

| CONTENTS |

- 3** INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS
- 5** COMPANY PROFILE
 - KEY ACTIVITIES
- 6** STATUTORY BODIES
- 8** COMPANY AND MARKET DEVELOPMENT AND THE LEGAL ENVIRONMENT IN 2005
 - BUSINESS POLICY AND MARKETING
- 9** INFORMATION SYSTEMS
- 10** TECHNOLOGY AND INFRASTRUCTURE
- 12** SELECTED FINANCIAL AND OPERATING INDICATORS, INVESTMENT, GRAPHS
- 13** EMPLOYEE POLICY AND SOCIAL PROGRAM
- 14** ISO STANDARDS
 - CUSTOMERS, MONITORING AND CONTACT CENTERS
- 15** AUDITOR'S REPORT
- 17** FINANCIAL SECTION



Milan Rusnák
Chairman of the Board of Directors of
GTS NOVERA a.s.

I INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS I

Dear colleagues, shareholders, business partners and friends,

the Annual Report you are holding right now evaluates the first year of existence of GTS NOVERA a.s. ("GTS Novera"), a year that was extremely dramatic, often difficult, but, most notably, successful for our company. We underwent a process that had not had many precedents on the Czech market. Two large telecom operators – GTS CZECH, a.s. ("GTS CZECH") and Aliatel a.s. ("Aliatel") – merged into one entity under the new brand, GTS Novera.

The integration continued virtually for the whole of last year and influenced all of our firm's activities, impacting upon everything we do. In this respect I appreciate mostly that it did not affect our most important asset, i.e. our customers. Although we managed to merge two previously independent telecom networks during the year and unify a huge amount of internal processes, we continued to provide our customers with services at the superior level expected from us.

Last year saw the tightening of market competition. It is an excellent result for our company and all its employees that, given the circumstances and the conditions of the ongoing integration, we managed to achieve the planned economic results and to create value for our shareholders.

What is even more important than last year's actual results is the fact that GTS Novera set out on a path that would yield excellent results in the future, too. By continually developing our activities, extending our product portfolio and maintaining high service quality, we want to build a long-term profitable market position, aware that the market conditions are changing tumultuously and the market as such is undergoing an intensive consolidation stage right now.

I am delighted to say that GTS Novera is participating actively in the ongoing market consolidation and at the end of last year, signed contracts that brought additional telecom firms operating on the Czech and Slovak markets – Contactel, Telenor Networks and Nextra – to GTS Central European Holding B.V. The acquisitions accomplished at the end of January and February 2006 started a process which results in the establishment of a new organisation acting in the Czech Republic under a unified trade name: GTS Novera.

The first visible sign of the process was the renaming of Telenor Networks to GTS Novera Tel, s.r.o., of Contactel to GTS Novera Contact, s.r.o. and of Nextra to GTS Novera Next, s.r.o. The intergation culminates with the dissolution of the said companies without liquidation as of 30 June 2006, and with the transfer of their capital to the successor company, GTS NOVERA a.s.

I believe that integration of these companies under the common brand name GTS Novera will be successfully completed, too, and that our new strengthened company will always fulfil the task we set ourselves: to be a worthy competitor of the dominant operator, and to offer highly competitive services with quality guaranteed.

I would like to thank all our customers, whose trust the new GTS Novera brand managed to sustain or newly win last year.

My thanks also go to all of the company's employees, my colleagues who contributed to the success of the integration and whose experience and commitment I will rely upon in the future.

I would also like to thank all those people with whom we entered a new era of telecommunications last year.



Milan Rusnák
Chairman of the Board of Directors
of GTS NOVERA a.s.



We take a personal approach to our clients

COMPANY PROFILE

HISTORY

GTS Novera is a nationwide telecom operator. It was founded in 2005 as the result of a merger of two leading alternative telecom operators – GTS CZECH and Aliatel. This combination was a part of the process of gradual consolidation of the Czech telecom market, which only offers real room for strong and financially stable operators, capable of delivering a comprehensive portfolio of top-quality services. In fact the merger of two large telecom firms resulted in the combination of the best the two companies had to offer – from a broad range of services and maximum availability, to an extensive technical infrastructure and stronger focus on customers, to a personal approach and the delivery of other benefits of a stable, well-established company. The end of last year marked the execution of contracts that will bring additional telecom firms operating on the Czech and Slovak markets – Contactel, Telenor Networks and Nextra – to GTS Central European Holding B.V. ("GTS CEH").

PROFILE

GTS Novera's regional offices are located in Brno, eské Bud jovice, Hradec Králové, Liberec, Olomouc, Ostrava, Plze and Ústí nad Labem. In addition, GTS Novera operates top-quality data centers in Prague, Brno and Ostrava, offering a large server capacity and technology to its customers. These centers are equipped with a full supply backup system, air-conditioning and fire and security systems and provide a connection not only to GTS Novera's backbone networks, but also to the networks of other providers.

KEY ACTIVITIES

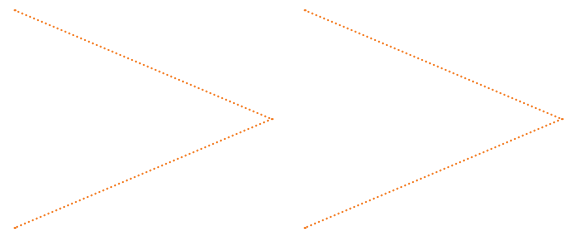
The year 2005 saw the integration of the telecom operators Aliatel and GTS CZECH into the new company GTS Novera. On 1 April 2005, we introduced a new portfolio of products and services, created as a result of the integration process. In addition to the voice telephony portfolio, which continues to emphasize the growth of voice telephony services with added value, we offered our customers a new portfolio of data services and Internet services. The rental of optical fibers, data circuit connection and **Frame Relay** services was complemented with a range of new services utilizing IP networks. A reliable solution of corporate communication, leading to operating cost savings, is based on **Novera IP VPN**. In the contract, GTS Novera guarantees minimum service parameters, such as speed, availability and reliability. The **Novera Ethernet** service offers a capacity for a fast and affordable transmission of large volumes of data. It is based on the LAN technology within the framework of an extensive network, which considerably simplifies service implementation and administration.

In 2005 we also extended our **Novera telehousing** services, which make it possible to place corporate servers in GTS Novera's secure data centers equipped with top technology. The customers are offered the operation of server infrastructure directly and with a backup on the Internet's backbone.

In the field of data and Internet services, we generally managed to increase the number of the services sold as well as the number of our customers, thanks among other things to the increasing volume of these services compared to xDSL.

In the field of convergence services, we introduced the **Novera komplet** solution – an attractive package of telephone, Internet and optional data services for small and medium-sized enterprises as well as for regional branches of large corporations. Novera komplet has the potential to fully replace the individual services of the existing operators.

| STATUTORY BODIES |



SUPERVISORY BOARD:

John Gerald Grace, member
Tamas György Polgar, member
Imre Fazakas, member
Vladana Švorcová, member

BOARD OF DIRECTORS:

Milan Rusnák, Chairman
Peter Charles Ramsay Broster, member
Eva Krátká, member



Satisfied customers are our reward every day

| COMPANY AND MARKET DEVELOPMENT AND THE LEGAL ENVIRONMENT IN 2005 |

From the regulatory and market viewpoint, the adoption of the new Electronic Communication Act No. 127/2005 Coll. and its implementation on the Czech electronic communications market were the most important events in 2005. GTS representatives participated actively in the work of individual committees within the framework of Association of the Public Telecommunications Networks Operators (APTNO), cooperating with the Ministry of Informatics and the Czech Telecommunications Office in preparing legislative rules, implementing decrees and measures.

Work associated with preparing the analyses in 18 relevant markets, necessary for the determination of operators with a decisive market influence and the determination of regulatory measures, continued in the second half of the year (also within the framework of APTNO). This especially involved the completion of extensive questionnaires for such analyses and discussions on methodology and working procedures.

As regards relationships between operators, several amendments in 2005 resulted in the modification of interconnection contracts between mobile operators and ESKÝ TELECOM. The new amendments to the existing contracts implement and provide for valid pricing decisions issued by the Czech Telecommunications Office in 2005 and extend the offer of mutually provided services. At the same time, intensive negotiations on the unification of interconnection contracts for the merged companies, especially with ESKÝ TELECOM, also continued.

Almost 5 million assigned geographical and non-geographical numbers were transferred to GTS NOVERA a.s. without disturbing the services provided at the date of removal of GTS CZECH, a.s. from The Commercial Register (31 December 2005).

| BUSINESS POLICY AND MARKETING |

Marking a new era

The merger of the two leading alternative operators GTS CZECH and Aliatel also brought considerable benefits in the field of marketing and sales. At the beginning of 2005 the new brand GTS Novera was created on the Czech telecom market. This brand is built on providing top-quality, reliable services for a broad range of corporate customers. The combination of the infrastructure and know-how of GTS CZECH and Aliatel on the Czech market resulted in the emergence of a nationwide telecom operator that manages to meet the challenging needs of larger corporations as well as small enterprises thanks to its background and the experience of the Central European group GTS CEH.

GTS Novera therefore marks a new era of telecommunications in the Czech Republic, where customers are no longer forced to use the services of a single monopoly operator. In the field of fixed lines they can finally decide on a real alternative, without the restrictions seen in the past. A new era of telecommunications therefore became the key motto of GTS Novera's communication and a huge promise for all users of telecom services in the Czech Republic in the future.

We're closer to you

The reinforcement of infrastructure and technical facilities is not the only benefit brought by the merger of GTS CZECH and Aliatel. The emergence of GTS Novera also marks a distinct strengthening of the distribution network in individual regions of the Czech Republic, from direct regional offices to sales agents. The company's customers in more remote regions will therefore enjoy the same level of care and services as customers in Prague and other major cities.



I INFORMATION SYSTEMS I

The information systems used by **GTS CZECH** and **Aliatel** were analyzed at the beginning of 2005. The results of the analysis were used to make a qualified decision on the final architecture of the information systems in the new company **GTS NOVERA a.s.** Projects aimed at integrating the original information systems into the final ones were launched simultaneously.

As regards **CRM** (Customer Relationship Management), the **CRM – Salwin** Implementation project was launched and its first stage was completed in 2005, merging the companies' databases of customers, their addresses, contact persons and business partners. The second project stage is underway now, with a view to migrating business case administration, administration of so-called small services (especially **ADSL**, **CS/CPS**) and administration of contracts associated with these services to the **Salwin** application. This phase includes the implementation of gradual system modifications for the opening of small services. The technical aspects of implementation of all services have already been merged. **GTS Novera** orders these services using **ADSLOS** (Novera DSL) and **NES** ordering systems (carrier pre-selection).

The so-called big services (especially data services, direct voice telephony and all Internet services, except **ADSL**) are recorded and delivered using the **Operating Center (OC)** application, which underwent large modifications to allow the migration of all services offered by both companies.

