



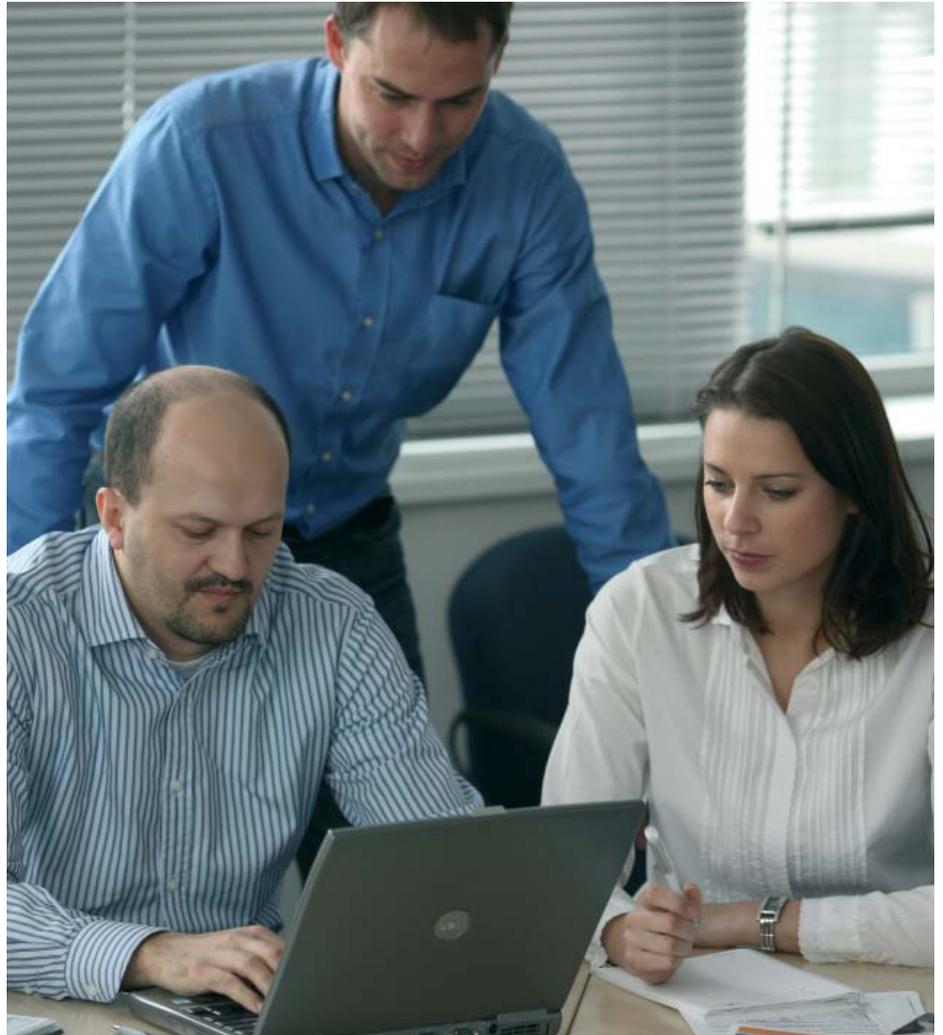
Annual Report

2009

GTS  
Novera



New



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communication

GTS NOVERA s.r.o. is a national telecommunications operator, which provides a complete portfolio of voice, data and internet services in guaranteed quality. The company was founded in 2005 through the merger of two leading alternative telecommunications operators, GTS CZECH and Aliateł.

GTS Novera belongs to the strong international telecommunications group GTS Central European Holding B.V. (GTS CE), which associates leading telecommunications operators in Poland, Hungary, Romania, Slovakia and the Czech Republic.

In 2006, GTS Novera completed its acquisition of telecommunications operators active on the Czech market – Contactel, Telenor Networks and Nextra. Thanks to this acquisition, GTS Novera became the second largest operator in the Czech Republic offering fixed telecommunications services.

With its products and services, it focuses primarily on corporate clients from among large enterprises, small and medium-sized companies across the Czech Republic. It operates regional company offices in Brno, České Budějovice, Hradec Králové, Ostrava, Pilsen, Ústí nad Labem and Liberec. GTS Novera has state-of-the-art data centres in Prague, Brno and Ostrava, where the company's clients can place their servers and equipment. GTS Novera is also a long-term partner and supplier of telecommunications services for public administration – state authorities and local governments. Thanks to the strong background of the Central European GTS CE telecommunications group to which it belongs, the company is also able to offer retail and wholesale services on an international level.

GTS Novera is a member of the Association of Public Telecommunications Network operators (APVTS) and its business activities and cooperation with the Czech Telecommunications Office contribute substantially to developing a fully competitive environment on the Czech telecommunications market.



Dear colleagues, partners and business partners, customers and friends,

Allow me to address you once again after a year to take a look back at 2009, which was a very successful year for our company. We continued to consolidate our position as the second largest national fixed telecommunications operator in the Czech Republic and the preferred partner for the key segments of public administration, major corporations and large businesses.

In the course of 2009, we continued to implement our strategy – to become the telecommunications operator of choice for corporate and business clients. Within the framework of strengthening our position in these segments, a part of the customer portfolio was sold in 2009, which allowed GTS Novera to move out of the households and very small businesses segments. This step underpinned our previously announced decision and confirms our priority, which is the provision of services to the public sector and corporate clients on the Czech and European markets.

In the second half of the year, there was a merger without liquidation between GTS NOVERA a.s. and GTS NOVERA s.r.o., which became the successor company. This change was of a purely formal character and is a result of the ongoing consolidation process, which involves the unification of the legal forms of all the companies in the international telecommunications group of GTS Central Europe, to which GTS Novera belongs. Continuing integration within the GTS Central Europe group also meant transition to a new model of servicing wholesale customers. Two multinational divisions were created, which encompass international wholesale voice services and international data services.

The rising demand for housing services led us to expand our existing data centres in the Czech Republic, and we are planning to open a new housing centre in Prague in 2010. GTS Novera thus continues to be one of the largest providers in the area of data centre operation in the Czech Republic, and we believe in the future growth of this segment.

In conclusion, I would like to thank the partners, customers and business partners for their cooperation, support and trust in our company. Not least, I would also like to thank my colleagues – the employees of GTS Novera. It is due to their enthusiasm and active approach that we can always offer our customers the very best.



**Stuart W. Evers**  
Executive of GTS NOVERA s.r.o.



### **January**

GTS Novera launched the new service Novera virtual fax. It offers fast and simple sending and reception of faxes directly from the e-mail programme or via web interface, regardless of where the user happens to be. The Novera virtual fax service enables clear archiving of faxes and saves companies' time and costs. Naturally, it is possible to use conventional fax devices even when using VoIP technology.

### **February**

The GTS Central European Holding B.V. (GTS CE) telecommunications group, to which GTS Novera belongs, published its financial results for 2008. The company's revenues reached EUR 436 million, and the operating profit before tax, interest, depreciation and amortisation (EBITDA) was EUR 77 million. The results of GTS CE for 2008 are the best in the fifteen-year history of the group, which has consistently been strengthening its position as the leading alternative telecommunications operator in Central and Eastern Europe.

### **March**

GTS Novera simplified payment for the use of services for its customers. Thanks to an agreement with the dominant operator, it is the only operator in the CR that invoices its customers, who use telephone lines owned by the dominant operator, not just for provided services but also the fee for leasing the telephone lines. This means the customer gets only one invoice, from GTS Novera, which has become a full-value partner to customers for solving a majority of their requirements. Within the framework of a special offer, new customers also receive a discount of up to 50% from the standard price of the fee for lease of the telephone line, depending on their telephone operation.

### **April**

BT (British Telecom) and GTS Novera announced the entry of GTS Novera into the BT Alliance programme with gold partner certification. As a result, international companies operating in the Czech Republic can use the global network of information technology services from BT. GTS Novera is BT's only partner in the Czech Republic.

### **May**

GTS Novera also simplified payments for customers who use the Novera Duo service. They are invoiced not just for provided services, but also for the fee for leasing telephone lines owned by the dominant operator. This made Novera Duo an entirely comprehensive solution for telephone services and internet connection for small businesses. The customer receives just one invoice from one operator – for calls, internet connections and lease of the line.

#### **June**

Petr Štajner, Director of the Wholesale and External Relations Division of GTS Novera to date, was appointed to the newly created position of Vice-President and Director of the Wholesale Voice Services Division of the GTS Central European Holding B.V. (GTS CE) telecommunications group. In his new function, he is responsible for the development and governance of national and international wholesale voice services for the entire GTS CE telecommunications group. Petr Štajner will direct all of these activities from the Prague headquarters of GTS Novera, which is a part of the GTS CE group.

#### **July**

With effect from 1 July 2009, GTS NOVERA a.s. merged without liquidation with GTS NOVERA s.r.o., which became the successor company. This purely formal change is the result of the ongoing consolidation process, which involves the unification of the legal forms of all the companies in the GTS Central Europe international telecommunications group, to which GTS Novera belongs.

GTS Novera launched a new wireless network in Prague. The network, based on the FWA (Fixed Wireless Access) technology in the 28 GHz band, substantially increases the capacity of the GTS Novera access network in Prague. It is designated for corporate clients who demand high-quality, guaranteed high-speed IP services. Network development and implementation took one year. Its further expansion is planned in the future.

GTS Novera completed the expansion of its housing centre in Prague by a new room. Even before opening the room, customers had reserved over 30% of the new capacity. GTS Novera operates four data centres in total in Prague, Brno and Ostrava, and plans to expand the Brno centre.

#### **August**

Jan Čornej, Director of the Company Projects Section to date, became the Director of the Technical Division. Jan Čornej has been with the company for nine years and held a number of functions during this period. In this position, he will be replacing Tomáš Budník, who has left the company.

### September

Robert Lhota became the new director of the Company Projects Section, replacing Jan Čornej, who moved to the position of Technical Director for the company. In his new position, he is responsible for managing the project office, which prepares company-wide strategic projects both within GTS Novera, and overlapping into the international parent group GTS CE.

### October

Demand for housing services is rising consistently, even during the economic recession. GTS Novera announced its plans to expand further in this area. The opening of an extended centre in Brno is planned, and next spring a new housing centre with an area of 700 m<sup>2</sup> will be opened in Prague. The planned expansion follows up on the opening of a data room in Prague in the summer.

GTS Novera employees donated blood. Workers of the mobile transfusion station of Prague's Central Military Hospital took their blood directly at the company's Prague headquarters.

### November

GTS Novera launched the new Novera Call Centre services. It offers full outsourcing of the company call centre with guaranteed quality and service, which is ensured thanks to modern and secure technologies. The service is designated for any company in the Czech Republic that does not wish to build its own call centre or cannot operate outside of standard business hours – whether for capacity reasons or during the absence of staff. The Novera Virtual Assistant is a supplementary service, which offers companies reliable office management while employees are absent.

From 2009, GTS Novera will gradually abandon the segment of households and small businesses and focus entirely on corporate customers, according to its previously announced strategy. Within the framework of this strategic decision, GTS Novera and Centrum Holdings have agreed to change the operator of about 40,000 Raz Dva service e-mail and web accounts.

### December

GTS Central Europe (GTS CE), a leading telecommunications operator in the region, unified its Ethernet infrastructure and created a brand new Ethernet network based on existing optical networks that cover five European countries: the Czech Republic, Hungary, Poland, Romania and Slovakia. Thanks to the development of this integrated Ethernet platform, it will be able to expand its product portfolio, allowing customers to exploit higher capacity, greater flexibility and broader band.



