

PERFORMANCE
REPORT FOR
2013



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COMPANY INTRODUCTION

Dial Telecom 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, such as net4net, Telekom Austria Czech Republic, the wholesale division of Master Internet and STAR 21 Networks.

Last year, Dial Telecom took over the customers of ET Telekomunikace and became the hundred-percent owner of the business share in MAXPROGRES telco. Telemetry Services, a daughter company, was created; it provides all services related to the guaranteed data transmission via GSM networks of mobile operators and sales of active transmission elements in these networks.

Dial Telecom is a holder of ISO certificate 9001:2009 Quality Management, ISO certificate 14001:2005 Environmental Management and ISO certificate 27001:2006 Information Security Management, i.e. protection of sensitive information from unauthorized access.

Dial Telecom continues to maintain its 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 shareholders, business partners, and colleagues,

Let me present you with the 2013 Performance Report of Dial Telecom a.s. There is a summary of information about significant facts and milestones of our company's operations last year which relate to business activities, technological development and financial results.

Compared to 2012, the company revenues decreased by about CZK 37 million, down to CZK 817,534 million. The drop in turnover was particularly a result of decreasing maximum connection fees in voice services by the regulator, the CPS services drop and the ongoing GSM substitutions, which will also continue in the years to come. The turnover of other product lines remained at the 2012 levels or slightly increased.

In 2013, Dial Telecom again continued with its acquisition strategy - acquiring companies with quality infrastructures, prospective products or interesting customer bases.

In July, Dial Telecom bought Nowire s.r.o., providing telemetric services, and in October 2013, Dial Telecom a.s. became the owner of 100% of the shares in MAXPROGRES telco s.r.o., which provides telecommunication services mostly on its own optical infrastructure in seven cities in the Czech Republic. These acquisitions were made with our own resources of the group, without external financing.

At a time in which the Czech Republic is seeing a decrease in prices for telecommunication services and their commoditization, in the long-term perspective, we find taking part in the consolidation of the Czech telecommunication market the most advantageous strategy. We are going to pursue this strategy in the coming years.

In 2013, the company realized the project of merging with daughter company STAR 21 Networks a.s., a holder of the national frequency of 26 GHz, and near the end of the year, the company merged with a part of ET Telekomunikace s.r.o.

Responsibility is a priority for us both in relations to our customers and particularly to our employees, whom I would like to thank herewith for being still the preferred partner for our customers.

Zdeněk Sivek
Chairman of the Board



KEY EVENTS OF 2013

- Dial Telecom took over the customers of ET Telekomunikace s.r.o. The part of assets related to the networks of electronic communication were transferred to Fiber Services a.s., a daughter company of Dial Telecom.
- Dial Telecom became the hundred-percent owner of the business share in MAXPROGRES telco s.r.o., with its registered office in Brno, by which it significantly expanded its own infrastructure with other metropolitan networks.
- Dial Telecom successfully completed the merger with STAR 21 Networks a.s., which thereby ceased to exist.
- In July 2013, Nowire s.r.o. was bought. By splitting a part of the assets of Nowire, a new company, Telemetry Services s. r. o., was created; it is a daughter company of Dial Telecom. Telemetry Services provides all services related to guaranteed data transmission via the GSM network of mobile operators and the sales of active transmission elements in these networks.



KEY FIGURES OF 2011-2013

CZK '000	2011	2012	2013
Revenues from sales of goods and services	806 026	854 280	817 534
EBITDA (operating profit + depreciation + change in provisions)	194 714	222 594	194 122
Investment ratio (CAPEX / revenues)	8.8%	8.3%	8.9%
Profit before tax	43 125	65 304	24 292
Cash as of 31 December	218 047	203 225	35 969
Number of employees	122	125	124

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

Marek Šťastný
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

The entire macroeconomic environment in the Czech Republic was still seeing signs of the crisis of previous years fading. In 2013, the GDP of the Czech Republic continued to decrease, even though there were the first signs of recovery at the end of the year. This situation, in connection with a long-lasting trend of decreasing revenues in the whole telecommunication market, was the main condition for business activities in the Czech telecommunication sector.