All customer updates are transferred from **Salwin** to the newly created clearing system **Durian Novera** using the modified **ANOA** integration platform. The migration of **Aliatel's** customers and services was finished at the end of 2005, the migration of **GTS CZECH's** customers and services ended at the beginning of 2006.

The **Durian Novera** clearing system also records and invoices wholesale voice telephony services (interconnect), but their delivery is measured by the **AWSB** (Astra Wholesale Billing) clearing system. **Aliatel's** customer (operator) data were transmitted into this system during 2005 and, just as in the case of **Durian Novera**, the migration of **GTS CZECH's** customer data was completed at the beginning of 2006. An extensive data warehouse is built over the **AWSB** application; it serves to monitor the operation and profitability of wholesale voice telephony services.

In order to be in a position to price the records of individual calls made by all of our employees consistently, it was necessary to principally modify the mediation system. At present the modification is complete and the system processes data from all exchanges as well as data on the delivery of operator services through **VoIP**.

The customers are informed of the operation of their voice telephony services and invoices issued in the **Webcare** application, which is connected to the **Durian Novera** clearing system as well as the **Salwin CRM** system.

All our customers' receivables are recorded in the **Krab** application; this application also controls the claim recovery process. It sends generated reminders to the **GMC PrintNet** printing application, which is used to adjust the design of the reminders as well as the issued invoices. To compile the applicable invoices, the application uploads the data directly from the **Durian Novera** clearing system.

The **Krab** application also unifies the order, invoice and supplier contract approval process. The approved orders and invoices are automatically exported to the **SAP** financial system, which was previously used in **Aliatel** and replaced the **Scala** financial system used in **GTS CZECH**. A project focusing on the adjustment of the **SAP** system for data migration from the financial system was finished in 2005. The data migration itself was completed in the first quarter of 2006.

As regards the **NRM** (Network Resource Management) system, the first part of a project – system preparation for the merger of data from inventory-taking applications used in both companies – is completed. The data was merged at the beginning of 2006. The second project stage, which is currently underway, involves an analysis that will result in the definition of the final shape of the **NRM** system.

The **Sales Portal** application was also launched; it serves our partners selling the **Novera DSL** service.

The projects dependent on the completion of the final IS architecture were postponed until 2006. They include the implementation of a **data warehouse (DWH)** over the **Durian Novera** clearing system and the implementation of the new commission system.

| TECHNOLOGY AND INFRASTRUCTURE |

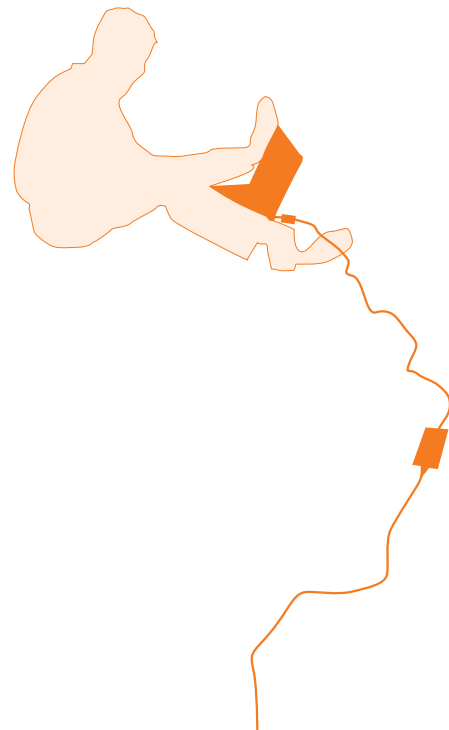
In the field of network infrastructure, the whole of 2005 was marked by the integration of all network parts, their optimization and capacity migration. **The capacity** of the national backbone DWDM and SDH networks of the Lucent network **significantly** increased in relation to these steps, while the whole monitoring system for this technology was also improved (along with an improvement of the whole monitoring system used for this technology). The **SDH monitoring system** for the Marconi network **equally got better**. The number of the network's access points throughout the Czech Republic increased, thanks to the capacity upgrade in connection with new customer projects.

As regards data networks, the **IP/MPLS networks** of GTS CZECH and Aliatel were **integrated** in the course of the year, along with gradual network enlargement, increase in the transmission capacity of individual layers and the performance of network components. The arrangement of the IP/MPLS network backbone is fully redundant. The GTS Central Europe networks were interconnected at MPLS VPN level, including interconnection with supranational networks, which makes it possible to implement international MPLS VPN services with coverage extending beyond the Central European region. The new high-performance control units used for the central routers have a positive impact on the **shortened time of convergence of the routing protocols** in the IP/MPLS network. Thanks to the implementation of the new heavy-duty L2/L3 controllers, it is possible to offer higher data capacities to the company's customers, while maintaining full redundancy. The NIX connection capacity was also raised to 2*2 Gbps. The implementation of the increase in the IP/MPLS capacity backbone network up to 10 Gbps was launched at the end of 2005.

The process of **synergising** GTS CZECH's and Aliatel's **voice networks**, while maintaining the existing portfolio



of voice telephony services, was another important event in 2005. Network reliability, high service availability and connection speed are guaranteed thanks to the state-of-the-art technology, built around the core system of new-generation telephone exchanges Siemens Surpass. Surpass system components are installed in eight sites in the Czech Republic so as to cover the largest concentrations of commercial customers and the population as well as to copy the locations of ESKÝ TELECOM'S transit points. The voice network is connected to the majority of national fixed-line and mobile operators and to about 40 international operators. All network sections are **continuously monitored** and **an immediate expert intervention** is carried out if needed.





We make every effort to provide our clients with high quality customer care

SELECTED FINANCIAL AND OPERATING INDICATORS (CZK THOUSAND)

	31 December 2005	1 January 2005
Total assets	4,343,893	7,041,461
Fixed assets	2,970,516	3,598,369
Current assets	1,353,822	3,414,618
Other assets	19,555	28,474
Equity	1,721,594	2,176,672
Liabilities (outside resources)	2,611,927	4,852,246
Other liabilities	10,372	12,543
Revenue from goods	6,427	
Revenue from own products and service	4,770,013	
Value added	1,322,931	
Operating profit (loss)	-312,000	
Profit (loss) for the accounting period	455,078	
Average adjusted number of employees	659	
Labour productivity	7,248	

INVESTMENT (CZK THOUSAND)

Project	2005
Customer connection lines	230,842
- voice	79,965
- data	63,584
- internet access lines	87,293
- others	0
Investment into backbone network	53,281
- investment in exchanges	1,336
- investment in ip technologies	17,329
- investment in transmission network	12,156
- investment in wireless network	3,621
- other network equipment	7,371
- cables	9,441
- other	2,026
Investment in information systems	31,641
Investment total	315,764

GRAPHS (CZK THOUSAND)

STRUCTURE OF ASSETS

FIXED ASSETS	2,970,516
CURRENT ASSETS	1,353,822
OTHER ASSETS	19,555

CUSTOMER CONNECTION LINES

VOICE	79,965
DATA	63,584
INTERNET ACCESS LINES	87,293
OTHER	0

INVESTMENT INTO BACKBONE NETWORK

EXCHANGES	1,336
IP TECHNOLOGIES	17,329
TRANSMISSION	12,156
WIRELESS NETWORK	3,621
OTHER NETWORK EQUIPMENT	7,371
CABLES	9,441
OTHERS	2,026

I EMPLOYEE POLICY AND SOCIAL PROGRAM I

WORKFORCE STRUCTURE AND WAGES

The number of employees and the organizational structure reflect GTS Novera's needs. We pay close attention to the recruitment of highly qualified employees, able to fulfill the company's targets. Further education, development and professional growth with a view to achieving the expected professional and moral qualities form integral parts of a professional career in our company. On 31 December 2005, the average age of the company's workforce was 31.55. In terms of education, GTS Novera employed mostly people with a secondary (59%) and a university (37%) education in 2005.

The development of wages in 2005 matched the company's and its employees' needs, responding to the development of the telecom market. The wages currently comprise a basic tariff as well as an incentive element, which reflects each employee's actual performance.

The wages and other benefits are effectively determined taking into consideration internal justice and market surveys in the field of information and telecom services.

EMPLOYEE CARE

Employees are provided healthcare services in keeping with the applicable legislation. A great deal of attention is provided to sports and games, which help eliminate stress from the everyday workload. Each GTS Novera employee can opt for sports in accordance with the valid rewarding system.

All employees of GTS Novera are entitled to extra recruitment and leaving medical examinations carried out by COMFORT CARE, a.s.

GTS Novera also supports its employees' cultural lives. All employees can use a 20% discount on any performance staged by the National Theatre, the Kolowrat Theatre and Stavovské Theatre.

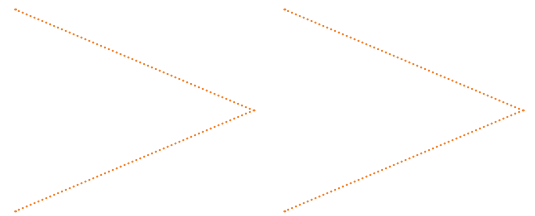
SPONSORING AND DONATIONS

In 2005 GTS Novera sponsored several cultural events and supported humanitarian aid collections. In the field of sports, the company's sponsorship traditionally focused on golf.

| ISO STANDARDS |



When GTS CZECH and Aliatel successfully merged successfully in 2005, both companies used an established quality management system certified under SN EN ISO 9001:2001. That is why the individual working procedures have been continuously unified and both quality management systems have been merged in the course of the year, with a view to preserving the principle of a working form, capable of guaranteeing the quality of the provided services. The preparation and publication of unified documentation reflecting these changes and modifications formed an integral part of the whole process.



| CUSTOMERS, MONITORING AND CONTACT CENTERS |

Last year the company's management paid increased attention to customer support. 2005 brought many changes, especially due to the merger of GTS CZECH and Aliatel. It was necessary to consolidate the companies' networks, product portfolios and information systems. Our task was to make sure that all these steps would only influence our customers in a positive manner. We paid much attention to this complicated process and currently can announce that we have managed to secure high-quality customer support. This was backed up by a customer satisfaction survey conducted at the end of 2005.

I AUDITOR'S REPORT I



KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
186 00 Praha 8
Česká republika

Telephone +420 222 123 111
Fax +420 222 123 100
Internet www.kpmg.cz

This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Auditor's report to the shareholder of GTS NOVERA a.s.

On the basis of our audit, on 7 April 2006 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of GTS NOVERA a.s. for the year ended 31 December 2005. These financial statements are the responsibility of the Company's management. 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 and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present, in all material respects, a true and fair view of the assets, liabilities, equity and financial position of GTS NOVERA a.s. as of 31 December 2005 and the results of its operations for the year then ended in accordance with the Act on Accounting and relevant legislation of the Czech Republic."

We have reviewed other financial information in the annual report for consistency with the audited financial statements. In our opinion, the information is consistent in all material respects with the audited financial statements.

