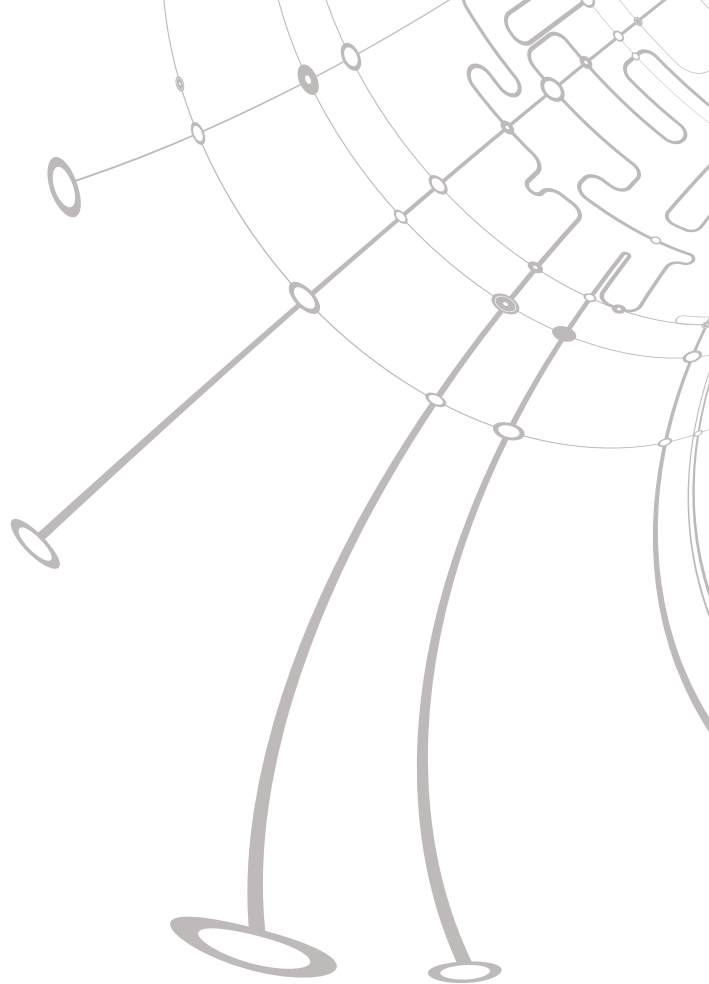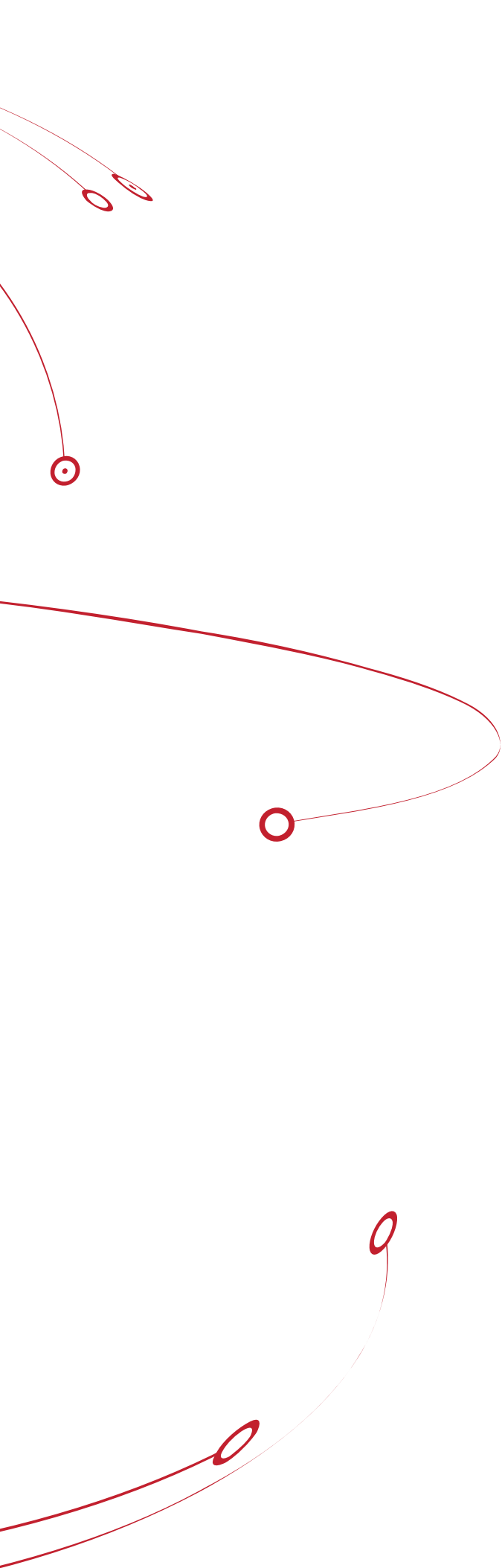Dial Telecom

PERFORMANCE
REPORT FOR
2012

## Czech Republic Head Office - Prague

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e-mail: morava@dialtelecom.cz
www.dialtelecom.cz
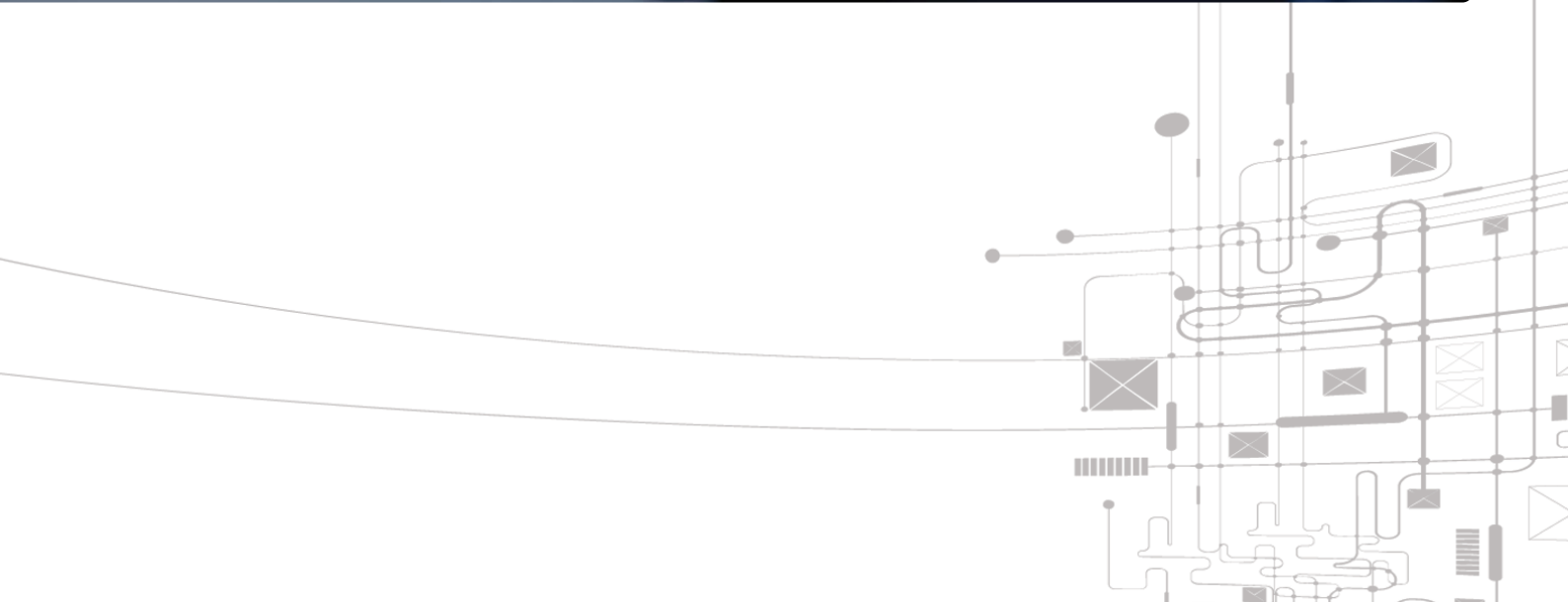
COMPANY
INTRODUCTION

Dial Telecom a. s. is a national telecommunication operator which provides a complex portfolio of voice, data, Internet and hosting services at a guaranteed quality.

The company was established in 2000. In 2005, it made its first successful acquisition with InWay. In the following years, it acquired other telecommunication operators on the Czech market, e.g. net4net, Telekom Austria Czech Republic, the wholesale division of Master Internet and STAR 21 Networks, a.s.

Dial telecom a.s. is a holder of ISO certificate 9001:2009 Quality Management, ISO certificate14001:2005 Environmental Management and ISO certificate 27001:2006 Information Security Management, i.e. protection of sensitive information from unauthorized access.

