalents	7.0	12.4	28.4
Total current assets	187.9	183.5	213.5
Total assets	979.8	964.0	1,018.6
Shareholders' equity			
Equity attributable to owners of the parent			
Share capital	72.7	72.7	72.7
Unrestricted equity reserve	605.0	605.6	605.6
Treasury shares	−102.8	−0.9	−0.9
Retained earnings	−82.3	−88.3	−88.0
Profit for the year	28.8	25.5	35.8
Total equity	521.4	614.6	625.2
Liabilities			
Non-current liabilities			
Interest-bearing non-current liabilities	192.1	69.1	135.1
Retirement benefit obligations	0.2	0.2	0.2
Provision for other liabilities	6.8	6.9	5.7
Derivative financial instruments	2.8	0.4	0.7
Deferred income tax liabilities	51.5	64.0	58.2
Other non-current liabilities	1.3	1.3	1.4
Total non-current liabilities	254.7	141.9	201.3
Current liabilities			
Interest-bearing current liabilities	78.9	93.4	46.5
Provisions for other liabilities	1.5	0.4	0.1
Trade and other payables	122.5	110.2	144.5
Current income tax liabilities	0.7	3.4	0.9
Total current liabilities	203.7	207.4	192.0
Total liabilities	458.4	349.3	393.4
Total equity and liabilities	979.8	964.0	1,018.6

*) Note 9

Condensed consolidated statement of cash flows, IFRS

EUR million	1–9/2012	1–9/2011	1–12/2011
Cash flows from operating activities			
Profit for the period	28.8	25.5	35.8
Depreciation	96.9	104.3	137.6
Change in working capital	−8.0	−17.7	−7.9
Other adjustments	−1.9	−16.9	−24.6
Net cash generated from operating activities (A)	115.7	95.2	140.9
Cash flows from investing activities			
Investments in property, plant and equipment (PPE) and intangible assets	−92.3	−69.4	−118.4
Proceeds from sale of PPE	0.2	0.3	0.5
Acquisition of subsidiaries and business transfers	−1.9	−14.2	−14.1
Change in other investments	−0.1	0.1	0.1
Net cash used in investing activities (B)	−94.0	−83.1	−131.9
Cash flows from financing activities			
Dividends paid	−29.7	−49.9	−49.9
Treasury share acquisition	−102.0	0,0	0,0
Borrowing of interest-bearing liabilities	80.0	52.8	100.0
Repayment of interest-bearing liabilities	−13.1	−44.4	−97.8
Commercial papers, net	21.8	0,0	24.9
Change in non-current receivables	−0.3	−7.7	−7.2
Net cash used in financing activities (C)	−43.2	−49.2	−30.0
Change in cash and cash equivalents (A+B+C)	−21.5	−37.1	−21.0
Cash and cash equivalents at beginning of year	28.4	49.5	49.5
Cash and cash equivalents at end of year	7.0	12.4	28.4

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					25.5	25.5
Other comprehensive income						
Cash flow hedges, net of tax		0.3				0.3
Total other comprehensive income, net of tax		0.3				0.3
Total comprehensive income	0.0	0.3	0.0	0.0	25.5	25.8
Transactions with owners						
Employee share option scheme: granted options					1.1	1.1
Dividends relating to 2010					−49.9	−49.9
Total contribution by and distributions to owners					−48.9	−48.9
Balance at 30 September 2011	72.7	−0.3	605.9	−0.9	−62.8	614.6
Balance at 1 January 2012	72.7	−0.3	605.9	−0.9	−52.3	625.2
Comprehensive income						
Profit for the period					28.8	28.8
Other comprehensive income						
Cash flow hedges, net of tax		−0.8				−0.8
Total other comprehensive income, net of tax		−0.8				−0.8
Total comprehensive income	0.0	−0.8	0.0	0.0	28.8	28.0
Transactions with owners						
Treasury share acquisition			0.2	−102.0		−101.8
Employee share option scheme: granted options					−0.3	−0.3
Dividends relating to 2011					−29.7	−29.7
Total contribution by and distributions to owners	0.0	0.0	0.2	−102.0	−30.0	−131.8
Balance at 30 September 2012	72.7	−1.0	606.1	−102.8	−53.5	521.4