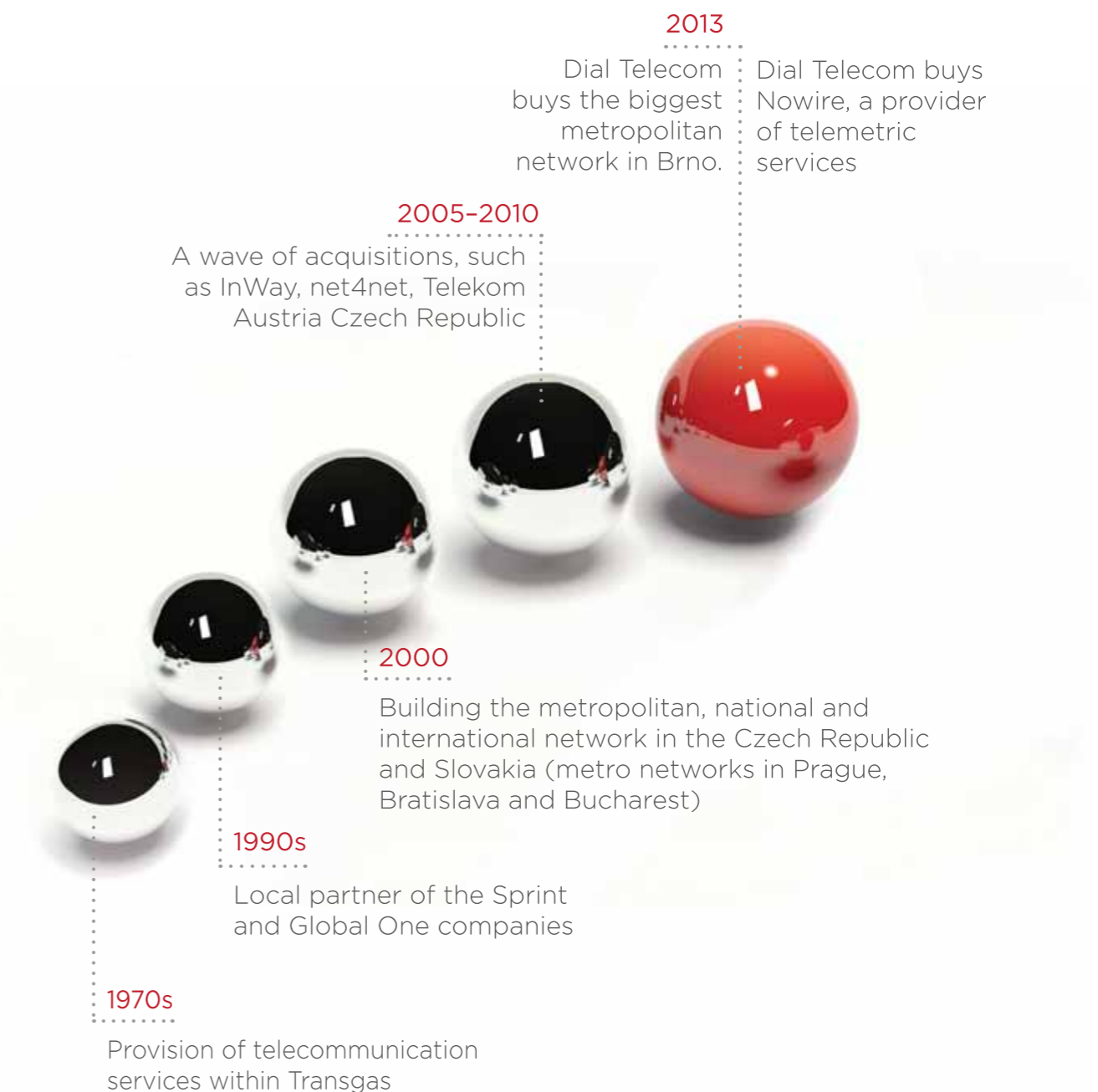
With respect to the significant position of Dial Telecom in the area of Central Europe, it is interesting to add that it was the international business of the company that was overcoming the unfavorable environment present not only in the Czech Republic, but also in most European countries.

The telecommunication market does respond to the overall economic climate, yet with respect to long-term contracts, which Dial Telecom closes with business customers, as well as wholesale, the effect is relatively minor. Therefore, the economic recovery expected for 2014 will not really bring any change to the trend of decreasing revenues on the telecommunication market.

DIAL TELECOM AND ITS POSITION

Dial Telecom is one of the oldest alternative operators in the country. One part of the company, the former Transgas, was already providing services within the Transgas group in the 1970s. However, the company boom began after the year 2000, along with the building of the national network and also the metropolitan networks in Prague and Bratislava. The substantial issue for the later development of international activities was the connection over the border to almost all existing networks around the Czech Republic. From 2000, the company's share on the telecommunication market was rising and, in 2013, Dial telecom was the second biggest alternative operator of fixed networks in the Czech Republic. With respect to the planned merger of T-Mobile and GTS, Dial Telecom will become the biggest independent alternative operator in the country for business clients, corporations and providers of telecommunication services.

KEY MILESTONES IN THE HISTORY OF DIAL TELECOM



most significant, generating almost 60% the company's revenue. 2013 also saw the continuing consolidation of the data services market and a significant decrease in prices. This has permanently been 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 stiff competition in the provision of data services on the market results in the fact clients are receiving ever higher capacity in regard to lower prices with each year that follows, and this trend is evident in all countries of the world, wherever there are market principles.

Even though the sector of fixed and mobile services is technologically separate, from the business point of view, this is no longer true. There are strong efforts by mobile operators to enter into the fixed networks, as the commercial offer of connected mobile and fixed services is interesting from the marketing point of view. A new trend in this field has been the effort of mobile operators to provide for infrastructure by purchasing available optical fibers from other providers. This trend is understandable with respect to the expected data volumes the 4G network will generate. Dial Telecom is also playing a significant role here as an infrastructure lessor.

The most important change for the market of voice services in the Czech Republic was the decrease of fees to mobile networks. The price further decreased from CZK 0.55 to CZK 0.27 per minute and, in 2014, it will further drop to CZK 0.03. This planned decrease does not change anything about the fact the local market is warped under the leadership of the ČTÚ regulator. That is to say, the connection fees to fixed networks are at much lower levels.

The Dial Telecom Group also continued with consolidation of the telecommunication market in the Czech Republic. As 2011 turned into 2012, the operator STAR 21 Network, specializing in the provision of service on the wireless technology on the 26 GHz frequency, became a member of the group. This acquisition was connected to the efforts of Dial Telecom to penetrate into government procurement and to also control a bigger part of its own network. In 2013, Dial Telecom bought MAXPROGRES telco, the provider of the biggest network in Brno and other metropolitan networks in some regional cities.

The strategy of the company is also system integration of services for customers, which, in 2013, led to the acquisition of Nowire, which is a significant provider of telemetric services.