Currently, Dial Telecom a.s. has a significant and stable position on both the Czech and foreign markets and belongs among the top companies with a long history of work in telecommunications.
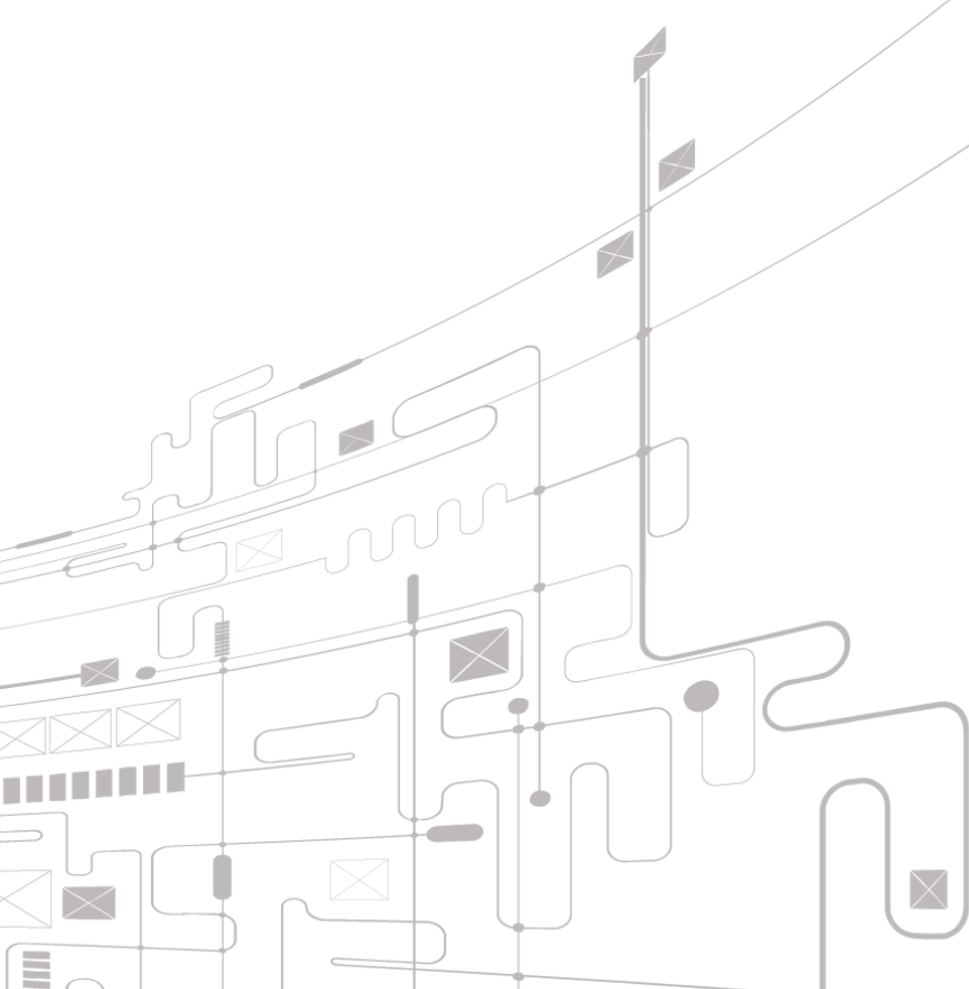
INTRODUCTION BY **THE CHAIRMAN OF THE BOARD**

Dear business partners, employees, stock-holders,

Let me present you with this performance report of Dial Telecom a.s. and inform you of the financial results and key company events in 2012.

Dial Telecom a.s. achieved the best operating performance since it was established.

Due to this fact, all credits incurred in relation to previous acquisitions were paid off prematurely and free financial means significantly increased.

Dial Telecom a.s. approved and realized the project of merging with a part of Volný a.s. and, at the beginning of 2012, became the owner of the FWA services provider, STAR 21 Networks a.s.

In September 2012, ET Telekomunikace s.r.o, which is owned by Dial Telecom, purchased a part of ETT Energetika a.s. and Immoenergetika a.s.

We do business on an ever shrinking telecommunication market, with the pressure of mobile operators growing stronger and the needs of customers dynamically turning towards mobility.

I believe we will manage to also make other interesting acquisitions from our competitors, and I hope that the regulator will allow the entry of our company into the mobile services segment and, through that, Dial Telecom will expand its portfolio of provided services to the satisfaction of its customers.

I would like to thank our employees for their work performed in 2012; to the customers, for their long-term trust and to the company stock-holders, for their support.

Zdeněk Sivek
Chairman of the Board

KEY
EVENTS OF
2012

In 2012, a part of Volný a.s. was merged with Dial Telecom a.s. The responsibility for providing and supporting telecommunication services for customers who converted within the merger to Dial Telecom a.s was taken over by Dial Telecom a.s.

Dial Telecom a.s. became the 100% owner of the stocks of STAR 21 Networks a.s., which specializes in providing services on wireless technology on the 26 GHz frequency.

ET Telekomunikace s.r.o., which is owned by Dial Telecom a.s., purchased a part of ETT Energetika a.s. and Immoenergeticka a.s.

In separate tenders, Dial Telecom a.s. won significant public procurement contracts for government institutions, such as services for the Ministry of Finance, Czech Republic, Office for Government Representation in Property Affairs, and the Ministry of Health, Czech Republic.

In 2012, Dial Telecom began providing telephone lines with an increased charge rate in Slovakia. Use of this service is a suitable add-on of ATX lines in the Czech Republic.

Dial Telecom introduced the Virtual Voice Operator service, which was awarded the accolade of IT product of 2012. This service enables one to become a full-fledged voice operator with full coverage of services with low start-up investments, particularly telephone number portability to its own network.