Period of 2009 including the current status as of today.

#### **Supervisory Board**

The Supervisory Board was established by decision of the associates of 1 July 2009, i.e. the date of the merger between GTS Novera a.s. and GTS NOVERA s.r.o. as the successor company.

The Supervisory Board has four members and its members since its establishment date are:

**John Gerald Grace**

From 1 July 2009 to date

**Adam Sawicki**

From 1 July 2009 to date

**Rafał Ciecwierz**

From 1 July 2009 to date

**Artur Maciej Ostrowski**

From 1 July 2009 to date

#### **Executives**

From 1 January to 30 June 2009, the company had a single executive, namely Stuart William Evers (in office since 21 November 2008).

From 1 July 2009 to 7 August 2009, the company had 3 executives:

**Stuart William Evers**

From 1 July 2009 to 7 August 2009

**Tomáš Budník**

From 1 July 2009 to 7 August 2009

**Peter Charles Ramsay Broster**

From 1 July 2009 to 7 August 2009

From 7 August 2009, the company executives are:

**Stuart William Evers**

From 7 August 2009 to date

**Peter Charles Ramsay Broster**

From 7 August 2009 to date

**Petr Možiš** (in office since 31 July 2008)

From 7 August 2009 to date

## Company Management

### **Stuart W. Evers**

Chief Executive Officer  
From 1 January 2009 to date

### **Pavel Brabenec**

Products and Project Management Division Director  
From 1 July 2009 to date

### **Peter Broster**

Financial Division Director  
From 1 July 2009 to date

### **Jan Čornej**

Technical Division Director  
From 7 July 2009 to date

### **Pavel Henke**

Regulation and Interconnection Section Director  
From 1 July 2009 to date

### **Eva Králková**

Legal Section Director  
From 7 August 2009 to date

### **Miloš Masník**

Commercial Support Division Director  
From 1 July 2009 to date

### **Petr Možíš**

Sales Division Director  
From 1 July 2009 to date

### **Michal Šebo**

Human Resources Division Director  
From 1 July 2009 to date

### **Petr Štajner**

Voice Service Wholesale Division Director  
From 1 July 2009 to date



## — — — Company's Key Activities

Despite the continuing recession on the market of fixed communication services, the company managed to retain its market shares in most segments, and registered a growth of market shares in the key segments of large corporations and state administration.

In the course of 2009, GTS Novera profiled itself even more clearly as a provider of telecommunications services exclusively for corporate clients. Within the framework of fulfilling this strategy, parts of the customer base (households and small business segments) were sold to T-Mobile, while another part of this segment was moved to the care of partners for indirect sales. Hence, since the end of 2009 GTS Novera profiles itself as an operator specialising in the segments of public administration, major corporations and the middle-sized enterprise segment.

2009 also saw continued integration within the GTS Central Europe group and transition to a new model of servicing wholesale customers. The parts of the individual companies in the group, including GTS Novera, created two multinational divisions that serve international wholesale for voice services and international data services.

In terms of the product portfolio, IP VPN (IP virtual private networks) has become the dominant product. Thanks to a year-on-year increase of revenues by more than 34%, IP VPN is reaching the level of revenues from direct voice services.

On the other hand, according to the trend in recent years, the share of revenues from the provision of direct internet connection services continued to decline in 2009. This trend is due mainly to price erosion and a slight reduction of the traditionally high market share of GTS Novera.

An important event in 2009 for the data services portfolio was also the market introduction of a new product called Novera Ethernet Line. Novera Ethernet Line is promising particularly in terms of revenues in forthcoming years.

The decline in ADSL technology-based services was due mainly to the aforementioned sale of part of the customer base, in which ADSL technology products were predominant.

In 2009, the declining trend of revenues from indirect voice service (CS/CPS) also continued. The product of pre-sold voice plans from the dominant operator to end customers of GTS Novera (WLR, Wholesale Line Rental) noted major success in 2009, which means a single account for voice services for customers and a single contact point within the framework of customer care.

In accordance with trends in previous years, there was a further decline in revenues from voice services, which is partly due to the drop of average minute rates (particularly by reducing termination fees to GSM networks) and partly to the overall reduction of operation in the network (continued GSM substitution, declining economic activity).

The company draws on loan from related entities. The repayment of these loans is covered by the generated revenues; therefore, from the management's perspective the company is not exposed to any loan or liquidity risks.



### **Development of regulation and the inter-operator environment in 2009**

In terms of regulation performed in the Czech Republic, the decisive factor for 2009 was the conducting of the second round of relevant market analyses. In 2009, the Czech Telecommunications Office performed analyses of most of the relevant markets, in particular the markets of call termination in fixed and mobile networks. Based on these analyses, the Czech Telecommunications Office then updated previously imposed corrective price measures. In terms of GTS Novera, this particularly concerned the decision on further gradual reduction of the termination prices for calls to individual mobile networks, which will be effective in its first step from July 2010.

In terms of regulation performed on the EU level, the most important step in 2009 was the adoption of a new regulation framework, which will then be transposed into national legislation at latest by the end of June 2011.

### **Business Policy and Marketing**

#### **2009 – a successful business year**

The year 2009 was a year of superlatives for GTS Novera. In business terms, 2009 exceeded any standards, due to the economic crisis that affected the worldwide economy. GTS Novera turned this anomaly into an opportunity, when many companies reassessed their contracts. On one hand, we had numerous new business opportunities, on the other we had to dedicate more energy to retaining existing customers due to the high market share in the highest segments.

The overall success of 2009 is highlighted by business successes, of which we may mention the strengthening of our positions in the “Public Administration Communication Infrastructure” project, which is a part of the government programme for electronisation of state administration. We also succeeded in the traditionally strong segments of banks, distribution, and not least services and utilities.

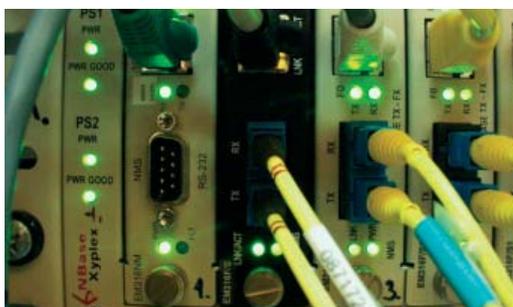


A logical step within the framework of strengthening the operator's position for corporate and business clients was the fact that GTS Novera definitively withdrew from the household and small business owners segment last year.

GTS Novera is one of the largest providers in the area of data centre operation in the Czech Republic. In 2009, we registered an increased demand for housing services. Within the framework of our long-term strategy, we have managed to complete or commence the preparation of several new customer rooms across the Czech Republic /Prague, Brno, Ostrava/. In this sense, the Czech Republic is also a strategically prospective destination for projects that are headed to dedicated data centres from all of Europe within the framework of consolidation trends.

As a socially responsible company, GTS Novera has been involved in a project of regular blood donorship since 2008. In addition to the Green Novera ecological activities, the Donate Blood with Novera event has been added to the list of activities that every large company should perform automatically.

GTS Novera is a member of GTS Central Europe, a leading telecommunications operator in Central and Eastern Europe. At the end of 2009, we received yet again the prestigious award for Best Wholesale Offer in Central and Eastern Europe. The group was chosen for its success in developing a wholesale strategy in Central and Eastern Europe, which it supported through intensive investments into technologies and thanks to which the quality of services was improved. GTS CE received this award before in 2005 and 2007.



### **Employment policy and social programme**

The number of employees and organisation structure reflect the needs of GTS Novera after completion of the acquisition and subsequent transformation process, with respect to the continued unification process within the framework of the international GTS CE group, to which GTS Novera belongs.

#### **Employee and wage structure**

We place maximal emphasis on the selection and retention of qualified employees who are capable of fulfilling our company's objectives. An integral part of each employee's career progress is education, development and professional growth with the aim of achieving the expected expertise and moral qualities. The average age of company employees as of 31 December 2009 was 33 years. In terms of education structure, in 2009 GTS Novera employed mainly people with secondary school (62.5%) and university (37.5%) education. Wage development in 2009 was balanced with the needs of the company and employees and reacted to the situation on the telecommunications market. Wage currently consists of a motivational component in addition to the basic wage, which reflects the real performance of each employee. The wage together with additional benefits is effectively stipulated with regards to internal fairness and market surveys in the area of information and telecommunication services.

Towards the end of 2009, GTS Novera employed about 500 people.

#### **Employee care**

Care for the health of employees is ensured systemically in compliance with the valid legislation. Considerable space is devoted to sports activities, which help to recover from the work load. Each employee of GTS Novera has the opportunity to indulge in sports activities according to the valid benefit system. All GTS Novera employees are also entitled to above-standard entrance and exit medical examinations at COMFORT CARE, a.s.

#### **Sponsoring and donorship**

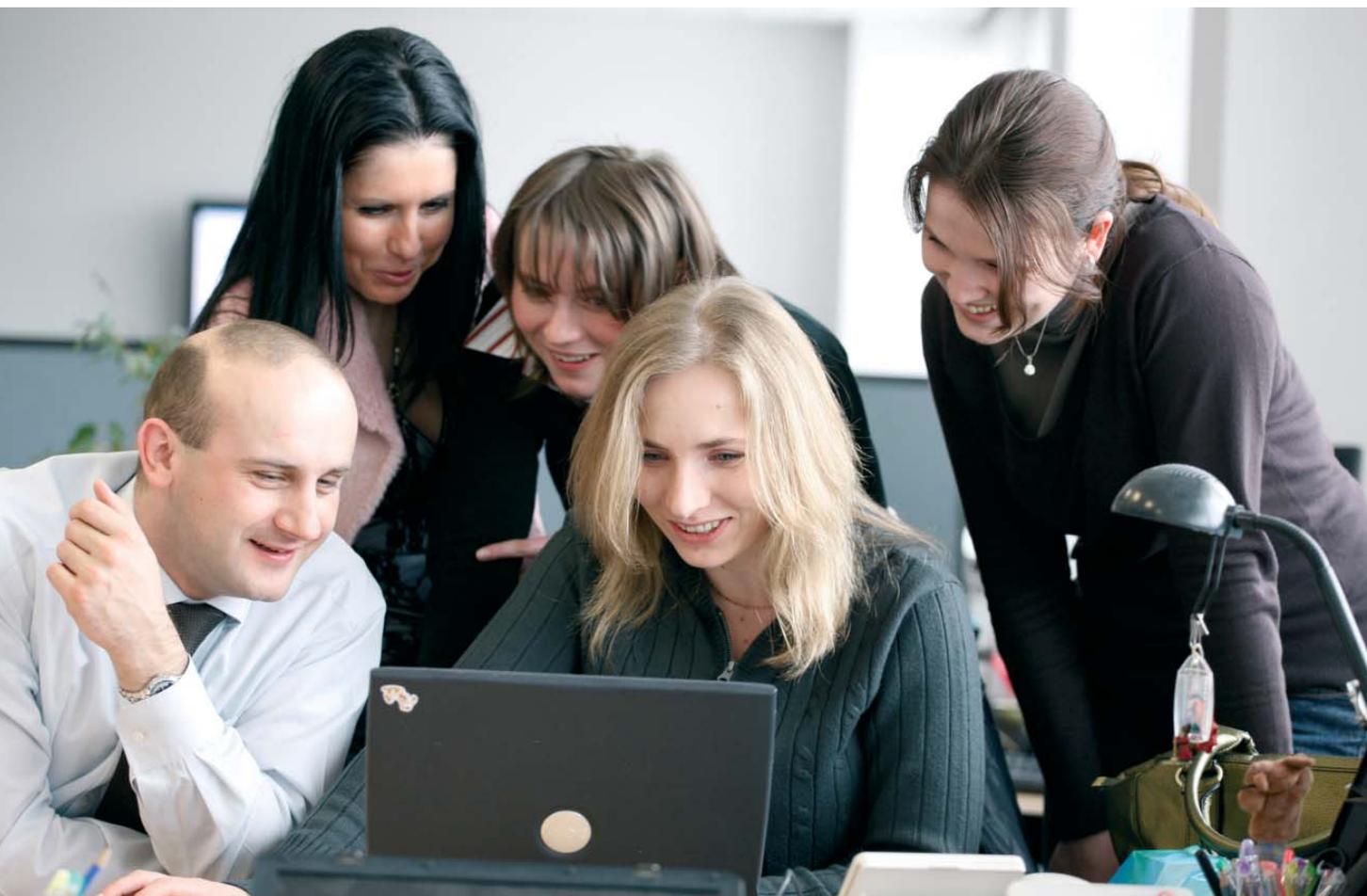
In 2009, GTS Novera sponsored several cultural and charity projects, including traditional financial collections among employees to support the Racek children's home.