DIAL TELECOM CUSTOMERS

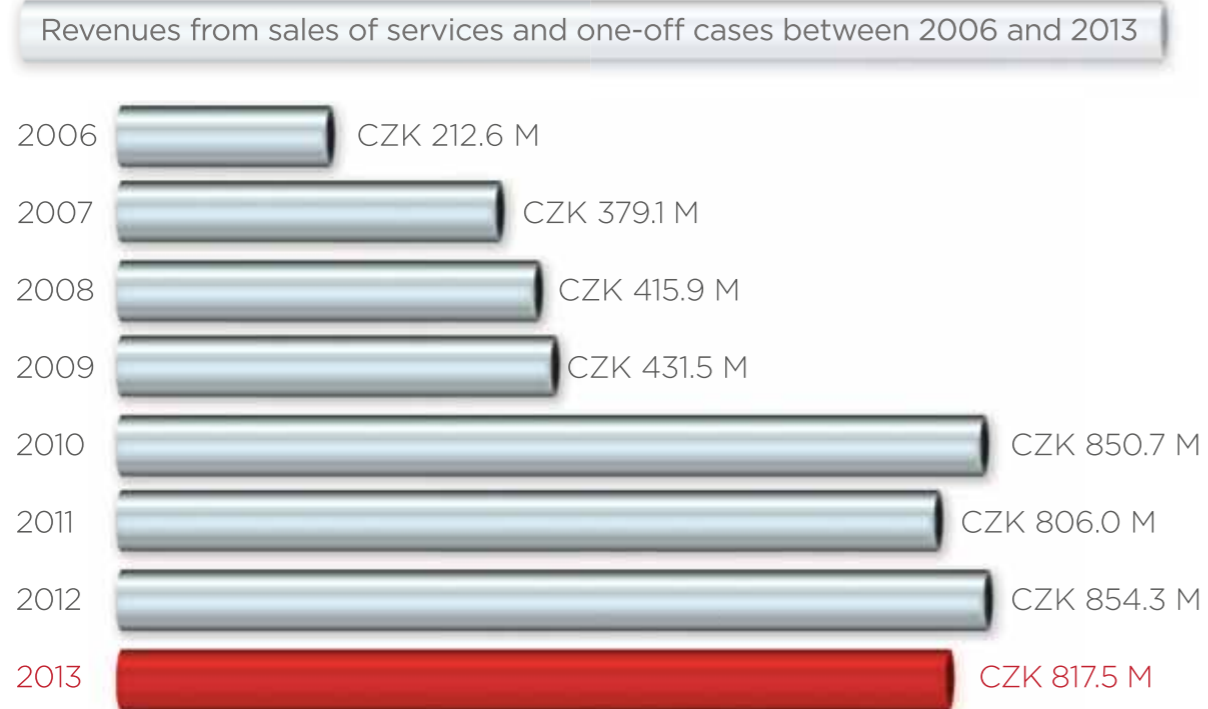
Dial Telecom maintained its position on the market in providing services for both wholesale and business clients. Total revenue from sales of services did decrease by 4.3%, to CZK 817 M, but the decrease of the whole telecommunication market in 2013 is again estimated at 5-10%.

As of 31 December, 2013, Dial Telecom had a total of 2,897 clients in this segment, 2,612 of whom were customers of the corporate department (business clients as well as the state department) and 285 of whom were wholesale customers. This rate, however, is not indicative of the structure of revenues. In December 2013, 45.1% of revenues were generated by the sale of services to corporate clients and 53.4% by wholesale clients. The remaining 1.5% 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; this has not changed much in the last two years.

REVENUES – SMALL BUSINESS / WHOLESALE

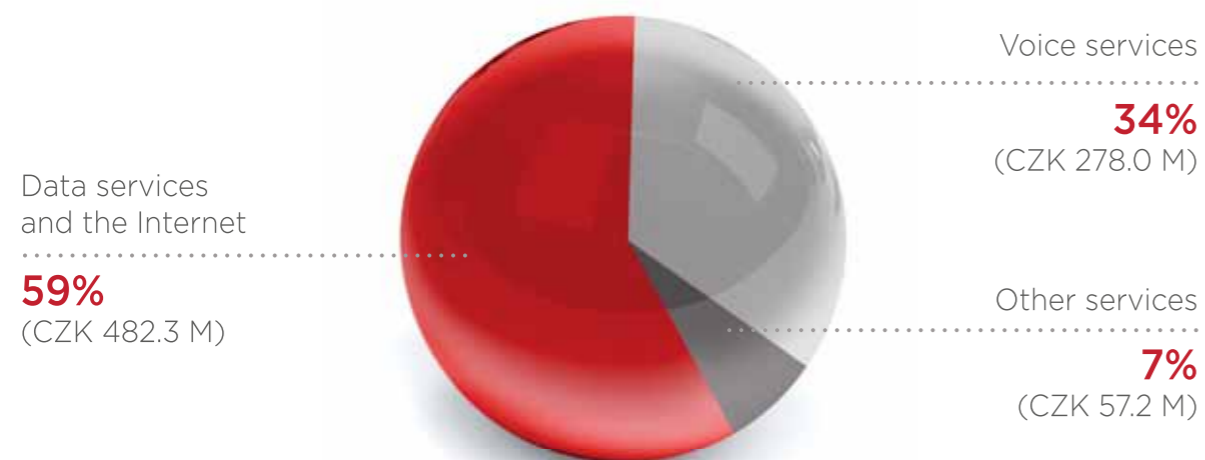


DEVELOPMENT OF REVENUES FROM SERVICES IN 2013



Revenues from sales of data and voice services reached a total of CZK 817.5 M, of which CZK 482.3 M were from data services and the Internet, CZK 278.0 M were from voice services, and CZK 57.2 M from other business cases. Compared to 2012, when Dial Telecom achieved comparable revenues from services in the amount of CZK 854.3 M, there was a decrease of CZK 36.8 M, which is 4.3%.

Structure of revenues from services in 2013



VOICE SERVICES

Revenues from voice services reached a total of CZK 278.0 M in 2013, which was a decrease of CZK 57.4 M compared to 2012, when revenues were CZK 335.4 M. This decrease was planned and connected primarily to the drop in the number of customers of the CPS service, which Dial Telecom has provided after the acquisition of the Volný company. Minor decreases are also evident on the market of traditional voice services for business clients and the Interconnect service (the service of operation among operators).