Notes to the interim financial statements

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 Jul–30 Sep 2012 EUR 1,000 Business segments	Consumer segment	Corporate segment	Group total
Net sales	146,327	42,900	189,226
EBITDA	39,548	13,405	52,954
Depreciation	20,714	12,589	33,303
Operating result, EBIT	18,834	817	19,651
Net financial items			−2,138
Share of associated companies' results			−5
Profit before tax			17,507
Profit for the period			12,691
Investments	23,883	10,308	34,191
Employees at end of period	1,025	401	1,426

1 Jul–30 Sep 2011 EUR 1,000 Business segments	Consumer segment	Corporate segment	Group total
Net sales	140,345	45,086	185,431
EBITDA	29,748	15,033	44,781
Depreciation	20,900	12,701	33,601
Operating result, EBIT	8,849	2,332	11,181
Net financial items			−902
Share of associated companies' results			3
Profit before tax			10,279
Profit for the period			7,345
Investments	17,558	7,701	25,259
Employees at end of period	676	338	1,014

1 Jan–30 Sep 2012 EUR 1,000 Business segments	Consumer segment	Corporate segment	Group total
Net sales	433,686	133,675	567,361
EBITDA	102,676	38,432	141,108
Depreciation	60,248	36,614	96,861
Operating result, EBIT	42,428	1,818	44,246
Net financial items			−6,081
Share of associated companies' results			9
Profit before tax			38,174
Profit for the period			28,791
Investments	63,949	27,069	91,018
Employees at end of period	1,025	401	1,426

1 Jan–31 Sep 2011 EUR 1,000 Business segments	Consumer segment	Corporate segment	Group total
Net sales	409,413	127,953	537,366
EBITDA	100,509	41,423	141,932
Depreciation	65,619	38,700	104,319
Operating result, EBIT	34,890	2,724	37,614
Net financial items			−2,787
Share of associated companies' results			9
Profit before tax			34,835
Profit for the period			25,478
Investments	46,608	19,936	66,544
Employees at end of period	676	338	1,014

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 period	690	345	1,035

3 Investments

EUR 1,000		Jul–Sep 2012	Jul–Sep 2011	Jan–Sep 2012	Jan–Sep 2011	Jan–Dec 2011
Capital expenditure						
	Intangible assets	7,807	6,508	21,302	16,936	26,371
	Property, plant and equipment	26,384	20,645	71,996	53,721	93,172
Total		34,191	27,154	93,298	70,657	119,543

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 30 September 2011	9,611	72,702	605,927
At 1 January 2012	9,611	72,702	605,927
At 30 September 2012	9,611	72,702	606,099

Number of shares include 1,126,896 treasury shares. The change in the unrestricted equity reserve is due to the acquisition of treasury shares, see below in the treasury shares section.
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 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 2,500 treasury shares following the decision made at the Extraordinary Annual General Meeting on 18 July 2012. The cost of the acquisition including transfer tax and other acquisition-related costs totalled EUR 172,466.

The acquisition of treasury shares is deducted from retained earnings.

Date	Number of shares	Acquisition cost
At 1 January 2011	7,500.00	875,610.75
20 July 2012	2,500.00	172,466.00
16 March 2012	1,116,896.00	101,804,978.94
Total	1,126,896.00	102,853,055.69

Treasury shares acquired during the period represent 0.03 per cent of the votes (treasury shares in total representing 11.7 per cent of the votes). The purchase of treasury shares did not materially affect the structure of ownership and voting power in the company.