The management of the Company is responsible for the completeness and accuracy of the report on relations between related parties. Our responsibility is to review the accuracy of the information included in the report. During our review nothing came to our attention that would cause us to believe that the information contained in the report is materially inaccurate.

Prague
30 June 2006

KPMG Česká republika Audit
KPMG Česká republika Audit, s.r.o.
Licence number 71

Jan Martínek
Jan Martínek
Partner
Licence number 1598

KPMG Česká republika Audit, s.r.o., a Czech limited liability company incorporated under the Czech Commercial Code, is a member firm of KPMG International, a Swiss cooperative

Obchodní rejstřík
vedený Městským soudem v Praze
oddíl C, vložka 24185

IČ 49619187
DIČ CZ49619187

Živnostenská banka
Praha 1
č.ú./account no.
466016004/0400

Listening to your ideas is a certainty



| FINANCIAL SECTION |

FINANCIAL STATEMENTS

BALANCE SHEET - IN FULL FORMAT (NON-CONSOLIDATED) AS OF 31 DECEMBER 2005 (CZK THOUSAND)

Ref.	ASSETS	Line	Current year			Prior year
			Gross	Provision	Net	Net
a	b	c	1	2	3	4
	TOTAL ASSETS (lines 02+03+31+63)	001	9,631,441	-5,287,548	4,343,893	7,041,461
A.	Receivables for subscribed registered capital	002				
B.	Fixed assets (lines 04+13+23)	003	7,954,333	-4,983,817	2,970,516	3,598,369
B.I.	Intangible fixed assets (lines 05 to 12)	004	832,591	-677,274	155,317	284,434
B.I. 1.	Incorporation expenses	005	103	-103		14
2.	Research and development	006				
3.	Software	007	793,527	-641,764	151,763	277,353
4.	Royalties	008	35,407	-35,407		76
5.	Goodwill	009				
6.	Other intangible fixed assets	010				
7.	Intangible assets in progress	011	662		662	4,586
8.	Advance payments for intangible fixed assets	012	2,892		2,892	2,405
B.II.	Tangible fixed assets (lines 14 to 22)	013	7,087,061	-4,285,964	2,801,097	3,299,641
B.II.1.	Land	014				
2.	Buildings	015	1,479,518	-596,106	883,412	982,859
3.	Property, plant and equipment	016	5,183,185	-3,583,551	1,599,634	2,060,214
4.	Cultivated areas	017				
5.	Livestock	018				
6.	Other tangible fixed assets	019	33		33	33
7.	Tangible fixed assets under construction	020	82,526		82,526	13,283
8.	Advance payments for tangible fixed assets	021	17,474		17,474	3,612
9.	Adjustments to acquired fixed assets	022	324,325	-106,307	218,018	239,640
B.III.	Long-term investments (lines 24 to 30)	023	34,681	-20,579	14,102	14,294
B.III.1.	Investments in group undertakings	024	5,862	-350	5,512	5,682
2.	Investments in associated companies	025	490	-490		
3.	Other long-term securities and ownership interests	026	20	-20		
4.	Loans – group undertakings, associated companies	027	28,309	-19,719	8,590	8,612
5.	Other long-term investments	028				
6.	Long-term investments (provisional value)	029				
7.	Advance payments for long-term investments	030				

BALANCE SHEET - IN FULL FORMAT (NON-CONSOLIDATED) AS OF 31 DECEMBER 2005 (CZK THOUSAND)

Ref.	ASSETS	Line	Current year			Prior year
			Gross	Provision	Net	Net
a	b	c	1	2	3	4
C.	Current assets (lines 32+39+48+58)	031	1,657,553	-303,731	1,353,822	3,414,618
C.I.	Inventories (lines 33 to 38)	032	113,351	-21,182	92,169	127,735
C.I.1.	Raw materials	033	113,149	-21,182	91,967	127,707
2.	Work-in-progress and semi-finished products	034				
3.	Finished goods	035				
4.	Livestock	036				
5.	Goods for resale	037	202		202	28
6.	Advance payments for inventories	038				
C.II.	Long-term receivables (lines 40 to 47)	039	22,655		22,655	19,491
C.II.1.	Trade receivables	040	12,347		12,347	19,491
2.	Receivables – group undertakings	041				
3.	Receivables – associated companies	042				
4.	Receivables from shareholders / owners and alliance partners	043				
5.	Long-term advances paid	044	10,308		10,308	
6.	Estimated receivables	045				
7.	Other receivables	046				
8.	Deferred tax asset	047				
C.III.	Short-term receivables (lines 49 to 57)	048	1,017,339	-282,549	734,790	906,482
C.III.1.	Trade receivables	049	963,942	-280,809	683,133	798,990
2.	Receivables – group undertakings	050				
3.	Receivables – associated companies	051				
4.	Receivables from shareholders / owners and alliance partners	052				
5.	Social security and health insurance	053				
6.	Tax receivables	054	21,936		21,936	14,411
7.	Short-term advances paid	055	13,507		13,507	70,098
8.	Estimated receivables	056	1,409		1,409	13,915
9.	Other receivables	057	16,545	-1,740	14,805	9,068
C.IV.	Short-term financial assets (lines 59 to 62)	058	504,208		504,208	2,360,910
C.IV.1.	Cash	059	400		400	479
2.	Bank accounts	060	503,735		503,735	2,360,358
3.	Short-term securities and ownership interests	061	73		73	73
4.	Short-term investments (provisional value)	062				
D.I.	Deferrals (lines 64+65+66)	063	19,555		19,555	28,474
D.I.1.	Prepaid expenses	064	19,555		19,555	27,391
2.	Complex prepaid expenses	065				
3.	Accrued revenues	066				1,083

BALANCE SHEET - IN FULL FORMAT (NON-CONSOLIDATED) AS OF 31 DECEMBER 2005 (CZK THOUSAND)

Ref. a	LIABILITIES b	Line c	Current year 5	Prior year 6
	TOTAL LIABILITIES AND EQUITY (lines 68+85+118)	067	4,343,893	7,041,461
A.	Equity (lines 69+73+78+81+84)	068	1,721,594	2,176,672
A.I.	Registered capital (lines 70+71+72)	069	5,474,340	5,474,340
A.I. 1.	Registered capital	070	5,474,340	5,474,340
2.	Own shares and ownership interests (-)	071		
3.	Changes in registered capital	072		
A.II.	Capital contributions (lines 74 až 77)	073	-184,885	-184,885
A.II. 1.	Share premium	074		
2.	Other capital contributions	075	-185,218	-185,218
3.	Revaluation of assets and liabilities	076	333	333
4.	Revaluation reserve on transformations	077		
A.III.	Reserve funds, undistributable fund and other funds from profit (lines 79+80)	078		
A.III. 1.	Statutory reserve fund / Undistributable fund	079		
2.	Statutory and other funds	080		
A.IV.	Retained earnings (lines 82+83)	081	-3,112,783	-3,112,783
A.IV. 1.	Retained profits	082		
2.	Accumulated losses	083	-3,112,783	-3,112,783
A.V.	Profit (loss) for the current period (+/-)	084	-455,078	
B.	Liabilities (lines 86+91+102+114)	085	2,611,927	4,852,246
B.I.	Provisions (lines 87 to 90)	086	21,637	10,820
B.I. 1.	Tax-deductible provisions	087		
2.	Provision for pensions and other similar payables	088		
3.	Income tax provision	089		731
4.	Other provisions	090	21,637	10,089
B.II.	Long-term liabilities (lines 92 až 101)	091	411,220	3,177,083
B.II. 1.	Trade payables	092		
2.	Liabilities – group undertakings	093	411,220	70,403
3.	Liabilities – associated companies	094		
4.	Liabilities to shareholders / owners and alliance partners	095		
5.	Long-term advances received	096		
6.	Debentures and bonds issued	097		
7.	Long-term bills of exchange payable	098		
8.	Estimated payables	099		
9.	Other long-term payables	100		3,106,680
10.	Deferred tax liability	101		

BALANCE SHEET - IN FULL FORMAT (NON-CONSOLIDATED) AS OF 31 DECEMBER 2005 (CZK THOUSAND)

Ref. a	LIABILITIES b	Line c	Current year 5	Prior year 6
B.III.	Short-term liabilities (lines 103 to 113)	102	1,193,103	1 574,343
B.III.1.	Trade payables	103	955,896	1 074,655
2.	Liabilities – group undertakings	104		160,154
3.	Liabilities – associated companies	105		
4.	Liabilities to shareholders / owners and alliance partners	106		
5.	Payables to employees	107	15,745	20,006
6.	Payables to social security and health insurance	108	10,658	29,848
7.	Tax liabilities and subsidies	109	4,437	21,343
8.	Short-term advances received	110	11,079	12,456
9.	Debentures and bonds issued	111		
10.	Estimated payables	112	194,047	254,575
11.	Other payables	113	1,241	1,306
B.IV.	Bank loans and overdrafts (lines 115+116+117)	114	985,967	90,000
B.IV.1.	Long-term bank loans	115	753,002	30,000
2.	Short-term bank loans	116	232,965	60,000
3.	Short-term financial liabilities	117		
C.I.	Accruals (lines 119+120)	118	10,372	12,543
C.I. 1.	Accrued expenses	119		1,811
2.	Deferred revenues	120	10,372	10,732

PROFIT AND LOSS ACCOUNT - CLASSIFICATION BY NATURE (NON-CONSOLIDATED) FOR THE YEAR ENDED 31 DECEMBER 2005 (CZK THOUSAND)

Ref.	Text	Line number	Current year	Prior year
a	b	c	1	2
I.	Revenue from goods	01	6,427	
A.	Cost of goods sold	02	6,875	
+	Gross profit (lines 01-02)	03	-448	
II.	Revenue from production (lines 05+06+07)	04	4,905,228	
II.1.	Revenue from own products and services	05	4,770,013	
II.2.	Change in inventory of own production	06		
II.3.	Own work capitalized	07	135,215	
B.	Cost of sales (lines 09+10)	08	3,581,849	
B.1.	Materials and consumables	09	187,604	
B.2.	Services	10	3,394,245	
+	Added value (lines 03+04-08)	11	1,322,931	
C.	Personnel expenses (lines 13 to 16)	12	557,400	
C.1.	Wages and salaries	13	407,945	
C.2.	Remuneration of board members	14	356	
C.3.	Social security and health insurance expenses	15	139,058	
C.4.	Social expenses	16	10,041	
D.	Taxes and charges	17	50,302	
E.	Depreciation of intangible and tangible fixed assets	18	884,908	
III.	Proceeds from disposals of fixed assets and raw material (lines 20+21)	19	4,390	
III.1	Proceeds from disposals of fixed assets	20	4,390	
III.2	Proceeds from disposals of raw material	21		
F.	Net book value of fixed assets and raw material sold (lines 23+24)	22	9,746	
F.1.	Net book value of fixed assets sold	23	3,369	
F.2.	Raw materials sold	24	6,377	
G.	Change in provisions and adjustments relating to operating activity and change in complex prepaid expenses	25	95,418	
IV.	Other operating revenues	26	9,003	
H.	Other operating expenses	27	50,550	
V.	Transfer of operating revenues	28		
I.	Transfer of operating expenses	29		
*	Operating profit (loss) (lines 11-12-17-18+19-22-25+26-27+28-29)	30	-312,000	