### **Certification**

In 2009, GTS Novera passed successful recertification of its Quality Management System according to ISO 9001:2000, according to which it was first certified in 2000, and the Information Security Management System according to ISO/IEC 27001:2005, the original certificate for which was issued in 2006. Apart from these audits, GTS Novera also succeeded in the control audit of its Environmental Management System according to ISO 14001:2004, having first acquired this certificate in 2008.

This set of certificates is essential to support the company's successful business activities and creation of a foundation for adequate fulfilment of customer requirements, particularly in the corporate customer segment and public sector.

GTS Novera continually emphasises the quality of process activities in all areas of its activity, to lead to the consistent improvement of offered services while maintaining high demands (emphasis) on the security of customer data and transferred information.



GTS Novera is also aware of its social responsibility, which is why it conducts all of its business activities with maximal respect to the environment.

In 2009, the integration and consolidation of the network infrastructure and migration of leased capacities to our own network continued. Investment into the newly constructed xWDM and L2 transportation networks and into the building of new customer hosting premises also progressed.

Expansion of xWDM network coverage also continued in 2009. Following the first step taken in 2008 (deployment of the DWDM system in the national network), the xWDM network was extended to regional and metropolitan networks in 2009. Both DWDM and the more affordable CWDM solutions were used in metropolitan and regional networks. The DWDM network is designed to transmit 10G channels (40G ready), while channels with a capacity of up to 2.5G can be ported on the CWDM technology. The xWDM network supports the transmission of a wide array of signals (SDH, Ethernet, FiberChannel, any rate, etc.). In 2010, development of the xWDM network will continue in regional and metropolitan networks.

Consolidation in the SDH network continued in 2009 (de-installation or replacement of existing un-prospective SDH nodes). The SAGEM technology was removed from the SDH network. In 2010, the last un-prospective SDH technology, ECI, will be uninstalled. Following the completion of consolidation, the SDH network will be based entirely on Marconi and Alcatel-Lucent technologies. Investments into the SDH network declined in 2009 in favour of the newly developed, packet-oriented L2 transport network. The capacities needed to operate TDM circuits are ensured by migrating EoSdh circuits from SDH networks to the newly built L2 transport network.

The year 2009 also saw the massive expansion of the new packet-oriented L2 transport network, which is built as an overlap network to the existing SDH networks (about 150 new elements were installed). In the future, the L2 transport network should gradually replace the original TDM transport networks.

In 2009, the exAU and exNetra L3 network consolidation projects were completed according to GTS Novera standards, including the migration of customer services to GTS Novera services. Thanks to the generational replacement of the national backbone L3 network and upgrade of national internet connectivity to 4 x 10G in 2008, no major investments into strengthening the L3 infrastructure were required in 2009.



The year 2009 was characterised by the standard extension of the TDM EWSD platform (Siemens) – expansion of the number of ports. The VoIP network is operated on the Nortel CS2000, Comverse (Netcentrex) and Mera platforms. Nortel platform gateways copy the distribution of the TDM network. In 2009, VoIP network consolidation was implemented on Nortel technology, and will be completed in the first half of 2010. The Comverse and Mera platforms are located centrally in Prague. The VoIP network is connected with about 100 VoIP operators.

As for providing access to the local loop, 2009 was the start of preparations for implementation of the new SHDSLbis technology (tender proceedings). Port expansion of the existing DSLAM UTS (according to customer requirements) took place concurrently. In 2010, physical implementation of the SHDSLbis technology in already established collocations overlapping the existing DSL technologies will begin (based on specific customer requirements).

In the area of radio access points, a new point was deployed to the Hughes multipoint radio system in the 26 and 28 GHz band. This system was used to intensify coverage in the Prague and Ostrava metropolitan networks. Expansion of this system into other cities is planned for next year.

In 2009, two new customer hosting rooms were built in Prague (70 m<sup>2</sup>) and Brno (200 m<sup>2</sup>). In 2010, construction of another customer room in Prague (about 700 m<sup>2</sup>) will continue.





We are a partner to those for whom quality telecommunications are essential. Our objective is to maintain and continue to develop this position in an innovative and customer-oriented way. We place maximal emphasis on the availability, comprehensiveness and quality of our services and above all on highly professional customer care. Thanks to our modern network with national reach and international connectivity, we can connect our customers practically anywhere.

### Contact Centre

Despite the continuing economic recession, 2009 was very successful. In the area of customer care, we managed to maintain all of the quality standards defined in previous years, in spite of cost reductions. We noted a slightly higher outflow of customers in the 2nd half of the year compared to the plan, but these were mostly the secondary effects of the economic recession, when customers reduced their telecommunications needs without switching to the competition.

We progressed in the area of ensuring a high standard of multinational client care. A consolidation project was launched to tune all of the key processes, quality benchmarks and reporting in the individual countries by means of joint transition to a unified CRM system. Full implementation with the desired effect is expected even in 2010.

Thanks to the perfectly functioning client centre unit and extensive experience in this area, we have prepared a commercial version of this service, by means of which we are expanding our telecommunications portfolio with value added services.

### Supervision Centre

The year 2009 was a year of improving operational customer care services for the supervision centre. We continued to perfect and implement new elements of the Umbrella Management System and Performance Monitoring System. These systems now allow us to be proactive in most provided services.

Last year also brought about major changes in the area of new technologies. New technologies (DWDM, L2 network) were installed into the GTS Novera network. Within a very short time, the supervision centre managed to recognise and implement these technologies into its existing supervision and proactivity instruments.

2009 was also the year of establishment of an international supervision centre in Poland. This step led to major improvements in communication with international wholesale partners. For the local part of GTS CE, this supervision centre has several other benefits, one of which is better coordination of problem-solving.

In 2010, we can look forward to the further replacement of technologies and above all the implementation of new ones. These technologies will be implemented across the GTS CE group, and the Umbrella Management System and Performance Monitoring System will be used for their monitoring, which will lead to increased demand on the work output of numerous experts from GTS Novera.



In 2009, GTS Novera commenced work on the consolidation of information systems across of the companies belonging to the GTS Central European Holding (GTS CE). The aim of consolidation is maximally to unify corporate processes, develop a unified CRM system for all companies in the group, connect it to the local systems in individual countries, and if possible to use the same information systems for support processes. Completion of the project is planned at the turn of 2010/2011.

In the area of **CRM**, we started with an analysis of the replacement of the local CRM systems Salwin and OC with the new Salesforce.com system.

The existing **billing systems** (Durian, AWSB) at GTS Novera will remain and will most likely be implemented in the other countries as well.

Like in previous years, in 2009 considerable attention was devoted to the development of information systems in the area of automated **service provisioning** modules. Thanks to these modules, we were able to implement automatic provisioning of a number of new products based primarily on ULL and VoIP technologies.

The data warehouse (**DWH**) constructed by GTS Novera in 2007 was chosen as the final system for reporting within the framework of the entire GTS CE group. This fact also influenced the development of DWH in 2009, when new data pumps drawing data from the information systems of other countries were added and at the same time employees started using the reports created in DWH at all of the GTS CE companies.

In 2009, we continued to develop the **Umbrella Management System** (UMS), the implementation of which was commenced at the end of 2007. In the course of this year, a number of technological probes were created to ensure the monitoring of alarms and reading of active network element configurations for the needs of automatic registration (NRM). Thanks to the constructed integration with the NRM system, alarms obtained from the network can be linked with the internal or customer circuit. Then, using integration with the CRM, it is possible to mark each network outage with the customer priority (or its service), automatically create a Trouble Ticket or manage planned or mass outages.



In the area of ISIT infrastructure, GTS Novera is actively involved in integration and consolidation activities within the GTS CE group. The main objective of ISIT infrastructure consolidation was to create a uniform environment to enable effective communication and cooperation among all the group companies.

The first step towards integration in this area was the mutual linking of local computer networks using the **IP VPN** technology with a transfer capacity of 100 Mb/s. This connection allowed us subsequently to integrate systems for mutual communication and cooperation particularly in the area of e-mail communication and sharing information, and significantly improve the efficiency of our ability to coordinate activities across the group.

In September 2009, a central portal for employees was launched – the corporate **Intranet**, which enables the presentation and sharing of important information for GTS CE employees all in one place. In addition to the organisation structure and contact information, it presents the individual organisation units and outputs from the consolidation projects.

Immediately after launching the Intranet, another basic application was put into productive operation – the joint **IT Helpdesk**. This application forms a central database of all the problems and requests reported by users and effectively supports and monitors their solving process.

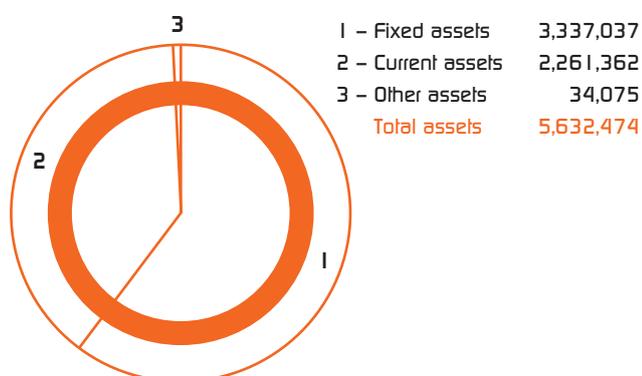
Considerable attention was also dedicated to ensuring that all changes to information systems are planned within the framework of company-wide projects and implemented within the framework of the releases of individual information systems. The change requests entered by users via HelpDesk must be approved by the key users before implementation. In 2009, a new guideline called “Release Management” came into effect, which governs the process of implementing change requests. Like other parts of the company, IT fulfills the requirements of ISO standards.

In the upcoming period, our attention will be devoted to the successful finalisation of information system consolidation in accordance with the GTS CE group strategy.