5 Net liabilities

EUR 1,000	30 September 2012	30 September 2011	31 December 2011
Non-current and current interest-bearing liabilities	271,019	162,470	181,601
Less short-term investments, cash and bank balances	6,986	12,389	28,448
Total	264,033	150,081	153,153

6 Provisions for other liabilities

EUR 1,000	1 Jan 2012	Additions	Provisions used	Other changes/Discount effect	30 Sep 2012
Decommissioning provisions	4,292			1,149	5,441
Restructuring provisions	752	3,161	−631	−1,087	2,195
Onerous contracts	812	200	−86	−200	726
Total	5,856	3,361	−717	−138	8,361

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. In relation to this, a provision of EUR 3.2 million was made. At the completion of the cooperation negotiations a reversal of EUR 0.7 million was realised The restructuring provision includes a provision for termination costs. The provision relating to terminations will mainly 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
9/2012				
Organisations exercising significant influence	69	1,886	60	73
Associated companies	0	199	0	0

EUR 1,000	Sales	Purchases	Receivables	Liabilities
9/2011				
Organisations exercising significant influence	7,927	3,241	4	2
Associated companies	0	138	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

During 2010, a rights issue was targeted at management as part of their incentive scheme. During the period under review, a total of 2,500 shares were repurchased from a previous member of the management. More information is provided in note 8.

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	18,000
Exercised options	
Expired options	
On 30 September	90,000

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.

Rights issue for the management

During 2010, a rights issue was targeted at management as part of their incentive scheme. During the period under review, a total of 2,500 shares were repurchased from a previous member of the management. The shares owned by management are classified as cash-settled share-based payments and the corresponding liability recognised in the statement of financial position is EUR 552,256 (EUR 794,756).

9 Business combinations

On the 30th of June 2012, DNA Ltd acquired DNA customer service functions from GoExcellent South Oy and Go Excellent Finland North Oy. The purchase price for the business transfer was EUR 1.2 million. The final fair value assessment of the transferred assets and liabilities have not yet been made. The business transfer has not had a material effect on the figures in the interim report.

Key figures

	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011	31 Dec 2011
Equity per share, EUR	59.3	64.0	59.3	64.0	65.1
Interest-bearing net liabilities, EUR million	264.0	150.1	264.0	150.1	153.2
Gearing, %	50.6%	24.4%	50.6%	24.4%	24.5%
Equity ratio, %	54.3%	64.7%	54.3%	64.7%	62.2%
Net debt/EBITDA	1.25	0.84	1.40	0.79	0.81
Return on investment (ROI), %	10.1%	6.0%	7.6%	6.6%	6.6%
Return on equity (ROE), %	9.8%	4.8%	6.7%	5.4%	5.7%
Investments, EUR million	34.2	27.2	93.3	70.7	119.5
Investments, % of net sales	18.1%	14.7%	16.4%	13.2%	16.4%
Personnel at end of period	1,426	1,014	1,426	1,014	1,035

Key operative indicators

Mobile communication network subscription volumes:

Number of:	Sep 2012	Sep 2011	Jun 2012	Jun 2011	31 Dec 2011
Subscriptions*	2,406,000	2,234,000	2,376,000	2,163,000	2,285,000
DNA's own customers*	2,281,000	2,147,000	2,256,000	2,069,000	2,188,000

	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011	31 Dec 2011
Revenue per subscription (ARPU), EUR**	19.7	20.8	20.0	21.0	20.4
Customer churn rate, %**	15.5	15.7	14.9	16.5	16.4

*Includes only mobile broadband

**Includes only postpaid phone subscriptions

Fixed-network subscription volumes:

Number of:	Sep 2012	Sep 2011	Jun 2012	Jun 2011	31 Dec 2011
Broadband subscriptions	311,000	294,000	307,000	292,000	299,000
Cable TV subscriptions	601,000	599,000	597,000	597,000	602,000
Telephone subscriptions	126,000	142,000	130,000	147,000	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