# Annual Report 2001

CZECH TELECOM

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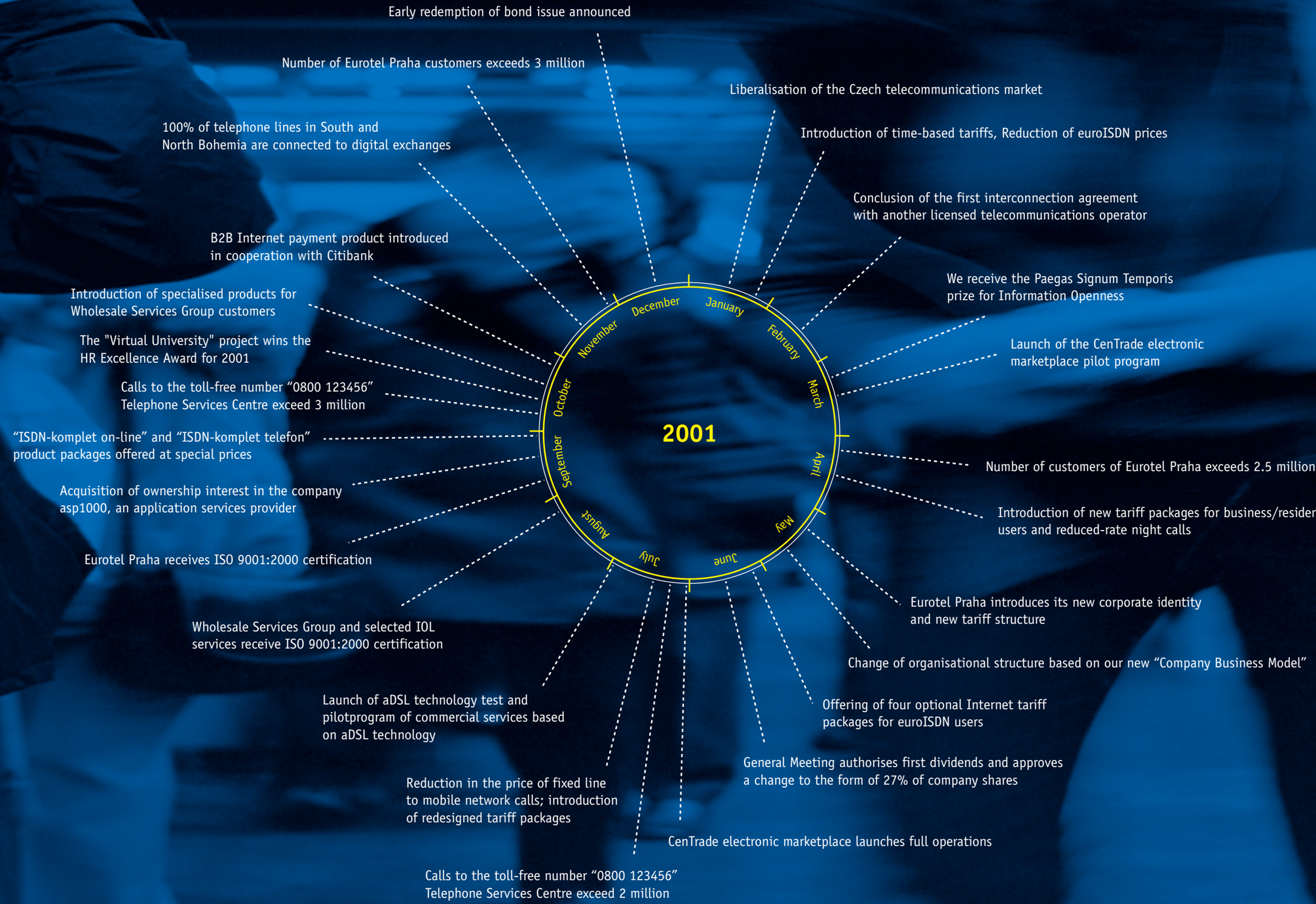
# Key events in 2001



**ČESKÝ TELECOM is a good business address. We are the largest provider of affordable and modern telecommunications services on the Czech market. We own the nation's largest and most reliable communication infrastructure, enabling us to offer complex telecommunications services targeted to meet our customers' individual needs.**

**As technologies advance, we intend to remain at the forefront of next-generation integrated telecommunications services. Our goals are to ensure the reliable fulfilment of customer needs, achieve our long-term business plans, and to increase market value. We continue to build transparent relationships based on reliability and the highest standards of professionalism with both local and international partners. In our efforts, we strive to be a good corporate citizen and positive member of Czech society, with a reputation for trustworthiness and stability in the eyes of the Czech public. We want to be an attractive investment for our current and future shareholders.**

# Financial and operational highlights

Financial data is based on audited, consolidated financial statements prepared under International Accounting Standards. All data, unless specified otherwise, is in CZK millions as at 31 December.

| **Financials** | **1999** | **2000** | **2001** |
|---|---|---|---|
| Revenues | 51,902 | 57,224 | 55,900 |
| EBITDA - Earnings before finance costs, tax, depreciation and amortisation | 25,732 | 26,696 | 27,155 |
| EBIT - Earnings before finance costs and tax | 12,323 | 12,071 | 10,115 |
| EBT - Earnings before tax | 8,442 | 9,114 | 8,771 |
| Net income | 6,171 | 6,356 | 6,072 |
| Total assets | 155,486 | 160,377 | 159,097 |
| Fixed assets | 134,614 | 141,525 | 140,822 |
| Equity | 97,478 | 103,807 | 107,023 |
| Loans | 37,466 | 33,110 | 27,003 |
| CAPEX | 20,460 | 18,730 | 18,863 |

| **Operations** | **1999** | **2000** | **2001** |
|---|---|---|---|
| Number of lines installed (x1000) | 3,839 | 3,854 | 3,842 |
| of which ISDN channels (x1000) | 57 | 122 | 261 |
| Penetration per population (in %) | 37 | 37 | 37 |
| Penetration per household (in %) | 72 | 72 | 71 |
| Digitalisation (in %) | 77 | 86 | 95 |
| Internet IOL - Total number of customers (x1000) [1] | 45 | 185 | 481 |
| Total number of customers (Eurotel Praha) in thousands | 1,070 | 2,171 | 3,238 |
| Total number of employees (only ČESKÝ TELECOM) | 20,115 | 17,322 | 15,194 |
| Lines per ČESKÝ TELECOM employee | 191 | 222 | 253 |
| Total number of employees (Eurotel Praha) | 1,627 | 2,121 | 2,420 |

| **Ratios (in %)** | **1999** | **2000** | **2001** |
|---|---|---|---|
| EBITDA/Revenues | 50 | 47 | 49 |
| Net income/Revenues | 12 | 11 | 11 |
| CAPEX/Revenues | 39 | 33 | 34 |
| ROA (Net income/Total assets) | 4 | 4 | 4 |
| ROE (Net income/Equity) | 6 | 6 | 6 |
| Gross gearing (Interest bearing debt/Total equity) | 38 | 32 | 25 |

| **Macroeconomic indicators** [2] | **1999** | **2000** | **2001** |
|---|---|---|---|
| Population (in millions) | 10.3 | 10.3 | 10.3 |
| GDP (in %) | -0.2 | 3.1 | 3.6 |
| Inflation (in %) | 2.1 | 3.9 | 4.7 |
| Unemployment (in %) | 9.4 | 8.8 | 8.9 |
| Exchange rate CZK/USD - average during the period | 34.6 | 38.6 | 38.0 |
| Exchange rate CZK/USD | 36.0 | 37.8 | 36.3 |
| Exchange rate CZK/EUR - average during the period | 36.9 | 35.6 | 34.1 |
| Exchange rate CZK/EUR | 36.1 | 35.1 | 32.0 |

[1] Paid and free access

[2] Source: Czech Statistical Office, Ministry of Finance, Czech National Bank

# Joint Statement from the Chairman of the Board of Directors and the President & CEO to shareholders

**Our results for 2001 demonstrate our ability to react flexibly to market changes and maintain our position as the most stable and strongest telecommunications operator in the Czech Republic.**

Dear Shareholders,

2001 marked a significant milestone in the history of the Czech telecommunications market. From 1 January, the market was officially liberalised, with alternative telecommunications providers able to compete for customers in all market segments and offer their services. By taking this step, the Czech Republic continues to build conditions for the further development of the information society – a necessary prerequisite for the growth of the Czech economy and the country's successful incorporation into the European Union. 2001 also saw the rapid development and proliferation of the main sectors of the telecommunications business in the Czech Republic. The expected sharp rise in the number of mobile telecommunications operators' customers was confirmed. In 2001, the number of mobile phone users exceeded the threshold of 5 million, reaching 50% penetration. At the end of 2001, the number of users reached 7 million, a figure hard to imagine even two years ago. The Czech Republic is also experiencing a rapid rise in advanced telecommunications trends – the expansion and increased usage of the Internet, data transfers, and data services – market developments well known in the EU. During 2001, the ratio between voice and data services usage slowly equalised. We expect in 2002 that Internet and data services will overtake voice services.

These changes, reflecting an advance in the needs and expectations of consumers, present new challenges to all telecommunications companies. ČESKÝ TELECOM is aware of its obligation to remain at the forefront in the development of the information society in the Czech Republic while simultaneously meeting shareholder expectations to ensure the secure and continued growth of investment. Our results for 2001 demonstrate our ability to react flexibly to market changes and maintain our position as the most stable and strongest telecommunications operator in the Czech Republic. Despite competition in all areas of our business, we were able to maintain output and performance at previous-year levels. In both operational and financial terms, our results compare with those of leading European telecommunications operators. We undertook the following steps during 2001 to achieve these results: We sharpened our focus on customer needs and requirements, including price changes. We introduced a wide range of new services and began offering customised service solutions targeted to individual customer groups. Through Eurotel Praha we reinforced our position as the number one provider on the Czech mobile telecommunications market. At the end of the year, nearly one half of all mobile operator customers were using our services. The Internet service segment, where we achieved nearly 500,000 registered users, and the data service segment, have together shown the largest growth in revenues and generate resources for the company's future growth. Our 2001 results are also attributable to the increase in

operational efficiency and strategic downsizing of our workforce. An important internal prerequisite for ČESKÝ TELECOM's continued competitiveness and ability to drive the Czech telecommunications market was the introduction of our new management Business Model. Its basic imperative is the increased responsibility to satisfy the needs of our customers together with the responsibility to ensure effective business operations, support, and corporate activities. We would in particular like to thank our employees for their dedicated work to achieve these goals.

**An important internal prerequisite for ČESKÝ TELECOM's continued competitiveness and ability to drive the Czech telecommunications market was the introduction of our new management Business Model.**

We are aware that the future of our company does not depend solely on the results of previous years. There are a number of big challenges ahead, and our ability to meet these challenges will decide on the success of ČESKÝ TELECOM and the reinforcement of its leading position on the Czech telecommunications market. The further development of the market is expected, and competition will stiffen as a result of the increased activities of existing alternative operators and the entry of new players. Our customers will expect higher levels of services to meet their expanding needs, and this requires increasingly innovative and complex solutions. The importance of mobile and data services will continue to grow. We must continue to strive to develop new solutions and provide new services to meet customer needs and keep pace with market trends, while at the same time increasing our operational effectiveness. This will lead to the increased return on investment.

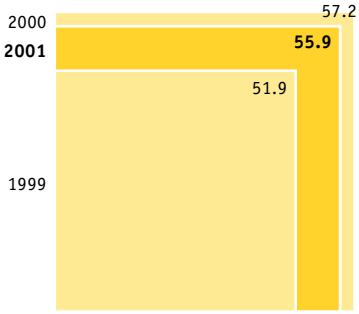
As a joint-stock company we have met the standards of administration and management as outlined in the Code of Proper Governance issued by the Czech Securities Commission, which is based on Organisation of Economic Cooperation and Development (OECD) guidelines and the Unified Code of the London Stock Exchange. All main principles have been included into the company's Articles of Association and into basic corporate governance documents in 2001, and this completes the efforts of ČESKÝ TELECOM's management to achieve recognised administration standards. The remaining provisions are being incorporated into administration procedures on an ongoing basis, and our primary goal is their complete fulfilment in the near term.

We are confident that, as in the past, we will continue to provide value for our millions of customers and for our shareholders. Our strength as a company is based on three main pillars: our team of dedicated and qualified employees, our expertise on the telecommunications market, and the confidence of our investors in the business potential of ČESKÝ TELECOM.

**Přemysl Klíma**
*President & CEO*

**Ondřej Felix**
*Chairman of the Board of Directors*

# Comments to the financial results

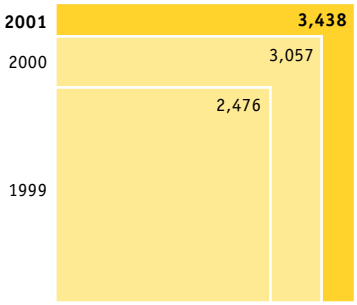



**Revenues in CZK billions**

ČESKÝ TELECOM's 2001 financial results illustrate the company's ability to operate successfully on the newly liberalised Czech telecommunications market. The strategy to compensate for the anticipated drop in revenues from traditional voice services with revenues from mobile, data, and value-added services, combined with measures to strengthen traffic, has enabled ČESKÝ TELECOM to meet challenges and benefit from the new dynamics of the market environment. Despite pressures on its revenue base, in 2001 ČESKÝ TELECOM was able to increase its EBITDA both in nominal terms and as a percentage of revenues as it continued to target and improve operational efficiency. The results compare favourably to those of several incumbent telecommunications operators in Western Europe during the first year of liberalisation in their respective markets.

ČESKÝ TELECOM's total consolidated **revenues** for 2001 stood at CZK 55.9 billion, representing a decline of approximately 2% on revenues for 2000. Revenues for 2001 were principally influenced by the development of the Czech telecommunications market during the first year of liberalisation. Key market characteristics were the rapid progress of mobile telephony and increased pressure from licensed operators. During 2001, mobile penetration reached nearly 70%, while fixed line penetration remained stable at around 37%. Demand also continued to shift toward data and Internet products and value-added services for both the fixed line and mobile business segments. These services partly compensated for the decreasing revenues from traditional PSTN (Public Switched Telephone Network) voice services.

ČESKÝ TELECOM's revenues from PSTN calls once again contributed most to consolidated revenues, totalling CZK 21.2 billion in 2001, down approximately 12% from the previous year. Call revenues made up 38% of total consolidated revenues, compared with 42% in 2000. One of the reasons for the decrease in call revenues was a change in traffic structure in favour of Internet dial-up services and reduced call charges, including tariffs for calling to mobile networks. Dial-up Internet connection minutes, whose price is lower than that of a traditional call, amounted to almost 40% of total traffic minutes in 2001, representing growth of 8% year-on-year. Further reasons for the decline in call revenues were the growth in the total number of users of mobile services and the increasing interest of ČESKÝ TELECOM's customers in the conversion of traditional telephone lines to euroISDN connections. ČESKÝ TELECOM also changed its billing method in 2001. The company switched to a time-based billing system and introduced pricing programs




**Average revenues per employee of ČESKÝ TELECOM in CZK thousands**

for households as well as businesses as a first step toward the introduction of a segmented market approach. Revenues from monthly fees grew by 5% year-on-year to CZK 7.3 billion and thus compensated, in part, for the drop in call revenues.

Revenues from other network operators declined by 32% to CZK 3.9 billion. Revenues from international operators fell 31% to CZK 2.0 billion, a result of the decline in interconnect prices. Revenues from domestic, especially mobile, operators declined 32% to CZK 1.9 billion. The high number of mobile network users and higher interconnect prices for calls originating in mobile networks and terminating in the ČESKÝ TELECOM network led to a drop in traffic routed from mobile networks to the ČESKÝ TELECOM network.

The most significant factor compensating for the decrease in call revenues in 2001 was revenue growth from data services, euroISDN, and other telephony, up 19% from the previous year. Revenues from data services totalled CZK 5.3 billion, compared to CZK 4.5 billion in 2000. Most of this contribution is attributable to revenues from the euroISDN service, which grew by 46% year-on-year to CZK 2.9 billion. A successful marketing campaign coupled with attractive pricing boosted customer interest in euroISDN services, and the number of ISDN channels grew from 122,000 to 261,000 during 2001.

Internet services delivered 24% of the growth in revenues, totalling CZK 277 million. This underlines the enduring interest in quality paid Internet access services, provided under the INTERNET OnLine (IOL) brand. At the end of 2001, IOL had a total of 55,000 registered customers paying for Internet access. The total number of paying IOL customers and free Internet access (QUICK.cz) users stood at 481,000. Revenues from Leased Lines grew 18% year-on-year to reach CZK 2.4 billion. This growth was especially noticeable in the wholesale segment of the market.

For **Eurotel Praha**, 2001 was another in a series of successful years. Consolidation of Eurotel Praha's revenues totalled CZK 14.0 billion, compared to last year's total of CZK 12.1 billion, representing growth of 16%. Eurotel Praha's customer base grew by more than one million to 3.24 million. In 2001, Eurotel Praha gained the largest number of new customers of all mobile networks during the last quarter. In the mobile telephone sector, the escalating interest in value-added services and data services was also evident; for example, Eurotel Praha's customers sent 1.2 billion SMS text messages in 2001, double the number sent the preceding year.

ČESKÝ TELECOM's total consolidated **operating costs excluding depreciation** decreased 6% from the previous year to CZK 28.7 billion. This reduc-

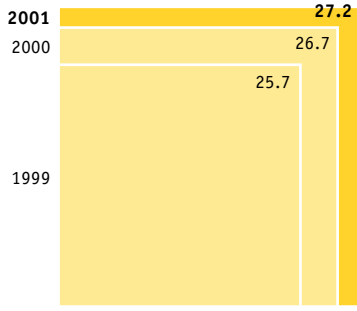
tion in costs is attributable to the continuous implementation of modern internal processes and operating support systems, enabling the company to reduce staff and save costs. Cost controls and the decline in interconnection costs with other network operators, including mobile operators, contributed as well.

In 2001, ČESKÝ TELECOM reduced the number of its employees by 12% to 15,194. As an indicator of efficiency, the ratio of the number of lines per one ČESKÝ TELECOM employee increased from 222 to 253. The number of Eurotel Praha employees grew 14% year-on-year to 2,420. Consolidated staff costs fell 2% to CZK 7.6 billion.