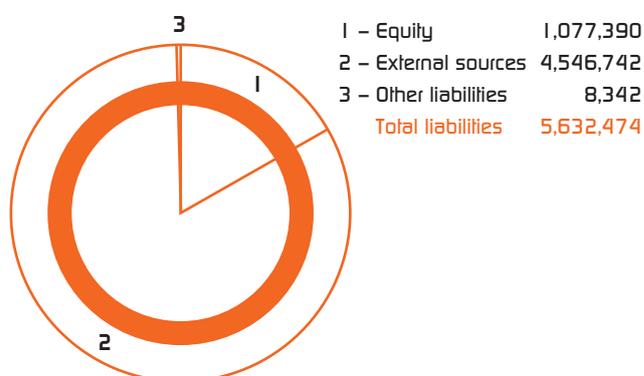


Investments and selected indicators for 2009	GTS NOVERA s.r.o. 31 Dec. 2009	GTS NOVERA a.s. 31 Dec. 2008
Total assets	5,632,474	5,527,406
Fixed assets	3,337,037	3,292,690
Current assets	2,261,362	2,196,031
Other assets	34,075	38,685
Equity	1,077,390	3,300,000
External sources	4,546,742	2,218,597
Other liabilities	8,342	8,809
Revenues from sale of goods	5,460	3,933
Revenues from sale of proper products and services	5,215,117	5,451,146
Added value	1,552,557	1,480,545
Operating profit/loss	177,462	(22,795)
Profit/loss in accounting period	(223,009)	770,826
Number of employees	556	612
Work productivity (added value / employee)	2,792	2,419

GTS NOVERA s.r.o.  
ASSETS STRUCTURE (31 Dec. 2009)

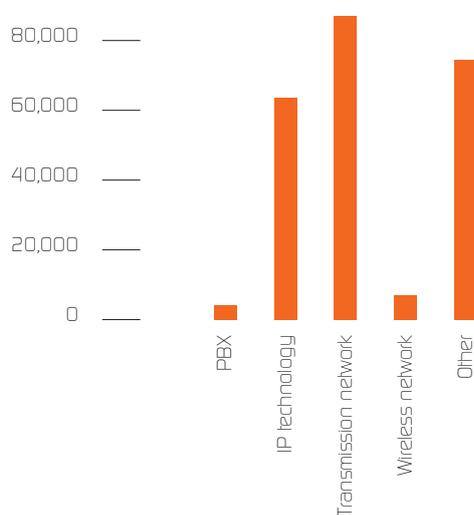


GTS NOVERA s.r.o.  
LIABILITIES STRUCTURE (31 Dec. 2009)

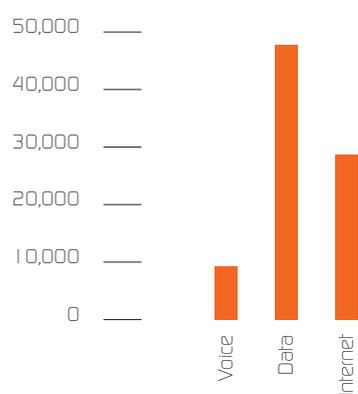


Investments in CZK '000	GTS NOVERA s.r.o.	GTS NOVERA a.s.
	2009	2008
PBX	4,045	9,393
IP technology	63,634	78,659
Transmission network	87,835	68,642
Wireless network	6,246	18,144
Other	75,317	107,020
Total	237,077	281,858
IT	24,526	61,079
Means of transport	3,820	1,146
Buildings and other	285	2,663
Total	28,631	64,888
Voice	9,320	12,336
Data	47,460	66,949
Internet	27,973	34,672
Total	84,753	113,957
Together	350,461	460,703

GTS NOVERA s.r.o.  
BACKBONE NET INVESTMENTS (in CZK '000)



GTS NOVERA s.r.o.  
CLIENT CONNECTIONS (in CZK '000)





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ENGLISH TRANSLATION ONLY

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF GTS NOVERA S.R.O.

We have audited the financial statements of GTS NOVERA s.r.o., identification number 28492170, with registered office at Přemyslovská 2845/43, Praha 3 ("the Company") for the year ended 31 December 2009 disclosed in the annual report on pages 30 - 53 and issued the opinion dated 8 March 2010 and disclosed on page 28 - 29.

#### Report on the Annual Report

We have verified that the other information included in the annual report of the Company for the year ended 31 December 2009 is consistent with the financial statements referred to above. The Statutory Directors are responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

#### Auditor's Responsibility

We conducted our verification procedures in accordance with the International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the verification procedures to obtain reasonable assurance about whether the other information included in the annual report which describes matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

#### Opinion

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2009 is consistent, in all material respects, with the financial statements.

PricewaterhouseCoopers Audit, s.r.o., registered seat Kateřinská 40/466, 120 00 Prague 2, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No Q21.

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**Shareholders of GTS NOVERA s.r.o.**  
**Independent auditor's report**

## **REPORT ON REVIEW OF THE REPORT ON RELATIONS**

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2009 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Statutory Directors of the Company. Our responsibility is to review the accuracy of information included in the Report.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410 and related application guidance of the Chamber of Auditors of the Czech Republic for review of the report on relations. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material misstatement. A review is limited primarily to inquiries of Company personnel, analytical procedures and examination, on a test basis, of factual accuracy of data. A review therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects, in accordance with the requirements of Article 65a of the Commercial Code.

1 June 2010

**PricewaterhouseCoopers Audit, s.r.o.**  
represented by

**Ing. Petr Zmátlík**  
Director

**Ing. Petr Šobotník**  
Statutory Auditor, Licence No. 113

Translation note

This version of our report is a translation from the original, which was prepared in Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.



ENGLISH TRANSLATION ONLY

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## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF GTS NOVERA S.R.O.

We have audited the accompanying financial statements of GTS NOVERA s.r.o., identification number 284 921 70, with registered office at Přemyslovská 2845/43, Praha 3 ("the Company"), which comprise the balance sheet as at 31 December 2009, the income statement, statement of changes in equity and cash flow statement for the year then ended and notes, including a summary of significant accounting policies ("the financial statements").

#### Statutory Directors' Responsibility for the Financial Statements

The Statutory Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

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 of the Czech Republic, International Standards on Auditing and the related application guidance of 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 material misstatement.

PricewaterhouseCoopers Audit, s.r.o., registered seat Kateřinská 40/466, 120 00 Prague 2, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 021.

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**Shareholders of GTS NOVERA s.r.o.  
Independent auditor's report**

**Auditor's Responsibility (continued)**

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 assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of the 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.

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2009, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

8 March 2010

**PricewaterhouseCoopers Audit, s.r.o.**  
represented by

**Ing. Petr Zmátlík**  
Director

**Ing. Petr Šobotník**  
Statutory Auditor, Licence No. 113

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

## BALANCE SHEET

(in thousand Czech crowns)

Ref.	ASSETS	31. 12. 2009		1. 1. 2009	
		Gross 1	Provision 2	Net 3	Net 4
a	b				
	<b>TOTAL ASSETS</b>	<b>14,720,267</b>	<b>(9,087,793)</b>	<b>5,632,474</b>	<b>5,527,805</b>
<b>B.</b>	<b>Fixed assets</b>	<b>12,282,491</b>	<b>(8,945,454)</b>	<b>3,337,037</b>	<b>3,292,890</b>
<b>B. I.</b>	<b>Intangible fixed assets</b>	<b>1,467,443</b>	<b>(1,288,423)</b>	<b>179,020</b>	<b>194,890</b>
B. I. 1.	Software	1,286,462	(1,208,839)	77,623	90,041
	2. Royalties	171,470	(79,584)	91,886	100,717
	3. Intangible fixed assets in the course of construction	9,511	-	9,511	1,726
	4. Advances paid for intangible fixed assets	-	-	-	2,406
<b>B. II.</b>	<b>Tangible fixed assets</b>	<b>10,194,164</b>	<b>(7,656,861)</b>	<b>2,537,303</b>	<b>2,910,208</b>
B. II. 1.	Land	200	-	200	200
	2. Constructions	1,576,367	(985,293)	591,074	665,879
	3. Equipment	6,648,193	(5,226,723)	1,421,470	1,678,808
	4. Other tangible fixed assets	187	-	187	187
	5. Tangible fixed assets in the course of construction	51,869	-	51,869	44,568
	6. Advances paid for tangible fixed assets	216	-	216	290
	7. Adjustment to acquired fixed assets	1,917,132	(1,444,845)	472,287	520,276
<b>B. III.</b>	<b>Long-term investments</b>	<b>620,884</b>	<b>(170)</b>	<b>620,714</b>	<b>187,792</b>
B. III. 1.	Investments in controlled entities / subsidiaries	170	(170)	-	-
	2. Intra-group loans - controlled entities and associates	620,714	-	620,714	187,792
<b>C.</b>	<b>Current assets</b>	<b>2,403,701</b>	<b>(142,339)</b>	<b>2,261,362</b>	<b>2,196,230</b>
<b>C. I.</b>	<b>Inventories</b>	<b>155,042</b>	<b>(33,291)</b>	<b>121,751</b>	<b>129,303</b>
C. I. 1.	Raw materials	155,042	(33,291)	121,751	129,303
<b>C. II.</b>	<b>Long-term receivables</b>	<b>760,377</b>	<b>-</b>	<b>760,377</b>	<b>858,574</b>
C. II. 1.	Trade receivables	-	-	-	12,347
	2. Long-term advances paid	2,591	-	2,591	3,032
	3. Other receivables	7,205	-	7,205	8,806
	4. Deferred tax asset	750,581	-	750,581	834,389
<b>C. III.</b>	<b>Short-term receivables</b>	<b>981,566</b>	<b>(109,048)</b>	<b>872,518</b>	<b>949,049</b>
C. III. 1.	Trade receivables	921,139	(109,048)	812,091	927,600
	2. Taxes and state subsidies receivable	-	-	-	4,180
	3. Short-term advances paid	21,093	-	21,093	14,264
	4. Anticipated assets	787	-	787	1,993
	5. Other receivables	38,547	-	38,547	1,012
<b>C. IV.</b>	<b>Financial assets</b>	<b>506,716</b>	<b>-</b>	<b>506,716</b>	<b>259,304</b>
C. IV. 1.	Cash in hand	231	-	231	345
	2. Cash at bank	506,485	-	506,485	258,959
<b>D. I.</b>	<b>Accruals and deferrals</b>	<b>34,075</b>	<b>-</b>	<b>34,075</b>	<b>38,685</b>
D. I. 1.	Prepaid expenses	34,075	-	34,075	38,629
	2. Accrued revenue	-	-	-	56

Ref.	LIABILITIES AND EQUITY	31. 12. 2009	1. 1. 2009
a	b	6	7
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,632,474</b>	<b>5,527,805</b>
<b>A.</b>	<b>Equity</b>	<b>1,077,390</b>	<b>399</b>
<b>A. I.</b>	<b>Share capital</b>	<b>1,300,400</b>	<b>400</b>
A. I. 1.	Share capital	1,300,400	400
<b>A. IV.</b>	<b>Retained earnings</b>	<b>(1)</b>	<b>(1)</b>
A. IV. 1.	Accumulated losses	(1)	(1)
<b>A. V.</b>	<b>Profit (loss) for the current period (+/-)</b>	<b>(223,009)</b>	<b>-</b>
<b>B.</b>	<b>Liabilities</b>	<b>4,546,742</b>	<b>5,518,597</b>
<b>B. I.</b>	<b>Provisions</b>	<b>12,695</b>	<b>21,594</b>
B. I. 1.	Other provisions	12,695	21,594
<b>B. II.</b>	<b>Long-term liabilities</b>	<b>3,447,942</b>	<b>4,422,929</b>
B. II. 1.	Liabilities – controlling entities / subsidiaries	3,447,272	4,419,456
2.	Other liabilities	670	3,473
<b>B. III.</b>	<b>Short-term liabilities</b>	<b>1,086,105</b>	<b>1,074,074</b>
B. III. 1.	Trade payables	475,594	391,122
2.	Liabilities to employees	21,900	28,494
3.	Liabilities for social security and health insurance	9,019	10,315
4.	Taxes and state subsidies payable	33,187	5,230
5.	Short-term advances received	55,439	34,685
6.	Anticipated liabilities	478,915	604,228
1 1.	Other payables	12,051	-
<b>C. I.</b>	<b>Accruals and deferrals</b>	<b>8,342</b>	<b>8,809</b>
C. I. 2.	Deferred revenue	8,342	8,809