PROFIT AND LOSS ACCOUNT - CLASSIFICATION BY NATURE (NON-CONSOLIDATED) FOR THE YEAR ENDED 31 DECEMBER 2005 (CZK THOUSAND)

Ref.	Text	Line number	Current year	Prior year
a	b	c	1	2
VI.	Proceeds from sale of securities and ownership interests	31	1,967,885	
J.	Securities and ownership interests sold	32	1,968,235	
VII.	Revenue from long-term investments (lines 34+35+36)	33		
VII.1.	Revenue from investments in group undertakings and associated companies	34		
VII.2.	Revenue from other long-term securities and ownership interests	35		
VII.3.	Revenue from other long-term investments	36		
VIII.	Revenue from short-term financial investments	37		
K.	Financial assets expenses	38		
IX.	Revenue from revaluation of securities and derivatives	39		
L.	Expenses for revaluation of securities and derivatives	40		
M.	Change in provisions and adjustments relating to financial activity	41	-2,983	
X.	Interest revenue	42	8,384	
N.	Interest expense	43	133,342	
XI.	Other financial revenues	44	66,464	
O.	Other financial expenses	45	87,271	
XII.	Transfer of financial revenues	46		
P.	Transfer of financial expenses	47		
*	Profit (loss) from financial operations	48	-143,132	
-	(lines 31-32+33+37-38+39-40-41+42-43+44-45+46-47)			
Q.	Income tax on ordinary profit (loss) (lines 50+51)	49	-54	
Q.1.	- current	50	-54	
Q.2.	- deferred	51		
**	Profit (loss) on ordinary activities after tax	52	-455,078	
	(lines 30+48-49)			
XIII.	Extraordinary revenue	53		
R.	Extraordinary expenses	54		
S.	Income tax on extraordinary profit (loss) (lines 56+57)	55		
S.1.	- current	56		
S.2.	- deferred	57		
*	Extraordinary profit (loss) (lines 53-54-55)	58		
T.	Transfer of profit or loss to partners	59		
***	Profit (loss) for the accounting period	60	-455,078	
	(lines 52+58-59)			
****	Profit or loss before taxation	61	-455,132	
	(lines 30+48+53-54)			

NOTES TO THE CZECH STATUTORY FINANCIAL STATEMENTS (NON-CONSOLIDATED)

I. Description and principal activities

Establishment and description of the Company

GTS NOVERA a.s. ("the Company") was registered on 13 May 1996 under the name of ALIATEL a.s. (in 1997 the Company changed its name to Aliatel a.s.). On 18 December 2004 the Company's shareholders signed a contract for the sale of Aliatel a.s. to GTS CZECH, a.s. The shares of Aliatel a.s. were transferred to GTS CZECH, a.s. on 11 February 2005. On this day, the Company became a member of GTS Central European Holding B.V., the holding company established under the law of the Netherlands, which belongs to the international group of companies including the holding company GML Limited and its subsidiaries.

On 7 July 2005 the Company's shares were transferred to the current sole shareholder, GTS Central European Holding B.V., the Netherlands. One of the goals for 2005 was a legal merger of the Czech companies owned by GTS Central European Holding B.V. Consequently, on 1 January 2005 GTS CZECH, a.s., KPNQwest Czechia s.r.o. and GTS Carrier Services /Czech/ s.r.o. merged to form a new company, GTS NOVERA a.s. (the successor company). The merger was approved by the court and recorded in the Commercial Register on 31 December 2005.

GTS NOVERA a.s. prepared a pro-forma opening balance sheet as at the decisive date of the merger, i.e. 1 January 2005. The balances of this pro-forma opening balance sheet are included in the "Prior period" column of the 2005 financial statements. Due to the merger, the 2005 financial statements do not include comparative information relating to the profit and loss account.

The principal business activities are the provision of telecommunication services, establishment, installation, maintenance and service of telecommunications equipment, data processing, databank services, network management and technical advisory services in the area of telecommunications.

Ownership structure

The Company's sole shareholder as at 31 December 2005 is GTS Central European Holding B.V. with its registered office in Amstelveen, the Netherlands.

Registered office

GTS NOVERA a.s.
Sokolovská 131/86
186 00 Praha 8
Czech Republic

Registration number

610 58 904

Members of the Board of Directors and Supervisory Board as at 31 December 2005

Board of Directors

Milan Rusnák (Chairman)
JUDr. Eva Krátká
Peter Charles Ramsay Broster

Supervisory Board

John Gerald Grace
Tamas György Polgar
Imre Fazakas
Vladana Švorcová

In connection with the sale of the Company the following changes were entered in the Commercial Register in 2005:

Company name

The Company's name changed from Aliatel a.s. to GTS NOVERA a.s. – registered on 31 March 2005.

Board of Directors

The membership of the following original board members was terminated on 11 February 2005: Josef Havel (Chairman), Susanne Küppers (Vice-chairman), Jan Saska (member), Engelbert Halm (member), Bernhard Fanger (member) and Václav Čulík (member) – registered on 31 March 2005.

The following new board members were appointed on 11 February 2005: Milan Rusnák (Chairman), JUDr. Eva Krátká (member) and Peter Charles Ramsay Broster (member) – recorded on 31 March 2005.

Acting on behalf of the Company

The Board of Directors - at least two of its members together – is authorised to act and sign on behalf of the Company. When signing on behalf of the Company, the signatures of at least two members of the Board of Directors are added to the stamp bearing the Company name or to the Company name –deleted from the Commercial Register on 31 March 2005.

Only the Chairman of the Board of Directors is authorised to act separately on behalf of the Company. The other board members are only authorised to act on behalf of the Company together with another board member. When signing on behalf of the Company, the relevant board members add their signatures to the Company name –registered in the Commercial Register on 31 March 2005.

Supervisory Board

The membership of the following original board members was terminated on 11 February 2005: Stanislav Peleška (Chairman), Dr. Thomas Riemann (member), Karel Dietrich – Nespesny (member) and Martin Koch (member) – registered on 13 May 2005.

The membership of the following board members was terminated on 1 March 2005: Ing Jaroslav Vostárek (member) and Jiří Kozák (member) – registered on 13 May 2005.

The following new board members were appointed on 11 February 2005: John Gerald Grace (member), Tamas György Polgar (member) and Imre Fazakas (member) – registered on 13 May 2005.

Vladana Švorcová was appointed as a Supervisory Board member on 1 March 2005 – recorded on 13 May 2005.

The sole shareholder

The sole shareholder changed from GTS CZECH, a.s. to GTS Central European Holding B.V. – registered on 7 July 2005.

Other information

GTS NOVERA a.s. is the legal successor of GTS CZECH, a.s. (IČ 639 99 501), KPNQwest Czechia s.r.o. (IČ 485 38 701) and GTS Carrier Services /Czech/ s.r.o. (IČ 257 82 797), all with their registered office at Praha 4, Hvězdova 1073/33, which were dissolved without liquidation in accordance with s. 69(3) of the Commercial Code as a result of their merger with GTS NOVERA a.s. as the successor company – registered on 31 December 2005.

Organisational structure

The Company is divided into seven divisions (technical, operational, finance, sales, product management and strategy, wholesale and external relations, customer services), which are further divided into subdivisions (except for the subdivisions directly managed by the General Director), departments and work teams.

2. Significant accounting policies

(a) Tangible and intangible fixed assets

Intangible fixed assets

Intangible fixed assets are stated at acquisition cost. The cost includes the purchase price and other costs related to the acquisition.

Low value intangible fixed assets costing more than TCZK 10 but less than TCZK 60 are depreciated on a straight-line basis over the estimated useful life of the individual asset or a period of four years, whichever is the shorter. Low value intangible fixed assets costing more than TCZK 3 but less than TCZK 10 are charged to the profit and loss account in the year that they are acquired and are reported in off-balance sheet records.

Low value intangible fixed assets costing less than TCZK 20 acquired by GTS CZECH, a.s., KPNQwest Czechia s.r.o. and GTS Carrier Services /Czech/ s.r.o. before 2005 were not reported in the balance sheet but were charged to the profit and loss account in the year that they were acquired.

Tangible fixed assets

Tangible fixed assets are stated at acquisition cost. The cost includes the purchase price and related freight costs, customs and other costs associated with the acquisition. Low value tangible assets costing more than TCZK 10 but less than TCZK 40 are depreciated on a straight-line basis over the estimated useful lives set by the company policy or over a period of fifteen years, whichever is the shorter.

Low value tangible fixed assets costing more than TCZK 3 but less than TCZK 10 are charged to the profit and loss account in the year that they are acquired and are reported in off-balance sheet records. Technical improvements made to a tangible fixed asset costing more than TCZK 40 for one accounting period increase the acquisition cost of the relevant asset. Regular repairs and maintenance are charged to the profit and loss account.

If the net book value of a tangible fixed asset exceeds the value based on its estimated useful life, an adjustment is created to this asset.

Depreciation is provided using the following methods and over the periods stated:

Asset	Basis	Period
Constructions – technical improvements of buildings	Straight-line	10–30 years
Constructions – optical and metallic cables	Straight-line	10–30 years
Machinery and equipment (switchboards, transmission equipment, IT technologies, repair and maintenance equipment, microwave equipment, non-telecommunication technologies and office equipment)	Straight-line	2–15 years
Motor vehicles	Straight-line	4 years
Fixtures and fittings	Straight-line	4–8 years
Other tangible assets	Straight-line	2–4 years
Incorporation expenses	Straight-line	5 years
Software	Straight-line	3–4 years
Adjustment to acquired fixed assets	Straight-line	15 years

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term or their estimated useful lives.

(b) Long-term investments

Long-term investments comprise investments in group undertakings and associated companies and loans provided to group companies. Long-term investments are accounted for at cost. If the net realisable value of an investment is permanently lower than its book value, an adjustment is recorded to reduce the book value to the net realisable.

(c) Inventories

Raw material inventory is stated at cost. The cost includes the purchase price of the inventory and related customs duties, storage fees and freight costs. The cost is determined using the weighted average method.

(d) Establishment of adjustments and provisions

Accounts receivable

The amount of an adjustment to receivables is determined based on the ageing structure of receivables using the following percentage rates:

Overdue	% rate
1 – 30 days	5%
31 – 60 days	10%
61 – 90 days	20%
91 – 120 days	50%
121 days and more	100%

In addition, the Company establishes adjustments to receivables based on an analysis of the credit status of customers.

Receivables from related parties are considered doubtful only if the debtor is subject to bankruptcy proceedings or if a company has been excluded from the group (i.e. they are no longer receivables from related parties but receivables from third parties).