KEY
FIGURES
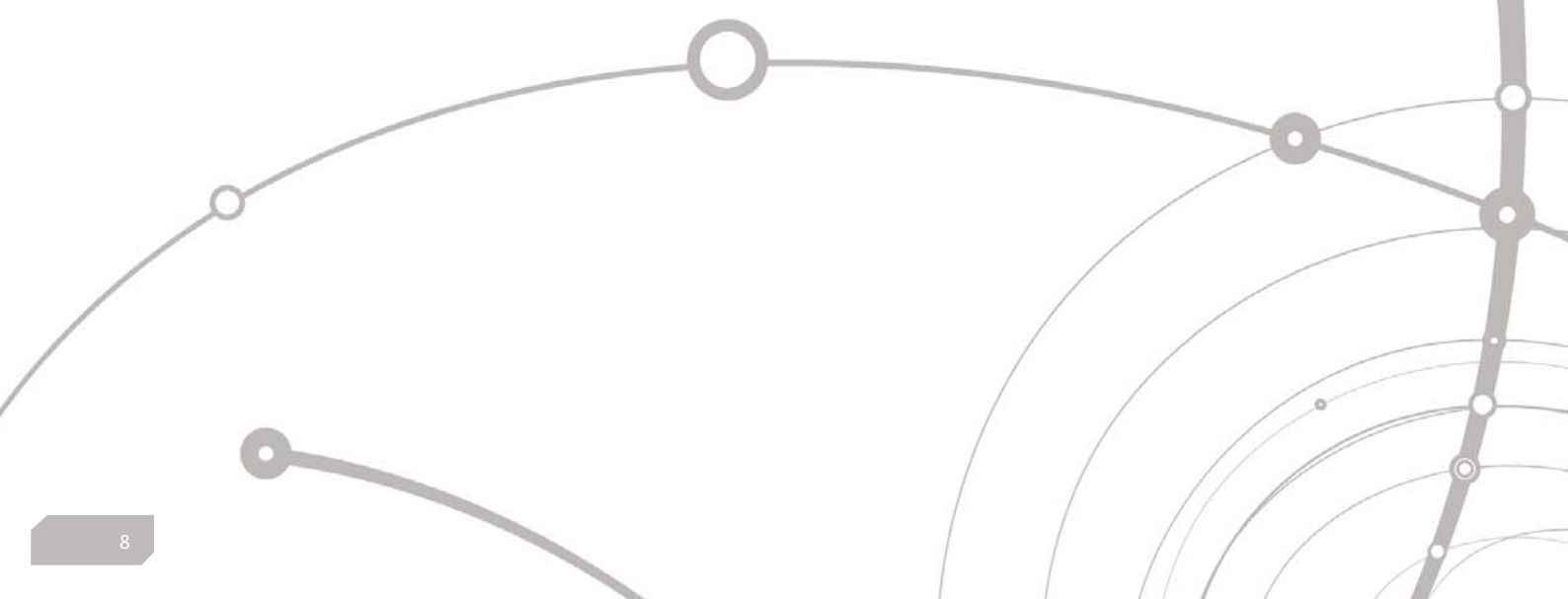## **2010 – 2012**

CZK '000	2010	2011	2012
Revenues from sales of goods and services	850 692	806 026	854 280
EBITDA (Operating profit + depreciation)	161 267	151 639	181 423
Investment ratio (CAPEX/revenues)	7.3%	8.8%	8.3%
Profit before tax	35 809	43 125	65 304
Cash as of 31 December	145 433	218 047	203 225
Number of employees	129	122	125
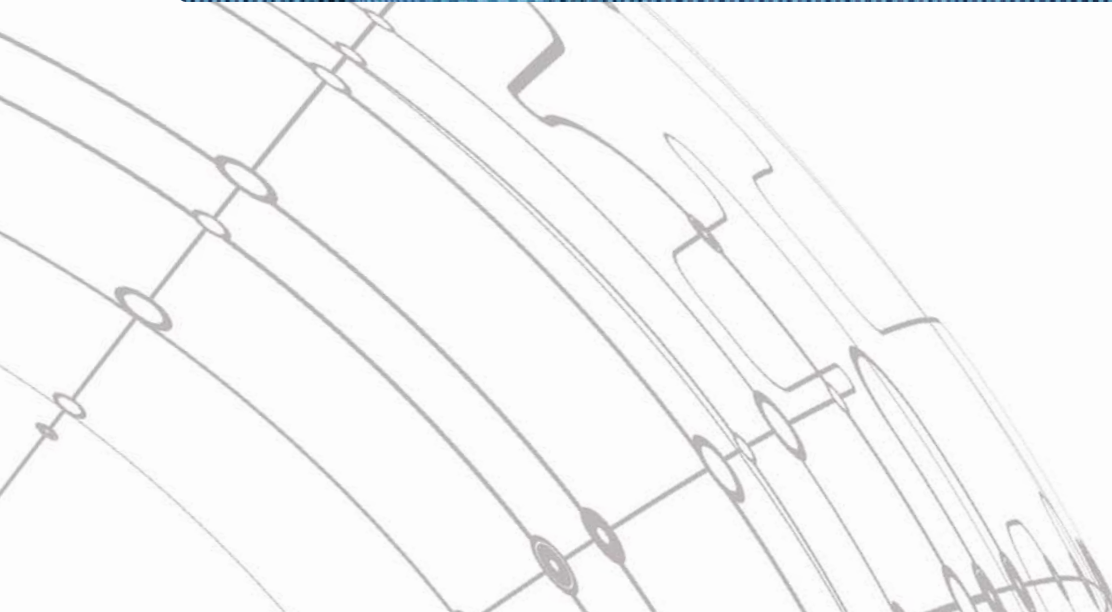
DIRECTORS AND OFFICERS
BOARD OF DIRECTORS

Zdeněk Sivek
Chairman of the Board

Aleš Zeman
Vice-Chairman of the Board

Tomáš Strašák
Member of the Board

TOP MANAGEMENT

Ingrid Ledererová
Technical Director

Ivo Stach
Financial Director

Tomáš Strašák
Sales Director

SUPERVISORY BOARD

Radek Brňák
Chairman of the Supervisory Board

David Bečvář
Member of the Supervisory Board

Pavel Kvíčala
Member of the Supervisory Board

BUSINESS
SECTION

BUSINESS RESULTS
MARKET SITUATION

In 2012, the trend on the Czech Republic telecommunication market did not change from previous years. The most significant change predicted to occur with the choice of another mobile operator and the spectrum auction, along with other things for the LTE networks, ended up as a fiasco and the Czech Telecommunication Office (ČTÚ) again proved its reputation as one the worst regulators in Europe. The twisted condition, in which mobile operators are naturally allowed to also do business on the fixed telecommunications market, whereas the mobile sector is unavailable to fixed operators, was not amended and has not improved. ČTÚ has also repeatedly failed to create an environment for the so-called Virtual Mobile Operators (VMO). The first VMOs that appeared on the market are not, in reality, VMOs. They are just resellers of services, representing a marketing tool. Real VMOs will probably emerge as late as in 2013 but, without regulatory action, it will just be a game in the hands of the existing mobile operators.

From the viewpoint of Dial Telecom, it is the market of data services that is the most significant, generating more than half of the company's revenue. 2012 also saw the continuing consolidation of the data services market and a significant decrease in prices. This has been permanently the case in various segments of the market for several years, between 10–20%. This decrease is most evident in the prices for Internet access.

The big competition in the provision of data services on the market results in the fact customers are receiving ever higher capacity in regard to lower prices with each following year, and this trend is evident in all countries of the world, wherever there are market principles.

Even though the sector of fixed and mobile revenues is technologically separate, from the business point of view, this is no longer true. Efforts by mobile operators to enter into the fixed networks are strong, as the commercial offer of connected mobile and fixed services is interesting from the marketing point of view. However, mobile operators have come to understand that, without experience and ownership of such fixed networks, penetration into this market is impossible, which shows in their obvious efforts to buy the services of optical networks or optical fibers directly. For Dial Telecom, this trend is also an opportunity, since, as the owner of the transit optical networks across the Czech Republic and also connections to the neighboring countries, it is becoming a natural partner for mobile operators.

The most important change for the market of voice services in the Czech Republic was the decrease of the interconnection fees to mobile networks. The price further decreased from CZK 1.08 to CZK 0.55 per minute. In spite of this decrease, reality still demonstrates how the local market is warped under the leadership of the ČTÚ regulator. The interconnection fees to fixed networks are, in actuality, at much lower levels.

The Dial Telecom Group continued consolidating the telecommunication market in the Czech Republic. At the turn of 2011 into 2012, STAR 21 Networks, a new operator, entered the group. It specializes in providing services on wireless technology on the 26 GHz frequency. This acquisition was connected with the efforts of Dial Telecom to penetrate into government procurement and to also control a bigger part of its own network.

The government is failing in the field of regulation and, in the same way, it is also failing when it comes to purchasing services. In 2012, it was again unsuccessful in respect to completing the tender for purchasing services. The several years of continuing failure makes the government purchase of telecommunication services more expensive, as it is still being provided by the same companies at similar prices, which, in addition, are often a few times higher than the common prices on the market. A few government offices decided to leave KIVS (the communication infrastructure of public administration) and carried out their own tender, in order to set the right conditions and, finally, to make the purchase of their services significantly cheaper. With these, Dial Telecom was successful and is providing its services to the government.

DIAL TELECOM
CUSTOMERS

Dial Telecom strengthened its position on the market in providing services for both wholesale and business customers. Total revenue from sales of services increased by 6%, to CZK 854 M, thanks to the consolidation of revenues from the Volný company. The decrease of the whole telecommunication market in 2012 is estimated at 5–10%.

As far as the number of customers is concerned, as of 31 December, 2012, Dial Telecom had a total of 2758 customers, 2481 of whom were customers of the corporate department (business customers as well as the state department) and 277 of whom were wholesale customers. This rate, however, is not indicative of the structure of revenues.

In December 2012, 46.5% of revenues were generated by the sale of services to corporate customers and 52.6% by wholesale customers. The remaining 0.9% of revenues arose from other sales of the company. This disproportion is caused by a much higher average value of orders on the wholesale market compared to the small business market.