## INCOME STATEMENT

(in thousand Czech crowns)

Ref.	DESCRIPTION	Accounting period
		2009
a	b	I
I.	Sales of goods	5,460
A.	Cost of goods sold	10,028
+	Gross profit	(4,568)
II.	Sales of production	5,347,596
II. 1.	Sales of own products and services	5,215,117
	2. Own work capitalised	132,479
B.	Cost of sales	3,790,471
B. 1.	Raw materials and consumables	239,644
	2. Services	3,550,827
<b>+</b>	<b>Added value</b>	<b>1,552,557</b>
C.	Staff costs	577,497
C. 1.	Wages and salaries	423,705
	2. Emoluments of board members	17,404
	3. Social security and health insurance costs	127,266
	4. Other social costs	9,122
D.	Taxes and charges	55,589
E.	Depreciation of long-term assets	736,052
III.	Sale of long-term assets and raw materials	10,949
III. 1.	Sale of long-term assets	10,002
	2. Sale of raw materials	947
F.	Net book value of long-term assets and raw materials sold	52,020
F. 1.	Net book value of long-term assets sold	13,679
	2. Net book value of raw materials sold	38,341
G.	Increase / (decrease) in operating provisions	(39,790)
IV.	Other operating income	20,677
H.	Other operating charges	25,353
<b>*</b>	<b>Operating result</b>	<b>177,462</b>
X.	Interest income	30,535
N.	Interest expense	335,793
XI.	Other financial income	94,633
O.	Other financial expense	106,038
<b>*</b>	<b>Financial result</b>	<b>(316,663)</b>
Q.	Tax on profit or loss on ordinary activities	83,808
Q. I.	- deferred	83,808
<b>**</b>	<b>Profit or loss on ordinary activities after taxation</b>	<b>(223,009)</b>
<b>***</b>	<b>Net profit (loss) for the financial period</b>	<b>(223,009)</b>
<b>***</b>	<b>Net profit (loss) before taxation</b>	<b>(139,201)</b>

## — — — Statement of Changes in Shareholders' Equity

	Note	Registered capital CZK'000	Retained earnings CZK'000	Total CZK'000
<b>As at 1 January 2009</b>		<b>400</b>	<b>(1)</b>	<b>399</b>
Capitalisation of loan and interests	11	1,300,000	-	1,300,000
Net loss for the current period		-	(223,009)	(223,009)
<b>As at 31 December 2009</b>		<b>1,300,400</b>	<b>(223,010)</b>	<b>1,077,390</b>

2009

<b>Cash flows from operating activities</b>		<b>CZK'000</b>
<b>Net loss on ordinary activities before tax</b>		<b>(139,201)</b>
<b>A.1</b>	<b>Adjustments for non-cash movements:</b>	
A.1.1	Depreciation and amortisation of fixed assets	736,052
A.1.2	Change in provisions	(40,545)
A.1.3	Loss from disposal of fixed assets	3,677
A.1.5	Net interest expense	305,258
<b>A*</b>	<b>Net cash flow from operating activities before tax, changes in working capital</b>	<b>865,241</b>
<b>A.2</b>	<b>Working capital changes:</b>	
A.2.1	Change in receivables and prepayments	80,598
A.2.2	Change in short-term payables and accruals	(9,854)
A.2.3	Change in inventories	16,281
<b>A**</b>	<b>Net cash flow from operating activities before tax</b>	<b>952,266</b>
A.3	Interest paid	(537)
A.4	Interest received	7,139
<b>A***</b>	<b>Net cash flow from operating activities</b>	<b>958,868</b>

## — — — Cash Flow Statement

		2009
<b>Cash flows from investing activities</b>		<b>CZK'000</b>
B.1	Acquisition of fixed assets	(318,478)
B.2	Proceeds from the sale of fixed assets	23,988
B.3	Loans to related parties	(409,526)
<b>B***</b>	<b>Net cash flow from investing activities</b>	<b>704,016</b>
<b>Cash flows from financing activities</b>		
C.1	Change in long- and short-term liabilities	(7,440)
<b>C***</b>	<b>Net cash flow from financing activities</b>	<b>(7,440)</b>
<b>Net increase in cash and cash equivalents</b>		<b>247,412</b>
<b>Cash and cash equivalents as at the beginning of the year</b>		<b>259,304</b>
<b>Cash and cash equivalents as at the end of the year</b>		<b>506,716</b>

## I GENERAL INFORMATION

GTS NOVERA s.r.o. ("the Company") was incorporated on 21 November 2008 under the name of GTS Czech Republic s.r.o. The Company changed its name to GTS NOVERA s.r.o. on 4 February 2009. Following the merger in January 2009 the Company became the legal successor of GTS NOVERA a.s. (identification no: 61058904) effective from 1 July 2009. The registered office of the Company is Přemyslovská 2845/43, 130 00 Praha 3. Identification number of the Company is 28492170.

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

Statutory representatives as at 31 December 2009 were as follow:

Stuart Williams Evers	appointed 21 November 2008
Peter Charles Ramsay Broster	appointed 1 July 2009
Petr Možíš	appointed 31 July 2009

Changes in statutory representatives during the year 2009 were as follow:

Tomáš Budník was in position of statutory representative from 1 July 2009 to 31 July 2009.

The Supervisory Board was established by the Company on 1 July 2009.

The members of the Supervisory Board as at 31 December 2009 were as follows:

	Position
John Gerald Grace	member
Adam Sawicki	member
Rafał Cieciewicz	member
Artur Maciej Ostrowski	member

### Organisational structure

The Company is organised into seven divisions (technical, finance, sales, operations, product management and strategy, wholesale and external relations and human resources) which are further divided into subdivisions, departments and work teams.

## 2 MERGER WITH GTS NOVERA A.S.

GTS NOVERA, s.r.o. (until 4 February 2009 GTS Czech Republic s.r.o.) as a successor company (the "Successor Company") and GTS NOVERA a.s. (identification number: 61058904) as a dissolving company (the "Dissolving Company") have entered into the project of the intrastate merger (the "Project of Merger") on 14 April 2009. The Project of Merger was approved by the General Shareholders Meeting of both companies on 18 May 2009.

The Successor Company became the sole shareholder of the Dissolving Company as of 31 December 2008.

The merger was approved and registered at the Commercial register by Municipal Court in Prague on 1 July 2009.

The Successor Company and the Dissolving Company have therein agreed that the Dissolving Company shall be wound up without liquidation and shall be dissolved through merger with the Successor Company. On the merger effective day, 1 July 2009, all assets and liabilities of the Dissolving Company, including those related to personnel, have therefore been transferred to the Successor Company.

The merger decisive date was 1 January 2009. As of that date all transactions of the Dissolving Company were treated as having been performed by the Successor Company.

According to paragraphs 11 and 73 of the Act on transformation 125/2008 Coll and para 17 section 3 of the Act on accounting 561/1991 Coll the net assets of the Dissolving Company were valued by an independent expert at CZK 3,300,000,000 which resulted in a revaluation reserve of CZK 279,493,000 being reported within the financial statements of the Dissolving Company as of 31 December 2008.

Because of the fact that another expert valuation dated 18 March 2009 was prepared as of 1 January 2009 (in this case the expert was named by the Municipal Court in Prague on 13 February 2009) which valued the net assets of the Dissolving Company at CZK 3,300,200,000, the share capital of both shareholders of the Successor Company was increase by CZK 180,000 (GTS Central European Holding B.V.) and CZK 20,000 (Carduelis B.V.) respectively.

Pursuant to the Project of Merger, the merger was conducted as follows:

	GTS NOVERA a.s.	GTS NOVERA s.r.o.	Merger adjustments	GTS NOVERA s.r.o.
	as at 31 December 200	as at 31 December 2008		as at 1 January 2009
	CZK'000	CZK'000	CZK'000	CZK'000
Intangible and tangible fixed assets	3,104,898	-	200	3,105,098
Long term investments	187,792	3,300,000	(3,300,000)	187,792
Current assets	2,196,031	199	-	2,196,230
Accruals and deferrals	38,685	-	-	38,685
<b>TOTAL ASSETS</b>	<b>5,527,406</b>	<b>3,300,199</b>	<b>(3,299,800)</b>	<b>5,527,805</b>
Equity	3,300,000	199	(3,299,800)	399
Liabilities	2,218,597	3,300,000	-	5,518,597
Accruals and deferrals	8,809	-	-	8,809
<b>TOTAL LIABILITIES</b>	<b>5,527,406</b>	<b>3,300,199</b>	<b>(3,299,800)</b>	<b>5,527,805</b>

The balances as of 1 January 2009 which were in detail disclosed in Pro-forma opening balance sheet dated 9 February 2009 are used as comparatives in the Balance sheet as at 31 December 2009 as they are considered to be relevant for assessment of the change in financial position of the Company during 2009.

## **3 ACCOUNTING POLICIES**

### **(a) Basis of preparation**

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic and have been prepared under the historical cost convention.

Each item in the balance sheet is presented with a comparative figure from the Company's Pro-forma opening balance sheet prepared as of 1 January 2009. These figures are relevant for assessing the change in the Company's financial position during 2009.

Comparative figures are not included in the profit and loss account, statement of cash flows, and statement of changes in equity because of the transaction described in Note 2. This is in accordance with Decree No. 500/2002 Coll.

### **Ongoing global economic crisis**

The ongoing global economic recession which commenced in the middle of 2008 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and, at times, higher interbank lending rates and very high volatility in stock markets.

Management assessed all available information and currently does not expect a significant impact of the economic crisis on the Company's performance, in particular on liquidity and financing of the Company. Management believes it is taking all the necessary measures to support the sustainability and development of the Company's business in the current circumstances.

### **(b) Intangible fixed assets**

All intangible assets with a useful life longer than one year and a unit cost of more than CZK 10,000 are treated as intangible fixed assets.

Purchased intangible fixed assets are initially recorded at cost, which includes all costs incurred in bringing the assets to their present location and condition.

Intangible fixed assets are amortised on a straight line basis over their estimated useful lives, but not more than 4 years, except for licences which are amortized over 10 to 20 years.

Intangible assets with a useful life longer than one year and a unit cost more than CZK 3,000 but less than CZK 10,000 are treated as expense for services upon acquisition. These intangible assets are recorded in off-balance sheet books and records until the end of their use.

A provision for impairment is established when the carrying value of an asset is greater than its estimated recoverable amount.

### **(c) Tangible fixed assets**

All tangible assets with a useful life longer than one year and a unit cost of more than CZK 5,000 (technological nature) or CZK 10,000 (non-technological nature) are treated as tangible fixed assets.

Acquired tangible fixed assets are initially recorded at cost, which include all costs incurred in bringing the assets to their present location and condition. Own work capitalised is recorded at cost.