DATA SERVICES AND THE INTERNET

The situation on the data market in 2013 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 2013, Dial Telecom continued developing its services mostly based on IP. Business clients, as well as international telecommunications operators (network solutions and connection of their clients), have more and more demand for such services and the traditional solutions based on SDH are only exceptional these days.

Unlike the first decade of the 20th century, when operators mostly focused on traditional telecommunication services, it is again very important to be able to offer the client a complex solution. This is also the strategy of Dial Telecom. For business clients, the company provides not only the classic telecommunication services but also, as examples, telemetric services, cloud-based services, network management and device administration, etc.

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 or Slovakia. This was achieved mostly by the best solution for IP-based services. It can offer the full portfolio of these solutions, be it Ethernet L2, Ethernet over SDH, MPLS, L3VPN, etc.

Revenues generated by providing data services increased from CZK 245.1 M to CZK 253.4 M and revenues generated by the Internet stagnated at CZK 228.9 M.

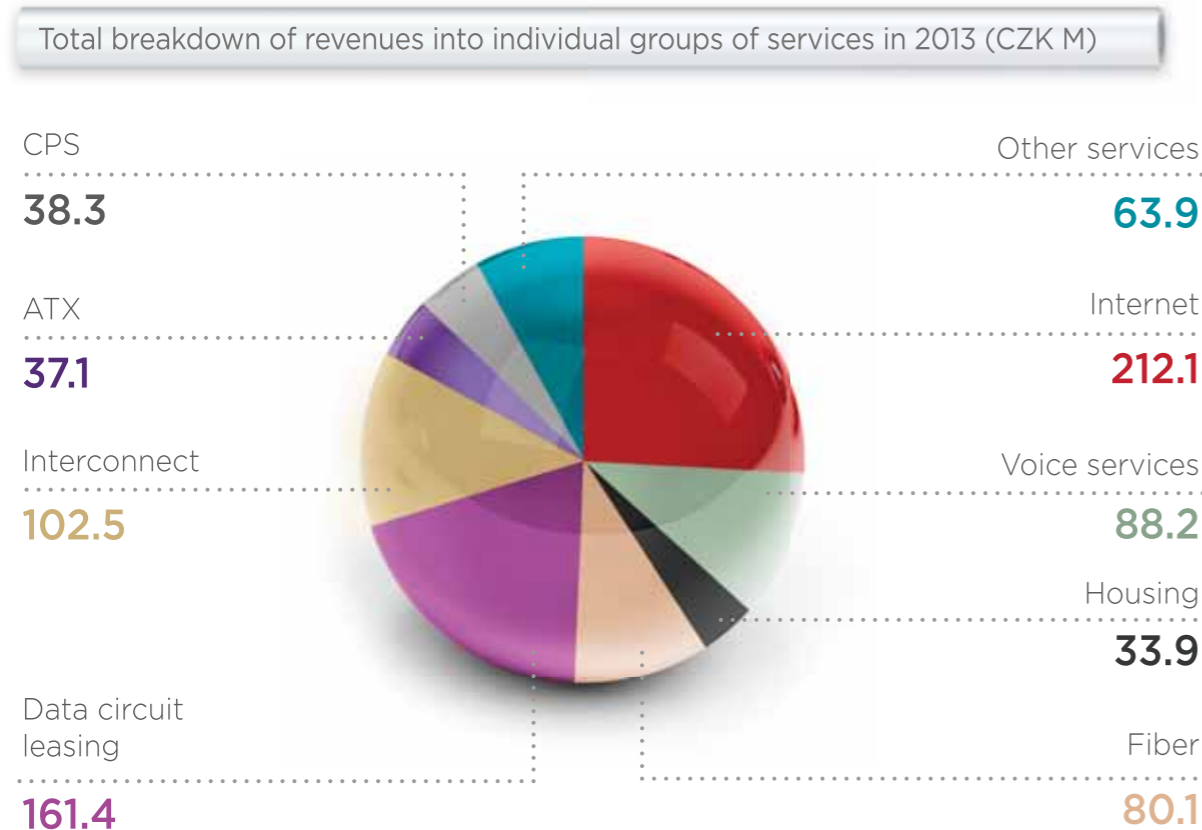
Total revenues generated by data services in 2013, including the Internet, reached CZK 482.3 M and increased by CZK 6.6 M compared to 2012 (CZK 475.7 M).

DIAL TELECOM ON THE INTERNATIONAL MARKET

With respect to the overall decrease in the telecommunication market, it is also interesting to look at where Dial Telecom's revenues generate from. The company has a significant position in the provision of local connections of company branches for international operators, and for many of them, became a preferred partner; for others, it is a significant provider. This is attributed to the fact that Dial Telecom is rapidly expanding its optical networks in cities. The company expects further significant strengthening of its position in this market segment in the future.

Thanks to its international marketing activity, many operators recognize Dial Telecom as a primary network. The Dial Telecom backbone network is placed along gas pipelines, which is the safest placement for a network, and for big international telecommunication groups, it is also a significant fact when building networks in Central Europe. Through its partners, Dial Telecom also provides an optical network from Frankfurt (the biggest telecommunication exchange in Europe) to Ukraine and Budapest; it connects countries such as Germany, Austria, Slovakia, Hungary and Poland on its network. In many respects, the ownership of the network is crucial for the provision of long-term stability, as contracts in this field are concluded for 15-20 years.