Inventories

Adjustments to inventories are established where the cost of the inventory is temporarily higher than its current market value.

Tangible and intangible assets

An adjustment to tangible and intangible assets is created based on an analysis of the assets' utilisation.

Securities and long-term investments

An adjustment to long-term investments is created in the amount of the difference between the book value and the net realisable value of the appropriate investment.

Other provisions

The Company creates the following provisions:

- >> a provision for contingencies and commitments arising from unsettled legal disputes;
- >> a provision for contingencies and commitments arising from business activity.

(e) Foreign currency translation

The Company applies the Czech National Bank official daily rate to foreign currency transactions. During the year, exchange gains and losses are only recognised when realised at the time of settlement.

At the balance sheet date, foreign currency monetary assets and liabilities are translated at the Czech National Bank official rates for that date. Unrealised foreign exchange gains and losses are recognised in the profit and loss account.

(f) Derivatives

Trading derivatives

Financial derivatives held for trading are carried at fair value and gains (losses) from changes in the fair value are recorded in the profit and loss account.

Hedging derivatives

Hedging derivatives are carried at fair value. The method of recognising fair value depends on the model of hedge accounting applied.

Hedge accounting is applied if:

- >> the hedge is in line with the Company's risk management strategy,
- >> the hedge relationship is formally documented at the inception of the hedge,
- >> it is expected that the hedge relationship will be highly effective throughout its life,
- >> the effectiveness of the hedge relationship can be objectively measured,
- >> the hedge relationship is highly effective throughout the accounting period,
- >> in the case of hedging future expected transactions, it is highly probable that the transaction will occur.

If the derivative hedges the exposure to changes in the fair value of assets and liabilities, the hedged item attributable to the risk being hedged is also carried at fair value. Gains (losses) from the revaluation of the hedged item and hedging derivative are recorded in the profit and loss account.

If the derivative hedges the exposure to changes in cash flows related to assets and liabilities, commitments or expected transactions, the effective part of the hedge (fair value of the hedging derivative) is reported in equity in "Revaluation of assets and liabilities". The ineffective part of the hedge is recognized in the profit and loss account.

(g) Leased assets

Lease payments are expensed on a straight-line basis over the lease term. Where an asset is purchased at the end of the lease, it is recorded at its purchase price.

(h) Income tax

Corporate income tax on the profit for the year comprises current income tax and the change in deferred tax. Current income tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rate valid as at balance sheet date and any adjustment to the tax payable for previous years.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes multiplied by the income tax rate prescribed by the Income Tax Act for the next period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which this asset can be utilised.

(i) Classification of liabilities

The Company classifies as short-term any part of long-term liabilities, bank loans and overdrafts that is due within one year from the balance sheet date.

(j) Components of cash (as reported in the cash flow statement)

For the purposes of the cash flow statement, cash and cash equivalents are defined to include cash in hand, cash in transit, cash at the bank and other financial assets whose valuation can be reliably determined and which can be readily converted to cash.

3. Fixed assets

(a) Intangible fixed assets

	Incorporation expenses	Software	Royalties	Intangible fixed assets under constr.	Advance payments for intangible fixed assets	Total
Acquisition cost						
Balance at 1.1.2005	103	758 539	41 107	4 586	2 405	806 740
Additions	--	33 770	--	662	1 915	36 347
Disposals	--	-4 518	-5 700	--	-1 428	-11 646
Transfers	--	5 736	--	-4 586	--	1 150
Balance at 31.12.2005	103	793 527	35 407	662	2 892	832 591
Accumulated depreciation						
Balance at 1.1.2005	89	432 009	41 031	--	--	473 129
Depreciation expense	14	81 877	42	--	--	81 933
Disposals	--	-4 496	-5 666	--	--	-10 162
Transfers	--	1 150	--	--	--	1 150
Balance at 31.12.2005	103	510 540	35 407	--	--	546 050
Adjustments						
Balance at 1.1.2005	--	49 177	--	--	--	49 177
Changes in adjustments	--	82 047	--	--	--	82 047
Balance at 31.12.2005	--	131 224	--	--	--	131 224
Net book value 1.1.2005	14	277 353	76	4 586	2 405	284 434
Net book value 31.12.2005	--	151 763	--	662	2 892	155 317

(b) Tangible fixed assets

	Buildings	Works of art	Machinery and equipment	Motor vehicles	Tangible fixed assets under constr.	Advance payments for tangible fixed assets	Adjustment to acquired fixed assets	Total
Acquisition cost								
Balance at 1.1.2005	1 464 075	33	5 017 229	62 966	13 737	3 612	324 325	6 885 977
Additions	20 573	--	176 564	2 622	81 573	13 862	--	295 194
Disposals	-5 541	--	-78 418	-8 486	-515	--	--	-92 960
Transfers	411	--	10 708	--	-12 269	--	--	-1 150
Balance at 31.12.2005	1 479 518	33	5 126 083	57 102	82 526	17 474	324 325	7 087 061
Accumulated depreciation								
Balance at 1.1.2005	481 216	--	2 623 762	50 374	--	--	84 685	3 240 037
Depreciation expense	118 267	--	647 338	9 333	--	--	21 622	796 560
Disposals	-3 377	--	-70 583	-8 047	--	--	--	-82 007
Transfers	--	--	-1 150	--	--	--	--	-1 150
Balance at 31.12.2005	596 106	--	3 199 367	51 660	--	--	106 307	3 953 440
Adjustments								
Balance at 1.1.2005	--	--	345 845	--	--	454	--	346 299
Changes in adjustments	--	--	-13 321	--	--	-454	--	-13 775
Balance at 31.12.2005	--	--	332 524	--	--	--	--	332 524
Net book value 1.1.2005	982 859	33	2 047 622	12 592	13 737	3 158	239 640	3 299 641
Net book value 31.12.2005	883 412	33	1 594 192	5 442	82 526	17 474	218 018	2 801 097

The adjustment to acquired assets reported in the balance sheet as at 31 December 2005 was recorded in connection with the merger of GTS Czech Net a.s., GTS Inec a.s., DATTEL a.s. and DATTEL Consultancy, a.s. leading to the formation of GTS CZECH, a.s. in 2001 in the opening balance sheet of the successor company as at 1 February 2001. In compliance with the effective accounting procedures, this adjustment is expensed on a straight-line basis over a period of fifteen years.

4. Leased assets**(a) Finance lease**

The Company does not lease any assets under finance lease contracts.

(b) Operating leases

Operating lease contracts for personal cars are as follows:

2005	Total lease payments	Paid at 31.12.2005	Due within 1 year	Due in the period from 1 to 5 years	Due in following years
Personal cars	25 122	16 404	6 632	2 086	--

The Company has an operating lease for office premises and other premises used for telecommunication equipment installation. In respect of the office premises, the annual cost of the lease for 2005 was TCZK 85 116. The annual cost of the lease in respect of technological premises was TCZK 61 080.

5. Non-capitalised tangible and intangible assets

In accordance with the accounting policy described in note 2(a) above, the Company has charged to the profit and loss account tangible and intangible fixed assets in the year that they were acquired. The cumulative acquisition cost of assets which were still in use was as follows:

	Balance at	
	31.12.2005	1.1.2005
Tangible assets	63 110	61 238
Intangible assets (software)	101	129
Total	63 211	61 367

6. Long-term investments

(a) Investments in group undertakings and associated companies and other investments

Investment	Share in %	Nominal value of the investment	Adjustment	Book value	
				31.12.2005	1.1.2005
AGIS Telekomunikace s.r.o.	49%	490	-490	--	--
E-komunikace, s.r.o.	100%	200	-200	--	--
Aliatel Slovakia, s.r.o.	100%	5 512	--	5 512	5 512
Slovakia Carrier Services s.r.o.	100%	170	-170	--	170
Total investments	--	6 372	-860	5 512	5 682

ALIATEL a.s.

In February 2005, GTS CZECH, a.s. acquired a 100% share in ALIATEL a.s. (currently GTS NOVERA a.s.). The acquisition cost of this investment was TCZK 1 968 235. Subsequently, in July 2005 the Company sold this share to its parent company, GTS Central European Holding B.V. for TCZK 1 967 885, determined based on an expert's opinion.

AGIS Telekomunikace s.r.o.

Registered office: Pod hřištěm 6, 101 00 Praha 10

AGIS Telekomunikace was established in 1994 to provide telecommunication services (sale of goods and purchase of goods for resale). AGIS Telekomunikace did not carry out any business activity in the period 2002 to 2005. Consequently, an adjustment in the amount of TCZK 490 was established for this investment in 2002.

On 28 December 2005 the Municipal Court in Prague adopted a resolution to dissolve the company with liquidation. This resolution came into legal force on 28 January 2006. The company was dissolved pursuant to s. 68(6)(a) of the Commercial Code.

E-komunikace, s.r.o.

Registered office: Hvězdova 1073/33, 140 21 Praha 4

In November 2002, the Company together with KPNQwest Czechia s.r.o. established the company eIdentity, s.r.o. to provide certification authority services for the sale and administration of certified electronic signatures.

As the purpose for which the company was established was not achieved, a 100% adjustment was created for this investment in 2003.

In 2004 the company's name was changed from eIdentity, s.r.o. to E komunikace, s.r.o. This change was recorded in the Commercial Register on 3 May 2004. In the period from 9 February 2005 to 30 March 2005 E-komunikace, s.r.o. changed its name to GTS NOVERA, s.r.o. On 30 March 2005 GTS NOVERA, s.r.o. changed its name back to E-komunikace, s.r.o. as the name "GTS NOVERA" had been used to register the company established as a result of the merger of KPNQwest Czechia s.r.o., GTS CZECH, a.s., GTS Carrier Services /Czech/ s.r.o. and Aliatel a.s.

Eunet IR

Registered office: 32 Greermount Office Park, Harolds Cross Bridge, Dublin 6W

Eunet IR entered into liquidation in 2002. Consequently, the Company created a 100% adjustment for this investment in the amount of TCZK 3 153. In 2005 the investment was fully written-off as Eunet IR ceased to exist.

Slovakia Carrier Services s.r.o.

Registered office: Šoltésovej 12, 811 08 Bratislava

In 2005 the company changed its name from GTS Carrier Services /Slovakia/ s.r.o. to Slovakia Carrier Services s.r.o. This company does not carry out any business activity and therefore a 100% adjustment was established for this investment in 2005. The company entered into liquidation based on the decision of the company's sole member (GTS Carrier Services /Czech/ s.r.o.) made on 6 October 2005.

No dividends were received from long-term investments in 2005.

(b) Long-term loans provided

Provided loans	Nominal value	Adjustment	Book value	
			31.12.2005	1.1.2005
Antel Holding Germany	8 590	--	8 590	8 612
KPMQwest NV	19 719	-19 719	--	--
Total provided loans	28 309	-19 719	8 590	8 612

Loan to Antel Holding Germany

In 2004, based on the agreement between GTS CZECH, a.s. and Antel Holding Germany, trade receivables were converted to a loan to the related party and are therefore reported in long-term investments. The loan bears an interest rate of 5% and is repayable at any time on demand.