Tangible fixed assets are depreciated applying the straight-line basis over their estimated useful lives as follows:

Land	-
Buildings and constructions	10-30 years
Plant, machinery and equipment	2-15 years
Furniture and fittings	4-8 years
Motor vehicles	4 years

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

The depreciation plan is updated during the useful life of the tangible fixed assets based on the expected useful life and anticipated residual value of the tangible fixed assets.

A provision for impairment is established when the carrying value of an asset is greater than its estimated recoverable amount.

Repairs and maintenance expenditures of tangible fixed assets are charged to expense as incurred.

Enhancements of tangible fixed assets amounted during the year to more than CZK 40,000 per unit are capitalised.

Tangible assets with a unit cost more than CZK 3,000 and less than CZK 5,000 (technological nature) or CZK 10,000 (non-technological nature) respectively are treated as inventory and are expensed upon consumption. These tangible assets are recorded in off-balance sheet books and records until the end of their use.

Differences arising upon the acquisition of enterprise represent the difference between the fair value of the enterprise acquired, in accordance with the Commercial Code, and the aggregate carrying amount of assets and liabilities acquired as recorded in the accounts of the original owner (dissolved enterprise). Such differences are amortised on a straight-line basis over a period of 15 years.

#### **(d) Investments in controlled entities/subsidiaries**

Investments in controlled entities/subsidiaries represent enterprises that are controlled by the Company ("the subsidiary").

Investments in subsidiaries are recorded at cost less a provision for diminution in value.

#### **(e) Inventories**

Inventories are stated at the lower of cost and net realisable amount. Cost includes the appropriate overheads incurred to bring inventory to its present state and location (mainly transport costs, customs duty, etc.). The weighted average cost method is applied for all disposals.

A provision is created for slow-moving and obsolete inventory based on an analysis of turnover and individual evaluation of inventories.

#### **(f) Receivables**

Receivables are stated at nominal value less a provision for doubtful amounts. A provision for bad debts is created on the basis of an ageing analysis and individual evaluation of the recoverability of the receivables. Receivables from related parties have not been provided for.

#### **(g) Foreign currency translation**

Transactions denominated in a foreign currency are translated and recorded at the rate of exchange ruling as at the transaction date.

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement.

#### **(h) Revenue recognition**

Sales are recognised as at the date the services are rendered and are stated net of discounts and Value Added Tax.

#### **(i) Leases**

The costs of assets held under both finance and operating leases are not capitalised as fixed assets. Lease payments are expensed evenly over the life of the lease. Future lease payments not yet due are disclosed in the notes but not recognised in the balance sheet.

#### **(j) Provisions**

Provisions are recognised when the Company has a present obligation, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

#### **(k) Employment benefits**

The Company recognises a provision relating to unpaid holidays.

The Company recognises an estimated payable relating to rewards and bonuses of employees. The Company takes into account an expected average ratio of payments for social and health insurance and payroll expenses when creating the estimated payable.

Regular contributions are made to the state to fund the national pension plan. The Company also provides contributions to defined contribution plans operated by third parties.

#### **(l) Interest costs**

All interest expenses are expensed.

#### **(m) Deferred taxation**

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax assets are recognised if it is probable that sufficient future taxable profit will be available against which the assets can be utilised.

#### **(n) Related parties**

The Company's related parties are considered to be the following:

- shareholders, of which the Company is a subsidiary or an associate, directly or indirectly, and other subsidiaries and associates of these shareholders; and/or
- members of the Company's or parent company's statutory and supervisory bodies and management and parties close to such members, including entities in which they have a controlling or significant influence; and/or
- subsidiaries.

Material transactions and outstanding balances with related parties are disclosed in Note 17.

#### **(o) Cash flow statement**

The Company has prepared a cash flow statement following the indirect method. Cash equivalents represent short-term liquid investments, which are readily convertible for a known amount of cash.

#### **(p) Subsequent events**

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves recognised in the financial statements.

## 4 INTANGIBLE FIXED ASSETS

### Cost

	1 January 2009	Additions / transfers	Disposals	Reclassification	31 December 2009
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Software	1,270,618	39,217	(27,505)	4,132	1,286,462
Royalties	171,470	-	-	-	171,470
Intangible fixed assets in the course of construction	1,726	9,511	-	(1,726)	9,511
Advance payments	2,406	-	-	(2,406)	-
<b>Total</b>	<b>1,446,220</b>	<b>48,728</b>	<b>(27,505)</b>	<b>-</b>	<b>1,467,443</b>

### Accumulated amortisation

	1 January 2009	Additions	Disposals	31 December 2009
	CZK'000	CZK'000	CZK'000	CZK'000
Software	1,060,461	87,156	(27,505)	1,120,112
Royalties	70,753	8,831	-	79,584
<b>Total</b>	<b>1,131,214</b>	<b>95,987</b>	<b>(27,505)</b>	<b>1,199,696</b>
Impairment	120,116	-	(31,389)	88,727
<b>Net book value</b>	<b>194,890</b>			<b>179,020</b>

## 5 TANGIBLE FIXED ASSETS

### Cost

	1 January 2009	Additions / transfers	Disposals	Reclassification	31 December 2009
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Land	200	-	-	-	200
Buildings, halls and other constructions	1,578,192	21,444	(24,211)	942	1,576,367
Works of arts	187	-	-	-	187
Machinery and equipment	7,219,726	226,690	(847,480)	26,748	6,625,684
Motor vehicles	38,886	3,820	(20,197)	-	22,509
Tangible fixed assets in the course of construction	44,568	49,650	(14,855)	(27,494)	51,869
Adjustment to acquired fixed assets	1,917,132	-	-	-	1,917,132
Advances paid for tangible fixed assets	290	129	(7)	(196)	216
<b>Total</b>	<b>10,799,181</b>	<b>301,733</b>	<b>(906,750)</b>	<b>-</b>	<b>10,194,164</b>

### Accumulated depreciation

	1 January 2009	Additions	Disposals	31 December 2009
	CZK'000	CZK'000	CZK'000	CZK'000
Buildings, halls and other constructions	910,580	94,135	(19,422)	985,293
Machinery and equipment	5,535,361	450,953	(793,122)	5,193,192
Motor vehicles	31,269	3,119	(19,489)	14,899
Adjustments to acquired fixed assets	1,396,856	83,328	(35,339)	1,444,845
<b>Total</b>	<b>7,874,066</b>	<b>631,535</b>	<b>(867,372)</b>	<b>7,638,229</b>
Impairment	14,907	3,725	-	18,632
<b>Net book value</b>	<b>2,910,208</b>			<b>2,537,303</b>

Tangible fixed assets in net book value of CZK 1,870,245,000 as at 31 December 2009 are pledged, for detail see Note 17.

Adjustment to acquired fixed assets in gross value of CZK 1,917,132,000 reported in the balance sheet as at 31 December 2009 consists of following assets:

- CZK 324,325,000 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;
- CZK 667,494,000 and CZK 580,065,000 were recorded in connection with the acquisition of CESNET, z.s.p.o. by Contactel s.r.o. in 2000 and the acquisition of the internet division of PVT, a.s. by NEXTRA Czech Republic s.r.o. in 2000, respectively;
- CZK 345,248,000 relates to the merger with GTS NOVERA a.s. at 1 January 2009 (see details in Note 2).

From 2003 to 2005 an extraordinary depreciation charge was recorded relating to the adjustment of acquired assets in total amount of CZK 490,341,000. The adjustment to acquired assets in gross value of CZK 667,494,000 was fully depreciated to the zero net book value in 2005.

## LEASED ASSETS

### Finance leases

The Company had no open finance lease contract as of 1 January 2009. In 2009 the Company has decided to change part of its operating leases for passenger cars with remaining lease period over 12 months to finance lease. All new lease contracts concluded in 2009 for cars are concluded in the regime of finance lease.

The finance leases may be analysed as follows:

	31 December 2009
	CZK'000
Amounts paid on current finance lease contracts	1,822
Outstanding amounts payable within one year	22,976
Amounts payable after more than one year	26,663
<b>Amounts paid and payable on current contracts</b>	<b>51,461</b>

### Operating leases

The Company still has operating leases for passenger cars with remaining lease period below 12 months. The annual cost of these lease contracts in 2009 amounted to CZK 23,501,000.

The Company has operating leases for office premises and other premises used for telecommunication equipment installations. In respect of the office premises, the annual cost of the leases for 2009 was CZK 81,742,000. The annual cost of the leases in respect of technological premises was CZK 103,661,000 for 2009.

For detail see Note 19.

## 6 INVESTMENTS IN SUBSIDIARIES

As at 31 December 2009 and 1 January 2009:

	% of share capital	Cost CZK'000
Foreign entities		
Slovakia Carrier Services s.r.o. v likvidácii	100%	170
Provision for diminution in value		(170)
<b>Net book value</b>		<b>-</b>

Slovakia Carrier Services s.r.o. v likvidácii (registered office: Šoltésovej 12, 811 08 Bratislava) 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 made on 6 October 2005.

No revenues from long-term investments were realised in 2009.

## 7 LONG-TERM LOANS PROVIDED

As at 31 December 2009:

	Maturity	Interest rate	Principal CZK'000	Interests receivable CZK'000
		%		
Antel Holding Germany	on demand	5%	7,129	2,136
GTS CEH BV.*	1 June 2013	PRIBOR + 5,25%	577,945	33,504
<b>Total</b>			<b>585,074</b>	<b>35,640</b>

As at 1 January 2009:

	Maturity	Interest rate	Principal CZK'000	Interests receivable CZK'000
		%		
Antel Holding Germany	on demand	5%	7,254	1,811
GTS CEH BV.*	1 June 2013	PRIBOR + 5,25%	174,165	4,562
<b>Total</b>			<b>181,419</b>	<b>6,373</b>

\* GTS Central European Holdings BV.

### Loan to Antel Holding Germany

The loan is repayable at any time on demand however the Company does not plan to require repayment during the following 12 months.

All loans as at 31 December 2009 and 1 January 2009 are provided to companies within GTS Group (see details in Note 17).

## 8 INVENTORIES

The Company created a provision related to obsolete inventories as at 31 December 2009 of CZK 33,291,000 (1 January 2009: CZK 42,020,000).

The change in the provision for diminution in value is analysed as follows:

	2009
	CZK'000
Opening balance as at 1 January	42,020
Charge for the year	4,087
Written off during the year	(12,816)
<b>Closing balance as at 31 December</b>	<b>33,291</b>

## 9 RECEIVABLES

	31 December 2009	1 January 2009
	CZK'000	CZK'000
Trade receivables – current	666,237	827,115
– overdue	254,902	203,864
	<b>921,139</b>	<b>1,030,979</b>
Other receivables – current	60,191	21,213
– overdue	236	236
	<b>60,427</b>	<b>21,449</b>
<b>Provision for doubtful receivables</b>	<b>(109,048)</b>	<b>(103,379)</b>
Net book value of short-term receivables	872,518	949,049
Long-term receivables	9,796	24,185
<b>Deferred tax receivable (see Note 14)</b>	<b>750,581</b>	<b>834,389</b>
<b>Total long-term receivables</b>	<b>760,377</b>	<b>858,574</b>
<b>Total net book value of receivables</b>	<b>1,632,895</b>	<b>1,807,623</b>

As at 1 January 2009 colour voice lines services were booked by “netto” method as trade receivables. In 2009 Company changed accounting policy for charges related to colour voice lines services provided. As at 31 December 2009 the incoming and outgoing recharges are accounted for by “brutto” method on accounts Other receivables and Other payables in amount of CZK 37,545,000 in other receivables and in amount of CZK 12,053,000 in other payables (1 January 2009: charges receivable amounted to CZK 45,339,000 and charges payable amounted to CZK 20,719,000).