BREAKDOWN OF SERVICE REVENUES



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 CPE 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

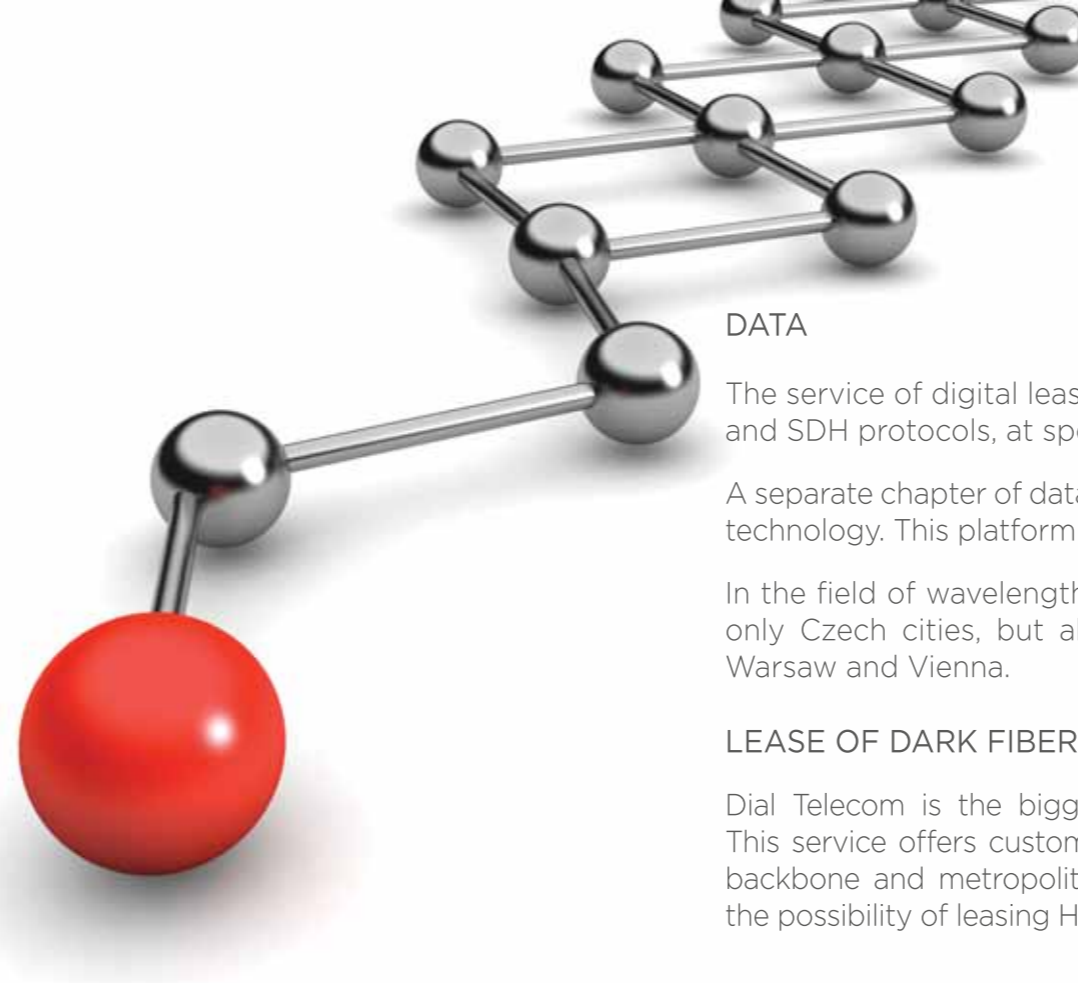
Dial Telecom ranks among the traditional providers in the field of voice telecommunication services. The stable and still-utilized digital service on the ISDN platform is offered as standard, complemented by an offer of VoIP services with a wide range of optional functionalities. The virtual branch exchange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

FROM BADOO TO STATE ADMINISTRATION

The impossibility of facing the pressure from the offers of mobile operators led to the Dial Telecom corporate division losing a part of its revenues from the segment of retail chains at the end 2012 and in 2013. Fortunately, most of this type of turnover was replaced by more stable revenues. As examples, here are some interesting contracts:

- 4 x 10Gbps lambda for worldwide provider of services of dedicated servers.
- Thanks to Dial Telecom, the 1Gbps data circuit in the Prague x Frankfurt connection enables the Oriflame Software company maximum quality communication with the international data center.
- A newly created modern data center in Písek is connected through the Internet connectivity from Dial Telecom.
- Since 2013, Badoo, an internationally well-known social network, has been using IP connectivity from Dial Telecom.

- The State Administration subdivision managed to keep all revenues generated in 2012 and to acquire new interesting customers: the Foreign Ministry, the Senate of the Czech Republic, the State Phytosanitary Administration, the National Museum, and some others in the municipality category.
- Since 2013, as a new feature, Dial Telecom has been providing a separate product: network administration. With Net4Gas, Dial Telecom successfully passed transition, and after the results of demanding tests were accepted, from 1 May 2013, it became the supplier of administration of the WAN network of this provider of a gas transport system in the Czech Republic.



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 (λ) 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.

OPTICS WITHOUT BORDERS

- Within a big business deal, when Dial Telecom provided Vodafone with an optical infrastructure in Central Europe, Dial Telecom acquired over 800 kilometers of optical routes in Germany. These fibers were subsequently leased to Exatel for 15 years.
- Dial Telecom won and provided an optical infrastructure for Rascom, a significant Russian operator, who demanded the connection of Ukraine, Slovakia, the Czech Republic and Germany by optical fibers.
- Within the project with Interoute for a pan-European operator, Dial Telecom provided optical fibers for 20 years to connect Germany, the Czech Republic, Slovakia and Austria.
- In 2013, Dial Telecom provided Polish operators with a total of 200G data connections, connecting Poland with the biggest European telecommunication exchange in Frankfurt.
- Dial Telecom closed contracts for the provision local circuits with the operators Verizon, Sprint and BT. In the future, Dial Telecom expects a significant increase in orders from these companies to connect their global clients with branches in the Czech Republic and Slovakia.
- For the first time in the history of the company, Dial Telecom provided another operator with so-called Alien Lambda, which is an empty optical channel with a speed of 100G between Poland and Frankfurt. What is interesting about this type of a project is that the CPE is provided by the customer themselves and they are able to better optimize its route, which leads much further than the part provided by Dial Telecom. This Alien Lambda is approximately 1,150 kilometers long.