Loan to KPNQwest NV

In July 2000 the Company concluded a loan contract with KPNQwest NV based on which, on 17 January 2002, it provided a loan to this company in the amount of EUR 647 270.

As KPNQwest NV entered into bankruptcy proceedings in 2002, a 100% adjustment was created for this loan as at 31 December 2002.

7. Inventories

At the stock-takes held on 31 December 2005 the Company identified obsolete raw material inventories for which it created adjustments of TCZK 21 182 (2004 – TCZK 3 762).

8. Trade receivables and payables

(a) Short-term trade receivables total TCZK 976 289 (2004 – TCZK 1 095 235), of which TCZK 410 012 (2004 – TCZK 438 861) is overdue. An adjustment to doubtful receivables of TCZK 280 809 (2004 – TCZK 296 245) has been set up as at 31 December 2005 to adjust receivables which may be uncollectible.

(b) Short-term trade payables total TCZK 955 896 (2004 – TCZK 1 074 655), of which TCZK 734 804 (2004 – TCZK 866 167) is overdue.

(c) Long-term receivables primarily comprise a trade receivable from SITEL of TCZK 12 347 due on 31 March 2010 and a long-term advance of TCZK 5 976 relating to the lease of a building and optical cables paid to SELF SERVICE.

9. Derivatives

As at the balance sheet date the Company held the following financial derivatives for trading:

Forward exchange contracts	Due date (expiry)	Option premium	Fair value at 31.12.2005
Purchase of an interest rate option - ČSOB	30.6.2010	3 120	3 006
Purchase of an interest rate option - HVB	30.6.2010	4 680	4 664
Total		7 800	7 670

The option premiums were purchased on 14 October 2005 (both ČSOB and HVB) in connection with the acquisition of the loans.

10. Adjustments

	Adjustments to				Total adjustments
	Long-term investments	Tangible fixed assets	Inventories	Receivables	
Balance at 1.1.2005	23 562	395 476	3 762	296 764	719 564
Additions	170	122 924	17 420	--	140 514
Release / utilisation	-3 153	-54 652	--	-15 955	-73 760
Balance at 31.12.2005	20 579	463 748	21 182	280 809	786 318

A decrease in the adjustment to receivables of TCZK 14 134 was caused by fluctuation in foreign exchange rates. In compliance with the effective accounting procedures this decrease is presented in the profit and loss account as a foreign exchange gain in other financial revenues.

11. Adjustment to acquired assets

Upon the merger of GTS CZECH, a.s. and GTS Czech Net a.s., GTS Inec a.s., DATTEL a.s. and DATTEL Consultancy a.s. as at 31 January 2001, total assets were increased by the adjustment to acquired assets of TCZK 324 325, which was calculated as the difference between the book value of the net business assets of the merged companies as at 30 June 2000 and the value of the net business assets determined in the merger project based on expert appraisals.

Company	Book value of net business assets at 30.6.2000	Value of net business assets at 30.6.2000 from the merger project (based on expert appraisals)	Difference
DATTEL A.S.	237 212	433 220	-196 008
GTS INEC A.S.	-11 980	35 959	-47 939
GTS CZECH NET A.S.	40 214	120 592	-80 378
Total	265 446	589 771	-324 325

There was a mistake, however, in the method of determining the book value of the net business assets as at 30 June 2000 as the calculation included provisions but did not include the profit (loss) for the period from January to June 2000.

The corrected calculation of the book value of the net business assets as at 30 June 2002 results in an adjustment to acquired assets in the amount of TCZK 327 757 (see the table below).

Company	The corrected book value of net business assets at 30.6.2000 k 30.6.2000	Value of net business assets at 30.6.2000 from the merger project (based on expert appraisals)	Difference
DATTEL A.S.	240 171	433 220	-193 049
GTS INEC A.S.	-8 380	35 959	-44 339
GTS CZECH NET A.S.	30 223	120 592	-90 369
Total	262 014	589 771	-327 757

As described above, the adjustment to acquired assets was understated by TCZK 3 432 as at 1 February 2001 (the date of the merger of DATTEL a.s., GTS Czech Net a.s., GTS Inec a.s. and DATTEL Consultancy a.s. leading to the formation of GTS CZECH, a.s.). However, the Company did not additionally adjust the adjustment as the amount of the difference arising from the corrected calculation is immaterial when considering the total amount of the adjustment.

The effects of this error on the amount of annual depreciation and accumulated depreciation of previous years are shown below:

Year	As a result of the error, annual depreciation of the adjustment to acquired assets was understated by	As a result of the error, accumulated depreciation of the adjustment to acquired assets was understated by	Note
2001	210	210	11 months (from 1.2.2001)
2002	229	439	
2003	229	668	
2004	229	897	
2005	229	1 126	

I 2. Changes in equity

	Registered capital	Other capital contributions	Revaluation of assets and liabilities	Accumulated losses	Loss of the current period	Total
Balance at 1.1.2005	5 474 340	-185 218	333	-3 112 783	--	2 176 672
Loss for 2005	--	--	--	--	-455 078	-455 078
Balance at 31. 12. 2005	5 474 340	-185 218	333	-3 112 783	-455 078	1 721 594

The loss for 2005 will be transferred to accumulated losses.

I 3. Provisions

	Other provisions	Income tax provision	Total
Balance at 1. 1. 2005	10 089	731	10 820
Addition	20 322	1 263	21 585
Use	-8 775	-1 994	-10 769
Balance at 31. 12. 2005	21 637	--	21 637

I 4. Bank loans

2005	Due date	Payment schedule	Interest rate	Balance at 31.12.2005	Due within 1 year	Due from 1 to 5 years	Due in following years
Syndicated loan from HVB, ČSOB and Raiffeisenbank	30.6.2010	Half-year payment of TCZK 116 482, final payment of TCZK 38 830	4.8% p.a.	985 967	232 965	753 002	--

This loan has been secured by all of the Company's assets.

The amount of this loan includes the part of the loan drawn as at 31 December 2005 of TCZK 970 686 and related interest of TCZK 15 281.

2004	Due date	Payment schedule	Interest rate	Balance at 1.1.2005	Due within 1 year	Due from 1 to 5 years	Due in following years
Loan Nationale Investerings Bank B.V.	31.3.2006	Always on 31.3. and 30.9.	Quarterly PRIBOR + margin	90 000	60 000	30 000	--

15. Sales

The Company's principal business activity is the provision of telecommunication services, such as:

- >> provision of voice services;
- >> connection to the internet network through a fixed telecommunication line (DIA);
- >> connection to the internet through DSL technologies;
- >> interlinking of customers' branches into virtual internet networks (IP VPN);
- >> connection of the internet providers to the international internet network (IP transit);
- >> provision of data circuits;
- >> connection to the internet through a dial-up;
- >> lease of international data telecommunication circuits;
- >> other minor internet services (web hosting, server hosting, telehousing, domains, sale of internet equipment – modems ...).

	Domestic sales	Exports	Total
Sale of goods	6 427	--	6 427
Sale of services	3 713 154	1 056 859	4 770 013
Total	3 719 581	1 056 859	4 776 440

Exports include all sales of goods and services to foreign entities realised in the territory of the Czech Republic.

16. Related parties

(a) Trade receivables and payables

The following related party balances are included in the trade receivables and payables described in note 8 above:

	Receivables at		Payables at	
	31.12.2005	1.1.2005	31.12.2005	1.1.2005
GTS Slovakia s.r.o.	8 554	52 377	3 202	12 925
GTS Datanet Távközlési Kft.	9 385	8 888	28 109	58 762
Aliatel Slovakia, s.r.o.	851	981	7 296	3 871
GTS Central European Holding B.V.	1 622	--	29 639	--
GTS-Czech (Delaware), Inc.	2 199	2 000	--	--
GTS Polska Holding Sp. z o.o.	2 531	1 110	326	217
GTS Telecom S.R.L. (Romania)	3 469	3 231	79	--
Carduelis B.V.	913	173	--	--
KPNQwest Network Ireland *	--	139 282	--	--
Pronet *	--	236	--	--
GTS UK *	--	27 920	--	--
GTS Czech Com *	--	417	--	--
NetForce, spol. s r.o. *	--	61	--	--
Sital-VSAT *	--	23	--	--
Západočeská energetika, a.s. *	--	185	--	972
Jihočeská energetika, a.s. *	--	825	--	1 447

	Receivables at		Payables at	
	31.12.2005	1.1.2005	31.12.2005	1.1.2005
Severomoravská energetika, a.s. *	--	617	--	3 138
Jihomoravská energetika, a.s. *	--	1 705	--	1 336
Severočeská energetika, a.s. *	--	700	--	4 092
Středočeská energetika, a.s. *	--	200	--	1 410
Východočeská energetika, a.s. *	--	74	--	1 821
Pražská energetika, a.s. *	--	170	--	1 772
RWE Noc Geschäftsführungs-GmbH *	--	21	--	--
Plzeňská energetika, a.s. *	--	31	--	--
EN – DATA a.s. *	--	173	--	5
Energetika Vítkovice, a.s. *	--	29	--	64
Severočeské doly, a.s. *	--	117	--	--
ESS s.r.o. *	--	3	--	--
ČEZnet a.s. *	--	731	--	1 473
HELLUX ELEKTRA s.r.o. *	--	5	--	--
Chodské vodárny a kanalizace a.s. *	--	8	--	--
is:energy czech a.s. *	--	293	--	--
PRO energo Plzeň, spol. s r.o. *	--	2	--	--
Union Leasing, a.s. *	--	4	--	--
ČEZ, a.s. *	--	--	--	1
ČEPS, a.s. *	--	--	--	230
Energetické centrum s.r.o. *	--	--	--	1
Teplárna Tábor a.s. *	--	--	--	15
SINIT, a.s. *	--	--	--	2
Total	29 524	103 310	68 651	93 554

* These companies are no longer related parties as Aliatel a.s. (currently GTS NOVERA a.s.) was acquired by GTS Central European Holding B.V.

(b) Long-term receivables and payables

	Receivables at		Payables at	
	31.12.2005	1.1.2005	31.12.2005	1.1.2005
Antel Germany GmbH	8 590	8 612	--	--
GTS Central European Holding B.V.	--	--	411 220	3 177 083
Total	8 590	8 612	411 220	3 177 083

The loan from GTS Central European Holding B.V. is repayable on demand and bears interest at PRIBOR + 3.25%.

(c) Sales and purchases

	Sales for 2005	Sales for 2005
GTS Slovakia s.r.o.	24 198	18 994
GTS Datanet Távközlési Kft.	20 304	36 006
Aliatel Slovakia, s.r.o.	1 241	26 010
GTS CE Holding B.V.	--	23 007
GTS Polska Holding Sp. z o.o.	7 451	3 380
GTS Telecom S.R.L. (Romania)	214	355
Carduelis B.V.	1 292	--
Total	54 700	107 752

(d) Remuneration and loans provided to directors and supervisory board members

Members of the board of directors and management use the Company's vehicles for both business and private purposes. The Company did not provide any loans to the members of the board of directors or to the members of management.

