

**TWIG  NET**

**Annual Report  
2013**

**TwigoNet Europe, SE**

## Letter of the Management Board

Dear shareholders,

During the financial year 2014 our company continued in its mission to build optical networks in the Czech Republic. We have successfully finalize ground works in Brandys na Labem, Olomouc, Pisek and Tabor. Each of these networks has potential to be increased in the future to the neighbouring location. We have also started process of obtaining permissions for ground works in several new locations. All these activities will smoothly continue in the next year.

Extraordinary situation during the passed year evolved in the financial position of the company. According the approval of the General Meeting of the company held in 2013, management allocated the free financial resources of the company into different financial assets. Outcome of this action overcome even the most optimistic expectations, Thanks to general growth of the markets, supported by unexpected devaluation of the Czech Koruna, the company reached extraordinary profit. This situation will likely not repeat in the future and management of the company will act carefully and responsibly.

In the next year the management of the company will continue in its effort to build largest open optical network in the Czech Republic.

Your Sincerely

Ondrej Cibul'a  
board member

**Accounting unit under review:**

**TwigoNet Europe, SE**

**Legal status:** European company

**Corporate ID (IČ):** 292 03 414

**Registered office:** Svatojánská 431, Praha - Kyje, PSČ 198 00

**Reviewed period:**

1 January to 31 December 2013

**Recipient of the Report:**

The report is intended for the shareholders and the management of the reviewed company.

**Reviewer:**

PAGINA BOHEMIA, spol. s r.o.

Jílovská 1167/71a

142 00 Prague 4, Braník

Corporate ID 251 26 369

Municipal Court in Prague, C 116054

Czech Chamber of Auditors License No. 252

**Auditor in Charge:** Ing. Jiří Hofman, Czech Chamber of Auditors License No. 1401

We have audited the accompanying financial statements of TwigoNet Europe, SE, which comprise the balance sheet as at 31 December 2013, the profit & loss account for the year ending on 31 December 2013, and notes to these financial statements, including a summary of significant accounting policies and other explanatory information. Data on TwigoNet Europe, SE are disclosed in Note 1 to these financial statements.

**Statutory Body's Responsibility for the Financial Statements**

The statutory body of TwigoNet Europe, SE is responsible for the preparation of the financial statements which provide a true and fair view in accordance with accounting regulations effective in the Czech Republic, and for the internal control system as may be required for compiling the financial statements so that they contain no significant (material) inaccuracies caused by fraud or error.

**Auditor's Responsibility and Scope of the Audit**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from significant (material) misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of significant (material) misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The subject matter of this auditor's report does not include verifying the conformity of the company's Annual Report to the financial statements prepared as at 31 December 2013 or verifying the factual accuracy of disclosures provided in the Report on Relations between the Controlled and Controlling Person and Other Controlled Persons. These documents are subject to a separate audit.

### **Auditor's Opinion**

In our opinion, the financial statements give a true and fair view of assets and liabilities of TwigoNet Europe, SE as at 31 December 2013, and of its income, expenses and results of the company's operations for the year ending on 31 December 2013 in accordance with accounting regulations applicable in the Czech Republic.

Prague, 20 May 2014

**PAGINA BOHEMIA, spol. s r.o.**

Jílovská 1167/71a  
142 00 Prague 4, Braník  
Czech Chamber of Auditors  
License No. 252



**Ing. Jiří Hofman**

Auditor in Charge  
Czech Chamber of Auditors  
License No. 1401



Enclosures: One copy of the Balance Sheet as at 31 December 2013  
One copy of the Profit and Loss Account as at 31 December 2013  
One copy of the Notes to the Financial Statements as at 31 December 2013

Contains a mandatory list of items stated in the decrees of Ministry of Finance No. 500/2002 Col

## BALANCE SHEET in full scope

Business co. or other name of accounting unit  
TwigoNet Europe, SE

The business entity shall deliver statement together with  
Upon delivery of tax statement For income tax

to 31.12.2013

(in whole thousands of CZK)

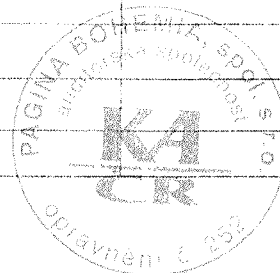
place of accounting unit and place of enterprising if differs from place of residence