TECHNICAL DEVELOPMENT

TECHNICAL DEVELOPMENT IN 2013

In 2013, Dial Telecom continued developing its networks and services, particularly by consolidating and synergizing the previously realized acquisitions. Two new companies, STAR 21 Networks and ET Telekomunikace, were incorporated into the networks and systems of Dial Telecom in terms of products and organizationally, as well as technologically. Dial Telecom continued developing its own network and relations to the services of the wholesale suppliers so that the company is always able to offer quality services along with competitive prices. The TroubleTicket system was fully integrated into the company information system, which was the end of one stage of the ongoing system innovations - the whole life cycle of an order is now served from one system. This also contributed to the fact that the building of the network and its reactions to problems are assessed as high quality by our customers.

INFRASTRUCTURE

Dial Telecom logically followed up the previous period by developing its network in 2013.

The basis of the network is Dial Telecom's own optical international, intercity and metropolitan infrastructure. This infrastructure is used by other layers of the network: DWDM, SDH, Ethernet L2, L3 (IP MPLS) and higher extended protocols and services. As a result, Dial Telecom can offer its customers a full range of products, from the lease of optical fibers and optical lambdas to customer VPNs or voice solutions.

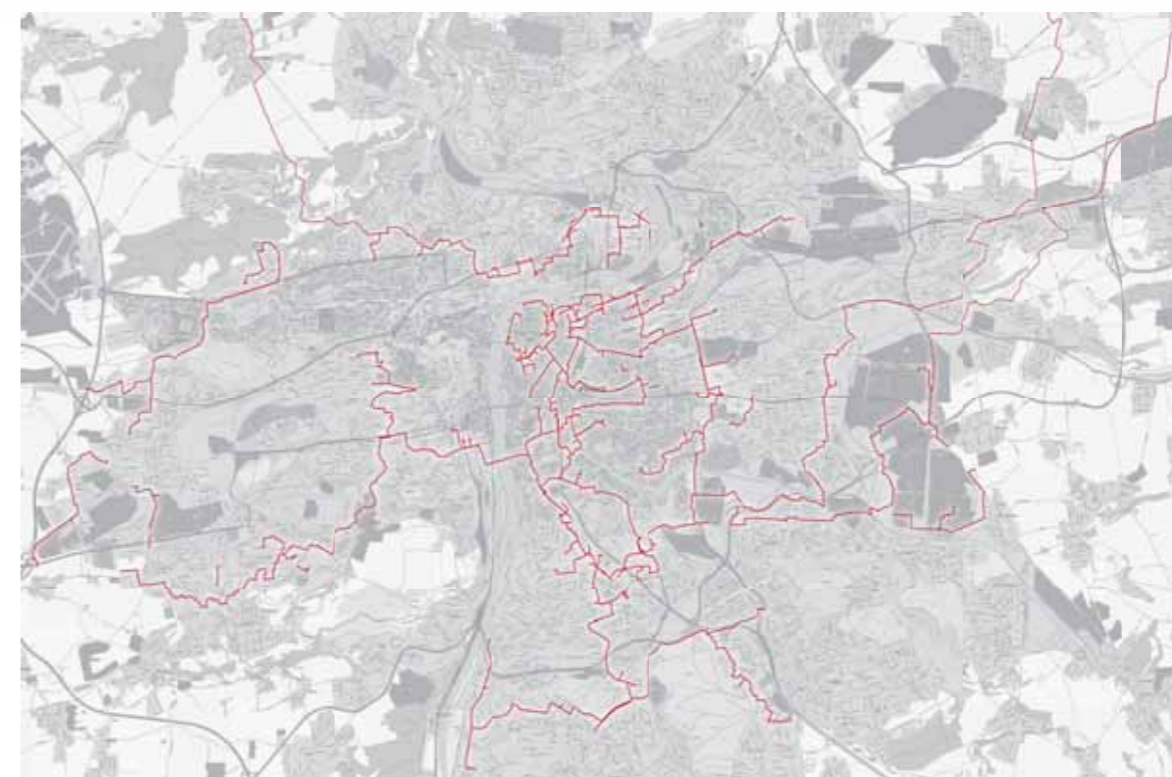
LONG-DISTANCE OPTICAL NETWORK

In 2013, the building of the 91-kilometer Brno Pálavské nám. - Vyškov - Prostějov - Olomouc optical route and the 90-kilometer Olomouc - Libhošť optical route were completed. The building of the Olomouc housing was completed, including the optical connection within the city of Olomouc for the distribution point of radio connections. In 2013, the DOK144 was extensively adjusted in other locations of the Czech Republic for the purpose of, among other reasons, connecting new multinational customers. As of 31 December 2013, the total extent of the optical routes within the national network (including leases) was 4,928 kilometers of cables and 130,915 kilometers of optical fibers.

METROPOLITAN OPTICAL NETWORK IN PRAGUE

Throughout 2013, the metropolitan network was further developed, both its physical capacity, by implementing microtubes and microcables, and the building of new optical routes and customer, as well as distribution, connections or network endpoints.

The almost six kilometers of new routes in the attractive and developing area of Libeň, Vysočany and Holešovice was an important investment. Apart from this, the Florentinum, Zlatý anděl, BB centrum Alfa business centers and another 35 buildings were connected. The metropolitan optical network copies and appreciates the building of office premises in Prague, so that the services of Dial Telecom and its wholesale partners are available to the maximum quality and capacity. The total extent of the metropolitan network is almost 250 kilometers of optical cables and approximately 15,000 kilometers of fibers.