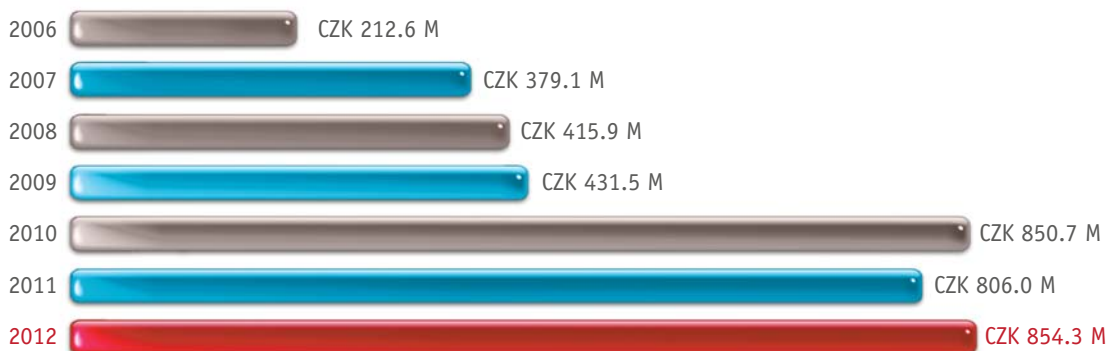# REVENUES - SMALL BUSINESS, WHOLESALE

Revenues – small business / wholesale – structure of sales in December 2012

Business client market
46.5%

Wholesale market
52.6%

Other
0.9%
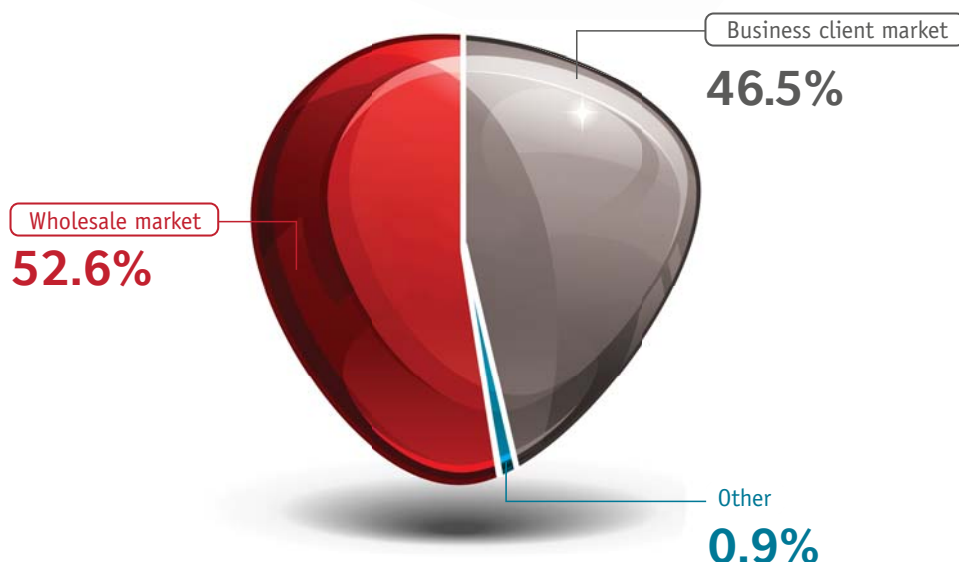
DEVELOPMENT OF REVENUES
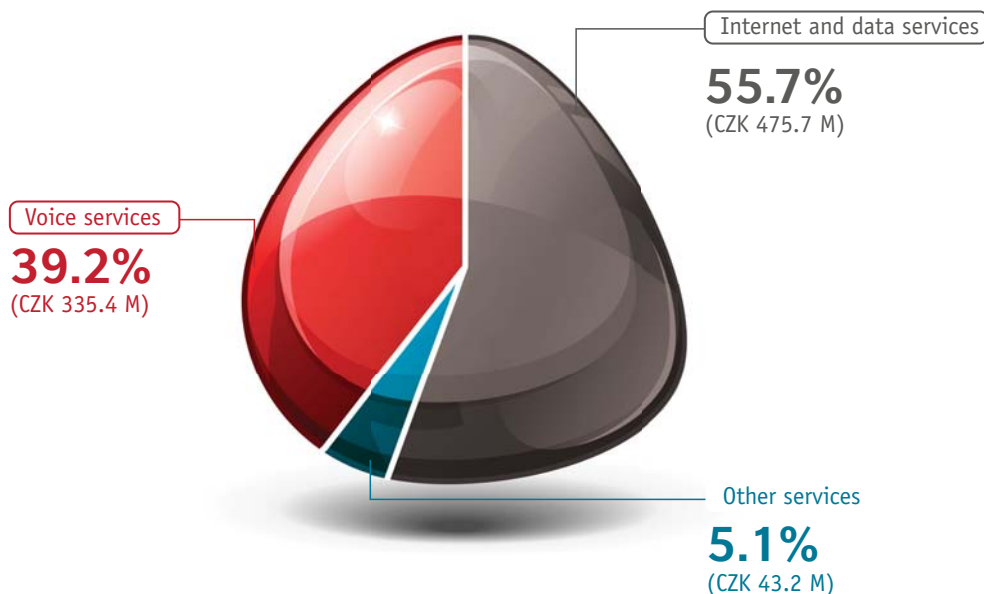# FROM SERVICES IN 2012

Thanks to the previously mentioned consolidation of customers of Volný, an increase in the order of a few percentage points occurred in some revenue categories. However, the ongoing trend is a decrease in revenues from voice services and concentration on data services. This trend in revenues is apparent among all fixed operators in the Czech Republic. What is especially positive is Dial Telecom's success in providing companies in the Czech Republic with connection for international operators.

Revenues from sales of services and one-off cases between 2006 and 2012

Year	Revenue
2006	CZK 212.6 M
2007	CZK 379.1 M
2008	CZK 415.9 M
2009	CZK 431.5 M
2010	CZK 850.7 M
2011	CZK 806.0 M
2012	CZK 854.3 M

Revenues from sales of data and voice services reached a total of CZK 854.3 M, of which CZK 475.7 M were from data services and the Internet, CZK 335.4 M were from voice services, and CZK 43.2 M from other business cases. Compared to 2011, when Dial Telecom achieved revenues from services in the amount of CZK 806.0 M, there was an increase of CZK 48.3 M, which is 6.0%.

Structure of revenues from services in 2012

Internet and data services
55.7%
(CZK 475.7 M)

Voice services
39.2%
(CZK 335.4 M)

Other services
5.1%
(CZK 43.2 M)

VOICE **SERVICES**

Revenues from voice services reached a total of CZK 335.4 M in 2012, which was an increase of CZK 69.4 M compared to 2011, when revenues were CZK 266 M. This increase was caused primarily by the consolidation of Volný customers, particularly the residential customer market. The voice services for the corporate customers continued decreasing, a trend which was to be expected. The same holds for the ATX services, which were affected by a legislative change and limitation on such services.

DATA SERVICES **AND THE INTERNET**

The situation on the data market in 2012 was again indicated by a decrease in prices. Thanks to further strong investment into transmission technologies on both the Prague metropolitan network and the national network of the Czech Republic, Dial Telecom was able to realize orders on the optical network in new locations (especially the Prague optical network) and then on the national network of the Czech Republic. In 2012, Dial Telecom again focused on the development of its services mostly based on IP. Business customers, as well as international telecommunications operators (network solutions and connection of their customers), have more and more demand for such services and the traditional solution based on SDH is preferred by only a minority these days.

The company also continued installing cables on its optical network on the Brno - Český Těšín route and along the new Gazela gas pipeline in Northern and Western Bohemia. This is a continual focus by the company on the latest cables, which the company installs every year on its national network. It is due to this that Dial Telecom is recognized by both foreign and domestic telecommunications companies as the leader in the provisioning of backbone network services, in both leased circuit and optical fiber leasing services. Dial Telecom is probably the only company in the Czech Republic whose portfolio includes both the sales of services and the lease of fibers and sales of pipes for optical cable connection to the neighboring countries

The Dial Telecom Group further strengthened its position as a preferred partner for many international telecommunication companies that need to connect branches of international corporations in the Czech Republic and Slovakia. This was achieved mostly by the best solution for IP-based services. It can offer the full portfolio of these solutions, be it the Ethernet L2, Ethernet over SDH, MPLS, L3VPN, etc. Revenues generated by providing data services increased from CZK 233.8 M to CZK 245.1 M and revenues generated by the Internet decreased to CZK 230.5 M.

It is the Internet which is the most affected service, because the ISP market saw a large consolidation and decrease in customers.

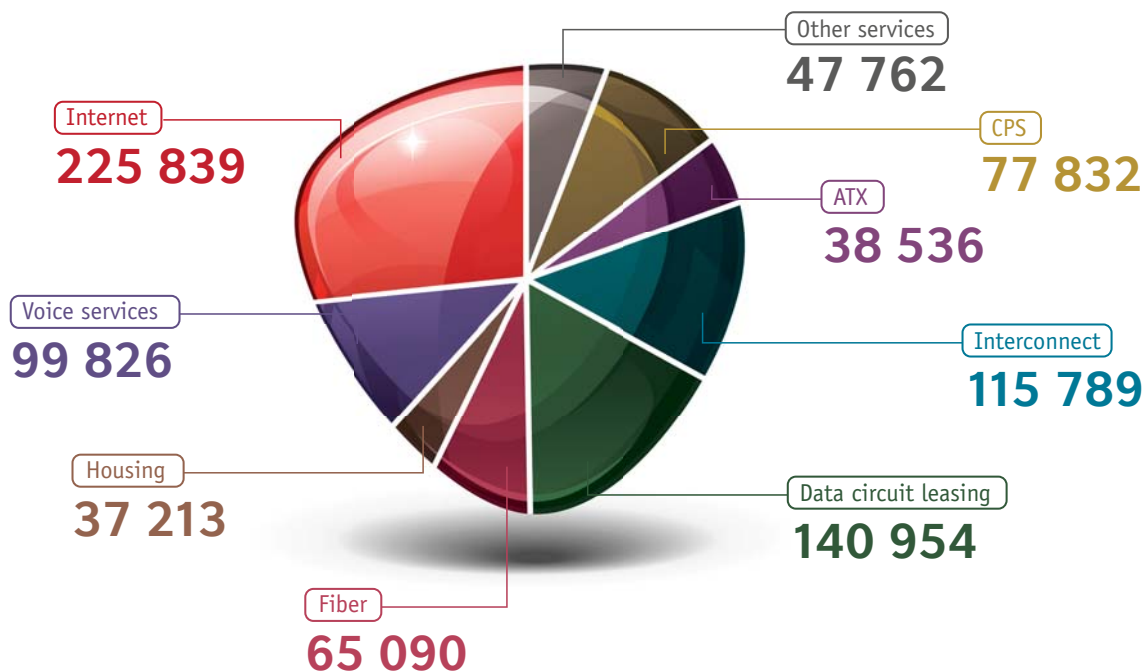## Dial Telecom is becoming a preferred partner for more operators and firms

Despite the fact that 2012 was also indicated by a consolidation of the business activities of Dial Telecom and Volný, some interesting business cooperation was achieved, the following examples among them:

- Dial Telecom won an order in the WAN network administration tender totaling a value of CZK 82 M for NET4GAS. Dial Telecom has become the exclusive supplier of service for the next 5 years for the network of a company which is a provider of the transmission gasworks system in the Czech Republic.