Svatojánská 431  
198 00 Praha 2, Kytje

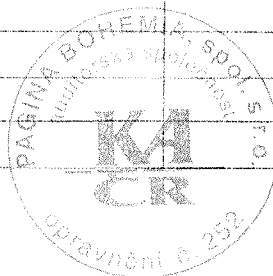
ix to competent revenue office  
Office

Year	Month	Ident. No.							
2013	12	2	9	2	0	3	4	1	4

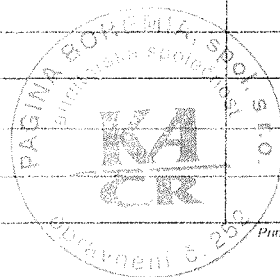
Ident. a	ASSETS b	line c	Current accounting period			Past acc. period
			Gross	Correction	Netto	Netto
	TOTAL ASSETS	001	57 598	-363	57 235	36 234
A.	Receivables of subscribed capital stock	002				
B.	Long-term assets	003	8 712	-363	8 349	2 927
B. I.	Long-term intangible assets	004	80	-27	53	
B. I. 1.	Establishment expenses	005				
	2. Intangible results of R & D	006				
	3. Software	007	80	-27	53	
	4. Valuable rights	008				
	5. Goodwill	009				
	6. Other long-term intang. assets	010				
	7. Unfinished long-term intang. assets	011				
	8. Advanced payments for long-term intang. assets	012				
B. II.	Tangible fixed assets	013	8 232	-336	7 896	2 527
B. II. 1.	Lands	014				
	2. Build.	015	6 712	-89	6 623	
	3. Independent movables and movable sets	016	1 305	-247	1 058	548
	4. Perennial crops	017				
	5. Breeding and draught animals	018				
	6. Other long-term tang. assets	019				
	7. Unfinished long-term tang. assets	020	215		215	1 979
	8. Advanced payments for long-term tang. assets	021				
	9. Valuation difference of the acquired assets	022				
B. III.	Long-term financial assets	023	400		400	400
B. III. 1.	Shares in controlled entities	024	400		400	400
	2. Shares in accounting units under dominant control	025				
	3. Other securities and ownerships shares	026				
	4. Credits and loans – controlling and managing person, significant control	027				
	5. Other long-term financial assets	028				
	6. Acquired long-term financial assets	029				
	7. Advance paym. for long-term financ. assets	030				



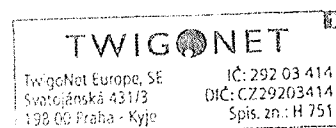
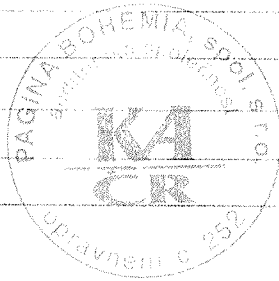
Ident. a	ASSETS b	line c	Current accounting period			Past acc. period
			Gross	Correction	Netto	Netto
C.	Current assets	031	48 846		48 846	33 304
C. I.	Inventory	032	1 349		1 349	94
C. I. 1.	Material	033	359		359	94
	2. Work-in-progress and semi finished products	034	990		990	
	3. Products	035				
	4. Animals	036				
	5. Merchandise	037				
	6. Advances provided for inventory	038				
C. II.	Long-term receivables	039				
C. II. 1.	Trade relations receivables	040				
	2. Receivables - controll.and managing person.	041				
	3. Receivables - significant control	042				
	4. Receivables due from partners, co-operative society members and corporation members	043				
	5. Long-term advance payments	044				
	6. Estimated receivables	045				
	7. Other receivables	046				
	8. Deferred tax receivable	047				
C. III.	Short-term receivables	048	387		387	580
C. III. 1.	Trade relations receivables	049				
	2. Receivables - controll.and managing person	050				
	3. Receivables - significant control	051				
	4. Receivables due from partners, co-operative society members and corporation members	052				
	5. Social security and medical insurance	053				
	6. Due from State - tax receivables	054	130		130	446
	7. Short-term advance payments	055	140		140	116
	8. Estimated receivables	056				
	9. Other receivables	057	117		117	18
C. IV.	Short-term financial assets	058	47 110		47 110	32 630
C. IV. 1.	Cash	059	1 896		1 896	1 529
	2. Bank accounts	060	42 808		42 808	31 101
	3. Short-term securities and shares	061	2 406		2 406	
	4. Acquired short-term financial assets	062				
D. I.	Accruals	063	40		40	3
D. I. 1.	Deferred expenses	064	40		40	3
	2. Complex prepaid expenses	065				
	3. Accrued revenues	066				