Metropolitan optical network in Prague

METROPOLITAN OPTICAL NETWORK IN BRNO

In October 2013, Dial Telecom acquired MAXPROGRES telco. This merger significantly strengthened the metropolitan infrastructure of Dial Telecom through extensive networks in Brno, Hradec Králové, Boskovice and minor networks in Pilsen and Hodonín. Following the acquisition, cooperation was set up to make the advantages of the merging of both companies immediately available to customers, with no waiting until the factual integration of the networks planned for 2014. The backbone circuits within Brno and connections to distribution radio points were significantly strengthened; both networks were connected for handing over services. 2014 will see full billing, product and operational integration of both companies.



Metropolitan optical network in Brno

RADIO NETWORK

The development of the radio network complements the coverage into areas without optical infrastructure and also serves for development in connecting buildings where an installation of a fixed network is not efficient. In cooperation with suppliers and servicing companies, Dial Telecom installed more than 200 new connections and the total transmission capacity on the installed radio connections reached almost 50 Gbps. By integrating the network of STAR 21 Networks, the connection possibility in regional cities and their environs were expanded by the point-multipoint radio connections licensed in the 26 and 28 Ghz bands. Thanks to this acquisition, the radio network expanded by about 500 more subscriber connections.

TRANSMISSION NETWORK (WDM, SDH)

In 2013, Dial Telecom continued developing its DWDM infrastructure and focused particularly on increasing the transmission capacity in the east - west direction. The previously implemented international connections with 40G speed were also expanded to the national DWDM network. There was also a relatively massive deployment of the 100G technology with coherent detection on the backbone Frankfurt am Main - Prague - Brno - Ostrava - Český Těšín (Czech / Polish border). Basic axis of the DWDM network:
Frankfurt am Main - Prague - Brno - Ostrava - Český Těšín (Czech / Polish border)
Prague - Ústí nad Labem - 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 kilometers.

INFRASTRUCTURE OF VOICE SERVICES

In 2013, the Dial Telecom infrastructure for operating voice services was strengthened and consolidated. For the purpose of increasing the stability of services and the development of quality and cost optimization, the year saw migration of a major part of customer services to newly acquired or expanded technologies of the company.

Dial Telecom operates voice services on both the classic digital TDM and on the latest VoIP technologies. With the VoIP technologies, Dial Telecom emphasizes their safety, reliability and resistance to being misused by unauthorized subjects. For voice services, it offers technological support for wholesale as well as end customers, companies or individuals. Apart from telephone services, it also offers additional services, such as the Virtual Company Exchange, Call Center and Automated Operator for distribution of incoming calls.

IP MPLS INFRASTRUCTURE

The development of the backbone for providing IP services focused on using and expanding the network based on MPLS technology; the network capacity is gradually being increased at all its exchanges to $n \times 10$ Gbps with stress on transport on its own DWDM and optical network. The full redundancy of the network core is used and the backbone connectivity has been further strengthened. The IP MPLS infrastructure is designed to serve not only as traditional Internet access, but particularly to provide customer transparent two- or multiple-point Ethernet VPN.

CONNECTION WITH OTHER OPERATORS

In 2013, Dial Telecom increased the capacities of its connections by another 20 Gbps, particularly abroad. The Dial Telecom network now has a direct connection (peering) with almost one thousand autonomous systems, with capacities of 20 Gbps Nix in the Czech Republic, 50 Gbps of direct connections in the Czech Republic, 60 Gbps of direct connections abroad and more than 30 Gbps connections into foreign transit networks.



FINANCIAL SECTION

BALANCE

(CZK '000)	31. 12. 2012	31. 12. 2013
	Net	Net
TOTAL ASSETS	1 399 407	1 541 438
Non-current assets	834 978	1 133 840
Non-current intangible assets	2 678	1 757
Non-current tangible assets	790 885	755 402
Non-current financial assets	41 415	376 681
Current assets	534 058	349 480
Inventory	38 619	46 093
Long-term accounts receivable	29 951	26 803
Short-term accounts receivable	262 263	239 067
Short-term financial assets	203 225	37 517
Accruals	30 371	58 118
TOTAL EQUITY AND LIABILITIES	1 399 407	1 541 438
Equity	425 768	460 725
Basic capital and capital funds	277 647	312 651
Reserve funds, non-distributable reserves and other profit funds	4 000	4 000
Result from previous years	102 168	84 149
Current period result	41 953	59 925
Liabilities	790 844	792 959
Provisions	885	1 305
Long-term liabilities	525 098	582 767
Short-term liabilities	264 861	208 887
Bank loans	0	0
Accruals	182 795	287 754

PROFIT-AND-LOSS STATEMENT

(CZK '000)	31. 12. 2012	31. 12. 2013
Revenues from sales of goods	5 439	655
Costs of goods sold	2 197	523
Gross margin	3 242	132
Revenue from services	849 608	816 879
Costs of services	498 076	474 644
Value added	354 774	342 367
Staff costs	123 619	130 342
Taxes and fees	8 446	12 611
Depreciation and amortization	75 293	92 206
Revenues from fixed assets and materials	3 895	4 767
Cost of fixed assets and materials sold	502	79
Change in reserves and provisions in the area and complex costs of next period	41 171	41 459
Other operating revenue	3 811	3 546
Other operating costs	7 319	13 526
Operating result	106 130	60 457
Interest revenue	1 556	1 388
Interest expenses	38 314	37 714
Other financial revenue	6 452	11 790
Other financial expenses	10 520	11 629
Financial result	-40 826	-36 165
Income tax on current period income	23 351	-35 633
Profit from ordinary activity	41 953	59 925
Profit for the period (+/-)	41 953	59 925
Profit before tax (+/-)	65 304	24 292

COMMENTARY TO FINANCIAL RESULTS

In 2013, the revenues from sales of services and goods of Dial Telecom decreased by 4.3%, primarily with respect to the planned decrease in the voice services segment. At the same time, the revenues from sales of goods and services in the data services segment increased by CZK 8.3 M, which was 3.4%.