- As March turned into April this year, Dial Telecom launched what is so far the longest distance direct data connection of two branches for one of its significant customers. The data circuit connects the cities of Brno and Wuhan in the Chinese province of Chu-pei, which are more than 8,000 km apart. The latest connection replaced the technologically outdated connection by a VPN tunnel which, for the given distance, proved unstable and highly latent.

- Since 2012, a well-known worldwide provider of Internet calling has been purchasing Internet connectivity in the Czech Republic from Dial Telecom.

- Vienna Insurance Group, in which Kooperativa, along with others, belongs, has its new headquarters in Prague – Karlín connected to Pardubice and Brno via the WDM technology from Dial Telecom. The connection capacity to Pardubice is 2x 1 Gbps and to Brno, 1x 1 Gbps.

- Since October 2012, the data circuit from Dial Telecom with a capacity of 100 Mbps has been connecting the Brno and Prague branches of an innovative banking institution.

- Within a restricted tender, following another failure of the KIVS project, the Ministry of Finance, Czech Republic, also invited a few new providers into the public tender. Dial Telecom won 16 MPLS connections at a total value of CZK 130,800 monthly. It also won a tender for the provision of service for the Office for Government Representation in Property Affairs.

- The Ministry of Health, Czech Republic, was another exception and issued the ordered restricted tender as an open tender. Dial Telecom offered the lowest price and won 8 connections to the Internet at a value of CZK 63,000 monthly.

- For Dial Telecom, the provision of so-called last miles for international operators is also a segment that is of more and more importance. In the past, the company played a rather marginal role on this market but, thanks to the development of the optical networks in the Czech Republic and mostly the metropolitan networks, it has gained a significant position in this segment. For wholesale customers, Dial Telecom connects their end customers, and by doing so, is further strengthening its metropolitan networks.

BREAKDOWN OF
SERVICE REVENUES

The breakdown of revenues from sales of services is shown in the following graph.
This illustrates the share of services in revenues in 2012 without sales of assets.

Total breakdown of revenues into individual groups of services in December 2012 (CZK '000)

Other services
47 762

Internet
225 839

CPS
77 832

ATX
38 536

Voice services
99 826

Interconnect
115 789

Housing
37 213

Data circuit leasing
140 954

Fiber
65 090

Breakdown of revenues from services and sales of goods

	2011	2011	2012	2012
	CZK ,000	%	CZK ,000	%
Voice services	265 989	33%	335 398	39%
Data services	233 748	29%	245 115	29%
Internet	298 230	37%	230 535	27%
Other	8 060	1%	43 232	5%
TOTAL revenues from services and sales of goods	**806 026**	**100 %**	**854 280**	**100 %**

SERVICES OVERVIEW
RETAIL

INTERNET

Over the long term, the key product of Dial Telecom has been Internet services. Its own backbone and metropolitan network enable the setup of access lines of the maximum possible quality and, especially with high capacities, offered at a very appealing price. The Internet service provided is complex: the building of a connection to the customer, the end device and guaranteed Internet access are all included.

DATA

Data services, either on the L2 layer or using MPLS on the L3 layer, are among the services abundantly used by companies with more than one geographical branch. The network topology can be laid out in either a star shape with a central access point or as "full mesh", where all points communicate mutually. What is becoming more and more popular for this are international VPNs, where Dial Telecom also administers a unified MPLS network for branches of Czech companies abroad.

VOICE

Dial Telecom ranks among the traditional providers in the field of voice telecommunication services. The stable and still-utilized digital service on the ISDN platform is offered as standard, complemented by an offer of VoIP services with a wide range of optional functionalities. The virtual branch exchange of Dial Telecom on the VoIP platform is a sought-after solution, particularly with specialists in this technology.

SERVICES OVERVIEW
WHOLESALE

INTERNET SERVICES

These services are usually operated through Dial Telecom's own unique backbone optical network and metropolitan optical networks in Prague and Bratislava. They differ mostly in the provided bandwidth, the option for setting the ratio between domestic and foreign IP connectivity and also the agreed-upon guaranteed parameters of services.

The most significant service is providing IP connectivity for transit partners of Dial Telecom; particularly its own connectivity into the biggest European and world Internet exchanges.

VOICE SERVICES

Dial Telecom is one of the biggest voice wholesale operators in the Czech Republic. It is connected to most fixed and mobile national networks and cooperates with many foreign operators. A significant part of wholesale services is the provision of services for minor wholesale partners (ISP), including number portability and independent administration of voice services for their customers and processing billing information through a web interface. All wholesale services are provided on the TDM as well as VoIP technologies.

For minor operators of voice services, Dial Telecom provides the Virtual Voice Operator service, which enables one to become a full-fledged voice operator with low start-up investment; particularly, it enables number portability into the network.

DATA

The service of digital leased telecommunication circuits is realized on both Ethernet and SDH protocols, at speeds from 64 kbps to 10 Gbps.

A separate chapter of data services is high-capacity data transmission through DWDM technology. This platform enables data transmissions up to multiples of 10 Gbps.

In the field of wavelength (lambda) leases, Dial Telecom specializes in covering not only Czech cities, but also foreign destinations, particularly Frankfurt, Bratislava, Warsaw and Vienna.

LEASE OF DARK FIBER AND PIPES

Dial Telecom is the biggest provider of backbone optical fiber in Central Europe.
This service offers customers and partners the possibility of leasing dark fiber
in the backbone and metropolitan networks of Dial Telecom in Prague and Bratislava
and the possibility of leasing HDPE pipes.