Ident. a	LIABILITIES b	line c	State of cur. acc. period	State of prev. acc. period
	TOTAL LIABILITIES	067	57 235	36 234
A.	Equity capital	068	51 879	35 687
A. I.	Registered cap.	069	13 022	13 022
A. I. 1.	Registered cap	070	13 022	13 022
	2. Treasury stock and owner's shares (-)	071		
	3. Changes in fixed assets	072		
A. II.	Capital funds	073	29 912	29 912
A. II. 1.	Share premium	074	29 912	29 912
	2. Other capital funds	075		
	3. Differences of valuation assets and liabilities	076		
	4. Appreciation gains or losses from overvaluation with transformation	077		
	5. Differences of company transformations	078		
	6. Differences from the valuation of the company transformations	079		
A. III.	Reserves, indivisible fund and other funds from profit	080		
A. III. 1.	Legal reserves / indivisible fund	081		
	2. Statutory and other funds	082		
A. IV.	Profit/loss of the previous years	083	-7 246	-858
A. IV. 1.	Retained profits of previous years	084		
	2. Profit/loss of the past years	085	-7 246	-858
	3. Other profit/loss of the previous years	086		
A. V.	Profit/loss of current accounting period (+/-)	087	16 191	-6 389
B.	Not-own capitals	088	5 352	547
B. I.	Reserves	089		
B. I. 1.	Reserves according special legislations	090		
	2. Reserves for pensions and similar liabilities	091		
	3. Reserve for income tax	092		
	4. Other reserves	093		
B. II.	Long-term payables	094		
B. II. 1.	Trade relations payables	095		
	2. Payables - controlling and managing person.	096		
	3. Payables - significant control	097		
	4. Payables to partners, co-operative society members and corp.memb.	098		
	5. Long-term advances received	099		
	6. Bonds issued	100		
	7. Long-term bills of exchange to be paid	101		
	8. Estimated payables	102		
	9. Other payables	103		
	10. Deferred tax obligation	104		



Ident. a	LIABILITIES b	line c	State of curr. acc. period	State of prev. acc. period
B. III.	Short-term payables	105	5 352	547
B. III. 1.	Trade payables	106	1 514	434
2.	Payables - controlling and managing person,	107		
3.	Payables - significant control	108		
4.	Payables to partners, co-operative society members and corp. memb.	109		11
5.	Payables to employees	110	71	65
6.	Liabilities from social security and medical insurance	111	41	29
7.	Due to state - taxes and subsidies	112	2 094	8
8.	Short-term advances acquired	113	1 240	
9.	Bonds issued	114		
10.	Estimated payables	115	392	
11.	Other payables	116		
B. IV.	Bank loans and financial assistance	117		
B. IV. 1.	Long-term bank loans	118		
2.	Short-term bank loans	119		
3.	Short-term financial assistances	120		
C. I.	Accruals	121	4	
C. I. 1.	Accrued expenses	122	4	
2.	Deferred revenues	123		



Date of compilation: 20.5.2014		Signature of statutory body of accounting unit or signature of natural person, which is accounting unit 
legal form of accounting unit European company	Line of business: production, trade and services	Note:



Contains a mandatory list  
of items stated in the decree  
of Ministry of Finance No. 500/2002 Col.

## Profit and loss account in full scope

Business co. or other entity of accounting unit  
TwigoNet Europe, SE

The business entity shall deliver  
statement together with  
Upon delivery of tax statement  
For income tax

to ..... 31.12.2013 .....