The operation business result in the amount of CZK 60.5 M was also influenced by extraordinary long-term business cases, with a part of the expense being realized in 2013, and also by two mergers – Dial Telecom merged with STAR 21 Networks and with a part of ET Telekomunikace.

Within the business strategy oriented to international operators, in 2013, the company closed three significant long-term business contracts with significant one-off cash-ins in the amount of EUR 3.7 M and a total amount of EUR 8.4 M for the whole contract period. These business contracts were reflected in the increase of accruals on the balance sheet as of 31 December, 2013.

In 2013, investment costs reached the amount of CZK 72.3 M, which was 8.9% of the revenues from sales of goods and services, and they were allocated particularly into the optical infrastructure and related technologies.

Throughout 2013, Dial Telecom used external operational financing in the form of consumer loans, particularly from ČSOB Leasing, and also, for the short term, financing through an overdraft facility from Československá obchodní banka.

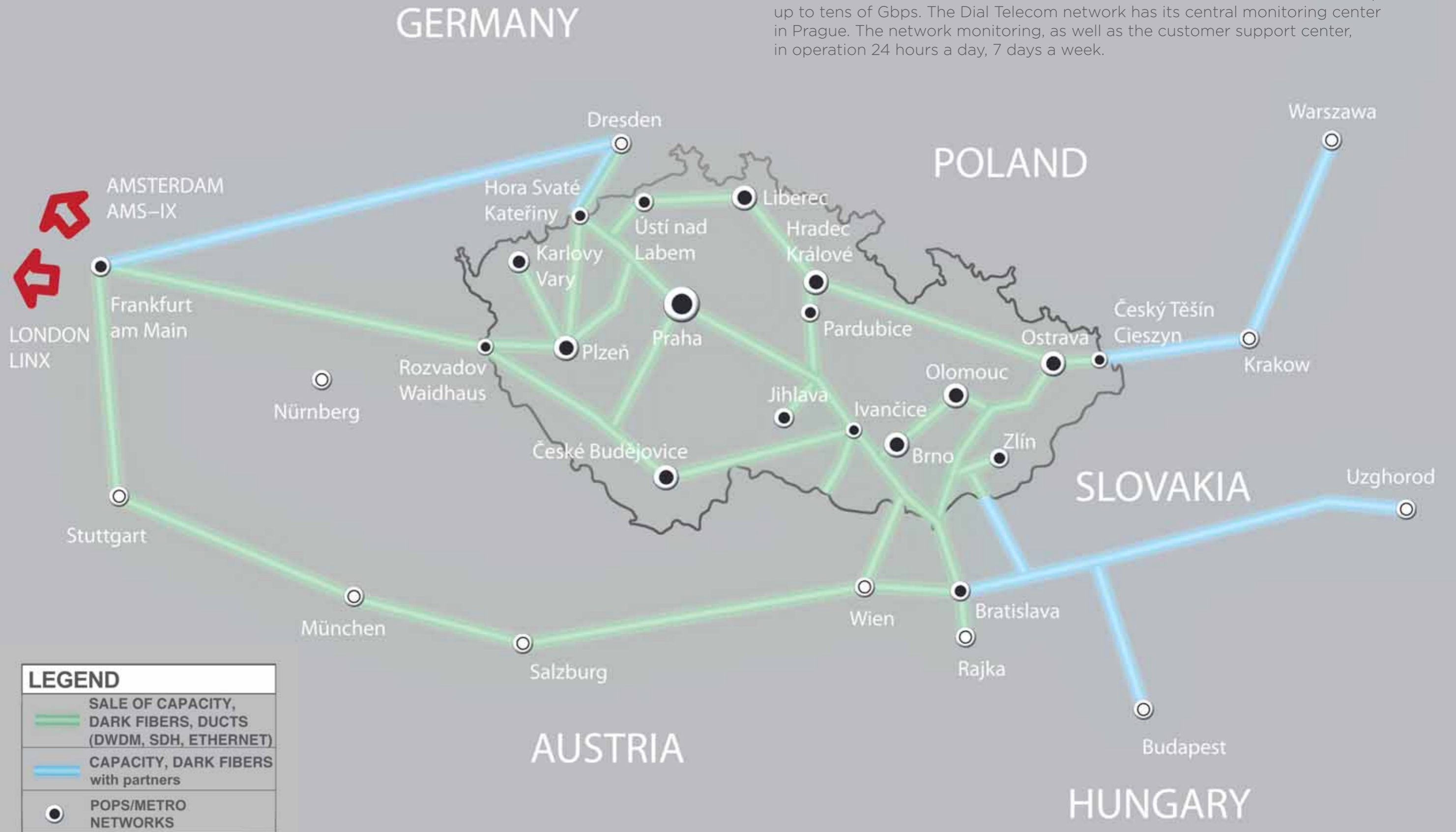
As of 31 December, 2013, the amount of the outstanding principal from consumer loans reached CZK 46.7 M. Financing of new acquisitions of other subjects in 2013 was done using Dial Telecom's own resources, or with the short-term use of an overdraft facility.

The realized strategic acquisitions include the companies MAXPROGRES telco s.r.o. and Telemetry Services s.r.o. (a part of the former company Nowire s.r.o.). In 2013, Dial Telecom a.s. carried out a transformation of companies by merging with STAR 21 Networks a.s. and a transformation of companies by splitting and merging with an operational part of ET Telekomunikace s.r.o. Both transformations were done retrospectively as of 1 January, 2013.



MAP OF BACKBONE NETWORK

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.



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