(e) Group relations

The Company has not concluded a controlling agreement with its majority shareholder, GTS Central European Holding B.V. A report on relations between related parties will be a part of the annual report.

(f) Consolidated financial statements

The Company does not prepare consolidated financial statements since the majority of its subsidiaries do not carry out any business activity and Aliatel Slovakia, s.r.o. is considered immaterial for consolidation purposes in compliance with s. 62(2)(a) of Act N. 500/2002 Coll.

17. Employees and executives

The average number of employees and executives and remuneration paid for the year ended 31 December 2005 are as follows:

2005	Number of employees	Payroll expenses	Social security and health insurance expenses	Social expenses
Employees	646	376 126	125 306	9 741
Executives	13	32 176	13 752	300
Total	659	408 301	139 058	10 041

18. Social security and health insurance liabilities

Social security and health insurance liabilities total TCZK 10 658 (2004 – TCZK 29 848), of which TCZK 7 550 (2004 – TCZK 21 300) relates to social security and TCZK 3 108 (2004 – TCZK 8 548) relates to health insurance. None of these liabilities are overdue.

19. Tax liabilities and subsidies

Tax liabilities total TCZK 4 437 (2004 – TCZK 21 343), of which TCZK 4 437 (2004 – TCZK 15 175) relates to unpaid personal income tax. No tax liabilities are overdue.

20. Income tax**(a) Current**

No tax liability arose in 2005.

(b) Deferred

Unrecorded deferred tax assets and liabilities

	Assets at		Liabilities at		Net	
	31.12.2005	1.1.20005	31.12.2005	1.1.20005	31.12.2005	1.1.20005
Tangible and intangible assets	326 465	353 890	--	-48 190	326 465	305 700
Receivables	11 319	16 525	--	--	11 319	16 525
Inventories	5 084	978	--	--	5 084	978
Provisions	5 193	1 697	--	--	5 193	1 697
Estimated payables	1 907	14 476	--	--	1 907	14 476
Tax losses carried forward	400 398	481 141	--	--	4 334	481 141
Deferred tax asset /(liability)	750 366	868 707	--	-48 190	750 366	820 517

As a result of the merger as at 1 January 2005 the Company is not entitled to utilise the tax losses of the dissolved companies.

In accordance with the accounting policy described in note 2 (h), a tax rate of 24% (2004 – 26%) was used to calculate deferred tax.

21. Research and development

The Company concluded a contract with the Academy of Sciences of the Czech Republic for the provision of a special-purpose subsidy for the "Optimisation of methods for multicast in IP networks" project in the 2005–2008 period. In 2005 the Company received a subsidy amounting to TCZK 1 209, which was used to acquire tangible and intangible assets and cover payroll expenses (including health and social insurance) and other expenses associated with the project. It was agreed that the Company would cover at least 20% of the expenses incurred by the project. In 2006 the Company paid TCZK 46 back to the Academy as an unutilised part of the subsidy. The use of the subsidy was accounted for in accordance with Government Decree N. 461/2002 Coll.

22. Contingencies and commitments

(a) The Company does not record in its balance sheet liabilities relating to the invoices from Český Telecom, a.s. ("ČTc"), resulting from the contract between ČTc and GTS CZECH, a.s. for the lease of connecting sets between the telecommunication networks of the respective companies. These invoices were returned to ČTc as the Company believes that they are at variance with the decision of the Czech Telecommunication Office of 11 September 2002 (section IV.), which stipulates that every provider of a public telecommunication network that is connected, at one connection point, to another public telecommunication network should bear all expenses incurred in connection with the installation and operation of telecommunication equipment and telecommunication circuits of his network up to the specified interface at the connection point, unless both parties agree otherwise. The Company did not agree otherwise with ČTc and therefore returned to ČTc invoices in the aggregate amount of TCZK 148 874 for the period from January 2001 to December 2005 (2004 – TCZK 123 671) (of which 2001 – TCZK 28 838, 2002 – TCZK 42 860, 2003 – TCZK 24 977, 2004 – TCZK 26 996 and 2005 – 25 203).

This dispute is currently being considered by the High Court in Prague and by the Prague 3 District Court. The Company expects the dispute to be resolved within two years.

Invoices for connecting sets issued by ČTc based on the agreement between ČTc and Aliatel a.s. were fully paid by the Company in 2005 and in previous years.

In 2005 and 2006 there were negotiations between the Company and ČTc in an attempt to settle their dispute but no final resolution was adopted.

(b) The Company filed a protest against invoices of T-Mobile ČR, a.s. (formerly Radiomobil a.s.) relating to connection fees for the period from November to December 2001 in the aggregate amount of TCZK 5 603 (2004 – TCZK 5 063). These payables were therefore excluded from the balance sheet using an internal credit note. The Czech Telecommunications Office ("the CTO") in the first instance rejected the request of T-Mobile ČR, a.s. to charge higher connection fees. However, the Chairman of the CTO cancelled this decision based on an appeal filed by T-Mobile ČR, a.s. and referred the case back to the court of first instance for a new hearing. The CTO suspended the administrative proceedings.

(c) Český Telecom has initiated a dispute against the Company in which it contests the connection fees set by the CTO in 2001. ČTc believes that it had the right to charge connection fees in the amount of CZK 0.92/min instead of CZK 0.66/min set by the CTO. In the same way ČTc contested the connection fees set by the CTO in April 2002. The amount of the liability arising from this dispute has been set at TCZK 67 062 (2004 – TCZK 67 062). This liability was not included in the financial statements since the Company considers the relevant invoices to be unjustified.

The dispute relating to the connection fees for 2001 is currently being considered by the High Court in Prague. The dispute relating to the connection fees for 2002 is currently being considered by the Prague 3 District Court.

The Company expects both disputes to be resolved within two or three years.

(d) The Company has a revolving loan from ČSOB in the amount of TEUR 178 (TCZK 5 420), relating to the lease contract concluded with ZIRKON v.o.s. (lease of non-residential premises including payment of utilities and related services). The Company is not authorised to manage this account until 1 October 2007.

23. Fixed assets with a market value significantly higher than their book value

The Company has no fixed assets the market value of which is significantly higher than the book value.

24. Material subsequent event

On 6 December 2005, TELENOR TELECOM SOLUTIONS AS and GTS Central European Holding B.V. signed a contract for the transfer of shares in Telenor Networks, a.s. and ownership interests in Telenor Networks, s.r.o, NEXTRA Czech Republic s.r.o. and Nextra s.r.o. to GTS Central European Holding B.V.

The sale of Telenor Networks, s.r.o. and NEXTRA Czech Republic s.r.o. was approved by the decision of the Office for Protection of Economic Competition on 18 January 2006, which came into legal force on 25 January 2006. Consequently, the sale of the companies was effected based on this approval on 30 January 2006. On this date, both companies became members of GTS Central European Holding B.V., the holding company established under Dutch law, which belongs to the international group of companies consisting of the holding company GML Limited and its subsidiaries.

On 29 November 2005, GTS Central European Holding B.V. and TDC Totallosninger A/S concluded a contract for the transfer of an ownership interest in Contactel s.r.o. The transfer was approved by the decision of the Office for Protection of Economic Competition on 18 January 2006, which came into legal force on 25 January 2006. Contactel s.r.o. became a member of GTS Holding on 2 February 2006.

On 13 February 2006, Telenor Networks, s.r.o. changed its name to GTS Novera Tel, s.r.o.

On 1 April 2006, NEXTRA Czech Republic s.r.o changed its name to GTS Novera Next, s.r.o. and Contactel s.r.o. to GTS Novera Contact, s.r.o.

GTS Central European Holding B.V., the sole owner of GTS NOVERA a.s., GTS Novera Contact, s.r.o., GTS Novera Next, s.r.o. and GTS Novera Tel, s.r.o. has prepared the merger of these companies at the decisive date of 1 January 2006. The successor company will be GTS NOVERA a.s.

GTS Novera Contact, s.r.o., GTS Novera Next, s.r.o. and GTS Novera Tel, s.r.o. will be dissolved without liquidation and their assets will be transferred to GTS NOVERA a.s.

7 April 2006



Milan Rusnák
Chairman of the Board of Directors,
GTS NOVERA a.s.

REPORT ON RELATIONSHIPS OF RELATED PARTIES

in compliance with Section 66a(9) of Act No. 513/1991 Coll. of the Commercial Code, as amended for the accounting period from 1 January 2005 to 31 December 2005

I. CONTROLLED PARTY

Name, ID No. and seat of the controlled party:

GTS NOVERA a.s.

IČ: 61058904

Sokolovská 131/86, 186 00 Prague 8

On 31 March 2005, the change in the company name from Aliatel a.s. to GTS NOVERA a.s. was entered in the Commercial Register.

Since 31 December 2005, GTS NOVERA a.s. has been a successor company of the following companies that were dissolved as a result of merger without liquidation in compliance with Section 69(3) of the Commercial Code and deleted from the Commercial Register:

GTS CZECH, a.s.	ID No.: 63999501
KPNQwest Czechia, s.r.o.	ID No.: 48538701
GTS Carrier Services /Czech/, s.r.o.	ID No.: 25782797

The effective date of the merger was 1 January 2005.

2. OWNERSHIP STRUCTURE

(a) From 1 January 2005 until 31 March 2005, the shareholding structure was as follows:

Shareholder	Number of shares	Share in the registered capital (%)
Pražská energetika, a.s.	34,971	6.38817
Severočeská energetika, a.s.	34,970	6.38798
Západočeská energetika, a.s.	63,816	11.65730
Jihočeská energetika, a.s.	63,815	11.65711
Jihomoravská energetika, a.s.	63,817	11.65748
Severomoravská energetika, a.s.	68,616	12.53411
RWE Com Geschäftsführungs GmbH	217,429	39.71785

(b) From 31 March 2005 until 7 July 2005, GTS CZECH a.s. was the sole shareholder of Aliatel a.s.

(c) From 7 July 2005 until 31 December 2005, GTS Central European Holding B.V. was the sole shareholder of the company.