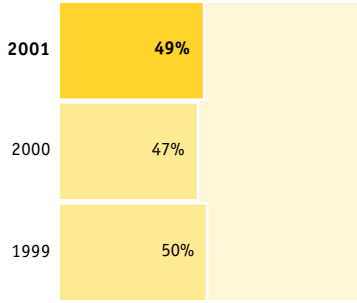
Consolidated payments to other network operators declined 9% to CZK 7.4 billion, due to a reduction in the prices for interconnection with domestic and international operators. During the year, the Czech Telecommunication Office (CTO) set maximum prices for interconnection to domestic fixed and mobile networks. Market liberalisation enabled the routing of traffic through alternative domestic, as well as foreign, operators at lower prices. Consolidated payments to international operators decreased 20% to CZK 2.5 billion, while consolidated payments to domestic operators fell 3% to CZK 4.9 billion.

Despite pressure on ČESKÝ TELECOM's revenue base in the first year of its operation on the liberalised market, the company successfully eliminated the impact of this pressure on its **EBITDA** results. EBITDA increased in 2001 by 2% to CZK 27.2 billion, a result of cost reductions reinforced by greater customer focus, the streamlining of internal processes, and rigorous expense controls. The **EBITDA margin** was 2% higher than during the previous year, reaching 49%, underlining the company's outstanding operational efficiency.

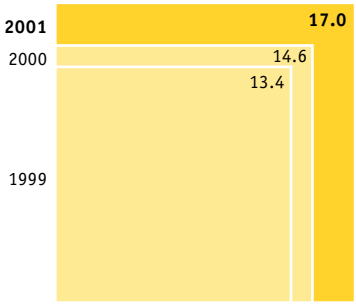
**Depreciation** grew 17% year-on-year to CZK 17.0 billion. As in the preceding period, depreciation was subject to the significant investments in the development and modernisation of the network made in the last years of the 1990s. This is coupled with recent investments into assets with a short lifespan, e.g., software. Earnings before finance costs and tax **(EBIT)** dropped 16% year-on-year to CZK 10.1 billion. Further debt reduction over the course of 2001 led to a 19% decline in consolidated interest expenses, to CZK 2.2 billion. As a result of the relative strength of the Czech crown, ČESKÝ TELECOM recorded a consolidated foreign exchange gain of CZK 358 million. Consolidated earnings before taxes **(EBT)** stood at CZK 8.8 billion, and consolidated **net profit** stood at CZK 6.1 billion, a reduction of 4% on 2000 results. Consolidated earnings per share stood at CZK 18.9.



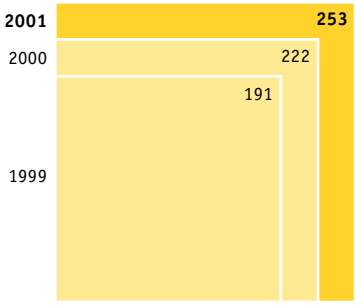

**EBITDA in CZK billions**




**EBITDA margin**




**Depreciation in CZK billions**




**Number of telephone lines per employee**

ČESKÝ TELECOM ranks among the lowest geared operators within the European telecommunications services industry. Total consolidated **loans** dropped to CZK 27.0 billion, from CZK 33.1 billion at the end of 2000. As a result, gross and net **gearing** declined to 25% and 18% respectively.

Total consolidated **investment** reached CZK 18.9 billion in 2001, the same level as in the previous year. Investments were directed toward the further development of network functionality, quality, and reliability through the introduction of state-of-the-art technology. A large portion of ČESKÝ TELECOM's investments were made to meet the regulatory requirements of the Telecommunications Act, primarily enabling Carrier Selection and Number Portability services. Eurotel Praha also acquired for CZK 3.5 billion a license to rollout and operate a UMTS (Universal Mobile Telecommunication System) network, under favourable payment terms.

ČESKÝ TELECOM's 2001 results confirm that the company is a financially and operationally sound business. This is also evidenced by our stable **credit rating**, which for several years has been at the maximum level possible in the Czech Republic: A- from Standard & Poor's, and Baa1 from Moody's. ČESKÝ TELECOM's financial results make it one of the leading companies in the Czech Republic.

# Our Services

## Our services revolve around our customers

The success of each telecommunications company depends not only on state-of-the-art technologies, but more importantly, on the interest of customers who use these services and on the professionalism of employees who prepare them. The voice, data, Internet, mobile and wholesale services provided by ČESKÝ TELECOM fulfil the expectations of all customer and market segments.

SEGMENTS

- Mass market
- Small and medium enterprises
- Large enterprises
- Internet service providers
- Other licensed operators

## Responding to changes on the market

**Our prime focus remains on people: our customers, staff, and shareholders, and on Czech society as a whole.**

**ČESKÝ TELECOM is the leader on the Czech telecommunications market and one of the largest companies in Central and Eastern Europe. As the Czech Republic heads toward accession to the European Union, ČESKÝ TELECOM is preparing intensively for the integrated market. In the 15 EU Member States alone there are several hundred fixed line operators and more than 50 mobile operators. As part of the harmonisation of Czech laws and regulations with EU legislation, a Telecommunications Act came into force in the Czech Republic in mid-2000. Under the Act, ČESKÝ TELECOM is obliged by the Czech Telecommunication Office (CTO) to provide universal telecommunications services. On 1 January 2001 the Czech market was opened up to alternative operators, to whom we have begun to provide interconnection services.**

**During the past year we have increased the number of our distribution channels and offer our customers an attractive range of services. The company operates nearly 4 million telephone lines serving businesses and residential customers. We offer high-quality Internet services, and we are actively seeking out new business opportunities in the virtual environment. Our euroISDN service enables us to provide high-quality, high-speed voice and data transmissions to our customers. We also offer a wide spectrum of advanced solutions that support multimedia technologies. Our intelligent networks are based on state-of-the-art technologies. Eurotel Praha is also rapidly expanding its already wide range of mobile services. But with all our developments in new technologies and services, our prime focus remains on people: our customers, staff, and shareholders, and on Czech society as a whole.**

**2001 brought fundamental changes. ČESKÝ TELECOM not only overhauled its organisational structure based on a new Business Model, the company also successfully transformed its entire corporate culture. We have implemented these changes primarily as a result of the demands of the liberalised market, but also due to the influx of new technologies and from our commitments ensuing under the Telecommunications Act. Our new Business Model allows us to respond flexibly to the wishes and needs of our customers and to the anticipated changes on the market.**

## Listening to the customer

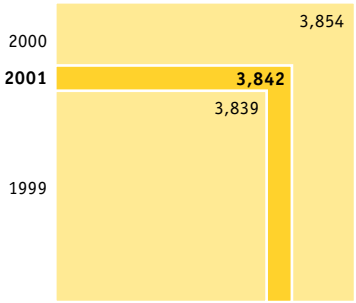
ČESKÝ TELECOM provides comprehensive voice and data services to a wide range of customers in the Czech Republic. The liberalisation of the Czech telecommunications market and the changes associated with this process demand new approaches, improvements in our existing product range, and the introduction of new and attractive services.

At the start of the year we introduced a new method for billing calls. Impulse-based pricing was replaced by time-based tariff pricing, which for our customers is more convenient and easier to understand. Our new Ensemble billing system allows us to provide customers with individual care. We have also introduced Detailed bill for more transparent billing.

In July we responded to the massive expansion in mobile telephony by cutting the rates for calls from fixed lines to all three mobile networks. We began to replace standard card-operated public payphones with new phones that support next-generation multifunctional cards with improved security features.

To respond more rapidly to the demands of the market, we have defined main market segments to better anticipate our customers' specific needs and offer appropriate and flexible solutions. These main segments are mass market, small and medium enterprises, and large enterprises. The mass market segment is comprised of individuals and households that primarily use fixed line services and dial-up Internet access services. Small and medium enterprises routinely use both voice and data services. We continue to create comprehensive and customised telecommunications solutions for large enterprises.

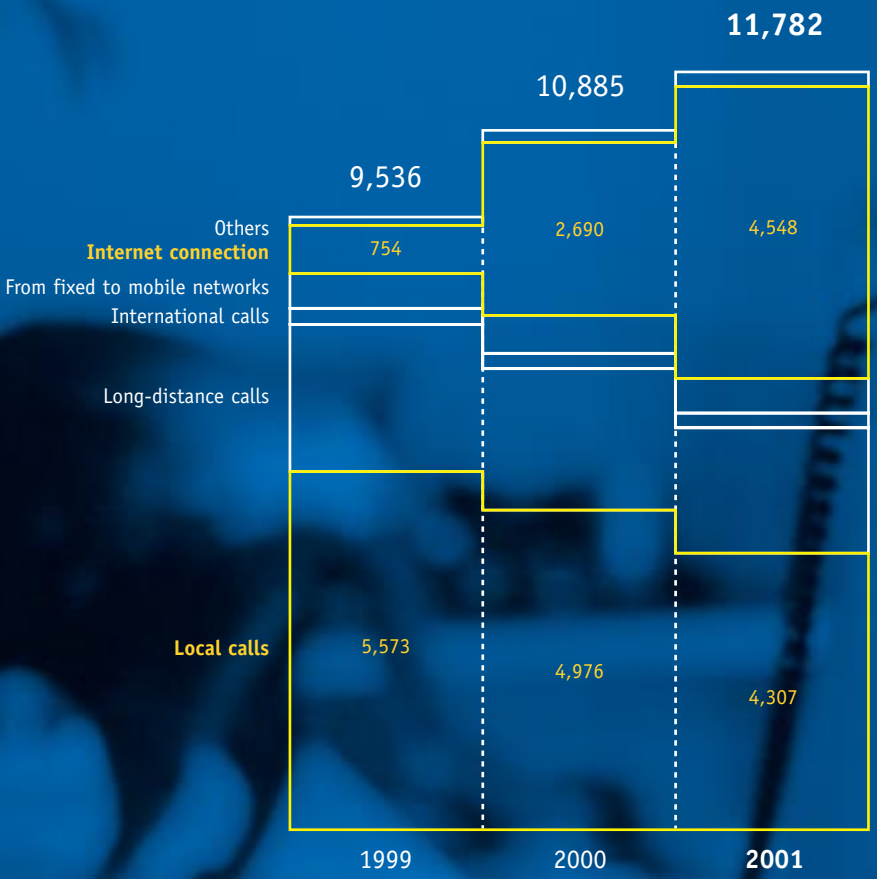
By offering attractive product packages, which were primarily prepared for the mass market segment, we have responded to the decline in fixed line calls. This decline was caused chiefly by the development of mobile telephony. In addition to reduced rates for setting up a fixed line, packages include low-cost telephones and accessories and added-value services, e.g., Memobox voice mailbox, Call Waiting, and our latest innovation, Small Conference. Customers can also choose from the tariff packages Home Mini, Home Standard, and Home Maxi, depending on their monthly usage and needs. In April we launched Night Time Zone, a reduced rate for night calls.




**Number of telephone lines, including ISDN channels, in thousands**

The decline in demand for traditional fixed lines was offset by the rising demand for euroISDN lines, which became more affordable in 2001. The euroISDN service, supported by product packages, has been a big hit with our customers and is our fastest-growing service. More than 13,000 households were connected to the Internet via euroISDN, and over 430,000 households were using dial-up Internet connection via fixed lines.

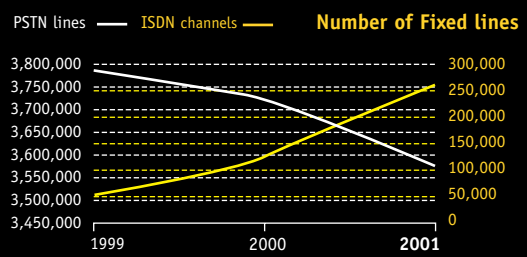
We reduced our charges for international calls, the Czech direct operator service, and calls using the Karta X pre-paid calling card. We also added new destinations and expanded the number of countries where Czech direct and Karta X services can be used. Although the volume of international call traffic decreased overall, we recorded a rising demand for the Xcall service. Successful innovations in 2001 included Karta X plus and E-mail notification within the Memobox service. We also revamped our TELEPOINT stores and overhauled the entire sales system to streamline customer service. We rationalised the management of these stores and have leased some of them under the fran-

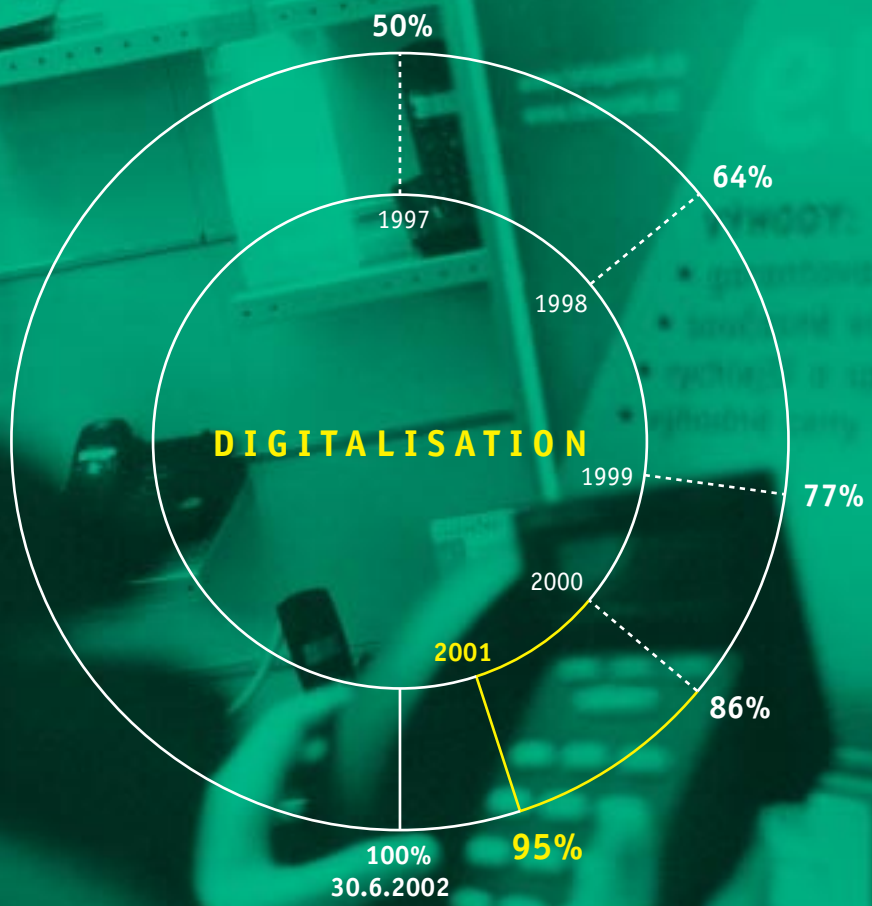



**Traffic on fixed lines in millions of minutes**

## Better communication

At the end of 2001 ČESKÝ TELECOM's network had 105 less analogue exchanges than at the beginning of the year. Due to the growing demand for data and Internet services and the increased requests for transfer capacity and wider network range, we continue to replace analogue exchanges with digital exchanges.





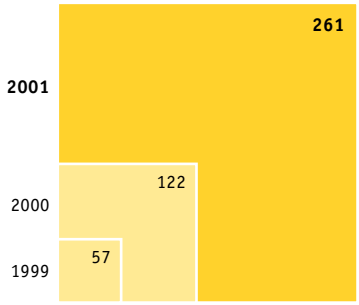

## Faster information flow

Advanced digitalisation enables the connection of high-speed ISDN channels, which are used by all customer segments for high quality voice and data transmission and fast connection to the Internet. Several areas of the Czech Republic are already fully connected to digital exchanges. The 100% digitalisation of ČESKÝ TELECOM's network will be completed by 30.6.2002.

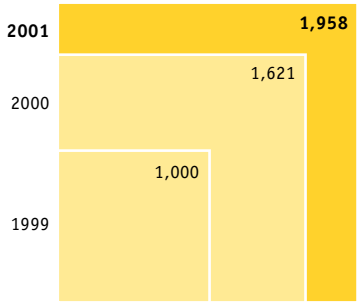
**Number of ISDN channels**

2000 **122,000** 2001 **261,000**

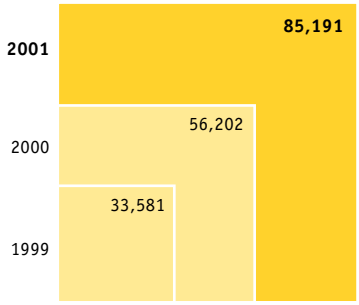
**+ 114%**




**Number of euroISDN channels in thousands**




**Number of activated toll-free lines**




**Traffic on toll-free lines in thousands of minutes**

chise TELEPOINT PARTNER brand. This partner network is being continuously expanded. These improvements to the system, together with the extension of unified product and service offers, combine to foster increased customer satisfaction and convenience. Our Telephone Services Centre served almost four million calls in 2001.

For small and medium enterprises, in 2001 we focused on service innovations. We launched new tariff packages and attractive product packages that allow various modes of line use for voice and data communication. The euroISDN service, which provides high-quality data communication and fast Internet access, also met with success in this segment, as our customers began to prefer euroISDN lines to traditional fixed lines. The attractiveness of this option was enhanced by a reduction in prices in January, an additional range of product packages customised for specific customer groups, optional Internet tariff packages, and optional payment plans.

In addition to our TELEPOINT and TELEPOINT PARTNER stores, we continued to serve existing and new customers via our network of trained sales representatives and telecommunications sales staff. We launched a toll-free service targeted directly at customers in this segment. We also started actively promoting our services using telemarketing.