Overdue receivables in the amount of CZK 39,970,445 are covered by advances received from customers and have not been settled as at 31 December 2009.

Receivables in amount of CZK 808,290,000 are pledged, see detail in Note 17.

Receivables outstanding have not been secured and none of them are due after more than 5 years.

The change in the provision for doubtful receivables may be analysed as follows:

	2009
	CZK'000
Opening balance as at 1 January	103,379
Charge for the year	30,856
Released during the year	(18,125)
Written off during the year	(7,062)
<b>Closing balance as at 31 December</b>	<b>109,048</b>

## 10 OTHER ASSETS

Other assets in the amount of CZK 34,075,000 as at 31 December 2009 (1 January 2009: CZK 38,685,000) can be analysed as follows:

	31 December 2009	1 January 2009
	CZK'000	CZK'000
Rent	3,283	13,497
Insurance	3,909	980
<b>Telecommunication and other services prepaid</b>	<b>26,883</b>	<b>24,152</b>
Subtotal prepaid expenses	34,075	38,629
Accrued revenues	-	56
<b>Total</b>	<b>34,075</b>	<b>38,685</b>

## 11 EQUITY

The share capital of the Company is CZK 1,300,400,000 and was fully paid. No control agreements have been concluded between the Company and GTS Central European Holdings B.V. The shareholders structure can be analysed as follows:

	31 December 2009	1 January 2009
	%	%
GTS Central European Holding B.V.	99	99
Carduelis B.V.	1	1
	<b>100</b>	<b>100</b>

The General meeting of the Company approved on 20 July 2009 the increase of registered capital of the Company by CZK 1,300,000,000 to CZK 1,300,400,000. The increase was registered in the Commercial Register on 9 November 2009.

The increase was financed by capitalisation of intercompany loans and related interest payable (consisting of interest payable in the amount of CZK 280,217,000 and principal in the amount of CZK 1,019,782,000). The shareholder structure has not been changed by the share capital increase.

Share capital is pledged based on the contract on pledge from 30 April 2008 between the Company and GTS Central European Holding B.V. to secure loans provided.

The pledge contract was transferred by GTS Central European Holding B.V. to The Royal Bank of Scotland plc, 36 St Andrew Square, Edinburgh, EH2 2YB, United Kingdom. For detail see Note 17.

## 12 PROVISIONS

	Litigations provision	Provision for untaken holidays	Other provisions	Total
	CZK'000	CZK'000	CZK'000	CZK'000
Opening balance as at 1 January 2009	4,935	7,157	9,502	21,594
Charge for the year	54	8,588	1,214	9,856
Released in the year	(3,000)	(7,157)	(8,598)	(18,755)
<b>Closing balance as at 31 December 2009</b>	<b>1,989</b>	<b>8,588</b>	<b>2,118</b>	<b>12,695</b>

## 13 LIABILITIES

	31 December 2009	1 January 2009
	CZK'000	CZK'000
Trade payables – current	258,180	268,261
– overdue	217,414	122,861
	475,594	391,122
Advances received	55,439	34,685
Other payables – current	555,072	648,267
Total short-term payables	1,086,105	1,074,074
Long-term borrowings (see Note 17)	3,447,272	4,419,456
Other long-term payables	670	3,473
<b>Total long-term liabilities</b>	<b>3,447,942</b>	<b>4,422,929</b>
<b>Total short-term and long-term liabilities</b>	<b>4,534,047</b>	<b>5,497,003</b>

Trade and other payables have not been secured against any assets of the Company and are not due after more than 5 years.

The Company does not have, in current and prior period, any overdue liabilities related to social insurance and contribution to the state employment policy, any overdue liabilities for health insurance and tax liabilities payable to relevant tax authorities.

Advances received can be analysed as follows:

	31 December 2009	1 January 2009
	CZK'000	CZK'000
Advance payment for telecommunication services	39,827	19,377
Principals	7,033	6,692
Others	8,579	8,616
<b>Total</b>	<b>55,439</b>	<b>34,685</b>

Anticipated liabilities can be analysed as follows:

	31 December 2009	1 January 2009
	CZK'000	CZK'000
Voice services	213,563	324,575
Data services	83,943	76,204
Bonuses and commissions	31,754	36,017
Commissions for indirect sales	15,563	22,614
Participation on loss from universal services	26,200	30,000
Rent, energies and utilities	30,628	29,825
Other overhead costs	77,264	84,993
<b>Total</b>	<b>478,915</b>	<b>604,228</b>

## 14 TAXATION

The income tax expense consists of the following:

	2009
	CZK'000
Deferred tax expense	83,808
<b>Total income tax expense</b>	<b>83,808</b>

The Company has no taxable profit in 2009. The tax loss can be analysed as follows:

	2009
	CZK'000
Net loss before taxation	(139,201)
Tax non-deductible cost	525,539
Non-taxable income	(534,486)
<b>Net tax loss</b>	<b>(148,148)</b>

The deferred tax asset is calculated at 19% (the rate enacted for 2010 and subsequent years). Deferred tax as at 1 January 2009 was calculated at 20% (the rate enacted for 2009) and 19% (the rate enacted for 2010 and subsequent years) depending on the period when the temporary differences are expected to reverse.

Deferred tax asset can be analysed as follows:

	31 December 2009	1 January 2009
	CZK'000	CZK'000
Deferred tax asset:		
Suspended tax depreciation of fixed assets	627,826	655,760
Adjustment to acquired fixed assets	21,373	33,035
Provisions	11,638	13,550
Tax losses carried forward	89,744	132,044
<b>Total deferred tax asset</b>	<b>750,581</b>	<b>834,389</b>

As at 31 December 2009 tax losses amounted to CZK 472,338,000 and can be utilised as follows: tax loss in amount of CZK 324,190,000 until 31 December 2010, tax loss in amount of CZK 148,148,000 until 31 December 2014. The tax losses in the amount of CZK 352,241,000 which utilisation expired in 2009 were not utilised by the Company due to one-off significant disposal of tangible fixed assets which have not been tax depreciated in the past.

## 15 REVENUE ANALYSIS

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 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 telecommunication services (web hosting, server hosting, telehousing, domains, sale of internet equipment – modems, ...).

Revenue from operating activities has been generated as follows:

	2009
	CZK'000
Sales of telecommunication services – foreign	1,397,218
– domestic	3,950,378
Sales of goods – foreign	3,667
– domestic	1,793
Total sales of own products and services	5,353,056
Sales of material and fixed assets – foreign	3,560
– domestic	7,389
Total sales of material and fixed assets	10,949
Other operating income – foreign	339
– domestic	20,338
Total other operating income	20,677
<b>Total</b>	<b>5,384,682</b>

## 16 EMPLOYEE ANALYSIS

	2009
Employee numbers	
Members of Statutory bodies who are employees	3
Average number of other members of management	4
Average number of other staff	549
<b>Total</b>	<b>556</b>

The Company's management includes three statutory representatives and other directors.

	Management and members of supervisory board	Other staff	Total
2009	CZK'000	CZK'000	CZK'000
Wages and salaries	47,641	393,468	441,109
Social security costs	3,176	124,090	127,266
Other social costs	161	8,961	9,122
<b>Total</b>	<b>50,978</b>	<b>526,519</b>	<b>577,497</b>

Other transactions with the Company's management are described in Note 17 – Related party transactions.

## 17 RELATED PARTY TRANSACTIONS

All material transactions with related parties are presented in this note.

	2009
	CZK'000
Revenues	
Sales of services and goods	95,086
Management fees	3,437
Interest revenues	29,298
<b>Total revenues</b>	<b>127,821</b>
Costs	
Purchase of services	164,293
Interest costs	335,793
Management service fees	60,581
<b>Total costs</b>	<b>560,667</b>

The Company has following balances with related parties.

	31 December 2009	1 January 2009
	CZK'000	CZK'000
Trade receivables	68,042	62,673
Other receivables	665	565
Anticipated receivables	545	-
Loans receivable	585,074	181,419
Interests receivable	35,640	6,373
<b>Total assets</b>	<b>689,966</b>	<b>251,030</b>
Trade payables	94,621	31,221
Anticipated payables	33,794	45,173
Loans payable	3,253,061	4,280,283
Interests payable	194,211	139,173
<b>Total liabilities</b>	<b>3,575,687</b>	<b>4,495,850</b>

Intercompany loans payable are secured with Company's business and assets.

Intercompany loans payable can be analysed as follows:

Maturity date	Interest rate	Principal	Unpaid interest	31 December 2009	1 January 2009
		CZK'000	CZK'000	CZK'000	CZK'000
30 December 2016	5% 6M PRIBOR	2,829,621	129,216	2,958,837	3,300,000
Upon request from creditor after					
31 December 2009	5% 6M PRIBOR*	-	2,601	2,601	659,202
29 April 2016	5% 12M EURIBOR	423,440	62,394	485,834	460,254
<b>Total</b>		<b>3,253,061</b>	<b>194,211</b>	<b>3,447,272</b>	<b>4,419,456</b>

\* The loan and related interests were capitalised to equity during 2009 (see detail in Note 11).

Following assets are pledged:

Pledged assets:	31 December 2009	1 January 2009
	CZK'000	CZK'000
NBV of tangible fixed assets	1,870,245	2,155,099
Trade receivables	808,290	939,947

On 30 April 2009 the pledge rights were transferred by GTS Central European Holding B.V. to Royal Bank of Scotland plc.

The loans receivable and payable bear interest at market interest rates.

No loans have been provided to the members of the statutory body, supervisory board or members of management.

Company cars which are acquired using finance or operational lease are made available for use by members of statutory body and other management.

Total remuneration for the members of the statutory body and supervisory board was CZK 17,404,000. This remuneration is part of the employee costs.

## 18 FEES PAID AND PAYABLE TO THE AUDIT COMPANY

The information relating to the fees paid and payable for services performed by the audit company PricewaterhouseCoopers Audit, s.r.o. is included in the consolidated financial statements of the parent company GTS European Holding B.V.

## 19 COMMITMENTS

The Company has the following commitments in respect of operational leases:

	31 December 2009	1 January 2009
	CZK000	CZK000
Current within one year	4,195	4,195
Due after one year but within five years	20,976	20,976
Due after five years	102,785	106,980
<b>Total</b>	<b>127,956</b>	<b>132,151</b>

## 20 CONTINGENT LIABILITIES

The management of the Company is not aware of any significant contingent liabilities as at 31 December 2009.

## 21 SUBSEQUENT EVENTS

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2009.

8 March 2010



**Stuart William Evers**  
Statutory representative

# Report on Relations Between Related Entities

according to the provisions of Section 66a(9) of Act No. 513/1991 Coll., Commercial Code, as amended for the accounting period of 1 January 2009 to 31 December 2009

## 1. CONTROLLED ENTITY

Commercial name, ID Number and registered office of the controlled entity:

**GTS NOVERA s.r.o.**

(until 4 Feb. 2009 under the commercial name GTS Czech Republic s.r.o.)