TECHNICAL
DEVELOPMENT
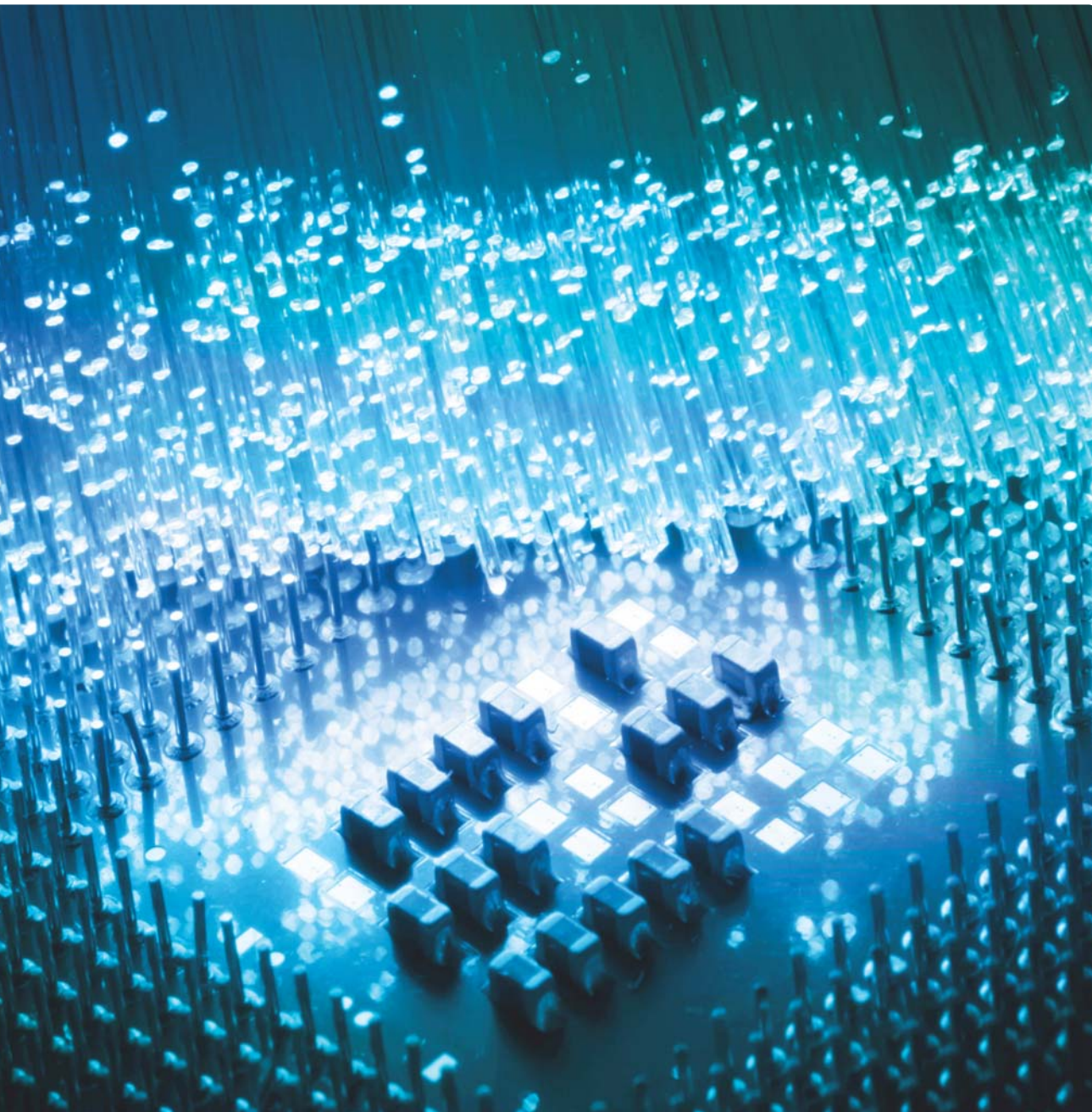
TECHNICAL DEVELOPMENT IN 2012

In 2012, Dial Telecom a. s. continued developing its networks and services. With respect to the lower growth on the Czech market, large concentration went into the optimization of networks and systems, development and use of prospective network technologies, implementation of new products and increasing the convenience for users. In spite of unfavorable market prognoses, there was flat growth in the setup of customer services, their capacities and backbone infrastructure as a whole.

INFRASTRUCTURE

In 2012, there was an extension of basic parts of the network: the metropolitan optical network in Prague, long-distance optical networks in the Czech Republic and abroad and interconnections in international Internet exchanges. In key technologies, development focused on optical networks, WDM technologies, radio connections of the point-to-point type, MPLS network in IP and VOIP in voice services.

OPTICAL NETWORK

In 2010, Dial Telecom began extensive construction of routes in Moravia, and this is still ongoing. In 2010, the Libhošť – Žukov construction began. In 2011, the construction was completed and a collocation technological building in Libhošť was built. At the end of 2011, the DOK72 Mladotice – Rozvadov construction began and was completed. These actions were followed by the preparation of the DOK Techlovice – Stříbro construction and other construction in Moravia, including a collocation area in Olomouc – of which the construction itself was completed in spring 2013. The construction of the 91 kilometer long Brno POP – Olomouc and the 90 kilometer long Olomouc – Libhošť routes was begun. These routes will be handed over for use in spring 2013.
Within the national network, shorter routes for connecting customers were built. In 2012, the long-distance network was extended by a total of 270 km. The total extent of optical routes within the long-distance national network, including leases, as of 31 December 2012, was 4,747 km of cables and 117,941 km of optical fibers.

METROPOLITAN NETWORK

In the metropolitan optical network, the efficiency of the current routes continued to be increased; there was construction of new routes and especially local access for connecting customers. From the viewpoint of quantity, the network was expanded to 1460 km of fibers (an increase of approx. 25 km), micro-tubing continued in a part of the network. The length of the metropolitan network cables is 210 km, the length of fibers is 13,500 km. In 2012, another 40 premises were connected. Some of the significant constructions were the connections in the Chodov area to the optical network, the connections of BC Polygon, Štětkova 6, Karla Engliše, Antala Staška 34, and BC V Parku. Within micro-tubing, approx. 4 km of the Gestin – Blanická backbone route was strengthened. To constantly increase capacity, the metropolitan network is gradually being equipped with WFM technologies.

RADIO NETWORK

The development of the radio network complemented the coverage into areas without optical infrastructure. In cooperation with suppliers and servicing companies, we installed hundreds of connections in capacities ranging from units of Mbps to 1 Gbps. The optimization of the broadcasting points of Volný and Dial Telecom's network and the unification of the used technologies continued.

HOUSING

Dial Telecom provides the possibility of placing its customers' technology in all important collocation and connection centers in Prague. It is possible to provide placement of customers' technology in many locations in the Czech Republic. In 2012, the connection capacity among the centers in Prague was increased. Dial Telecom operates its own collocation centers in Karlín (Corso) and u Nákladového nádraží (Nagano), where a substantial technological renovation in monitoring, air-conditioning, access and stable fire extinguishing equipment was made in 2011.

TRANSMISSION TECHNOLOGIES WDM

In 2012, Dial Telecom continued developing 40G transmissions on its DWDM network. The deployment of the 100 G technology on the backbone Frankfurt am Main – Prague – Brno – Ostrava – Český Těšín (Czech / Polish border) was being prepared for testing. In 2013, apart from up to n*40G, it will be possible to also offer customers the 100G capacities.

The basic topology of the DWDM network is Frankfurt am Main – Prague – Brno – Ostrava – Český Těšín (Czech/Polish border), then Prague – Ústí n. L. – Liberec – Hradec Králové – Ostrava, Prague – Jihlava – České Budějovice – Písek and Prague – Břeclav – Zlín – Bratislava. The total length of the DWDM routes is more than 2,800 km.
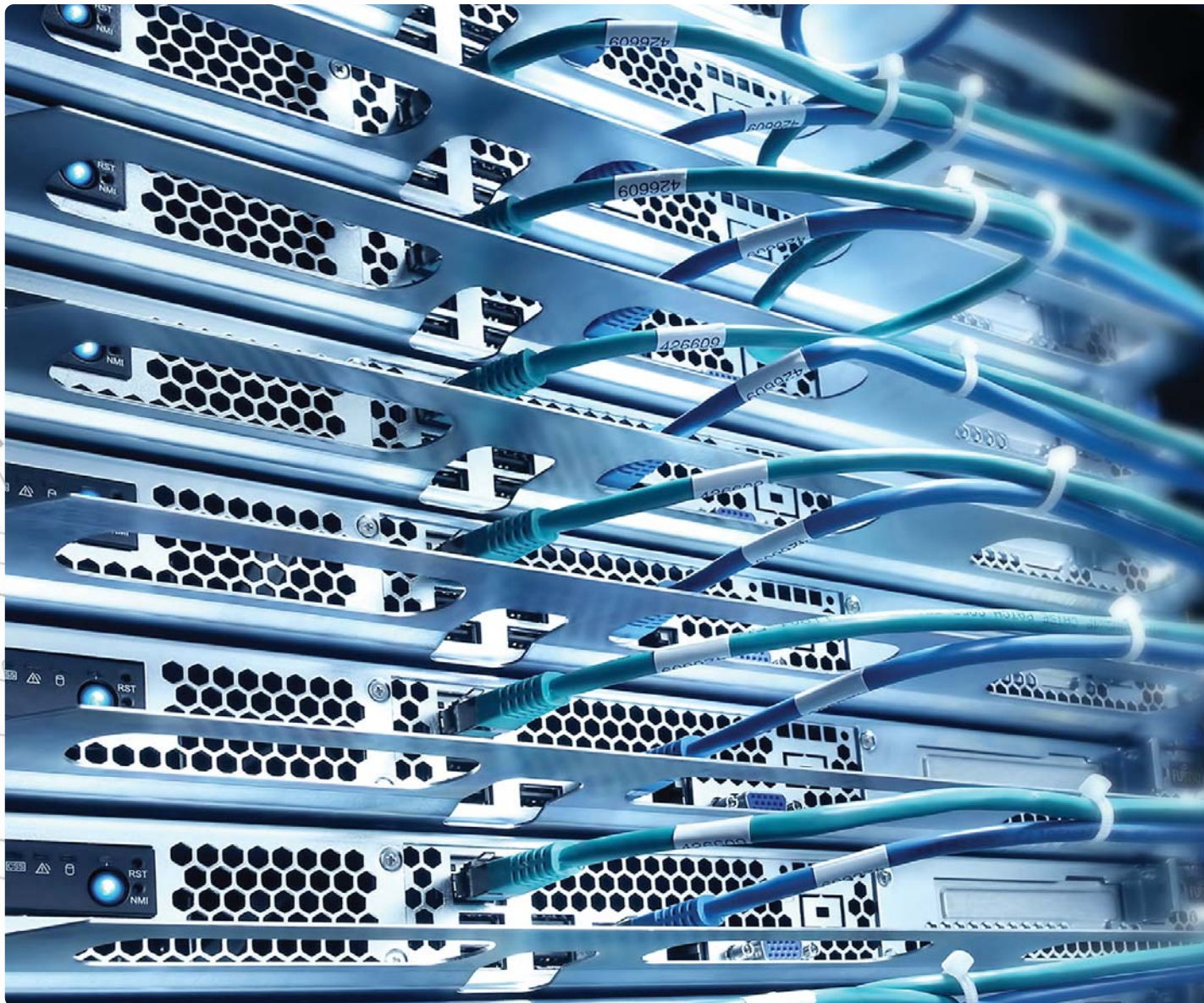
SDH

The optimization of the national SDH network continued and the SDH was extended by backbone boxes in CE Colo and also within the SDH ring of the Prague network. That has further increased the capacity of the network for providing the synchronic and E1 circuits for voice services. In 2012, the number of high-capacity SDH trunks connecting the Dial Telecom network to other operators of synchronic services also doubled.