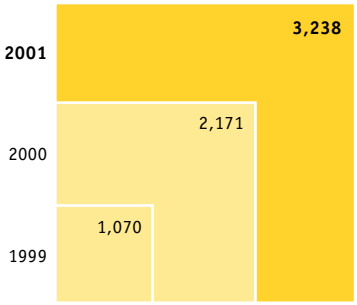
The liberalisation of the market was felt particularly strongly in the large enterprises segment, which logically attracted the attention of alternative operators of voice and data services. We therefore offered our customers a new range of tariff packages reflecting different call volumes, combined with cut-price product packages. There is no doubt that the key to success in this market segment is to offer a comprehensive range of sophisticated telecommunications solutions and to customise these to meet individual needs. Large enterprises require the ability to transfer large volumes of data over their own network structures, and as a result, our customers in this segment most often select our Frame Relay services, including International Frame Relay, Leased Line services, euroISDN30, and VPN (Virtual Private Network). New services for large enterprises also include our speciality Colour Lines, which operate on an intelligent networks platform. This enables cost sharing between the caller and the party called and offers customers the convenience and quality they need. To our existing “Zelená linka” (Green Line – toll-free service) we have added “Modrá linka” (Blue Line), “Bílá linka” (White Line), “Žlutá linka” (Yellow Line), “Duhová linka” (Rainbow Line), and “Linka 0909” (0909 Line).

Another innovation in the range of integrated data services was Voice-Over IP for international communication to complement our existing integrated internal Voice VPN service. In order to provide our customers with comprehensive solutions, we devoted increased attention to VPNs. We launched a new price list for Leased Line services at the start of the year and added the Service Level Agreement (SLA) option in the first half of the year. This, together with September’s introduction of the SLA

and lowering of prices for Frame Relay and International Frame Relay services (which allow access to our data network) won us more new customers. Retail chains began heavily using our data services. We signed a long-term contract with Czech Television, for whom we ensure digital transmission of TV broadcasts using the ATM service and exclusively provide voice and data services. Customers in the large enterprises segment also include many banks and financial companies. Thanks to ČESKÝ TELECOM's data network, with almost 120 access nodes, these companies can use the Frame Relay, ATM or Direct services to permanently link cash machines, points of sale, and branches to their headquarters.

In 2001, we set up an association with the company AutoCont to apply for the public business tender for the "Internet for Schools" project run by the Czech Ministry of Education, Youth, and Physical Education. The association was selected as the supplier for the project and began work connecting 3,620 Czech primary and secondary schools to the Internet. We also signed a general agreement with the Czech government to provide extensive communication infrastructure services for the Public Administration Information Systems.

## Expanding mobile services




**Number of customers of Eurotel Praha in thousands**

In 2001, the symbolic capital "T" disappeared from the Eurotel Praha logo, signalling a change in our subsidiary's strategy. The new Eurotel Praha is not just about making telephone calls – Eurotel Praha also brings its customers new forms of entertainment and services that support the modern lifestyle. Each new service focuses on fulfilling the credo "More Out of Life."

In May, Eurotel Praha introduced a simpler and more user-friendly tariff structure with more free call minutes and text messages (SMS). Unused free minutes and text messages can newly be carried forward to the next month. Another benefit is that customers are now billed per second after the first minute of their call. As of November 2001, two of Eurotel Praha's tariffs became cheaper during peak hours, and in December Eurotel Praha introduced a 25% discount after the third minute for national calls. Demand for value-added services and data services has also risen. For example, Eurotel Praha customers sent more than 1.2 billion text messages in 2001, a 100% increase on the previous year.

Eurotel Praha confirmed its role as an innovator by launching Go SMS Chat, the first service of its kind on the Czech market. For customers using prepaid services, the company launched its third tariff, called Fun Go, and offered new ways to recharge Go credit directly from a bank account using Go GSM banking and through Eurotel post-paid customer accounts. The Juice Easy service now offers easy access

Total number of Eurotel Praha's customers in thousands

## Wider perspectives of mobile communication

Mobile telephones are not only for making phone calls – they are also a source of entertainment and useful help. Eurotel Praha placed great effort in 2001 on the development of mobile services with added value. It was a good decision, as more than 1 million new customers proved. The total number of Eurotel Praha's customers reached 3,238,000.

**2001 in brief**

- Highest number of new customers among Czech mobile operators
- GSM banking
- Mobile Guide and Mobile Compass
- Coverage of area where 99% of the Czech population lives
- Roaming with 238 operators in 104 countries
- Introduction of many other new services
- New corporate identity and communication

## Virtual space expands

Through our Imaginet, o.z. we develop a wide range of Internet-related services – from guaranteed Internet connection for households, to e-commerce specialised for different industry sectors, electronic media services, a special portal for small and medium enterprises, and the establishment of a neutral Internet platform for major telecommunications and Internet service providers.

SEGMENTS

- Mass market
- Small and medium enterprises
- Large enterprises
- Internet service providers
- Other licensed operators

**In May, Eurotel Praha introduced a simpler and more user-friendly tariff structure with more free call minutes and text messages (SMS).**

to information services directly from the mobile telephone display. The Mobile Guide gives all Eurotel customers with mobile phones supporting WAP (Wireless Application Protocol) an opportunity, by inputting their position, to locate bank ATMs, hospitals, hotels or public transport connections. Thanks to registered Orientation and Navigation System technology, customers also have in their WAP-enabled mobile phones the first Mobile Compass, which shows them the direction to the requested place or to a cardinal point. Customers can also use Eurotel Praha's Cell Broadcast service, which broadcasts geographical information free of charge directly to their mobile phone display. The Eurotel GSM banking service, with new multi-banking technology, allows access to up to 10 different bank accounts, even from abroad. Users of the Eurotel GSM network can even play "Who Wants to Be a Millionaire," an internationally known television game show, via WAP or SMS.

In 2001, Eurotel Praha expanded its range of services for businesses and now offers customised solutions comprised of the products and services that best suit each company's area of business. The new Eurotel Team Profi service for small and medium enterprises and the low-cost Eurotel Optimum Profi tariff offer improved internal communication and cut the costs of telecommunications services. In collaboration with the company SAP ČR, Eurotel Praha launched a new service, My_Eurotel_SAP, giving customers mobile access to internal SAP systems.

During 2001, Eurotel Praha attracted more than 1,067,000 new customers – more than any other operator on the Czech market. It offered the widest roaming coverage, with 238 operators in 104 countries. It is the only mobile operator in the Czech Republic to offer two cutting-edge technologies for wireless data transfer, GPRS and HSCSD, to both post-paid and prepaid customers. The Eurotel GSM (900/1800 MHz) and T!P (450 MHz) mobile telephone networks cover territory on which 99% of the population of the Czech Republic live – more than 10 million people.

The level of services provided by the company was appreciated not only by its customers. In 2001 Eurotel Praha was awarded ISO 9001:2000 quality certification and also won *Mobil* magazine's "Service of the Year 2001" award based on votes cast by industry experts.

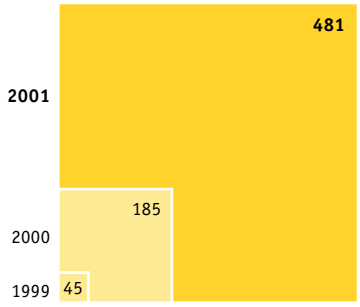
## Doing business over the Internet

As the largest telecommunications company in the Czech Republic, we have a leading position on the Internet market. Our Imaginet, o.z. (before April 2001 e:tel, o.z.) focuses on eBusiness solutions and new business forms. In 2001 we strengthened our position on the market thanks to the development of our own projects and the extension of the services offered to our customers. As part of our alliance and partnership proj-

ects with SAP ČR, Citibank, and Logica, we are an active participant in the development of the eBusiness market in the Czech Republic, especially in the B2B segment.

We are among the largest ISP (Internet Service Provider) companies in the Czech Republic. Our Internet services for both the business and consumer segments are represented by the INTERNET OnLine (IOL) brand. Through IOL, we provide high quality, low-cost guaranteed connection across the entire Czech Republic using analogue modems, euroISDN, and fixed lines. Our portfolio also contains a complete range of additional services, such as WEB HOSTING, SERVER HOSTING, IP VPN, IOL ROAMING, registration of second and third-level domains, Call Centre services with web interface, and complex communication solutions for private business networks. The quality of our product range is evidenced by our wide and stable customer base.

The number of users of the paid dial-up Internet access service IOL DIAL-UP reached 55,000 in 2001. QUICK.cz, our free dial-up Internet access service, had a 240% increase in the number of users, totalling 426,000 at the end of the year. All content and applications on the QUICK.cz portal are now provided by the Internet Content Group (ICG). The quality of our services is evidenced by our receipt of the internationally-recognized ISO 9001:2000 certification issued by the British company Lloyd's Register Quality Assurance, awarded for the overall quality of our management systems, including the design, development, and provision of our IOL FIXED, SERVER HOSTING, and IP VPN services. Selected services now also include the SLA option.




**Total number of users of paid and free Internet services of ČESKÝ TELECOM in thousands**

In March, we launched CenTrade, our pilot B2B electronic marketplace program. Since July, we have been providing full B2B functionality in an interface providing a stable and safe platform for eCommerce based on Commerce One, SAP, and other progressive technologies. The pilot project came to completion on 27 February 2002 with the establishment of Centrade, a.s. CenTrade customers benefit from a number of strategic applications based on ASP. In 2001, we began the development of our Hosting centre, which provides suitable conditions for the hosting of key servers for our most demanding customers. The first stage of the development of the Hosting centre will be completed in the first quarter of 2002. After its launch, the Centre will serve as a neutral platform for all important telecommunications service providers, ISP's, mid-size and large companies, "dot-coms," and state institutions.

The iBase portal provides services for small and medium enterprises. We offer the complete range of services, including practical information, consultancy, and useful advice to assist small and medium enterprises in their everyday business.

Services in the area of electronic media, advertising, and marketing are provided by our subsidiary M.I.A. Its advertising network, Internet Media Service (IMS), which is comprised of a group of key servers in the Czech Republic, together with new advertising services for the Internet, are the cornerstones of M.I.A.'s offer for

both direct clients and media buyers from advertising and media agencies.

In September, we acquired a stake in the company asp1000, with the goal of providing small and medium enterprises with the ability to communicate with their clients and partners through modern Internet applications. asp1000 has developed an attractive array of services, including WebSurvey, WebAuction, WorkTeam, and WorkTeam CRM, which over 500 Czech companies made use of in 2001.

## Connecting the carriers' world

In 2001, we reacted to the increasing demands of telecommunications companies and fulfilled our duty ensuing from the Telecommunications Act. We provided both regulated interconnection services for alternative telecommunications networks and market-based services, including transit services, for local and international operators and the lease of the ČESKÝ TELECOM infrastructure. The main wholesale customers are licensed operators of both fixed and mobile networks and providers of telecommunications services, e.g., ISPs. We introduced a number of new specialised products for more than 90 local and 250 international customers of the Wholesale Services Group in 2001.

**During 2001, we concentrated on the increasing demand for the interconnection between ČESKÝ TELECOM's network and alternative operators' networks.**

During 2001, we concentrated on the increasing demand for the interconnection between ČESKÝ TELECOM's network and alternative operators' networks. As basic information for the interconnection procedure, we prepared and published a Reference Interconnect Offer for 2001, which contains a list of basic services available as part of the interconnection services. In February/March 2001, we signed the first interconnection agreements with new operators of public fixed telecommunications networks. Prices for interconnection were determined according to the Price Decision of the CTO issued 12 January 2001 (02/PROP/2001) and its amendment of 13 February 2001 (03/PROP/2001).

At the end of 2001 we had signed ten interconnection agreements with fixed operators, seven of which are valid for the whole area of the Czech Republic and three for delimited local networks only. Interconnection agreements signed previously with the three Czech mobile phone operators remained in force. During the year, we agreed on the price for interconnection with mobile operators till December 2000. Negotiations on interconnect prices for 2001 were not finalised by the end of the year, even though the CTO published on 27 November 2001 its Price Decision (09/PROP/2001), which set the methodology for the calculation of prices and the maximum price for interconnection to public mobile networks.

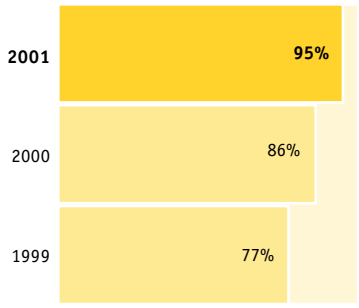
We provided international transit voice services based on Refile/Hubbing or the traditional transit and routing of outgoing international calls for international

operators. We cooperate with fixed and mobile network operators abroad to provide these services. We also signed a number of important international telecommunications contracts in 2001. We ensured direct connection with over 60 international partners, whose networks can be used to route calls to any destination worldwide. We also increased our international connectivity. Thanks to our own Point of Presence (PoP) in Frankfurt am Main and cooperation with reliable international partners, we have been able to provide services based on state-of-the-art technologies worldwide.

We also significantly increased our lease of telecommunications infrastructure activities to offer services combining the lease of circuits in backbone and access networks. We support the development of the Internet in the Czech Republic. To ISPs we pay a commission based on the Internet traffic generated by their retail customers in our network.

In August, ČESKÝ TELECOM became one of the first telecommunications operators in the world which received the ISO 9001:2000 certificate of the Quality Management System for design, development, and the provision of interconnect and wholesale telecommunications services. The certificate was granted to us by the renowned British auditing company Lloyd's Register Quality Assurance.

## Investing in tomorrow's technologies




**Number of telephone lines connected to a digital exchange in %**

High-quality services can only be provided by using technically sophisticated and reliable network infrastructure. In addition to our Public Telephone Network (PSTN, value-added voice services, and euroISDN), ČESKÝ TELECOM also operates the largest data network for data and Internet services and the largest Leased Line network in the Czech Republic. We maintain, manage, and develop the entire network infrastructure within the prescribed technical parameters to provide maximum quality and range of service to our customers. ČESKÝ TELECOM's Public Telephone Network consists of the digital switch network and the transport network. The digital switch network includes 8 transit telephone exchanges, with the Prague and Brno exchanges serving as international exchanges, and 142 HOST exchanges with a total capacity of 4,454,000 lines. In 2001, the number of digitalised lines reached 95%. In South and North Bohemia, 100% of exchanges are digitalised. The transport network, based on modern DWDM and SDH technologies, is used as a backbone network for the Public Telephone Network, data network, and Leased Lines network.

We provide a network of analogue and digital Leased Lines for speeds ranging from 64 kbit/s and 2 Mbit/s to 2.5 Gbit/s. Our competitive services are offered not only to our customers but also to alternative operators. Our network infrastructure provides a state-of-the-art connection to international telecommunications compa-

## Telecommunications infrastructure

The global telecommunications market provides opportunities for both well-established and newly established telecommunications companies. It creates room for business development in such areas as interconnections, the lease of telecommunications infrastructure, and the provision of value-added services both locally and abroad.

**Number of customers of the Wholesale Services Group**

**90** **on the domestic market** **250** **on the international market**

STRUCTURE OF INTERCONNECTIONS

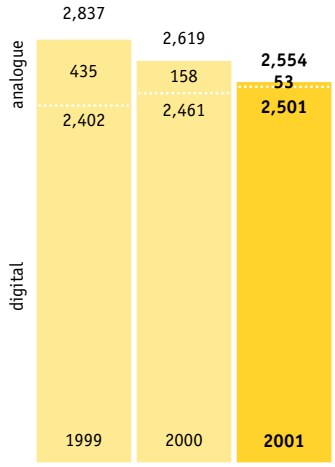
PoP  Other licensed operators  WSG connections

## Voice communication is the base

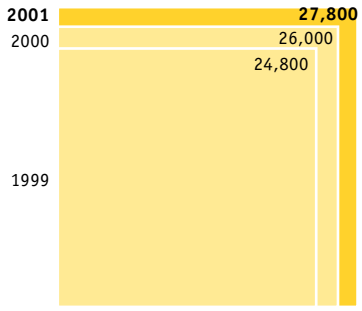
ČESKÝ TELECOM's voice backbone network consists of fibre optic cables. At the end of 2001 there were more than 27,800 km of optic cables, with more than 814,500 km of fibre optics. Network capacity was increased by the launch of multi-channel wave multiplexes.

STRUCTURE OF VOICE NETWORK

- Backbone ATM (STM 16 or STM 4)
- International ATM (STM 16)
- Digital transit exchanges




**Total number of digital and analoque telephone exchanges**




**Optical cables in km**

nies and licensed national operators of mobile and fixed telephone networks. Based on the developments in information technology transfer capacity and the requirements of our largest clients, we further expanded our transport network in 2001. At the end of the year, 27,800 km of optical cable were in use, a 7.7% increase. The total length of optical fibre in use was 814,500 km, an increase of 8.3%. In 2001, we also began a project to construct a national ATM LLNet backbone network (STM-1), an ATM backbone network (STM-16), and an IP backbone network. This project aims to introduce high-capacity data networks to provide the technological conditions for the development of existing data services and the realisation of large-scale projects, such as "Internet for Schools" and the infrastructure for the Public Administration Information Systems. This infrastructure enables us to address new requirements, for example aDSL, and provides the environment for next-generation networks. Robust network solutions with 100% backup capacity offer high-quality, safe, and reliable solutions for our customers' data services.

The development of new telecommunications technologies and increasing customer requirements keep us focused on the future at all times. In 2001, we continued to develop the technology platform for multimedia services of Next Generation Networks (NGNs) based on IP/ATM technologies. This enables voice and data transfer in one interface and the selection of the required service level. We have successfully met customer demands in this area and realised 538 complex customer projects.

Based on the positive results of aDSL technology pilot tests during 2000, in 2001 we proposed a solution and selected the appropriate technologies and suppliers for our existing metallic network. In the second half of 2001, we successfully realised a pilot project in Prague and developed conditions for the gradual commercial use of this technology in 2002. aDSL-based services will bring users high-quality, high-speed Internet connection, enabling them to take advantage of a wide range of multimedia services.

As a company with a significant market share, we fulfilled all obligations resulting from the Telecommunications Act. We began intensive preparations for the introduction of Carrier Selection and Number Portability services, which are prerequisites for the further liberalisation of the telecommunications market. We also continued preparations for the large-scale renumbering necessary to provide free number capacity for other operators. In 2001 we implemented the first stage of the "Internet for Schools" project.

We have also intensively prepared for the development and realisation of the communication infrastructure for the Public Administration Information Systems, which will connect all state authorities within two years. This solution will not only use existing services supplied to the state sector so far, but will provide new service categories such as Address folder services, Information kiosks, and Certification authority.