3. CONTROLLING PARTIES

According to the controlled party's knowledge:

- (a) From 1 January 2005 until 31 March 2005, all shareholders: Pražská energetika, a.s., Severočeská energetika, a.s., Západočeská energetika, a.s., Jihočeská energetika, a.s., Jihomoravská energetika, a.s., Severomoravská energetika, a.s., and RWE Com Geschäftsführungs GmbH acted in accord. The chart above which lists owners of shares shows that these shareholders jointly hold 100% of shares. In compliance with Section 66a(5) of Act No. 513/1991 Coll., the Commercial Code, as amended, all shareholders can be considered as controlling parties of GTS NOVERA a.s. (until 31 March 2005 Aliatel a.s.) in the period under review.
- (b) From 31 March 2005 until 7 July 2005, GTS CZECH, a.s. with its registered offices at Hvězdova 1073/33, 140 21 Prague 4, was a 100% controlling party.
- (c) From 7 July 2005 to 31 December 2005, GTS Central European Holding B.V. with its registered offices at Professor J H Bavinckln 7, 1183AT Amstelveen, the Netherlands, was a 100% controlling party.
- (d) In the 2005 accounting period, the controlling party - GTS Central European Holding B.V. - was 100% directly controlled by Mellet Corporation N.V. with its registered offices in the Netherlands.
- (e) In the 2005 accounting period, Mellet Corporation N.V. was directly 100% controlled by GTS CE Cyprus Limited with its registered offices in Cyprus. GTS CE Cyprus Limited is 100% directly controlled by GML Limited with registered offices in Gibraltar.

4. RELATED PARTIES

(a) From 1 January 2005 to 31 March 2005:

In addition to Aliatel a.s. (from 31 March 2005 GTS NOVERA a.s.), the shareholders of Pražská energetika, a.s., Severočeská energetika, a.s., Západočeská energetika, a.s., Jihočeská energetika, a.s., Jihomoravská energetika, a.s., Severomoravská energetika, a.s., and RWE Com Geschäftsführungs GmbH, controlled also the following parties:

		%
Pražská energetika, a.s.	ODEM a.s.	100.00
	PREleas, a.s.	100.00
	Cejchovna elektroměrů Praha a.s.	100.00
Severočeská energetika, a.s.	ENPROSPOL, s.r.o.	100.00
	Energetická montážní společnost Ústí nad Labem s.r.o.	100.00
	Energetická montážní společnost Česká lípa s.r.o.	49.00
	Energetická montážní společnost Liberec s.r.o.	100.00
	ENERGOKOV, s.r.o.	100.00
	ESS s.r.o.	51.00
	Energozdroj, s.r.o.	50.00
Západočeská energetika, a.s.	Enerfin, a.s.	100.00
	Energoreal s.r.o.	100.00
	EN projekt, spol. s r.o.	100.00
	ESMOS, s.r.o.	100.00
	GAZELA plus s.r.o.	50.00
	LIDRONE, spol. s r.o.	100.00
	Plzeňská energetika a.s.	50.00
	PRO ENERGO Plzeň, spol. s r.o.	80.00
	SEG s.r.o.	100.00
Jihočeská energetika, a.s.	Energetika servis, s.r.o.	80.00
	EFIS, a.s. (together with JME, they controll 66,66%)	33.33
	is:energy, a.s.	49.00
	ECO trend s.r.o.	100.00
	Moravská elektroenergetická, a.s.	50.00
Jihomoravská energetika, a.s.	JME-montáže, s.r.o.	51.37
	AISE-JME, s.r.o.	51.01
	Moravská elektroenergetická a.s.	50.00
	Teplárna Kyjov, a.s.	44.87
	EFIS, a.s. (together with JČE, they controll 66,66%)	33.33
Severomoravská energetika, a.s.	Elektrovod Holding, a.s.	50.00
	Energetika Vítkovice, a.s.	100.00
	ePRIM, a.s.	100.00
	Moravskoslezská elektromontážní, a.s	100.00
	SINIT, a.s.	100.00
RWE Com Geschäftsführungs GmbH	RWE Telliance Finance GmbH, Germany	100.00
	VR Telecommunications Geschäftsführungs GmbH, Germany	48.75
	VR Telecommunications Holding GmbH i.L., Germany	50.00
	VR Telecommunications Beteiligungsverwaltungs GmbH & Co. KG, Germany	48.75
	VR Telecommunications Beteiligungsverwaltungs GmbH, Germany	48.75

The list includes only controlled parties, in which the respective controlling party has at least a 40% holding. The list does not include controlled parties where the respective controlling party did not disclose its percentage holding and where it is impossible to gain this information from public sources – in particular joint-stock companies.

(b) From 31 March 2005 to 31 December 2005:

KPNQwest Czechia s.r.o., with its registered offices in Prague 4, Postal Code 140 21, Hvězdova 1073/33, ID No.: 48538701: 100% controlled by GTS Central European Holding B.V. with its registered offices in the Netherlands.

GTS Carrier Services /Czech/, s.r.o., with its registered offices in Prague 4, Postal Code 140 21, Hvězdova 1073/33, ID No.: 25782797: 100% controlled by GTS Central European Holding B.V. with its registered offices in the Netherlands.

E-komunikace s.r.o., with its registered offices in Prague 4, Postal Code 140 21, Hvězdova 1073/33, ID No.: 26730928:
90% controlled by KPNQwest Czechia s.r.o.

Aliatel Slovakia, s.r.o., with its registered offices in Bratislava, Postal Code 821 08, Ružová dolina 6, Slovak Republic, ID No.: 35 826 568:
100% controlled by GTS NOVERA a.s. (until 31 March 2005 Aliatel a.s.), Czech Republic.

(c) From 1 January 2005 to 31 December 2005:

GTS Datanet Távközlési Kft., a limited liability company with its registered offices: Ipartelep u. 13-15, 2040 Budaörs, Hungary.
98,88% controlled by GTS Central European Holding B.V. with its registered offices: Professor J H Bavinckln 7, 1183AT Amstelveen, the Netherlands.

GTS Polska Sp. z o.o., a limited liability company with its registered offices: Al. Niepodległości 69, 02-626 Warsaw, Poland.
100% controlled by GTS Central European Holding B.V. with its registered offices: Professor J H Bavinckln 7, 1183AT Amstelveen, the Netherlands.

GTS Slovakia s.r.o., with its registered offices: Liščie údolie 5, 84104 Bratislava, Slovak Republic.
100% controlled by GTS Central European Holding B.V. with its registered offices: Professor J H Bavinckln 7, 1183AT Amstelveen, the Netherlands.

GTS Telecom S.R.L., with its registered offices: Calea Victoriei 15, Bucharest Financial Plaza, Entrance A, 2nd Floor Podium, District 3 Bucharest, Rumania.
47% controlled by GTS Central European Holding B.V. with its registered offices: Professor J H Bavinckln 7, 1183AT Amstelveen, the Netherlands.

5. CONTRACTS BETWEEN RELATED PARTIES AND PERFORMANCE THEREOF

(a) From 1 January 2005 until 31 March 2005:

Related party	Description of business transactions - sale
Severočeská energetika, a.s.	Voice and internet services (BCD, Profit Call, SL)
Západočeská energetika, a.s.	Voice and data services (CPS, DO)
Jihočeská energetika, a.s.	Voice and data services (BCD, DO, Digital Connect, FR)
Jihomoravská energetika, a.s.	Voice, data and internet services (BCD, Business IP)
Severomoravská energetika, a.s.	Voice services (BCD)
ESS s.r.o.	Voice services (CPS)
Plzeňská energetika a.s.	Data and internet services (FR, SL)
PRO ENERGO Plzeň, spol. s r.o.	Voice services (CPS)
is:energy, a.s.	Data and internet services (DO, Digital Connect, SL)
Energetika Vítkovice, a.s.	Voice services (BCD, CPS)

Related party	Description of business transactions - purchase
Západočeská energetika, a.s.	electricity purchase, lease of non-residential premises
Jihočeská energetika, a.s.	electricity purchase, lease of non-residential premises
Jihomoravská energetika, a.s.	electricity purchase, lease of non-residential premises
Severomoravská energetika, a.s.	electricity purchase, lease of non-residential premises
Pražská energetika, a.s.	electricity purchase, lease of non-residential premises
Severočeská energetika, a.s.	electricity purchase, lease of non-residential premises

Related party	Description of business transactions - other
Pražská energetika, a.s.	lease of optical fibres
Severočeská energetika, a.s.	lease of optical fibres, data transfer
Západočeská energetika, a.s.	lease of optical fibres, data transfer
Jihočeská energetika, a.s.	lease of optical fibres
Severomoravská energetika, a.s.	lease of optical fibres, data transfer
Jihomoravská energetika, a.s.	lease of optical fibres

Crown values of these transactions are not specified because this information is confidential in compliance with the respective contracts. GTS NOVERA a.s. (Aliatel a.s.) suffered no detriment in connection with the above listed transactions.

(b) From 31 March 2005 to 31 December 2005:

Related party	Description of business transactions
Aliatel Slovakia, s.r.o.	mutual provision of electronic communications services

Crown values of these transactions are not specified because this information is confidential in compliance with the respective contracts. GTS NOVERA a.s. suffered no detriment in connection with the transactions listed above.

(c) From 1 January 2005 to 31 December 2005:

Related party	Description of business transactions
GTS Datanet Távközlési Kft	mutual provision of electronic communications services
GTS Polska Sp. z o.o	dtto
GTS Slovakia s.r.o.	dtto
GTS Telecom S.R.L	dtto

Crown values of these transactions are not specified because this information is confidential in compliance with the respective contracts. GTS NOVERA a.s. suffered no detriment in connection with the transactions listed above.

6. LEGAL ACTS UNDERTAKEN OR EFFECTED BY THE CONTROLLED PERSON IN THE INTEREST OR AT THE REQUEST OF RELATED PARTIES

In a previous period, the controlled person was granted a loan, which was ceded in 2002 within the group to AnTel Holdings (Cyprus) Ltd. with its registered offices in Cyprus. In 2004, a contract was concluded between Group Menatep Limited (100% owner of AnTel Holdings (Cyprus) Ltd.) and GTS Central European Holding B.V. on the cession of long-term liabilities of GTS CZECH, a.s. changing the creditor from AnTel Holdings (Cyprus) Ltd. to GTS Central European Holding B.V.

Long-term liabilities to GTS Central European Holding B.V. were subsequently transformed into a loan. The balance of the loan provided by GTS Central European Holding B.V. including unpaid interest totalled CZK 399,351,812 as of 31 December 2005, and the interest rate on the loan was PRIBOR +3,25%.

In 2002, the controlled person was granted a loan within the group from Carduelis B.V; the loan was paid and unpaid interest was ceded in 2004 within the group to GTS Central European Holding B.V. The unpaid interest totaled CZK 11,868,614 as of 31 December 2005. Carduelis B.V. with registered office in the Netherlands is directly controlled and 100% owned by Mellet Corporation N.V., the Netherlands.

In the course of 2005, a loan contract was concluded between GTS CZECH, a.s. (as the creditor) and Antel Germany GmbH (as the debtor) for EUR 265,603. The balance of the loan including unpaid interest, totalled CZK 8,590,187 as of 31 December 2005.

In the period under review, the controlled person did not undertake or effect any other legal acts in the interest or at the request of the related parties.

None of the concluded contracts or any other legal acts with the related parties caused any detriment to the controlled party. Any and all business relationships with the related parties were concluded under standard business terms.

Prague, 30 March 2006



Milan Rusnák
Chairman of the Board of Directors,
GTS NOVERA a.s.