ID Number: 284 92 170

Přemyslovská 2845/43, 130 00 Prague 3 - Žižkov

GTS NOVERA s.r.o. is the legal successor of the company: GTS NOVERA a.s., ID Number 610 58 904, registered office in Prague 3, Přemyslovská 2845/43, recorded in the Commercial Register administered by the Municipal Court in Prague, Section B, File 3988, which was dissolved without liquidation on 1 July 2009 with transfer of its assets to the successor company GTS NOVERA s.r.o.

The decisive day of the merger was 1 January 2009.

## 2. OWNERSHIP STRUCTURE

The associates in GTS NOVERA s.r.o. as of the date of its foundation are GTS Central European Holding B.V., registered office in the Kingdom of the Netherlands, with a commercial share of 99%, and Carduelis B.V., registered office in the Kingdom of the Netherlands with a commercial share of 1% of the company's registered capital.

## 3. STRUCTURE OF THE CONTROLLING ENTITIES

To the knowledge of the controlled entity, its controlling entity is the following company:

- In the given accounting period, the controlling entity of GTS NOVERA s.r.o. was GTS Central European Holding B.V., registered office in the Kingdom of the Netherlands (hereinafter the "Controlling Entity").
- In the given accounting period, the Controlling Entity GTS Central European Holding B.V. was controlled by GTS Central European Holdings Limited with its registered office in the Republic of Cyprus.
- In the given accounting period, GTS Central European Holdings Limited was directly controlled by CONSORTIUM 2 S.à R.L. with its registered office in the Grand Duchy of Luxembourg. CONSORTIUM 2 S.à R.L. is controlled by Consortium 1 S.à R.L. with its registered office in the Grand Duchy of Luxembourg, which is controlled by the companies M/C VENTURE Partners with its registered office in the USA, Columbia Capital LLC with its registered office in the USA and Innova Capital with its registered office in the Polish Republic.
- In the given accounting period, the owner of the 1% share in GTS NOVERA s.r.o. was Carduelis B.V. with its registered office in the Kingdom of the Netherlands.

## 4. RELATED ENTITIES

To the knowledge of the controlled entity acting with the care of due manager, the other entities related to the controlled entity, with which the controlled entity had transactions in the course of the 2009 accounting period, are the following related entities:

**GTS NOVERA a.s.**, registered office in Prague 3, Přemyslovská 2845/43, ID Number: 610 58 904, was controlled by GTS NOVERA s.r.o. from 1 January 2009 to 1 July 2009. As of 1 July 2009, GTS NOVERA a.s. was dissolved without liquidation due to a merger (described in point 1. of this report above).

**GTS Slovakia, a.s.**, joint-stock company with its registered office in the Slovak Republic, Einsteinova 24, 851 01 Bratislava, ID Number: 35 795 662, is controlled by GTS Central European Holding B.V. with its registered office in the Kingdom of the Netherlands.

**GTS Datanet Távközlési Kft.**, limited liability company with its registered office in the Republic of Hungary, is controlled by GTS Central European Holding B.V. with its registered office in the Kingdom of the Netherlands. Throughout the accounting period, GTS Datanet Távközlési Kft. controlled Vienna Ingatlankezelő Kft. with its registered office in the Republic of Hungary.

**GTS Polska Sp. z.o.o.** limited liability company with its registered office in the Polish Republic is controlled by GTS Central European Holding B.V. with its registered office in the Kingdom of the Netherlands.

Throughout the accounting period, GTS Polska Sp. z.o.o. also controlled the company

**GTS Energis Sp. z.o.o.** with its registered office in the Polish Republic, which in turn controlled MULTIMO Sp. z.o.o. with its registered office in the Polish Republic.

**GTS Telecom S.R.L.**, company with its registered office in Romania is controlled by GTS Central European Holdings Limited, with its registered office in the Republic of Cyprus.

**Antel Germany GmbH**, limited liability company with its registered office in the Federal Republic of Germany is controlled by GTS Central European Holding B.V. with its registered office in the Kingdom of the Netherlands.

## 5. CONTRACTS CONCLUDED BETWEEN RELATED ENTITIES AND THEIR FULFILMENT

Related entity	Popis obchodných transakcí Description of business transactions – other
GTS Slovakia, a.s. (entire year 2009)	Mutual provision of telecommunications services
GTS Datatel Távközlési Kft (entire year 2009)	Mutual provision of telecommunications services
GTS Polska Sp. z o.o. (entire year 2009)	Mutual provision of telecommunications services
GTS Telecom S.R.L. (entire year 2009)	Mutual provision of telecommunications services
GTS Energis Sp. z.o.o. (entire year 2009)	Mutual provision of telecommunications services
GTS Central European Holding B.V. (entire year 2009)	Consulting

In 2008, the controlling entity GTS Central European Holding B.V. provided the legal predecessor of the controlled entity GTS NOVERA a.s. with a loan equal to CZK 430,880,000.00 (EUR 16,000,000.00). The balance of this loan including unpaid interest as of 31 December 2009 is CZK 485,782,779.00. The loan is due on 29 April 2016 and bears an interest rate of 12M EURIBOR + 5% p.a.

In 2008, the controlling entity GTS Central European Holding B.V. provided the controlled entity GTS NOVERA s.r.o. with a loan of CZK 3,300,000,000.00 for the purchase of 100% of shares in GTS NOVERA a.s. In 2009, this loan was repaid in part (see chapter 6.1(d)). The balance of this loan including unpaid interest as of 31 December 2009 is CZK 2,958,837,475.00. The loan is due on 30 December 2016 and bears an interest rate of PRIBOR/BBA + 5% p.a.

Based on a loan contract dated 24 September 2008, the legal predecessor GTS NOVERA a.s. provided a loan to the controlling entity GTS Central European Holding B.V. The loan is drawn in parts and its maximal value can reach CZK 1,000,000,000.00. The total receivable including interest as of 31 December 2009 is CZK 611,449,157.00. The loan bears an interest rate of PRIBOR/PRBO + 5.25% p.a. and is due on 1 June 2013.

GTS NOVERA s.r.o. has a receivable of EUR 269,359.00 based on a loan contract, which was concluded in the 2005 accounting period by GTS CZECH, a.s. as the legal predecessor of GTS NOVERA s.r.o. with Antel Germany GmbH as the debtor. The loan is due at any time based on a request from the creditor. The interest is rate 5% p.a. and its value including unpaid interest as of 31 December 2009 is CZK 9,264,584.00.

The crown volumes of other transactions are not indicated, because this information is the subject of business secrecy according to the respective contracts. The total volumes of transactions are reported in Chapter 17 of the financial statements of GTS NOVERA, s.r.o. for 2009.

The controlled entity did not incur any detriment from any of these contracts. Other contracts were not concluded between the controlled entity and related entities in the given accounting period.

## 6. ACTS IN LAW ADOPTED OR REALISED BY THE CONTROLLED ENTITY IN THE INTEREST OR AT THE INSTIGATION OF RELATED ENTITIES

**6.1** On 21 July 2009, based on an Agreement on Offsetting concluded between GTS Novera s.r.o. and GTS Central European Holding B.V., the financial receivables of GTS Central European Holding B.V. vis-à-vis GTS NOVERA s.r.o. were mutually offset against the receivable for payment of the contribution arising from the increase of registered capital of GTS NOVERA s.r.o. The following loans and related interest were projects into the Agreement on Offsetting:

a) The total offset sum as of 21 July 2009 on the loan provided to the legal predecessor of the controlled entity, GTS NOVERA a.s., by GTS Central European Holding B.V., including a part of the unpaid interest, was CZK 405,721,608.00. This loan was due upon request from the creditor after 31 December 2009. Until 30 April 2008, the loan bore an interest rate of PRIBOR + 3.25% p.a., from 1 May 2008 it was increased to PRIBOR + 5% p.a.

b) In 2006, the legal predecessor of the controlled entity, GTS NOVERA a.s., concluded 2 loan contracts with the controlling entity for the amounts of CZK 28,325,000.00 and CZK 56,650,000.00. The total offset amounts as of 21 July 2009 were equal to CZK 34,970,293.00 and CZK 70,170,803.00. Both loans were due upon request from the creditor after 31 December 2009. Until 30 April 2008, the loans bore an interest rate of PRIBOR + 3.25% p.a., from 1 May 2008 the interest rate was increased to PRIBOR + 5% p.a.

c) Based on the contract on sale of the commercial share in GTS Novera Contact, s.r.o. (legal predecessor of GTS NOVERA a.s.) in 2006, the controlling entity GTS Central European Holding B.V. accepted a loan of CZK 145,000,000.00 from the company TDC Totallosninger A/S. The total offset amount as of 21 July 2009 was CZK 172,475,316.00. The loan was due upon request from the creditor after 31 December 2009. Until 30 April 2008, it bore an interest rate of PRIBOR + 0.5% p.a., from 1 May 2008 it bore an interest rate of PRIBOR + 5% p.a.

**The foregoing loans were fully repaid on 21 July 2009 by being offset. The balance of the total interest from these loans as of 31 December 2009 is equal to CZK 2,601,015.00.**

d) On 30 December 2008 based on a loan contract, GTS Central European Holding B.V. provided a loan of CZK 3,300,000,000.00 to GTS Novera s.r.o. for the purchase of 100% of shares in GTS NOVERA a.s. Based on the Agreement on Offsetting between GTS NOVERA s.r.o. and GTS Central European Holding B.V., the loan was partly repaid on 21 July 2009 in the amount of CZK 470,378,857.00 and unpaid interest in the amount of CZK 146,283,123.00. The balance of this loan including unpaid interest as of 31 December 2009 is CZK 2,958,837,475.00. The loan is due on 30 December 2016 and bears an interest rate of PRIBOR/BBA + 5% p.a.

**6.2** To secure the loan contract of 2008, the associates of GTS NOVERA s.r.o. concluded the following pledge agreements following the realisation of the merger and transfer of the assets of GTS NOVERA a.s. to GTS NOVERA s.r.o. (described in point 1 of this report):

1) Agreement on establishment of a secondary lien to the enterprise operated under the commercial name GTS NOVERA s.r.o. according to Section 5, Commercial Code, concluded on 30 July 2009 between GTS NOVERA s.r.o. as the pledgor GTS Central European Holding B.V. as the pledgee. The lien is recorded in the Pledge Register under number 16790.

2) Agreement on establishment of a secondary lien to the telecommunications network of GTS NOVERA s.r.o. concluded on 30 July 2009 between GTS NOVERA s.r.o. as the pledgor and GTS Central European Holding B.V. as the pledgee. The lien is recorded in the Pledge Register under number 16791.

3) Agreement on establishment of a secondary lien to receivables concluded on 30 July 2009 between GTS NOVERA s.r.o. as the pledgor and The Royal Bank of Scotland plc as the pledgee. This agreement terminated the lien from the agreement on establishment of a lien to receivables dated 29 April 2008, concluded between GTS NOVERA a.s. as the pledgor and GTS Central European Holding B.V. as the pledgee.

4) Agreement on establishment of a lien to receivables from the insurance contract concluded on 30 July 2009 between GTS NOVERA s.r.o. as the pledgor and The Royal Bank of Scotland plc as the pledgee. This agreement terminated the lien from the agreement on establishment of a lien to receivables from the insurance contract concluded on 29 April 2008 between GTS NOVERA a.s. as the pledgor and GTS Central European Holding B.V. as the pledgee.

Otherwise, the controlled entity did not adopt or realise any other acts in law in the interest or at the instigation of the related entities in the reviewed period.

The controlled entity did not incur any detriment from any of the concluded contracts or other acts in law with related entities. All transactions with related entities were concluded under standard business conditions.

Prague dated 30 March 2010



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