(in whole thousands of CZK)

place of accounting unit and place of enterprising  
if differs from place of residence

Svatojánská 431

198 00 Praha - Kyje

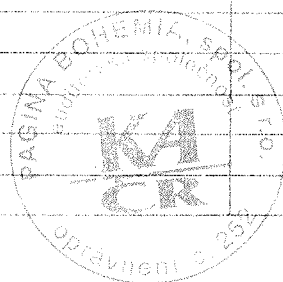
ix to competent revenue office  
Office

Year	Month	Ident. No.								
2013	1	2	2	9	2	0	3	4	1	4

Ident. a	TEXT b	Numb. lines c	Reality in accounting period	
			current 1	previous 2
I.	Revenues from merchandise	01	92	15
A.	Costs of goods sold	02		
+	Sale margin	03	92	15
II.	Production	04	136	
II. 1.	Revenues from own product and services	05	136	
2.	Change of stocks (WIP and Products)	06		
3.	Capitalisation	07		
B.	Output consumption	08	2 514	5 990
B. 1.	Material and energy consumption	09	606	461
2.	Services	10	1 908	5 529
"	Added value	11	-2 286	-5 975
C.	Personal expenses	12	1 172	707
C. 1.	Wage and salaries	13	875	529
2.	Remuneration of board members	14		
3.	Costs of social security and medical insurance	15	297	178
4.	Social expenses	16		
D.	Taxes and fees	17	74	19
E.	Write-offs of long-term intang. and tang. assets	18	343	19
III.	Revenue from sales of long-term assets & mat.	19		
III. 1.	Revenue from sales of long-term assets	20		
2.	Revenue from sales of material	21		
F.	Residual cost of sold long-term assets and materials	22		
F. 1.	Residual cost of sold long-term assets	23		
2.	Material sold	24		
G.	Variat. of reserv. and adjust. entries in the oper. and compl. prep.exp.	25		
IV.	Other operating revenues	26	75	
H.	Other operating expenses	27	110	10
V.	Transfer of operating revenues	28		
I.	Transfer of operating expenses	29		
"	Operating trading income	30	-3 910	-6 730



Ident. a	TEXT b	Numb. lines c	Healty in accounting period	
			current	previous
VI.	Revenues from sale of securities and ownership interests		11 916	
J.	Securities and deposits sold		10 820	
VII.	Revenue from long-term financial assets			
VII. 1.	Inc. from shares in controlled ent. and in acc. units under domin. control			
2.	Revenues from other securities and deposits			
3.	Revenue from other long-term financial assets			
VIII.	Revenues from short-term financial assets		409	
K.	Financial assets expenses			
IX.	Income from revaluation of securities and derivate investments		46 834	
L.	Cost of revaluation of securities and derivate investments		25 651	
M.	Variation of reserves and adjusting entries in finance			
X.	Interests received		701	359
N.	Interests paid		633	
XI.	Other financial revenues		192	2
O.	Other financial expenses		769	20
XII.	Transfer of financial revenues			
P.	Transfer of financial expenses			
*	Financial profit/loss		22 179	341
Q.	Income tax on ordinary income		2 078	
Q. 1.	- due		2 078	
2.	- deferred			
**	Profit/loss on ordinary income		16 191	-6 389
XIII.	Extraordinary revenues			
R.	Extraordinary expenses			
S.	Income tax from extraordinary income			
S. 1.	- due			
2.	- deferred			
*	Profit/loss on extraordinary income			
T.	Transfer of profit/loss to partners (+ / -)			
***	Profit/loss of current accounting period (+ / -)		16 191	-6 389
****	Profit/loss before taxation		18 269	-6 389



**TWIGONET**

TwigoNet Europe, SE  
 IČ: 292 03 414  
 DIČ: CZ29203414  
 Spis. zn.: H 751

Date of compilation: 20.5.2014	Signature of statutory body of the accounting unit or signature of natural person, which is accounting unit
legal form of accounting unit European company	Line of business: production, trade and services
Notes:	