## Developing information technology

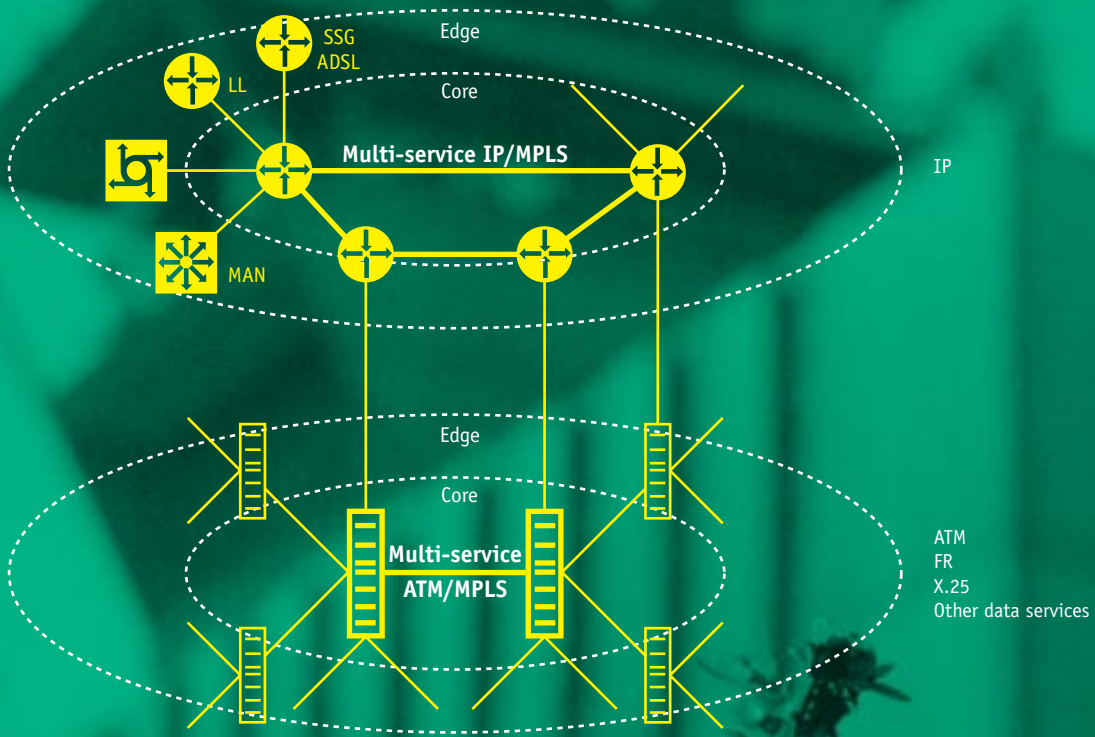
In 2001 all Information Technology activities were consolidated into the Information Support System Group. As a result, we are able to design, implement, and operate information systems and network infrastructures with greater flexibility. During 2001 we continued to introduce new Operational Support Systems (OSS), which include new billing systems for the more reliable billing of voice and data services. Our customer database processes telephone bills for 4 million lines each month. In addition to the basic system infrastructure, which is used every day, we have improved our internal Helpdesk facility as well as our employees' access to our Intranet and the Internet. The OSS is also necessary for the introduction of new tariffs and product packages, including new systems for network planning and administration.

## Optimising resources

In 2001 we concentrated on the optimisation of purchase procedures and supplier relations. We introduced new eBusiness purchasing processes with the option to generate and exchange documentation with our business partners in electronic file formats. The launch of the company's purchase portal BBP, which monitors all documentation related to the ordering of services, materials and subsequent invoicing, has led to more flexible administration and tighter cost control. The experience gained through the implementation of electronic purchase processes is now used by our Imaginet, o.z. to serve the customers of our CenTrade electronic marketplace.

## Respecting our employees

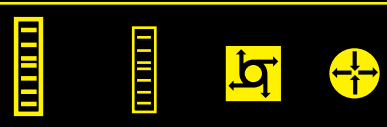
After the liberalisation of the Czech telecommunications market, our competitiveness is more and more dependent on our ability to use the professional knowledge and skills of our employees. 15% of our 15,000 employees have university degrees, and almost half are less than 40 years old. Our complex approach to HR management enables us to use the full potential of our employees, provide conditions for their personal development, and create a goal-oriented company culture. From the beginning of 2001 we have focused on a modern concept of HR management, called staffing. We recruit talented professionals, provide conditions for the development of their skills, and find the best position for them in the demanding business programs within our organisation. The implementation of this new concept within our individual organisational units is overseen by internal HR management consultants.

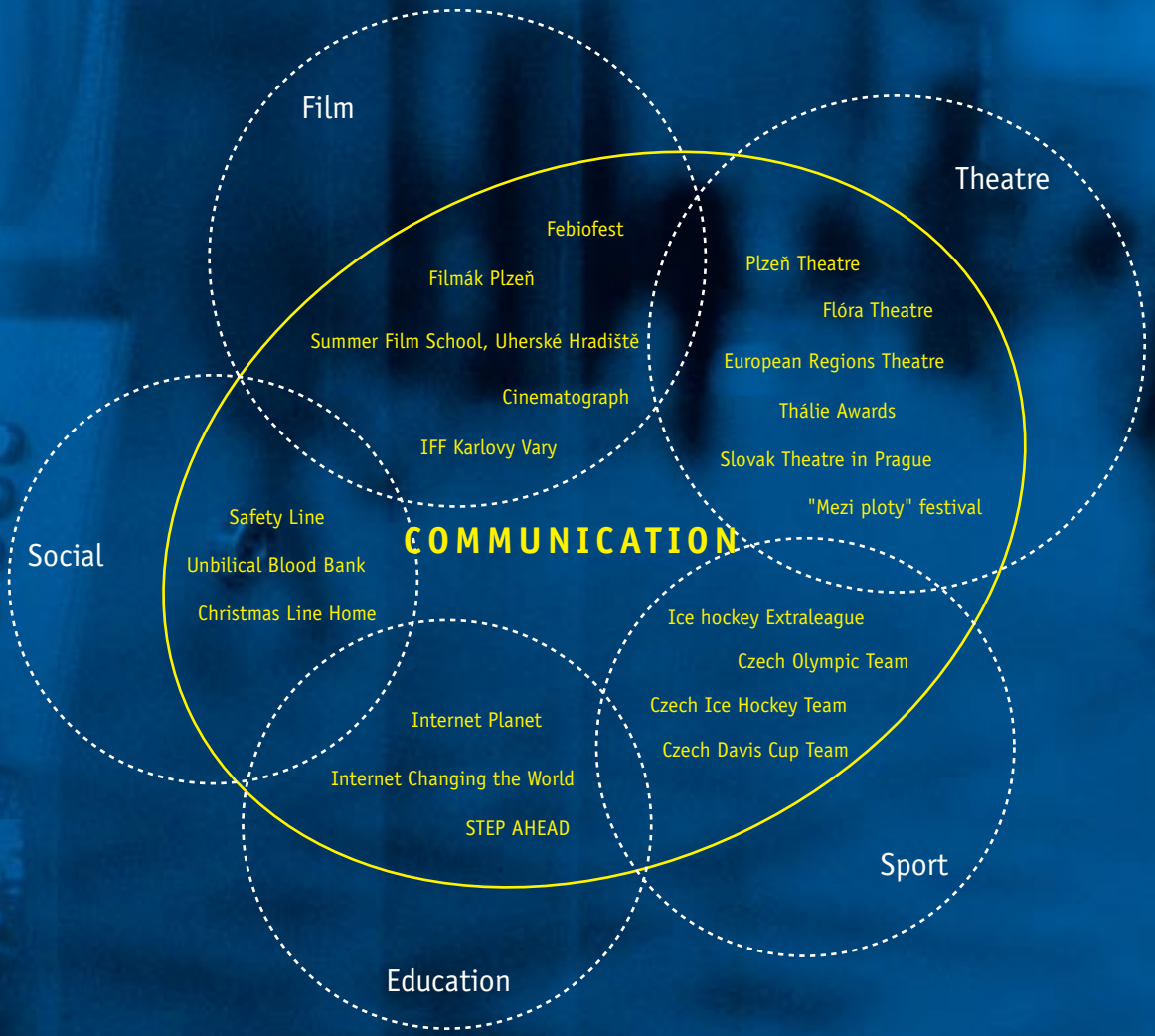



## Data backbone gets stronger

With the nation's largest data and Internet network, we are able to satisfy the growing need for data services. The data network is comprised of two levels. The first is used for Frame Relay/ATM services, and the second for Internet protocol. Backbone capacity is 2.5 Gbit/s. Edge capacity is 155Mbit/s and 622 Mbit/s.

STRUCTURE OF THE DATA NETWORK





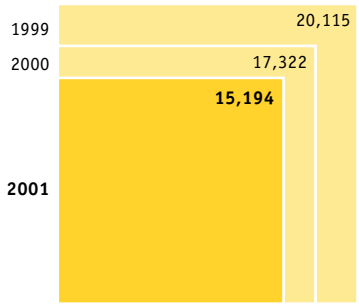

## The many faces of communication

Theatre and film express the range of human emotions, develop personal experiences, and enhance dialogue through time and space. Sports bring self-realisation for countless people, both to athletes and to fans. By supporting cultural, athletic, educational, and charity projects where people come together, create contacts, and find new friends, we fulfil our mission – to bring people together.

**D**

**One-touch Dial**

**Safety Line**




**Number of employees (as at 31.12.01)**

This new approach of company management has contributed to the optimisation of the number of employees during the downsizing of the company. This resulted in the reduction of our workforce by 2,128 employees in 2001. Redundant employees could benefit from our support program during their search for new jobs. We also reinforced the role of internal HR advisors, which resulted in improved services for our employees and helped streamline costs. A large part of out HR agenda has been transferred to a new Human Resource Information System (HRIS). The requirements of the liberalised telecommunications market and the fast pace of this progressive industry were also reflected in the curriculum of our training programs. Implementing the latest methods, traditional staff training techniques were extended by our "Virtual University" program which won the HR Excellence Award for 2001.

We have also altered our remuneration and motivation program by accentuating the relationship between the reward amount and the work results of individuals, teams, and the entire organisation. We have also evaluated the intellectual capital of the company with the goal of creating a methodology for its more effective use in the following years.

During 2001, we succeeded in strengthening the awareness of the importance of every employee in the successful accomplishment of our business goals.

## Breaking down communication barriers

The Czech public does not perceive ČESKÝ TELECOM solely as a large and successful telecommunications company: we have became an integral part of public and social life as well. We support quality social benefit projects in culture, sports, education, and charity. These projects break down communication barriers, bring people closer, and generate new ideas. And so do we.

Czech culture has a reliable partner in ČESKÝ TELECOM, just like our customers do. During 2001, we were partners to 20 theatre and film projects, which bring exceptional art to the Czech public. These include the Thálie Awards Ceremony (the largest event in Czech theatre), the world-renowned Film Festival in Karlovy Vary, and Febiofest, another film festival unique in its range.

We value the professionalism of ČESKÝ TELECOM ice hockey extraleague players, the preparedness of Czech Olympic team members, and the team spirit and drive of Davis Cup tennis players – whose values both inspire us and symbolise our relationship with customers and partners.

We also provide a protective hand for the needy and vulnerable. We maintain long-term cooperation with the Our Child Foundation and provide toll-free calls to our Safety Line for children across the Czech Republic. Every day, over 2,000 children

**We support quality social benefit projects in culture, sports, education, and charity. These projects break down communication barriers, bring people closer, and generate new ideas. And so do we.**

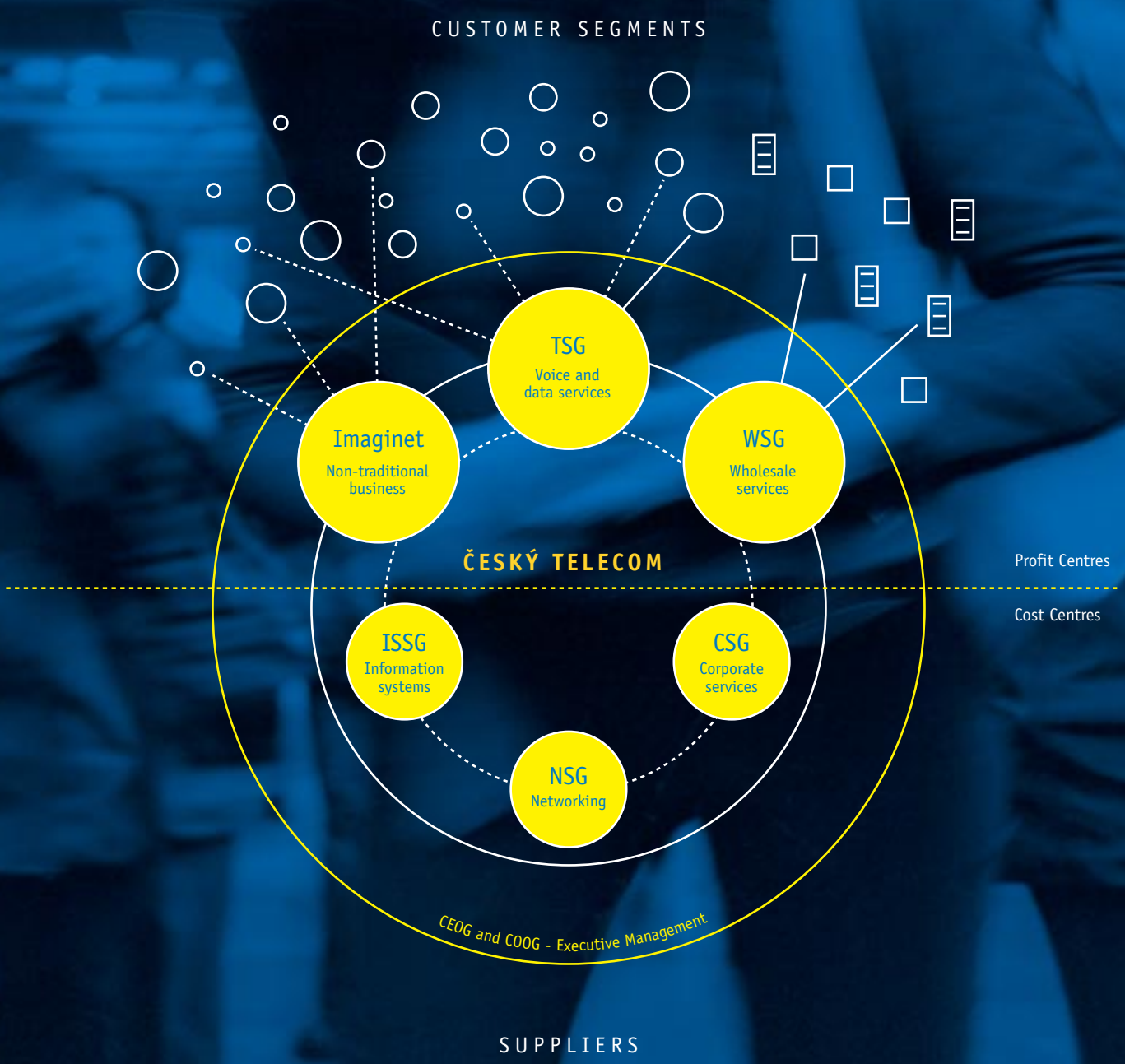
contact Safety Line operators with their problems. In 2001, we extended the service to include a "one-touch dial" on our new public phones, which means that children can get through even without knowing the number. We also participated in the development of an Umbilical Blood Bank to help treat children with serious blood disorders.

We also participate in educational programs for grammar and high school students. Our Internet Planet and Internet Changing the World seminars, dedicated to the practical use of the Internet, were attended by over 33,000 students and teachers in 2001. We also prepared another year of our STEP AHEAD training program for university students, providing information about aDSL technologies and introducing ČESKÝ TELECOM as an attractive potential employer.

Though our business focuses a great deal on new technologies, we are also concerned with preserving the Czech Republic's vast historical heritage. ČESKÝ TELECOM, together with Eurotel Praha, has co-financed the refurbishment of the St. Anna church in Prague, organised by Dagmar and Václav Havel's foundation Vision '97.

For the third year in a row, Eurotel Praha gave children who are forced to spend Christmas in the hospital a free Christmas line home. Eurotel Praha supports the Drop of Hope Foundation assisting children with blood disorders. Eurotel Praha also contributes to overcoming the communication barriers of disabled people. In 2001, 900 mobile phones with Go SIM cards and Go prepaid cards for the symbolic price of CZK 1 were donated to the United Association of the Blind and Sight Impaired and the Czech Association of the Hearing Impaired. Eurotel Praha also provides free calls to a number of non-profit organisations.

We are not only part of Czech society, but also part of the global community. We are aware of our responsibility and seek to ensure that all of our activities have minimum negative impact on the environment. To this end in 2001 we launched a pilot program of our internal Environmental Management System (EMS). We place special attention on the handling of waste and chemical substances and on the overall conservation of energy and resources. We have succeeded in permanently decreasing the volume of waste materials, especially hazardous waste, the yearly production of which has been reduced more than 11 times since 1996. Dangerous substances, materials, and equipment used in company operations are gradually being replaced by more modern and environmentally-friendly resources. The increasing use of telecommunications services in the Information Age brings many positive changes for environmental protection and continuous development. Due to the large increase in telecommunications, we are a major contributor to energy conservation and help to minimise the negative impact of traditional means of transportation.




## Business Model in action

Our new Business Model management structure clearly defines the financial goals and responsibilities of each group. The sensitive combination of line, project, and management methods enables us to react flexibly our customers' expectations and meet the needs of the liberalised market and the anticipated development of new technologies. The Business Model is our pathway to success.

SEGMENTS

- Mass market
- Small and medium enterprises
- Large enterprises
- Internet service providers
- Other licensed operators

## Organisational structure of the company

The launch of the Business Model brought major changes in the organisational structure of ČESKÝ TELECOM. Since 1 May 2001, in addition to our business units, whose mission is to offer top-quality services, we have also established service and support units, which create the necessary background for the business units to operate.