Dial Telecom now has its own extensive transmission infrastructure for providing services, ranging from leasing of fibers to leasing DWDM lambdas, leasing synchronic circuits, and leasing Ethernet connections. Dial Telecom also uses these capacities for higher layers of network (IP, MPLS, voice) for a complex offer of services.

IP INFRASTRUCTURE MPLS

The development of the backbone for providing IP services was focused on using and developing prospective MPLS technology, increasing the capacities of the backbone lines and expanding the connection points. The full redundancy of the network core is used and the backbone connectivity was further strengthened. The IP MPLS infrastructure is designed to serve as not only traditional Internet access, but particularly to provide two or multiple-point Ethernet VPN, fully transparent for customers.

PEERING

In 2012, Dial Telecom was also active in the field of peering. Dial Telecom now has direct connection (peering) with approx. 900 autonomous systems, with capacities of 20 Gbps NIX CZ, 30 Gbps of direct connections in the Czech Republic, 50 Gbps direct connections abroad and more than 20 Gbps connections into transit foreign networks.

VOICE SERVICES

In 2012, the strengthening and consolidation of the voice infrastructure by the joining of the Dial and Volný networks continued. The project of capacity recovery and extension of the main switch and related voice infrastructure is going successfully. Its goal is to increase the stability of services, the development and implementation of new services and cost optimization. In 2012, the migration of a large part of the existing services was completed.

The voice infrastructure currently supports classic TDM voice transmission, VoIP services and extra services (group calling, re-routing, call centers) in the model for end customers and wholesale partners.

SYSTEMS

The Dial Telecom support systems have been continuously developing. One of the new functionalities of the Dial Telecom systems also allows number portability to other operators within their own OPID.
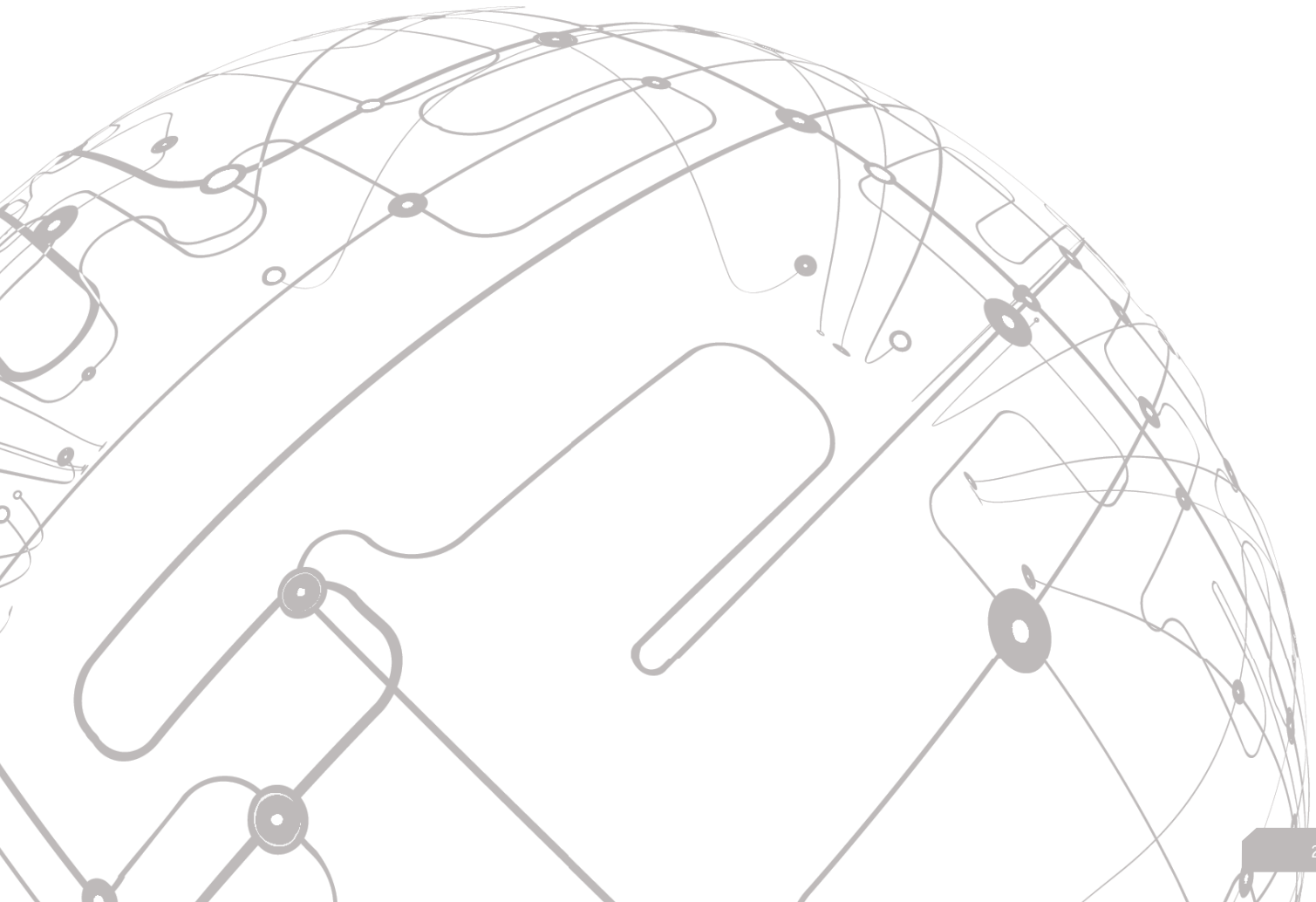
FINANCIAL
RESULTS

BALANCE

(CZK ,000)	31. 12. 2011	31. 12. 2012
	Net	Net
TOTAL ASSETS	**1 321 558**	**1 399 407**
Non-current assets	812 614	834 978
Non-current intangible assets	2 827	2 678
Non-current tangible assets	809 747	790 885
Non-current financial assets	40	41 415
Current assets	490 967	534 058
Inventory	42 859	38 619
Long-term accounts receivable	36 390	29 951
Short-term accounts receivable	193 671	262 263
Short-term financial assets	218 047	203 225
Accruals	17 977	30 371
TOTAL EQUITY AND LIABILITIES	**1 321 558**	**1 399 407**
Equity	446 772	425 768
Basic capital and capital funds	265 605	277 647
Reserve funds, non-distributable reserves and other profit funds	4 000	4 000
Result from previous years	150 788	102 168
Current period result	26 379	41 953
Liabilities	753 765	790 844
Provisions	3 111	885
Long-term liabilities	509 203	525 098
Short-term liabilities	184 682	264 861
Bank loans	56 769	0
Accruals	121 021	182 795