TwigoNet Europe, SF  
Svatojánská 431  
198 00 Praha – Kyje

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013

General Information

Name: TwigoNet Europe, SF  
Registered Office: Svatojánská 431, 198 00 Praha - Kyje  
Corporate ID (IČO): 29203414  
Tax ID (DIČ): CZ29203414  
Legal Status: SE  
Areas of Operation: Production, trade, and services  
Date of Incorporation: 15 February 2010  
Share Capital: CZK 13 021 554

Statutory Body: Ondřej Cibula, birth: 30.4.1973  
Position: Member of the Board of Directors  
Address: Nábřeží Dr. Aurela Stodolu 1747/13, 03101 Liptovský Mikuláš, Slovakia  
Since: 1 June 2011

Supervisory Board: Jaromír Proků, birth: 8.11.1964  
Position: Member of the Supervisory Board  
Address: U letenského sadu 1295/10, 170 00 Praha 7, Holešovice  
Since: 3 July 2013

Balance Sheet Date: 31 December 2013  
Average Headcount: 4  
Level of Staff Costs: CZK 1 171 408

Information on the Accounting Principles Followed

- The Company values purchased inventory at acquisition costs and does not have any inventory developed internally to which the A method is applied in recording such inventory.
- The Company translates receivables and payables denominated in foreign currencies at the daily foreign exchange rates of the Czech National Bank.

Additional Information on the Balance Sheet and Profit & Loss Account:

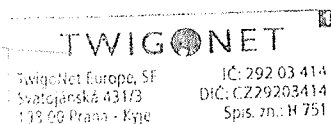
All items material for the assessment of the balance sheet and the profit & loss account have been included in those financial statements in a standard way. The financial statements clearly show the major items that constitute the Company's assets and liabilities and creation of resources.

RECEIVABLES AND PAYABLES

Level of trade receivables (accounts 311 and 314):	CZK 140 304
Level of receivables from the state (accounts 343):	CZK 129 628
Level of trade payables (accounts 321, 324 and 325):	CZK 2 753 511
Level of payables from the state (accounts 341, 342 and 345):	CZK 2 093 905

Except for the above-mentioned payables, the Company does not have any other cash payables not disclosed in the balance sheet. No assets of the Company are pledged as security.

In Prague on 13 May 2014



Ondřej Cibula, Statutory Body

## Selected financial information from the Balance Sheet in thousands of EUR

	<b>2013</b>	<b>2012</b>
Total Assets	2 087	1 321
Receivables on subscribed capital stock	0	0
Long term assets	304	107
Current assets	1 781	1 214
Accruals	1	0
<b>Total Liabilities</b>	<b>2 087</b>	<b>1 321</b>
Equity Capital	1 892	1 301
Not-own capitals	195	20
Accruals	0	0

## Selected financial information from the Profit and Loss Statement in thousands of EUR

	<b>2013</b>	<b>2012</b>
Revenues from merchandise	3	1
Cost of goods sold	0	0
Production	5	0
Output consumption	92	218
Added value	-83	-218
Personal expenses	43	26
Operating trading income	-143	-245
Revenues from sale of securities	434	0
Securities and deposits sold	395	0
Income from revaluation of securities	1 708	0
Cost of revaluation of securities	934	0
Financial profit/loss	809	12
Profit/loss of current accounting period	590	-233
Profit/loss before taxation	666	-233

The company has used international accounting standards.

## Report on the company activities

The Company performs following activities:

- continued building optical networks in several cities in the Czech Republic (Brandys nad Labem, Olomouc, Pisek, Tabor),
- worked on obtaining permissions in new locations
- finalized tenders for suppliers of ducts and optical cables
- worked on establishing Central Offices in the selected locations
- started negotiation with potential ISPs about providing services on the network
- secure extraordinary income by investing free cash

## Declarations

According to our best knowledge, annual financial statements and comparable data were prepared in accordance with internationally accepted standards and they present a true and fair view of the company's property and financial situation and its financial result and the report on the company's activities presents a fair view of the company's situation, including a description of basic exposures and risks.

Certified auditors which audited annual financial statements was selected in accordance with legal regulations and they met conditions to express their impartial and independent opinion on the audit, in accordance with relevant regulations of local law.

The company has applied all corporate governance rules, mentioned in the document "Best Practices of NewConnect Listed Companies" applicable to it.

Ondrej Cibul'a  
member of the board