ORGANISATIONAL STRUCTURE (valid from 1.5.2001)

Number of employees (as at 31.12.2001)

# Corporate governance

**Board of Directors as at 31 December 2001**

**Ondřej Felix**
*Chairman of the Board*
**André Frans Bessel Kok**
*First Vice-Chairman of the Board*
**Přemysl Klíma**
*Second Vice-Chairman of the Board*
**Marcela Gürlichová**
*Member of the Board of Directors*
**Miloslav Hejnák**
*Member of the Board of Directors*
**Jan Juchelka**
*Member of the Board of Directors*
**Jiří Němec**
*Member of the Board of Directors*
**Günter Heinz Pfeiffer**
*Member of the Board of Directors*
**Robert Jan Terwiel**
*Member of the Board of Directors*

**Supervisory Board as at 31 December 2001**

**Michal Tošovský**
*Chairman of the Supervisory Board*
**Gerardus Johannes Klein Bluemink**
*First Vice-Chairman of the Supervisory Board*
**Lubomír Vinduška**
*Second Vice-Chairman of the Supervisory Board*
**Dominik Louis Böhler**
*Member of the Supervisory Board*
**Pavel Herštík**
*Member of the Supervisory Board*
**Miloslav Krch**
*Member of the Supervisory Board*
**Louis Johan Lampe**
*Member of the Supervisory Board*
**Vladimír Měšťan**
*Member of the Supervisory Board*
**Jan Schwarzer**
*Member of the Supervisory Board*
**Zdeněk Šámal**
*Member of the Supervisory Board*
**Jan Škurek**
*Member of the Supervisory Board*
**Zdeněk Švrček**
*Member of the Supervisory Board*
**Luboš Vaněk**
*Member of the Supervisory Board*
**Václav Wagner**
*Member of the Supervisory Board*
**Ladislav Zelinka**
*Member of the Supervisory Board*

**ČESKÝ TELECOM places great importance on being seen by its shareholders, potential investors, the public, and its business partners as a transparent and stable company. Building on its leading position on the Czech telecommunications market and on its blue chip status on the Prague Stock Exchange, ČESKÝ TELECOM intends to be at the forefront of Czech companies aiming to improve corporate governance standards as outlined in the Code of Corporate Governance issued by the Czech Securities Commission, which is based on OECD guidelines and the Combined Code of the London Stock Exchange. ČESKÝ TELECOM thus assumes international principles of best practice in corporate governance beyond the requirements of Czech law. In doing so, the company contributes to the effective functioning of the market economy in the Czech Republic, based on the observance of the highest standards of ethical business practice.**

**2001 marked a significant shift toward the improvement of ČESKÝ TELECOM's corporate governance system. The annual General Meeting of Shareholders held on 15 June 2001 authorised a substantial revision of the company's Articles of Association as required by amendments to the Commercial Code, and the Articles of Association now meet all basic principles as defined in the Code of Corporate Governance. The subsequent abolishment of the Operating Committee and the definition of the competencies of line management, which respects the general principles of the division of responsibilities between the Board of Directors and top management, completes the transformation to the standard model of governance of a joint-stock company common in countries with a long-term market economy tradition.**

# Board of Directors

**(as at 30 April 2002)**

**Ondřej Felix (*1954)**
*Chairman of the Board of Directors*
Graduated in computer science from the Czech Technical University in Prague. Worked at the Federal Statistical Office, the Czech branch of ICL, and APP systems. Served as General Director of Oracle's Czech branch and later as Director of Oracle's Public Services for Central and Eastern Europe. He is the First Vice-Chairman of the Information Society Association and a member of the Board of Trustees of Masaryk University in Brno. He has been Chairman of the Board of Directors of ČESKÝ TELECOM since 1 December 2001.

**André Frans Bessel Kok (*1941)**
*First Vice-Chairman of the Board of Directors*
Studied economics at the University of Amsterdam. Worked for S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication) and BELGACOM. He has been Chief Executive Officer of TelSource N.V. since 1995. He serves as Chief Operating Officer of ČESKÝ TELECOM.

**Přemysl Klíma (*1943)**
*Second Vice-Chairman of the Board of Directors*
Graduated in inorganic chemistry from the Faculty of Natural Sciences of Charles University. Worked in the Research Institute of Telecommunications Technologies. Founded the company DATTEL. He joined ČESKÝ TELECOM in March 1999 and has been its Chief Executive Officer since 15 July 1999.

**Jan Juchelka (*1971)**
*Member of the Board of Directors*
Graduated from the Business and Management School of the Silesian University in Karviná. Joined the National Property Fund of the Czech Republic in 1995 and has served as Second Vice-Chairman of its Executive Committee since April 2000. He is a member of the Supervisory Boards of Komerční banka and Severočeská energetika.

**Marcela Gürlichová (*1941)**
*Member of the Board of Directors*
Graduated in telecommunications operation and economy from the Transport University and from the University of Economics in Prague. She has worked at Montažní podnik spojů, the Federal Ministry of Communications, the Ministry of Economy, ČESKÝ TELECOM and at the Czech Telecommunications Office attached to the Ministry of Transport and Communications of the Czech Republic. She is currently Deputy Minister of Transport and Communications for postal services, telecommunications, and information systems.

**Miloslav Hejnák (*1957)**
*Member of the Board of Directors*
Graduated from the University of Economics in Prague. He began his career at the Institute of Economics of the Czech Academy of Sciences. Between 1998 and 2001 he was Deputy Minister of Finance of the Czech Republic for banking, insurance, methodology, and price regulation. Currently he is Chairman of the Supervisory Board of TECHNOEXPORT and Česká inkasní, Vice-Chairman of the Supervisory Board of Hotelinvest, member of the Supervisory Board of Česká spořitelna and Executive of Capricure.

**Jiří Němec (*1946)**
*Member of the Board of Directors*
Graduated in telecommunications technology from the Czech Technical University in Brno. He has worked for ČESKÝ TELECOM (or its predecessor companies) since 1971. During this time, he has held a number of technical and management positions, the most important of which was Director of the Moravia Region. Currently he is a consultant in the Chief Operating Officer Group.

**Marten Pieters (*1953)**
*Member of the Board of Directors*
Graduated from the Law Faculty of the State University of Groningen, the Netherlands. He worked in the food-processing industry for over 10 years, and spent five years as Financial Director of an international company. Since 1989 he has worked at KPN Royal Dutch Telecom and currently, as a member of KPN's management board, he is responsible for the DATA/IP and Foreign Participation Divisions. He is a member of the Supervisory Board of KPNQwest Netherlands and TelSource N.V. and Chairman of the Supervisory Board of XANTIC, a provider of satellite services.

**Günter Heinz Pfeiffer (*1958)**
*Member of the Board of Directors*
Graduated from the University of Economics in Bonn. Worked as a researcher at the University of Cologne, where he specialised in telecommunications economy. He has also worked at Detecon GmbH, T-Mobile, and VEBA Telecom GmbH. Since 2000 he has been the Head of the Participation Management Division at Swisscom AG. He serves as Chairman of the Supervisory Board of TelSource N.V., and as member of the Board of Directors of Swisscom Multimedia B.V.

**The following changes in the composition of the Board of Directors took place in 2001**

**Marten Pieters**
*resigned on 16 January 2001*
**Günter Heinz Pfeiffer**
*elected by the General Meeting on 15 June 2001*
**Robert Jan Terwiel**
*co-opted on 16 January 2001*
*confirmed by the General Meeting on 15 June 2001*
**André Frans Bessel Kok**
*dismissed and re-elected by the General Meeting on 15 June 2001*
**Lorne Rupert Somerville**
*dismissed by the General Meeting on 15 June 2001*
**Ivan Pilný**
*resigned on 21 November 2001*
**Ondřej Felix**
*co-opted on 21 November 2001 as member of the Board*
*Chairman of the Board since 1 December 2001*
**Marcela Gürlichová**
*co-opted on 19 December 2001*

**Changes in January 2002**

**Marten Pieters**
*co-opted on 16 January 2002*
**Robert Jan Terwiel**
*resigned on 16 January 2002*

# Supervisory Board Report

In 2001, the Supervisory Board of ČESKÝ TELECOM, in accordance with the company's Articles of Association, oversaw the activities of the Board of Directors and the fulfilment of the company's Business Plan. The members of the Supervisory Board are authorised to check whether ČESKÝ TELECOM's business activities are performed in compliance with the law, the Articles of Association, and the principles and policies approved at the General Meeting.

The Supervisory Board monitored on an ongoing basis the activities of ČESKÝ TELECOM and the key decisions carried out by the Board of Directors and management, and addressed the initiatives of its members. All materials and information necessary for the performance of its activities were provided to the Supervisory Board by the Board of Directors and management.

During its meeting on 27 March 2002, the Supervisory Board reviewed the audited annual financial statements for 2001 (before consolidation and after consolidation) based on international and Czech accounting standards and recommended it to the General Meeting for approval.

Prague, 27 March 2002

**Michal Tošovský**
*Chairman of the Supervisory Board*

# Supervisory Board
**(as at 30 April 2002)**

**Michal Tošovský (*1951)**
*Chairman of the Supervisory Board*
Member of the Presidium of the National Property Fund of the Czech Republic (until March 2002). Managing Director of a private medical centre.

**Gerardus Johannes Klein Bluemink (*1960)**
*First Vice-Chairman of the Supervisory Board*
Country Manager at KPN Telecom B.V. for the Czech Republic. Holds board positions in KPN Telecom B.V. and several Czech companies. President of TelSource N.V.

**Lubomír Vinduška (*1956)**
*Second Vice-Chairman of the Supervisory Board*
Head of the Transport and Mechanisation Division for the Prague Region at ČESKÝ TELECOM. Vice-Chairman of the Coordination Committee of the Trade Union of ČESKÝ TELECOM, and Chairman of the Coordination Committee of the Trade Union of ČESKÝ TELECOM, Prague region.

**Dominik Louis Böhler (*1963)**
*Member of the Supervisory Board*
Participation Manager at Swisscom AG for ČESKÝ TELECOM. Member of the Supervisory Boards of TelSource N.V. and TelSource Services B.V.

**Pavel Herštík (*1951)**
*Member of the Supervisory Board*
Head of the Organisation and Management Development Division at ČESKÝ TELECOM. Chairman of the Co-ordination Committee of the Trade Union of ČESKÝ TELECOM.

**Miloslav Krch (*1958)**
*Member of the Supervisory Board*
Director of the Prague Region at ČESKÝ TELECOM.

**Louis Johan Lampe (*1941)**
*Member of the Supervisory Board*
General Manager of the Prague Branch of TelSource N.V. until November 2001. Member of the Board of Directors of the Netherlands Trade Chamber in Prague.

**Vladimír Měšťan (*1953)**
*Member of the Supervisory Board*
Director of the Control Department at the Ministry of Transport and Communications of the Czech Republic (until mid April 2002). Vice-Chairman of the Supervisory Board of the Czech Airports Authority.

**Zdeněk Šámal (*1941)**
*Member of the Supervisory Board*
President of the Trade Union of Postal, Telecommunications, and Newspaper Services.

**Jan Škurek (*1971)**
*Member of the Supervisory Board*
Head of the Strategic Privatisation Division of the National Property Fund of the Czech Republic. Member of the Supervisory Board of Severomoravská plynárenská.

**Jan Schwarzer (*1953)**
*Member of the Supervisory Board*
Director of the Moravia-Silesia Region at ČESKÝ TELECOM.

**Zdeněk Švrček (*1956)**
*Member of the Supervisory Board*
Member of the Czech Parliament and Vice-Chairman of its Economy Committee. Member of the Supervisory Board of EXIMO.

**Luboš Vaněk (*1964)**
*Member of the Supervisory Board*
Director of the Secretariat of the Chairman of the Executive Committee of the National Property Fund of the Czech Republic. Chairman of the Supervisory Board of Severomoravská energetika, and MERO ČR; member of the Supervisory Board of Transgas.

**Václav Wagner (*1936)**
*Member of the Supervisory Board*
Deputy Director of the Price Control Division at the Ministry of Finance of the Czech Republic.

**Ladislav Zelinka (*1955)**
*Member of the Supervisory Board*
Deputy Minster of Finance of the Czech Republic. Chairman of the Board of Directors of Česká exportní banka, Exportní garanční a pojišťovací společnost and SDF.

**The following changes in the composition of the Supervisory Board took place in 2001**

**Günter Heinz Pfeiffer**
*resigned on 26 April 2001*
**Dominik Louis Böhler**
*co-opted on 26 April 2001*
*confirmed by the General Meeting on 15 June 2001*
**Jiří Havel**
*dismissed by the General Meeting on 15 June 2001*
**Zdeněk Hrubý**
*dismissed by the General Meeting on 15 June 2001*
**Jan Škurek**
*elected by the General Meeting on 15 June 2001*
**Ladislav Zelinka**
*elected by the General Meeting on 15 June 2001*

# Governing bodies

**General Meeting**
The General Meeting, which is comprised of the company's shareholders, decides on fundamental economic, organisational and business matters. Its rights and authority are determined by the Commercial Code and ČESKÝ TELECOM's Articles of Association. As a rule, the General Meeting is convened by the Board of Directors once a year.

**Supervisory Board**
The Supervisory Board has 15 members and supervises the activities of the Board of Directors as well as oversees the implementation of ČESKÝ TELECOM's business plans. Its members, rights, and authority are determined by the Commercial Code and by ČESKÝ TELECOM's Articles of Association. The Supervisory Board meets at least once every three months.

**Board of Directors**
The Board of Directors consists of nine members and is the statutory body governing and acting on behalf of ČESKÝ TELECOM. The Board of Directors decides all matters other than those delegated to the General Meeting, pursuant to the law or the company's Articles of Association. The Board of Directors meets at least once every month.

# Executive management

**President & CEO**
The office of President & CEO, as established within the company, is responsible for the routine business management of the company. This power is executed within the scope determined by the Board of Directors and General Meeting, and the Supervisory Board if necessary. The President & CEO is also responsible for ensuring the exercise of employee rights and represents the company vis-à-vis third parties.

**Senior Management Committee**
The Senior Management Committee (SMC) serves as the advisory body to the President & CEO to assist in the routine business management of the company. The SMC is comprised of lead managers of each division of the company, including Imaginet, o.z. The SMC, chaired by the President & CEO, meets once a week.

**Senior Management Committee**

**Přemysl Klíma**
*President & CEO, Chairman of SMC*

**Juraj Šedivý**
*Executive Vice-President*
*Corporate Services Group*

**George Jiri Jankovic**
*Executive Vice-President*
*Telecommunications Services Group*

**Petr Slováček**
*Executive Vice-President*
*Networks Group*

**André Frans Bessel Kok**
*Chief Operating Officer,*
*Vice-Chairman of SMC*

**Radek Soušek**
*Acting Manager of ČESKÝ TELECOM, a.s.*
*– Imaginet, o.z.*

**Pavel Jiroušek**
*Executive Vice-President*
*Wholesale Services Group*

**David Fox**
*Executive Vice-President*
*Information Support Systems Group*

# Declaration of Compliance with the Standards of Proper Management and Administration of a Joint-stock Company

**Committees established by the Board of Directors**

-- The Conflict of Interest Committee
-- The Remuneration Committee
-- The Audit Committee
-- The Legislative and Regulatory Issues Committee
-- The Strategic Investment Committee
-- The Security Committee

**Corporate governance**

The shareholders of ČESKÝ TELECOM have a deep-seated interest in appointing professionals to serve as members of the company's corporate bodies. Both executive and non-executive members have the prerequisite personal and professional qualifications to serve as members of the Board of Directors and Supervisory Board.

**The Board of Directors** of the company has nine members, seven of whom are non-executive members. The Chairman of the Board of Directors, Ondřej Felix, has broad experience in the information technology business and customer relations in both the Czech Republic and abroad. Přemysl Klíma, ČESKÝ TELECOM's President & CEO, has extensive experience in the telecommunications industry through his development and management of a start-up telecommunications company. The second executive member of the Board of Directors, André Frans Bessel Kok, also serves as the company's Chief Operations Officer. He played an active role in the creation of the S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication) system and has served as CEO of BELGACOM, the Belgian national telecommunications carrier.

Jan Juchelka is the Second Vice-Chairman of the Executive Committee of the National Property Fund of the Czech Republic, and Marcela Gürlichová is the Deputy Minister of Transport and Communications of the Czech Republic for the division of Postal Services, Telecommunications and Information Systems.

Jiří Němec has long-term experience in telecommunications services. Miloslav Hejnák is an accounting and financial management professional. Günter Pfeiffer and Marten Pieters have the professional and ethical dispositions to serve as members of ČESKÝ TELECOM's Board of Directors, based on their past and present positions, respectively, at Swisscom AG and KPN Royal Dutch Telecom.

The company's Articles of Association and other basic governing documents specify that the Board of Directors shall act as the company's statutory body. The Board of Directors is fully responsible for this function as defined in the Commercial Code and executes this role with due care.

**The Supervisory Board** of ČESKÝ TELECOM has fifteen members. In addition to five representatives of company employees, the Supervisory Board includes three members appointed by the shareholder TelSource N.V.: John Klein Blumenink, Country Manager for KPN Telecom B.V. for the Czech Republic and President of TelSource N.V.; Dominik Böhler, Manager of capital participation of Swisscom AG for ČESKÝ TELECOM; and Louis Lampe, formerly General Manager

of the Prague branch of TelSource N.V. The members of the Supervisory Board who are representatives of the majority shareholder are: Luboš Vaněk and Jan Škurek, both employees of the National Property Fund of the Czech Republic; Vladimír Měšťan, Director of Control of the Ministry of Transport and Communications of the Czech Republic until mid April 2002; Václav Wagner, Deputy Director of the Price Control Division of the Ministry of Finance of the Czech Republic; and Ladislav Zelinka, Deputy Minister of Finance of the Czech Republic.

The remaining members of the Supervisory Board add to the Supervisory Board's professional scope and can be considered as independent members vis-à-vis their relationship with the main shareholders. These are Zdeněk Švrček, member of the Czech Parliament specialising in telecommunications; Michal Tošovský, Managing Director of a private medical centre, who serves as the Chairman of the Supervisory Board; and Zdeněk Šámal, Vice-President of the Trade Union of Postal, Telecommunications and Newspaper Services, who is not employed by ČESKÝ TELECOM and was elected to the Supervisory Board by ČESKÝ TELECOM's employees.

The Articles of Association specify that the General Meeting elects and recalls members of the Board of Directors and members of the Supervisory Board of ČESKÝ TELECOM.

The proper structuring of the company's administration and management procedures guarantees that members of the Board of Directors and Supervisory Board have timely and complete access to all important company information. The timely informing of the members of corporate bodies and decision making based on carefully prepared materials is codified by the Rules of Procedure governing the meetings of the Board of Directors and the Supervisory Board, in the Status of the Secretary of the corporate bodies, and in the Company Management Document, which set out the rules and procedures governing the corporate bodies.