PROFIT-AND-LOSS STATEMENT

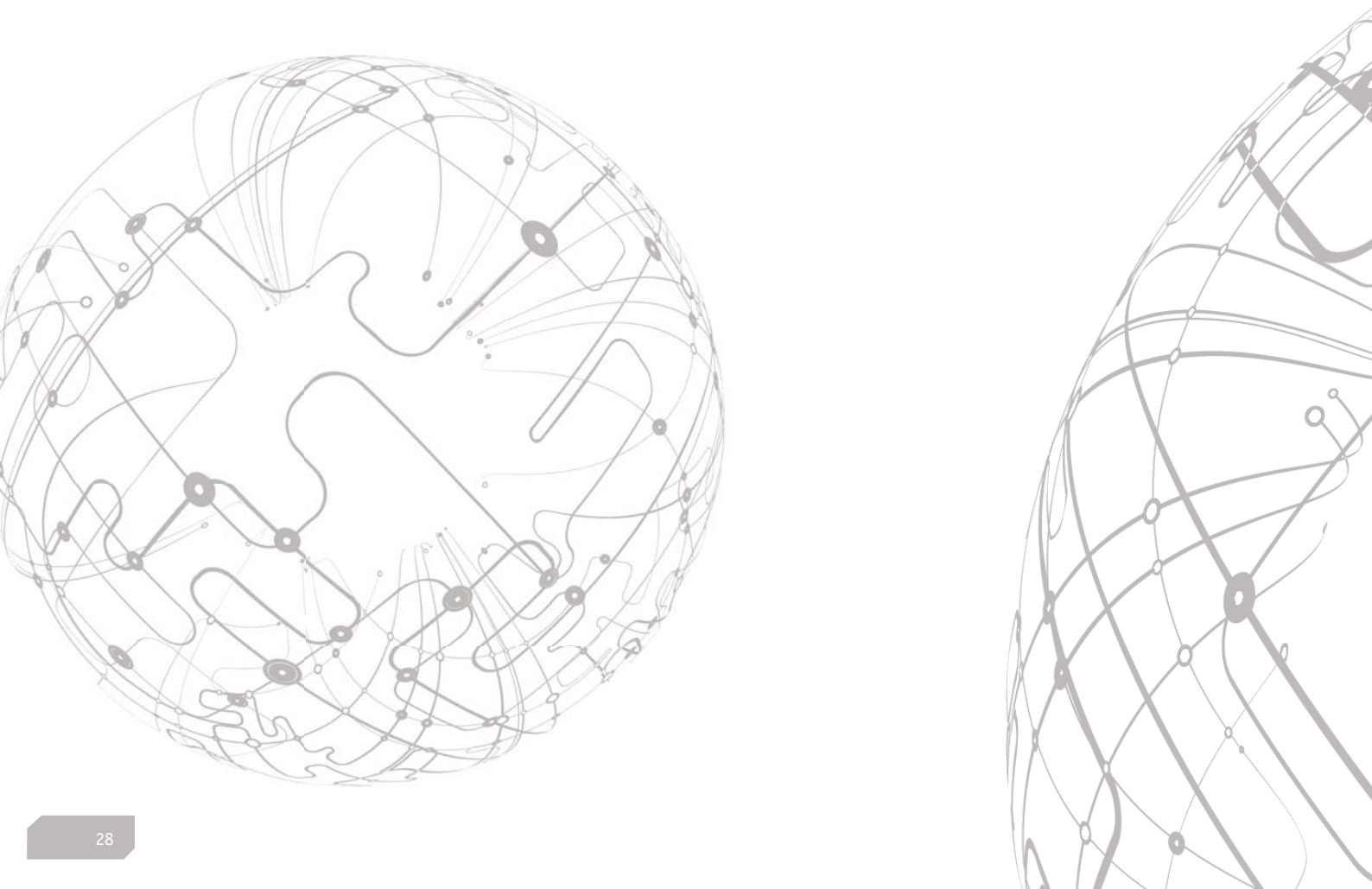| (CZK ,000)	31. 12. 2011	31. 12. 2012
Revenues from sales of goods	44	5 439
Cost of goods sold	35	2 197
Gross margin	9	3 242
Revenue from services	808 341	849 608
Cost of services	494 421	498 076
Value added	313 929	354 774
Staff costs	107 392	123 619
Taxes and fees	9 408	8 446
Depreciation and amortization	71 913	75 293
Revenues from fixed assets and materials	626	3 895
Cost of fixed assets and materials sold	170	502
Change in reservers and provisions in the area and complex costs of next period	43 075	41 171
Other operating revenue	2 380	3 811
Other operating costs	5 251	7 319
Operating result	79 726	106 130
Interest revenue	958	1 556
Interest expenses	39 067	38 314
Other financial revenue	11 248	6 452
Other financial expenses	9 740	10 520
Financial result	-36 601	-40 826
Income tax on current period income	16 746	23 351
Profit from ordinary activity	26 379	41 953
Profit for the period (+/-)	26 379	41 953
Profit before tax (+/-)	43 125	65 304

COMMENTARY ON FINANCIAL RESULTS

Compared to 2011, the company increased its operating result.
The revenues increased from CZK 808.3 M in 2011 to CZK 849.6 M in 2012,
which is an increase of 5.1%. The operating result increased from CZK 79.7 M
in 2011 to CZK 106.1 M in 2012, which is an increase of 33%.

This result is due to the internal cost optimization and the realization of a number
of synergies and savings measures after the merger with a division of Volný, which
was carried out on the decisive date of 1 January, 2012 (CPS product group).

In April 2012, all acquisition loans were paid off. Dial Telecom a.s. continued
using operational financing in the form of consumer loans in 2012, particularly
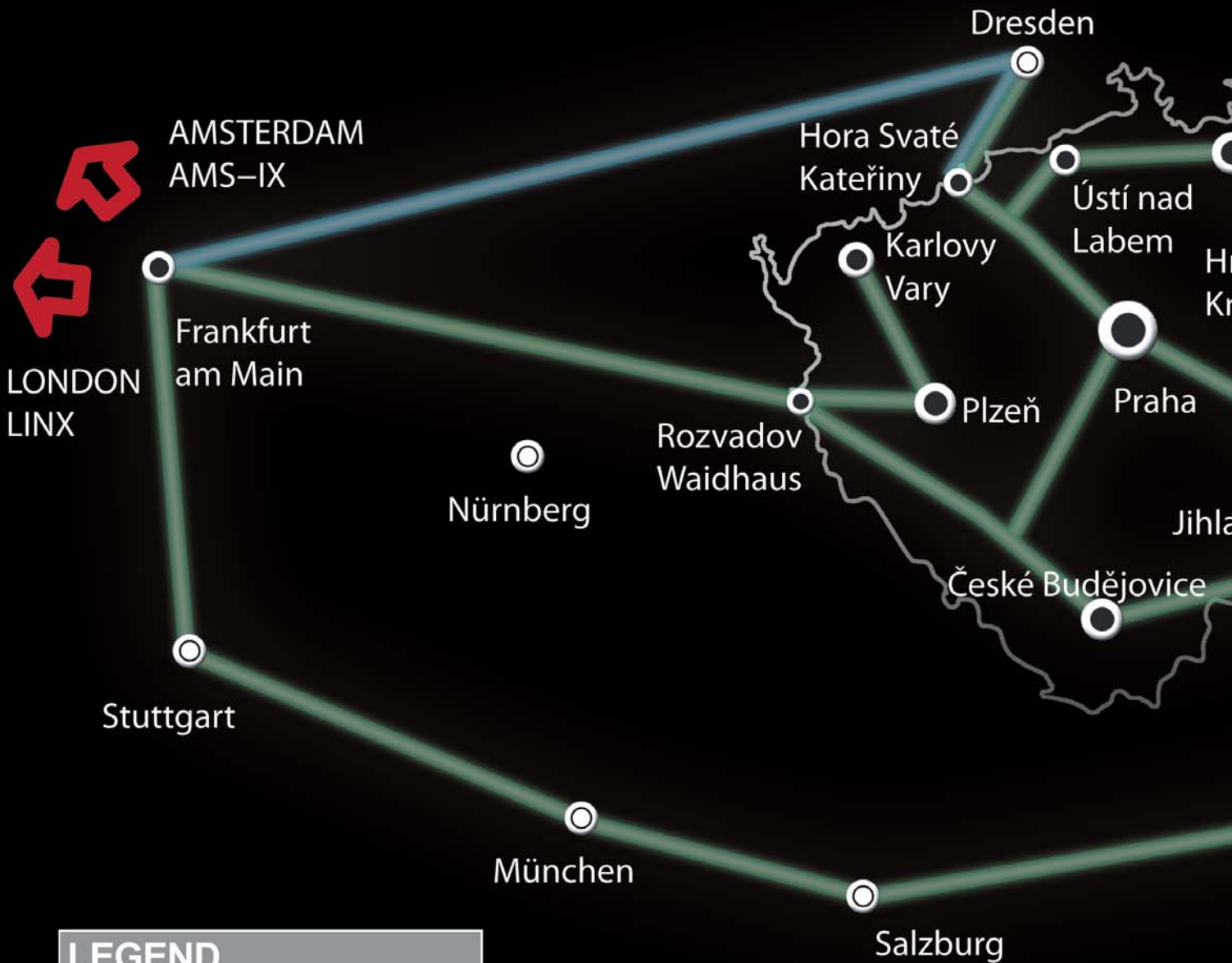from Československá obchodní banka a.s.

In accordance with the long-term investment strategy, Dial Telecom continued
investing, particularly into the optical infrastructure. 2012 also saw the recovery
of the voice switch.

In accordance with the project of division through splitting and merging, part
of the assets of Volný a.s. were split and then merged with Dial Telecom a.s.
The decisive date of the split and subsequent merging was 1 January, 2012,
recorded into the Business Register on 30 November, 2012.

GERMANY

Dresden

AMSTERDAM
AMS–IX

Hora Svaté
Kateřiny

Ústí nad
Labem

Karlovy
Vary

Hr
Kr

LONDON
LINX

Frankfurt
am Main

Plzeň

Praha

Rozvadov
Waidhaus

Nürnberg

Jihla

České Budějovice

Stuttgart

München

Salzburg

AUSTR

MAP OF **BACKBONE NETWORK**

Dial Telecom

Dial Telecom owns an extensive national optical network in the Czech Republic, as well as metropolitan networks in Prague and Brno. The optical network reaches into the neighboring countries with a circle topology to guarantee the reliability of the services provided. The significant services provided are peering of international and national internet networks, voice services, international data circuits in capacities up to tens of Gbps. The Dial Telecom network has its central monitoring center in Prague. The network monitoring, as well as the customer support center, in operation 24 hours a day, 7 days a week.

PERFORMANCE
REPORT FOR **2012**

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