The above documents prescribe the deadlines by which basic materials to be included on the agenda of meetings of the corporate bodies must be received, including requirements on the format and content of such documents. Members of management who submit material are usually invited to Board of Directors meetings to provide additional information and explanation. Members of corporate bodies may request external legal advice or make use of independent consulting companies.

In 2001, a total of 13 Board of Directors meetings, six meetings of the Supervisory Board, and two specialised workshops for members of corporate bodies focusing on key company issues were held.

Changes in the membership of corporate bodies were realised following the decision of the shareholders at the General Meeting of 15 June 2001. During the subsequent period (till 30 April 2002), two additional changes to the membership of the Board of Directors took place, both as a result of the resignation of members. Ivan Pilný and Robert Terwiel resigned in order to continue their professional careers in other commercial companies. Co-opted members – Ondřej Felix and Marten Pieters – were nominated and elected as replacement members of the Board of Directors based on their professional and personal qualifications.

Since 1995, the organisational and management structure of ČESKÝ TELECOM has consistently kept as distinct the position of President & CEO from the position of the Chairman of the Board of Directors.

ČESKÝ TELECOM has had a Secretary of the corporate bodies since autumn 1997. Since February 2000, the position has been under the direct authority of the Board of Directors. The latest revision to the Articles of Association includes specifications for the position of Secretary as of 15 June 2001. The Articles of Association, Rules of Procedure of the corporate bodies, and other corporate governance documents authorised by the Board of Directors delegate wide-ranging responsibilities to the Secretary to support the executive management of the company.

**Shareholder relations**

ČESKÝ TELECOM fulfils all its legal disclosure duties toward shareholders and other subjects. The company also strives for information openness, efforts that have been recognised by the company's receipt of the Paegas Signum Temporis Award for 2000 for Information Openness. ČESKÝ TELECOM has been similarly appraised for 2001, when it ranked second among the companies with the most open information policy in the Czech Republic.

ČESKÝ TELECOM consistently ensures the proper and equal treatment of all its shareholders during General Meetings and during interim periods. The General Meeting Rules of Procedure enable the receipt of and reply to all shareholder questions concerning the General Meeting's agenda. All members of the corporate bodies are present at General Meetings. Authorised representatives of shareholders may take part in General Meetings after fulfilling their legal obligations. Shareholders are given detailed resumes of all nominated members of the corporate bodies, showing their professional and personal qualifications for the suggested positions.

The Chairmen of the Board of Directors Committees, who are also members of the corporate bodies, were present at the regular General Meeting of the company in 2001, as in preceding years, and were available to answer shareholder questions.

ČESKÝ TELECOM uses different media to inform its shareholders of company matters. Besides publication of such information in daily newspapers as specified in the Articles of Association and in specialised publications (e.g., the Commercial Bulletin), ČESKÝ TELECOM's website contains a special section for investors and shareholders with up-to-date information in both Czech and English.

**Open information policy and independence issues**

ČESKÝ TELECOM ensures that internal company information that could assist the members of the corporate bodies and other persons privy to company information, e.g., the Secretary of the corporate bodies and members of top management, in gaining unfair benefit from trading with company shares, is not exploited. An internal company regulation has been adopted by the corporate bodies for this purpose. It specifies the conditions under which members of the corporate bodies and other mentioned persons are allowed or disallowed to dispose of shares in ČESKÝ TELECOM vis-à-vis the possibility of unauthorised use of internal company information. Observance of this regulation by the members of the corporate bodies is monitored by the Board of Directors' Conflict of Interest Committee. The above committee also evaluates whether the members of the corporate bodies fulfil the legal obligations of the ban on competition and conform to the legal requirements for members of the corporate bodies at least twice a year, based on their sworn affidavits.

ČESKÝ TELECOM consistently informs securities and exchange commissions of all facts concerning the business, ownership, and management of the company. Such information is provided above the level required by law.

**Committees established by the Board of Directors**

The establishment of Board of Directors committees, their responsibilities, and the appointment of their members are regulated in the Articles of Association. The Board of Directors has established a total of six committees, which consist of members of the Board of Directors, as well as members of the Supervisory Board and company employees.

The Conflict of Interest Committee consists of two members of the Board of Directors – M. Gürlichová and O. Felix, and two members of the Supervisory Board – V. Měšťan and L. Vaněk.

The Remuneration Committee is a joint committee of the Board of Directors and the Supervisory Board and consists of three members of the Board of Directors – M. Gürlichová, P. Klíma and B. Kok and one member of the Supervisory Board – M. Tošovský.

The committee recommends, in keeping with the rules of remuneration set forth by the General Meeting, the total yearly sum of remuneration authorised by the shareholders and the specific amounts of remuneration to the individual members of the company's corporate bodies under valid legal regulations. It also presents suggestions for the remuneration of company employees appointed by the Board of Directors. The Board of Directors intends to extend the authority of this committee to the nomination of members of the corporate bodies and candidates for positions within the corporate bodies.

The Audit Committee is also a joint committee of the Board of Directors and the Supervisory Board. Its primary goal is to serve as a link between Internal audit and the corporate bodies, including the evaluation of audit reports and the formulation of recommendations for the Board of Directors. It also monitors the observance of the Internal audit code of ethics, schedules audits, and evaluates the adequacy of ČESKÝ TELECOM's integrated control mechanisms. In accordance with the Status of the Audit Committee, the committee is presided by the Chairman of the Supervisory Board, M. Tošovský, and consists of the Chairman of the Board of Directors, O. Felix, and a Board of Directors member representing the shareholder TelSource N.V. – G. Pfeiffer. The director of the Internal audit department is also a member of this committee.

The following three Board of Directors committees were established as specialised advisory bodies, whose goal is to formulate recommendations for the Board of Directors in professional matters within the jurisdiction of these committees. The Legislative and Regulatory Issues Committee consists of four members of the Board of Directors, one member of the Supervisory Board, and two company managers. It is primarily concerned with compliance with the Telecommunications Act, legal standards, and regulatory issues. The Strategic Investment Committee has four members and consists entirely of non-executive members of the Board of irectors and provides consulting in the areas of acquisitions, joint-ventures, and key strategic-financial decisions. The Security Committee has four members, two of whom are members of the Board of Directors, one of whom is a member of the Supervisory Board, and the fourth member is the director of the company's security department. The committee was established primarily to ensure compliance with Act no. 148/1998 Coll. in ČESKÝ TELECOM. The authority of this committee was extended to include the protection of personal information in 2001.

The Conflict of Interest Committee meets at least twice each year. The Legislative and Regulatory Issues Committee and Strategic Investment Committee usually convene four times a year. Meetings of the Remuneration Committee and the Security Committee are called as necessary, usually three to five times a year. The Audit Committee usually meets ten times a year. The committees usually meet before the meeting of the Board of Directors. The activities of the committees are coordinated by the Secretary of the corporate bodies. Conclusions from individual committee meetings are brought to the meetings of Board of Directors and the Supervisory Board, and their main recommendations become part of the resolutions of ČESKÝ TELECOM's corporate bodies.

**Policy toward participating parties**

As mentioned above, ČESKÝ TELECOM continually and systematically strives to fulfil all its legal information obligations. The company places great importance on providing information above statutory requirements, with the aim of being a transparent and attractive partner for its present and future investors, a reliable neighbour in local communities, and a good corporate citizen of the Czech Republic.

# Financials

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## General information

ČESKÝ TELECOM, a.s., (the "Group") consists of ČESKÝ TELECOM, a.s., (the "Company") and its subsidiaries, SPT TELECOM (Czech Republic) Finance B.V., EDINet.cz, s.r.o., M.I.A., a.s., OMNICOM Praha, s.r.o., asp1000, s.r.o. and Centrade, a.s., and the proportionally consolidated joint venture Eurotel Praha, s.r.o. ("Eurotel"). The Company is the principal supplier of telecommunication services in the Czech Republic, and Eurotel is one of three suppliers of mobile telephone services in the Czech Republic. Other subsidiaries, with the exception of SPT TELECOM (Czech Republic) Finance B.V., provide Internet and data network services.

The average number of employees in the Group was 17,037 in 2001 (2000: 19,669).

ČESKÝ TELECOM, a.s., is a joint stock company and is incorporated and domiciled in the Czech Republic. The address of its registered office is Olšanská 55/5, Prague 3, 130 34, Czech Republic.

The Company is listed on the Prague Stock Exchange and London Stock Exchange (GDRs).

PRICEWATERHOUSECOOPERS

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## Report of independent auditors to the shareholders of ČESKÝ TELECOM, a.s.

We have audited the accompanying consolidated balance sheet of ČESKÝ TELECOM, a.s. (the "Company") as at 31 December 2001, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2001, and the results of its operations, its changes in equity and its cash flows for the year then ended in accordance with International Accounting Standards.

26 March 2002

PricewaterhouseCoopers Audit, s.r.o.

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

## Consolidated income statement

| (in CZK millions) | Notes | Year ended 31 December 2001 | Year ended 31 December 2000 |
|---|---|---|---|
| Revenue | 2 | 55,900 | 57,224 |
| Operating expenses | 3 | (45,785) | (45,153) |
| *Operating profit* | | *10,115* | *12,071* |
| Contributed services | 4 | - | (634) |
| Finance costs | 5 | (1,344) | (2,323) |
| *Profit before tax* | | *8,771* | *9,114* |
| Tax | 6 | (2,699) | (2,758) |
| **Net profit** | | **6,072** | **6,356** |
| Earnings per share (CZK) – basic | 7 | 19 | 20 |

## Consolidated balance sheet

| (in CZK millions) | Notes | 31 December 2001 | 31 December 2000 |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | 8 | 126,630 | 129,005 |
| Intangible assets | 9 | 13,169 | 9,336 |
| Available–for-sale investments | 12 | 1,023 | 3,184 |
| *Non-current assets* | | *140,822* | *141,525* |
| Inventories | 10 | 1,925 | 1,804 |
| Receivables and prepayments | 11 | 8,857 | 9,480 |
| Available-for-sale investments | 12 | 2,147 | 5,834 |
| Cash and cash equivalents | 13 | 5,346 | 1,734 |
| *Current assets* | | *18,275* | *18,852* |
| **Total assets** | | **159,097** | **160,377** |
| **EQUITY AND LIABILITIES** | | | |
| Ordinary shares | 22 | 32,209 | 32,209 |
| Share premium | 22 | 30,816 | 30,816 |
| Retained earnings and reserves | 22 | 43,998 | 40,782 |
| *Share capital and reserves* | | *107,023* | *103,807* |
| *Minority interest* | | *39* | - |
| Borrowings | 15 | 19,202 | 29,629 |
| Deferred taxes | 16 | 11,184 | 10,046 |
| *Non-current liabilities* | | *30,386* | *39,675* |
| Borrowings | 15 | 7,801 | 3,481 |
| Trade and other payables | 14 | 13,848 | 13,260 |
| Provisions for liabilities and charges | 18 | - | 154 |
| *Current liabilities* | | *21,649* | *16,895* |
| **Total liabilities** | | **52,035** | **56,570** |
| **Total equity and liabilities** | | **159,097** | **160,377** |

## Consolidated statement of changes in shareholders' equity

| (in CZK millions) | Share capital | Share Premium | Hedging reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| *Balance at 1 January 2000* | *32,209* | *30,798* | - | *34,471* | *97,478* |
| Changes in statutory reserves and other movements | - | 18 | - | (45) | (27) |
| Net profit | - | - | - | 6,356 | 6,356 |
| *Balance at 31 December 2000* | *32,209* | *30,816* | - | *40,782* | *103,807* |
| Balance at 1 January 2001 | 32,209 | 30,816 | - | 40,782 | 103,807 |
| Effect of adopting IAS 39 – net | - | - | (10) | (427) | (437) |
| Balance at 1 January 2001 – restated for effect of adopting IAS 39 | 32,209 | 30,816 | (10) | 40,355 | 103,370 |
| Dividend | - | - | - | (2,416) | (2,416) |
| Changes in statutory reserves and other movements | | | 10 | (13) | (3) |
| Net profit | - | - | - | 6,072 | 6,072 |
| **Balance at 31 December 2001** | **32,209** | **30,816** | **-** | **43,998** | **107,023** |

## Consolidated cash flow statement

| (in CZK millions) | Notes | Year ended 31 December 2001 | 31 December 2000 |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 24 | 26,016 | 26,175 |
| Interest paid | | (2,587) | (2,690) |
| Tax paid | | (880) | (986) |
| *Net cash from operating activities* | | *22,549* | *22,499* |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | (12,732) | (12,438) |
| Purchase of intangible fixed assets | | (5,219) | (4,950) |
| Purchase of marketable securities | | (428) | (11,998) |
| Disposal of tangible fixed assets | | 467 | 119 |
| Proceeds from marketable securities | | 6,061 | 5,223 |
| Interest received | | 468 | 342 |
| *Net cash used in investing activities* | | *(11,383)* | *(23,702)* |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | 575 | 1,300 |
| Repayment of borrowings | | (5,733) | (5,667) |
| Dividends - paid | | (2,413) | - |
| *Net cash used in financing activities* | | *(7,571)* | *(4,367)* |
| **Net increase/(decrease) in cash and cash equivalents** | | **3,595** | **(5,570)** |
| Cash and cash equivalents at beginning of year | | 1,676 | 7,114 |
| Effects of exchange rate changes | | (109) | 132 |
| **Cash and cash equivalents at end of period** | **13** | **5,162** | **1,676** |

These consolidated financial statements were approved by the Board of Directors on 26 March 2002 and were signed on its behalf by:

**Ondřej Felix**
*Chairman of the Board of Directors*

**Přemysl Klíma**
*President & CEO*

**Juraj Šedivý**
*Executive Vice-President Corporate Services Group*

## Index to accounting policies


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## Accounting policies

## A) Basis of preparation

The consolidated financial statements of the Group for the year ended 31 December 2001 have been prepared in accordance with and comply with International Accounting Standards ("IAS") as prescribed by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, available-for-sale investments and derivative financial instruments are shown at fair value. The carrying amount of recognised assets and liabilities that are hedged is adjusted to record changes in the fair value attributable to the risks that are being hedged.

In 2001 the Group adopted IAS 39 – Financial Instruments: Recognition and Measurement. The effect of adopting this standard is summarised in the consolidated statement of changes in shareholders' equity, and further information is disclosed in Note E Investments and O Financial instruments and in Notes 19 and 23.

The amounts shown in these financial statements are presented in Czech crowns.

## B) Group accounting

### 1) Consolidation

Subsidiary undertakings, which are those companies in which the Company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date when the Group ceases to have control. All intercompany transactions and balances between Group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

### 2) Joint venture

The Group's interest in the jointly controlled entity is accounted for by proportionate consolidation. Under this method the Company includes its share of the joint venture's individual income and expenses, assets and liabilities in the relevant components of the financial statements. Portions of all intercompany transactions and balances attributable to the Group's interest in the joint venture have been eliminated. Further details about the joint venture are shown in Note 26.

### 3) Foreign currencies

Income statements of the foreign entity are translated into the Group's reporting currency at the weighted average exchange rates for the year, and balance sheets are translated at the exchange rate ruling on 31 December. Exchange differences arising from the retranslation of the net investment in a foreign subsidiary is taken to shareholders' equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the income statement as part of the gain or loss on sale.

Foreign currency transactions in Group companies are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at year-end exchange rates.

## C) Property, plant and equipment

All property, plant and equipment are initially recorded at cost and, except for land, are stated as cost less depreciation.

Property, plant and equipment include all costs directly attributable to bringing the asset to working condition for its intended use. With respect to the network this comprises all expenditures up to customers' premises, including the cost of contractors, materials, direct labour costs and interest costs.

Repairs and maintenance are expensed as incurred.

Where the carrying amount of an asset is higher than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Items of property, plant and equipment that are retired, or otherwise disposed of, are eliminated from the balance sheet, along with the corresponding accumulated depreciation. Any gain or loss arising from retirement or disposal is included in net operating income.

Interest costs are expensed as incurred unless they relate to borrowings that fund capital projects under construction, in which case they are capitalised as part of the costs of these projects during the period of time that is required to complete and prepare the asset for its intended use.

Items of property, plant and equipment, excluding freehold land, are depreciated from the time they are available for use, using the straight-line method.

Estimated useful lives adopted in these financial statements are:

| | 2001<br>Years | 2000<br>Years |
|---|---|---|
| Freehold buildings | 40 | 40 |
| Cable and other related plant | 15 to 20 | 15 to 20 |
| Exchanges and related equipment | up to 10 years | up to 10 years |
| Other fixed assets | 3 to 10 | 3 to 10 |

Land is not depreciated as it is deemed to have an indefinite life.

## D) Intangible assets

Intangible assets include computer software, purchased goodwill and licenses. Computer software represents mainly costs of external acquisition of the information systems that are intended for use within the Group. Generally, costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Group and have probable economic benefit exceeding the cost beyond one year are recognised as intangible assets. Computer software costs recognised as assets are amortised using the straight-line method over their useful lives, generally two to five years.

Software which is integral to, and acquired as part of, digital exchange equipment is recorded with the related tangible fixed asset.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions is reported in the balance sheet as an intangible asset and is amortised using the straight-line method over 15 years.

Acquired licences are capitalised and amortised using the straight-line method over the lifespan of the licence, i.e. over 15 to 20 years.

## E) Investments

At 1 January 2001 the Group adopted IAS 39 and classified its investments into the following categories: trading, held-to-maturity and available-for-sale.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. During the period the Group did not hold any investments in this category.

Investments with fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets. During the period the Group did not hold any investments in this category.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value, whilst held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments and of available-for-sale investments are included in the income statement in the period in which they arise.

Prior to the adoption of IAS 39 the Group had recorded its marketable securities at cost with provisions made to reflect the reduction in the value of the securities when the market value was lower than cost.

## F) Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

## G) Inventories

Inventory is stated at the lower of cost or net realisable value. The cost of inventory is determined using weighted average cost. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. A provision is made for slow-moving and obsolete items.

## H) Trade receivables

Trade receivables are carried at their original invoice amount less provision made for impairment of these receivables. Such provision for impairment of trade receivables is established if there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

## I) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank account balances, short term deposits and liquid investments with an original maturity of three months or less. Cash and cash equivalents are stated without deduction of bank overdrafts repayable on demand. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

## J) Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

## K) Deferred income taxes

Taxation expense represents both current and deferred taxation where appropriate. Deferred income taxation is provided using the liability method applied to all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from differences in the tax and accounting values of property, plant and equipment and provisions to receivables and inventories.

## L) Employee benefits

Contributions are made to the State health, retirement benefit and unemployment schemes at the statutory rates applicable during the period and are based on gross salary payments. The expense for social security payments is charged to the income statement in the same period as the related salary expense. The Group also makes contributions to defined contribution schemes operated by external pension companies. These contributions are charged to the income statement in the period to which the contributions relate.

## M) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, 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. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

## N) Revenue recognition

Revenue of the Group comprises charges in respect of services provided and proceeds from the sale of equipment.

Revenue for services is recognised in the period in which the services are rendered, net of value-added tax and discounts. Sales within the Group are eliminated.

Monthly charges are recognised in the month when the service is provided to subscribers.

The Group receives payments from domestic and foreign network operators for incoming telephony services and other traffic that use the Group's network. The Group pays a proportion of the revenue it receives for such traffic to transit and destination network operators. These revenues and costs are stated gross in the income statement. Amounts payable to and receivable from the same operator are stated net in the balance sheet.

In respect of the mobile segment the equipment revenue from sale to dealers is recognised at the time of sale.

## O) Financial instruments

The Group adopted IAS 39 – Financial Instruments: Recognition and Measurement, at 1 January 2001. Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables, borrowings and derivatives.

The effect of the adoption of IAS 39 is summarised in the consolidated statement of changes in equity. Information about accounting for derivative financial instruments and hedging activities is included in the following section, Financial Risk Management. For discussion of the effects of IAS 39 on investments, refer to above Note E Investments.

## Financial risk management

## 1) Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of: changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts, currency swaps, interest rate swaps, forward rate agreements and currency options to hedge certain exposures.

Risk management is carried out by the treasury department under approved policies. The Board provides written principles for overall risk management. In line with these principles policies exist for specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

**i) Foreign exchange risk**

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the euro and US dollar. The treasury department is responsible for hedging the net position in each currency by using currency borrowings, external forward foreign exchange contracts, currency swaps and currency options.

The Group hedges the foreign currency exposure of its contract commitments to purchase network technology and other operating expenses mainly from European Union countries. The forward contracts used in its program mature in 6 months or less, consistent with the related purchase commitments.

Additionally, the Group hedges the foreign currency exposure of its borrowings in foreign currencies. The Group's objective in managing its exposure to foreign currency fluctuations is to minimize earnings and cash flow volatility associated with foreign exchange rate changes. The exchange rate derivatives (including forward exchange contracts, currency swaps and currency options) are designed to match anticipated foreign currency transactions (interest rate payments or principal payments).

**ii) Interest rate risk**

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group sometimes borrows at variable rates and uses interest rate swaps and forward rate agreements as cash flow hedges of future interest payments, which have the economic effect of converting borrowings from floating rates to fixed rates. The interest rate swaps and forward rate agreements allow the Group to raise long-term borrowings at floating rates and swap them into fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

**iii) Credit risk**

Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of customers. However, substantially all trade receivables are concentrated within the Czech Republic. Although the Group does not currently foresee higher credit risk associated with these receivables, repayment is dependent upon the financial stability of the national economy.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

**iv) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of money market (commited and uncommited) credit facilities and the ability to close out market positions. The treasury department aims at maintaining flexibility in funding by keeping money market credit lines available.

## 2) Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are remeasured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives as either (1) a hedge of the fair value of a recognised asset or liability (fair value hedge), or (2) a hedge of a forecasted transaction or of a firm commitment (cash flow hedge).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective are recorded in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective are recognised in equity. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the income statement.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, either do not qualify for hedge accounting under the specific rules in IAS 39 or the Group has elected not to apply the specific IAS 39 hedge accounting provisions. Changes in the fair value of such derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed or forecasted transaction ultimately is recognised in the income statement. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Prior to the adoption of IAS 39 – Financial Instruments: Recognition and Measurement, at 1 January 2001 the derivative financial instruments were not generally recognised in the primary financial statements. Gains and losses on foreign exchange forward contracts were recognised in the income statement on the same basis as the corresponding expense or income on the settled liability or asset. Any differential to be paid or received on an interest rate swap agreement was recognised as a component of interest income or expense over the period of the agreement. Interest rate differentials from cross currency swaps (including zero coupon swaps) were recognised as a component of interest income or expensed over the period of the agreement. Gains and losses on forward rate agreements were recognised in the income statement at the same time as the underlying interest expense or income they aim to fix. Net premiums payable on purchased option contracts were recognised as a creditor and asset in the balance sheet of the Group. The asset was taken to the income statement over the life of the instrument. The creditor was settled by cash payments when they fell due according to the terms of the agreements.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 19. Movements on the hedging reserve in shareholder's equity are shown in Note 23.

## 3) Fair value estimation

Except for currency options the fair values of the derivative financial instruments reflect estimates based on calculations performed using the Group's own discounted cash flow models (using market rates). The fair value of currency options is based on information obtained from external parties, including the Group's bankers.

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## 1) Segment information

Revenue of the Group is predominantly from domestic trading activities and segmental reporting is therefore only shown on the basis of business segments. All mobile segment information is attributable to the proportionally consolidated joint venture.

| Year ended 31 December 2001 (in CZK millions) | Fixed | Mobile | Group |
|---|---|---|---|
| Revenues | 41,881 | 15,444 | 57,325 |
| Inter segment sales | (452) | (973) | (1,425) |
| *Total consolidated revenues* | *41,429* | *14,471* | *55,900* |
| Operating profit | 5,876 | 4,239 | 10,115 |
| Finance cost | (1,201) | (143) | (1,344) |
| *Profit before tax* | *4,675* | *4,096* | *8,771* |
| Tax | (1,275) | (1,424) | (2,699) |
| *Net profit* | *3,400* | *2,672* | *6,072* |
| | | | |
| Segment assets | 141,095 | 18,002 | 159,097 |
| Segment liabilities | (35,870) | (4,981) | (40,851) |
| Unallocated liabilities | | | (11,184) |
| *Total liabilities* | | | *(52,035)* |
| | | | |
| Capital expenditure | 13,836 | 4,953 | 18,789 |
| Depreciation | 12,623 | 2,100 | 14,723 |
| Amortisation | 2,309 | 8 | 2,317 |

| Year ended 31 December 2000 (in CZK millions) | Fixed | Mobile | Group |
|---|---|---|---|
| Revenues | 45,120 | 14,447 | 59,567 |
| Inter segment sales | (839) | (1,504) | (2,343) |
| *Total consolidated revenues* | *44,281* | *12,943* | *57,224* |
| Operating profit | 9,218 | 2,853 | 12,071 |
| Finance cost | (2,839) | (118) | (2,957) |
| *Profit before tax* | *6,379* | *2,735* | *9,114* |
| Tax | (1,816) | (942) | (2,758) |
| *Net profit* | *4,563* | *1,793* | *6,356* |
| | | | |
| Segment assets | 144,812 | 15,565 | 160,377 |
| Segment liabilities | (40,491) | (6,033) | (46,524) |
| Unallocated liabilities | | | (10,046) |
| *Total liabilities* | | | *(56,570)* |
| | | | |
| Capital expenditure | 14,464 | 4,100 | 18,564 |
| Depreciation | 12,211 | 1,593 | 13,804 |
| Amortisation | 804 | 17 | 821 |

Inter-segment sales represent sales to Group companies belonging to another segment.

The Group comprises two main business segments:

Fixed – network communications services using fixed network provided by ČESKÝ TELECOM, a.s., and other consolidated subsidiaries
Mobile – mobile communications services provided by Eurotel Praha, spol. s r.o.

Capital expenditure comprises additions to property, plant and equipment and intangible fixed assets.

## 2) Revenue

| (in CZK millions) | Year ended 31 December 2001 | Year ended 31 December 2000 |
|---|---|---|
| Communications traffic revenues | 27,464 | 30,218 |
| Connection charges | 1,249 | 2,028 |
| Subscription charges | 9,838 | 9,515 |
| Revenue from other network operators | 5,954 | 6,590 |
| Telex, data transmission and other telephony | 6,831 | 4,476 |
| Equipment sales and sales of materials | 970 | 1,244 |
| Leased circuits | 2,332 | 1,982 |
| Other revenues | 1,262 | 1,171 |
| **Total revenues** | **55,900** | **57,224** |

## 3) Operating expenses

The following items have been included in arriving at operating profit:

| (in CZK millions) | Year ended 31 December 2001 | Year ended 31 December 2000 |
|---|---|---|
| Wages and salaries | 5,395 | 5,418 |
| Social security contributions | 1,785 | 1,906 |
| Staff welfare costs | 374 | 397 |
| *Total staff costs* | *7,554* | *7,721* |
| Depreciation of tangible fixed assets | 14,723 | 13,804 |
| Amortisation of intangible fixed assets | 2,317 | 821 |
| Payments to other network operators | 7,403 | 8,152 |
| Equipment and material cost of sales | 2,430 | 3,753 |
| Repairs and maintenance | 713 | 571 |
| Advertising and promotion | 1,527 | 1,634 |
| Operating lease payments | 719 | 640 |
| Consultancy | 1,034 | 915 |
| Other operating expenses | 7,365 | 7,142 |
| **Total operating expenses** | **45,785** | **45,153** |

## 4) Contributed services

As part of the 1995 agreement between the National Property Fund and the strategic investor, TelSource N.V., the Company was entitled to receive contributed services and assets with a total value of CZK 3.5 billion free of charge over a period of five years. The value of the assets or services is capitalised or charged to income as appropriate in the period in which the contributions are received.

| (in CZK millions) | Year ended 31 December 2001 | Year ended 31 December 2000 |
|---|---|---|
| Services | - | 634 |
| Assets | - | 49 |
| | **-** | **683** |

## 5) Finance costs

| (in CZK millions) | Year ended 31 December 2001 | Year ended 31 December 2000 |
|---|---|---|
| Interest expense | | |
| Interest incurred on loans and bonds | 2,054 | 2,418 |
| Other financial charges | 115 | 272 |
| *Interest expense* | *2,169* | *2,690* |
| Interest income | (467) | (342) |
| Fair value losses / (gains) on financial instruments | | |
| Derivative financial instruments: transactions not qualifying as hedges | 1,105 | - |
| Net foreign exchange transaction losses/(gains) | (1,463) | (25) |
| **Net finance expenses** | **1,344** | **2,323** |

Net foreign exchange differences relate mainly to cash deposits and borrowings denominated in USD and EUR.

## 6) Tax

| (in CZK millions) | Year ended 31 December 2001 | Year ended 31 December 2000 |
|---|---|---|
| Total income tax expense is made up of: | | |
| Current income tax charge | 1,369 | 992 |
| Deferred income tax charge | 1,330 | 1,766 |
| | **2,699** | **2,758** |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the Group as follows:

| (in CZK millions) | Year ended 31 December 2001 | Year ended 31 December 2000 |
|---|---|---|
| Profit before tax | 8,771 | 9,114 |
| Income tax expense calculated at the statutory rate of 31% | 2,719 | 2,825 |
| Income not subjected to tax | (437) | (717) |
| Expenses not deductible for tax purposes | 665 | 890 |
| Other | (59) | - |
| Fixed asset allowances | (189) | (240) |
| **Income tax expense** | **2,699** | **2,758** |

The effective tax rate was 31% in 2001 (2000: 30%).

## 7) Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

| (in CZK millions) | Year ended 31 December 2001 | Year ended 31 December 2000 |
|---|---|---|
| Number of ordinary shares in issue | 322,089,900 | 322,089,900 |
| Net profit attributable to shareholders | 6,072 | 6,356 |
| Basic earnings per share (CZK) | 19 | 20 |

## 8) Property, plant and equipment

| (in CZK millions) | Land and buildings | Duct, cable and other plant | Communication exchanges and related equipment | Other fixed assets | Capital work in progress | Total |
|---|---|---|---|---|---|---|
| **YEAR ENDED 31 DECEMBER 2001** | | | | | | |
| Opening net book amount | 13,566 | 68,297 | 36,791 | 3,734 | 6,617 | 129,005 |
| Additions | 1,100 | 1,476 | 8,858 | 2,109 | 12,791 | 26,334 |
| Disposals and other movements | (270) | (4) | 692 | (861) | (13,543) | (13,986) |
| Depreciation charge | (624) | (4,558) | (8,050) | (1,491) | - | (14,723) |
| *Closing net book amount* | *13,772* | *65,211* | *38,291* | *3,491* | *5,865* | *126,630* |
| **AT 31 DECEMBER 2001** | | | | | | |
| Cost | 17,530 | 94,642 | 77,671 | 9,933 | 5,865 | 205,641 |
| Accumulated depreciation | (3,758) | (29,431) | (39,380) | (6,442) | - | (79,011) |
| **Net book amount** | **13,772** | **65,211** | **38,291** | **3,491** | **5,865** | **126,630** |
| | | | | | | |
| **YEAR ENDED 31 DECEMBER 2000** | | | | | | |
| Opening net book amount | 13,131 | 68,535 | 36,180 | 3,611 | 8,318 | 129,775 |
| Additions | 1,236 | 4,351 | 8,171 | 1,302 | 13,359 | 28,419 |
| Disposals and other movements | (102) | (96) | (210) | 83 | (15,060) | (15,385) |
| Depreciation charge | (699) | (4,493) | (7,350) | (1,262) | - | (13,804) |
| *Closing net book amount* | *13,566* | *68,297* | *36,791* | *3,734* | *6,617* | *129,005* |
| **AT 31 DECEMBER 2000** | | | | | | |
| Cost | 16,887 | 93,535 | 70,401 | 9,344 | 6,617 | 196,784 |
| Accumulated depreciation | (3,321) | (25,238) | (33,610) | (5,610) | - | (67,779) |
| **Net book amount** | **13,566** | **68,297** | **36,791** | **3,734** | **6,617** | **129,005** |

Land and buildings, plant and equipment with carrying value of CZK 7.4 billion (2000: CZK 7.6 billion) have been pledged as collateral for CZK 5.3 billion (2000: CZK 5.4 billion) of borrowings.

## 9) Intangible fixed assets

| (in CZK millions) | Goodwill | Licence | Software | Total |
|---|---|---|---|---|
| **YEAR ENDED 31 DECEMBER 2001** | | | | |
| Opening net book amount | 58 | 138 | 9,140 | 9,336 |
| Additions | - | 1,803 | 4,382 | 6,185 |
| Disposals and other movements | - | - | (35) | (35) |
| Amortisation charge | (6) | (9) | (2,302) | (2,317) |
| *Closing net book amount* | *52* | *1,932* | *11,185* | *13,169* |
| **AT 31 DECEMBER 2001** | | | | |
| Cost | 92 | 1,946 | 15,331 | 17,369 |
| Accumulated amortisation | (40) | (14) | (4,146) | (4,200) |
| **Net book amount** | **52** | **1,932** | **11,185** | **13,169** |
| | | | | |
| **YEAR ENDED 31 DECEMBER 2000** | | | | |
| Opening net book amount | 65 | - | 4,653 | 4,718 |
| Additions | - | 143 | 5,353 | 5,496 |
| Disposals and other movements | - | - | (57) | (57) |
| Amortisation charge | (7) | (5) | (809) | (821) |
| *Closing net book amount* | *58* | *138* | *9,140* | *9,336* |
| **AT 31 DECEMBER 2000** | | | | |
| Cost | 92 | 143 | 11,250 | 11,485 |
| Accumulated amortisation | (34) | (5) | (2,110) | (2,149) |
| **Net book amount** | **58** | **138** | **9,140** | **9,336** |

Acquired licences are represented by rights to operate UMTS and GSM cellular networks. According to license conditions the Group has to commence network operations for UMTS (Third Generation Services) by 2005. Based on an assessment performed in respect of the acquisition of the UMTS license, management have come to the conclusion that there is no impairment in the carrying value of this license.

In addition, the Group owns a licence for rights to operate a NMT cellular network. This licence was granted to the Group for no consideration and is not recognised as an intangible asset.

## 10) Inventories

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Engineering inventories | 498 | 591 |
| Cable | 563 | 580 |
| Other inventory including goods for resale | 864 | 633 |
| | **1,925** | **1,804** |

The inventories above are stated net of provision for obsolete and slow moving stock of CZK 306 million (2000: CZK 271 million).

## 11) Receivables and prepayments

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Domestic trade receivables | 6,930 | 6,260 |
| Foreign currency trade receivables | 335 | 292 |
| Other debtors | 385 | 1,653 |
| Prepayments | 665 | 594 |
| Derivative instruments | 1 | - |
| Income tax receivable | - | 211 |
| VAT receivable | 541 | 470 |
| | **8,857** | **9,480** |

Domestic trade receivables are stated net of provision for doubtful debts of CZK 3,303 million (2000: 2,514 million).

The Group's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses are inherent in the Group's trade receivables.

## 12) Available-for-sale investments

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| At beginning of year | 9,018 | 2,225 |
| Exchange differences | (260) | 18 |
| Additions | 428 | 11,998 |
| Disposals | (6,016) | (5,223) |
| *At end of year* | *3,170* | *9,018* |
| | | |
| Non-current | 1,023 | 3,184 |
| Current | 2,147 | 5,834 |
| | *3,170* | *9,018* |

Available-for-sale investments, comprising principally marketable securities, are fair valued annually at the close of business on 31 December. For investments traded in active markets, fair value is determined by reference to quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets.

## 13) Cash and cash equivalents

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Cash balances | 196 | 249 |
| Short-term bank deposits | 5,150 | 1,485 |
| **Cash and cash equivalents** | **5,346** | **1,734** |

For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following:

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Cash and cash equivalents | 5,346 | 1,734 |
| Bank overdrafts and other short-term borrowings (Note 15) | (184) | (58) |
| **Balance at the end of period** | **5,162** | **1,676** |

## 14) Trade and other payables

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Trade creditors in local currency | 4,116 | 5,358 |
| Trade creditors in foreign currencies | 917 | 1,146 |
| Other taxes and social security | 703 | 323 |
| Deferred income | 591 | 266 |
| Employee wages and benefits | 358 | 370 |
| Income tax payable | 278 | - |
| Accruals and other creditors | 5,753 | 5,797 |
| Derivative instruments | 1,132 | - |
| | **13,848** | **13,260** |

## 15) Borrowings

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Bank loans and overdrafts in local currency [a)] | 367 | 1,347 |
| Other loans in local currency | 1,293 | - |
| International financial institution loans in foreign currency | 2,046 | 2,567 |
| Bank loans and overdrafts in foreign currency [a)] | 4,099 | 8,970 |
| Bonds in local currency | 7,000 | 7,000 |
| Bonds in foreign currency [b)] | 12,198 | 13,226 |
| | **27,003** | **33,110** |
| **Repayable:** | | |
| *Within one year* | *7,801* | *3,481* |
| Between one and two years | 12,622 | 2,994 |
| Between two and five years | 1,269 | 21,192 |
| After five years | 5,311 | 5,443 |
| *Total non current* | *19,202* | *29,629* |
| | **27,003** | **33,110** |

a) Bank loans and overdrafts include overdrafts of CZK 173 million (2000: CZK 58 million) in local currency and CZK 11 million in foreign currency (2000: CZK 0 million).
b) In 1998 the Group issued DEM 750 million of bonds which are redeemable at par in 2003 and pay a coupon of 5.125%.
c) At 31 December 2001 the Group had available approximately CZK 7 billion of undrawn loan facilities (2000: CZK 21 billion).
d) Loans in foreign currency of total value EUR 9 million fall due for repayment within one year.
e) The interest rate of the bonds issued in local currency is 11.3% p.a. Based on the Company's decision to excercise an option for early redemption, the bonds will mature on 6 February 2002.

Interest has been charged on all borrowings at commercial rates.

After taking account of interest rate swaps, the interest rate exposure of the Group was as follows:

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| At fixed rate | 25,511 | 27,343 |
| At floating rate | 1,492 | 5,767 |
| **Total** | **27,003** | **33,110** |

The carrying amounts and fair values of non-current fixed interest rate loans are as follows:

| 31 December 2001 (in CZK millions) | Carrying amounts | Fair values |
|---|---|---|
| Bank loans | 6,313 | 6,843 |
| Bonds | 19,198 | 19,345 |
| **Total** | **25,511** | **26,188** |

The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date.

| Effective interest rates | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Bank loans and overdrafts in local currency | 4.95% | 5.95% |
| Other loans in local currency | 6.10% | - |
| International financial institution loans in foreign currency | 6.82% | 6.82% |
| Bank loans and overdrafts in foreign currency | 6.635% | 6.12% |
| Bonds in local currency | 11.30% | 11.30% |
| Bonds in foreign currency | 5.125% | 5.125% |

The Company owns fixed assets which have been pledged as collateral on loans. The carrying value of assets pledged is as follows:

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Land and buildings | 1,449 | 1,555 |
| Plant and equipment | 5,975 | 6,032 |
| **Total** | **7,424** | **7,587** |

## 16) Deferred income taxes

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| At 1 January | 10,046 | 8,284 |
| Effect of adopting IAS 39 | (192) | - |
| Additional provisions charged to income statement | 1,330 | 1,762 |
| **At the end of period** | **11,184** | **10,046** |

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The following amounts, determined after offsetting, are shown in the consolidated balance sheet:

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Deferred tax assets | (1,036) | (549) |
| Deferred tax liabilities | 12,220 | 10,595 |
| | **11,184** | **10,046** |

The deferred tax asset includes CZK 694 million recoverable after more than twelve months and the deferred tax liability includes CZK 12,220 million recoverable after more than twelve months.

The amounts shown in the balance sheet relate to the temporary differences arising from the tax bases and the carrying amounts of the following assets and liabilities:

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Property, plant and equipment and intangible assets | 11,385 | 10,595 |
| Trade receivables, inventories and other items | (201) | (549) |
| | **11,184** | **10,046** |

## 17) State social security and pension schemes

The Group is legally required to make contributions to State health, retirement benefit and unemployment schemes. During 2001 and 2000 the Group paid contributions at a rate of 35% of gross salaries and is not required to make any contributions in excess of this statutory rate. The total amount paid and charged as operating expense in respect of this was CZK 1,794 million in 2001 (2000: CZK 1,783 million). Employees contribute 12.5% (2000: 12.5%) of gross salaries.

The Group has a voluntary pension plan for employees under which the Group makes contributions on behalf of employees to approved pension plan providers, under defined contribution schemes. The Group's contribution depends upon the number of employees joining the scheme, the age profile and the gender of the members of the scheme. During the year the Group made contributions of CZK 109 million (2000: CZK 80.9 million). These contributions were charged as operating expense.

There is a further plan under which the Company will make lump sum payments to employees who retire. Payments during the year 2001 related to retirement amounted to CZK 4.7 million (2000: CZK 3.8 million) and were charged as operating expense.

## 18) Provisions for liabilities and charges

| | | Restructuring provision |
|---|---|---|
| (in CZK millions) | 2001 | 2000 |
| *At 1 January* | *154* | *447* |
| Additional provisions | - | 154 |
| Unused amounts reversed | - | - |
| Charged to income statement | - | 154 |
| Utilised during period | (154) | (477) |
| **At 31 December** | **-** | **154** |

## 19) Financial instruments

The Group adopted IAS 39 at 1 January 2001; the impact on shareholders' equity and on various balance sheet captions at 1 January 2001 is shown below. In accordance with IAS 39, the comparative financial statements for the year ended 31 December 2000 are not restated.

Summary of impact of adopting IAS 39 at 1 January 2001

| (in CZK millions) | Hedging reserve | Retained earnings | Total |
|---|---|---|---|
| Securities and derivatives non-qualifying for hedges – remeasured to fair value | - | (427) | (427) |
| Derivatives qualifying for hedges | (10) | - | (10) |
| **Total, net of deferred income taxes** | **(10)** | **(427)** | **(437)** |

The Group recorded a net loss of CZK 10 million (net of deferred income taxes) in hedging reserve (equity) to recognise at fair value all derivatives designated as cash flow hedging instruments.

Upon the adoption of IAS 39, the Group also recognised certain derivatives not qualifying as hedges and measured them at fair value. The Group recorded a net loss CZK 427 million (net of deferred income taxes of CZK 188 million) in retained earnings to recognise the difference between the carrying values and fair values of these derivatives.

**Net fair values of derivative financial instruments**

The total net fair values of derivative financial instruments at the balance sheet date were:

| Contracts with positive fair value (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Interest rate swaps | - | 6 |
| Cross-currency interest rate swaps | - | - |
| Structures involving currency options | - | - |
| Forward foreign exchange contracts | 1 | 197 |
| Zero coupon swaps | - | 10 |
| Forward rate agreements | - | - |
| **Total (Note 11)** | **1** | **213** |

| Contracts with negative fair value (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Interest rate swaps | 2 | 9 |
| Cross-currency interest rate swaps | - | 29 |
| Structures involving currency options | 169 | 175 |
| Forward foreign exchange contracts | 54 | 258 |
| Zero coupon swaps | 905 | 336 |
| Forward rate agreements | 2 | 6 |
| **Total (Note 14)** | **1,132** | **813** |

Of the total above, the net fair values of derivative financial instruments designated as cash flow hedges at the balance sheet date were:

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Interest rate swaps (negative fair value) | - | (6) |
| Forward foreign exchange contracts (negative fair value) | - | (4) |

There were no derivative financial instruments designated as fair value hedges as at 31 December 2001 or 31 December 2000.

Except for currency options the fair values of the derivative financial instruments reflect estimates based on calculations performed using the Group's own discounted cash flow models (using market rates). The fair value of currency options is based on information obtained from external parties, including the Group's bankers.

## 20) Contingencies

**Interconnect arrangements**

The Group has not agreed a 2001 price amendment to an agreement with the mobile operators in the Czech Republic governing interconnect arrangements. During 2001 the Group applied the interconnection rates that it expects will be paid in calculating expenses. Any additional costs arising from the final agreement with the mobile operators would be recognised in the period they become probable and any reductions in costs would be recognised when virtually certain.

## 21) Commitments

### Operating leases

The aggregate minimum lease payments under operating lease are as follows:

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| No later than 1 year | 581 | 592 |
| Later than 1 year and not later than 5 years | 1,505 | 1,607 |
| Later than 5 years | 835 | 86 |
| **Total** | **2,921** | **2,285** |

### Capital commitments

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Capital expenditure contracted but not provided for in the financial statements | 1,653 | 3,644 |
| Capital commitments not contracted | 2,893 | 5,000 |

The majority of contracted amounts relate to the telecommunications network.

The portion of the contracted capital commitments of the Company is CZK 1,155 million (2000: CZK 2,628 million). The remainder relating to Eurotel is set out in Note 26.

### Capital commitments not contracted

Based on the Telecommunication Act the Company has an obligation to start providing Number Portability and Carrier Pre-selection by 1 January 2003 and Carrier Selection by 1 July 2002. According to management's assessment, the implementation of these services will require to make additional investment of CZK 2.8 billion in 2002.

## 22) Share capital and reserves

| | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Nominal value per ordinary share (CZK) | 100 | 100 |
| Number of ordinary shares | 322,089,900 | 322,089,900 |
| Ordinary shares (CZK million) | 32,209 | 32,209 |

At 31 December 2001 shareholdings in the Company were as follows:

| | |
|---|---|
| National Property Fund | 51.1% |
| TelSource N.V. | 27.0% |
| KPN Royal Dutch Telecom | 6.5% |
| Other shareholders | 15.4% |

TelSource N.V. is owned jointly by KPN Royal Dutch Telecom and Swisscom together with AT&T, which has a non-financial interest. TelSource N.V. and KPN Royal Dutch Telecom together control 33.5%.

The rights of shareholders are subject to an agreement between the parties.

Retained earnings include a statutory reserve fund of CZK 5,406 million (2000: CZK 5,220 million) that is not distributable under ruling legislation.

## 23) Hedging reserve

| (in CZK millions) | |
|---|---|
| Balance at 1 January 2001 | |
| - as previously reported | - |
| - effect of adopting IAS 39 (net) | (10) |
| *- as restated* | *(10)* |
| Fair value gains in period | 14 |
| Tax on fair value gains | (4) |
| **Balance at 31 December 2001** | **-** |

## 24) Cash generated from operations

| | Year ended | |
|---|---|---|
| (in CZK millions) | 31 December 2001 | 31 December 2000 |
| Profit before taxation | 8,771 | 9,114 |
| Adjustments for: | | |
| Depreciation and amortisation | 17,040 | 14,625 |
| Disposals of obsolete assets | 284 | 470 |
| Profit on fixed asset sales | (124) | (46) |
| Net interest and other charges | 1,778 | 2,347 |
| Foreign exchange gains | (1,987) | (77) |
| Fair value changes | 536 | - |
| Contributed services | - | 634 |
| Increase/(decrease) in provisions | 679 | (316) |
| *Operating cash flow before working capital changes* | *26,977* | *26,751* |
| Decrease/(increase) in trade and other receivables | (995) | (971) |
| Decrease/(increase) in inventories | (1,425) | 157 |
| Increase/(decrease) in trade and other creditors | 1,459 | 238 |
| **Cash generated from operations** | **26,016** | **26,175** |

## 25) Related-party transactions

The Group provides services to State departments and businesses, in general on normal commercial terms. Sales and purchase transactions with related parties are based on contractual agreements negotiated on normal commercial terms and conditions and at market prices.

The following transactions were carried out with related parties:

**Sales of services and goods**

| | Year ended | |
|---|---|---|
| (in CZK millions) | 31 December 2001 | 31 December 2000 |
| Eurotel | 886 | 1,605 |
| Swisscom AG | 45 | 63 |
| KPN Royal Dutch Telecom | 119 | 71 |
| TelSource N.V. | 26 | 4 |
| | **1,076** | **1,743** |

**Purchases of services and goods**

| (in CZK millions) | Year ended 31 December 2001 | 31 December 2000 |
|---|---|---|
| Eurotel | 1,907 | 2,950 |
| Swisscom AG | 21 | 51 |
| KPN Royal Dutch Telecom | 65 | 63 |
| TelSource N.V. | 126 | 21 |
| KPN Czech Republic | 148 | 229 |
| | **2,267** | **3,314** |

For information relating to contributed services provided by TelSource N.V. see Note 4.

**Outstanding balances**

The Company has an outstanding payable balance to Eurotel in the amount of CZK 677 million (2000: CZK 212 million), to KPN CZK 2 million (2000: CZK 0) and to KPN Czech Republic CZK 34 million (2000: CZK 17 million). The net receivable balance from TelSource N.V. was CZK 12 million (2000: CZK 22 million) and from Swisscom AG was CZK 11 million (2000: CZK 0).

## 26) Interest in joint ventures

**Joint venture**

Eurotel Praha, spol. s r.o., was incorporated on 21 February 1991 and is a limited liability company incorporated and domiciled in the Czech Republic, providing mobile telephone services in the Czech Republic. The Group has a 51% interest in Eurotel. The management and operations of Eurotel are governed by a joint venture agreement, which specifies that control is exercised jointly by the Group and the other party to the joint venture. The financial results of Eurotel are included using the proportionate consolidation method and are stated in accordance with the accounting policies of the Group. A summary of the Group's interest in the net assets and results as presented below is before inter-segment transaction eliminations:

| (in CZK millions) | 31 December 2001 | 31 December 2000 |
|---|---|---|
| Property, plant and equipment | 14,955 | 12,057 |
| Current assets | 3,572 | 3,690 |
| Long-term liabilities | (2,545) | (3,818) |
| Current liabilities | (4,172) | (3,309) |
| **Net assets** | **11,810** | **8,620** |
| Revenue | 15,444 | 14,447 |
| Operating expenses | (10,687) | (10,919) |
| Income tax expense | (1,424) | (942) |
| **Profit after tax** | **3,190** | **2,468** |

There are no contingencies relating to the Group's interest in the joint venture.

The capital commitments of Eurotel are CZK 1,157 million (2000: CZK 1,992 million). The average number of employees in Eurotel was 2,289 (2000: 1,880).

## 27) Principal subsidiary undertakings

a) EDINet.cz is a limited liability company and is incorporated and domiciled in the Czech Republic. EDINet.cz was incorporated on 17 March 1999. EDINet.cz is the supplier of data network transmission services. The Group's interest in EDINet.cz is 100%.

b) M.I.A. is a joint stock company and is incorporated and domiciled in the Czech Republic. M.I.A. was incorporated in 1997 and was acquired by the Group on 28 February 2000. This subsidiary provides various internet services, mainly in advertising and marketing. The Group's interest in M.I.A. is 100%.

c) OMNICOM Praha is a limited liability company and is incorporated and domiciled in the Czech Republic. Omnicom was incorporated in 1992 and was acquired by the Group on 12 May 1999. Omnicom provides network and consultancy services in telecommunications. The Group's interest in OMNICOM Praha is 100%.

d) SPT TELECOM (Czech Republic) Finance was incorporated on 9 April 1998 and is a limited liability company, incorporated in the Netherlands. SPT TELECOM (Czech Republic) Finance's main activity is to finance other entities in the Group. The Group's interest in SPT TELECOM (Czech Republic) Finance is 100%.

e) asp1000 is a limited liability company and is incorporated and domiciled in the Czech Republic. asp1000 was incorporated in 2000 and was acquired by the Group on 25 July 2001. This subsidiary is a provider of application services for small and medium companies. The Group's interest in asp1000 is 50.9%.

f) Centrade is a joint stock company and is incorporated and domiciled in the Czech Republic. Centrade was incorporated on 2 November 2001. Centrade is an e-business company providing marketplace services. The Group's interest in Centrade is 86.5%.

## 28) Post-balance sheet events

On 22 January 2002 the Group suffered the loss of a telephone exchange in Prague 2 caused by fire. The total carrying value of the assets damaged is CZK 90 million. The Group expects that the entire amount of the loss will be recovered through the Group's insurance coverage.

## 29) Privatisation

A government resolution of 14 November 2001 approved the sale of at least a 51.1% interest in the Company by way of a tender co-ordinated by the National Property Fund of the Czech Republic (the "NPF"). Pursuant to an agreement concluded between TelSource N.V., its owners and the NPF, the total stake offered in the tender may amount up to 78.1% of the Company's share capital, depending on whether TelSource N.V. opts to contribute its shares to the offer (Note 22). It is not possible to establish at this stage the effects, if any, of future developments on the values of the assets and liabilities of the Company.

# Information on the registered security issuer


**72 -- 1) Information on the registered security issuer**
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## Information on the registered security issuer

## 1) Information on the registered security issuer

**Basic information**

| | |
|---|---|
| Business firm: | ČESKÝ TELECOM, a.s. (hereinafter "ČESKÝ TELECOM") |
| Registered office: | Olšanská 55/5, 130 34 Prague 3 |
| IČ [Identification Number]: | 60193336 |
| DIČ [VAT Registration Number]: | 003-60193336 |
| Company founded: | 16.12.1993 |
| Company incorporated: | 1.1.1994 |
| Duration of the company: | The company is established for an indefinite period of time |
| Legal form: | Joint-stock company |
| Legal regulation according to which Issuer was established: | The provisions of Section 171 (1) and Section 172 (2), (3) of the Commercial Code |
| Registration Court: | Prague Municipal Court |
| Registration Court Record number: | Section B, Enclosure 2322 |

**Subject of business**

According to Article 3 of the valid Articles of Association of the company, the subject of business activity is defined as follows:

1. To establish and operate the unified telecommunications network (hereinafter the "UTN"). To install and operate telecommunications equipment and fixed networks with technical parameters corresponding to ITU recommendations and ETSI standards and to renew and maintain them in order to ensure the provision of such services in the Czech Republic, except for equipment for the provision of local telephone service and local access to long-distance and international telephone service in areas where another operator has been granted exclusive rights to provide such services.
2. To provide via fixed networks the following telecommunications services:
   a) telephone service,
   b) telegraph service,
   c) telex service, and,
   d) leasing of telecommunications circuits and lines throughout the Czech Republic, except for areas where another operator has been granted exclusive rights to provide such services.
3. To ensure throughout the Czech Republic, unless the permitting authority decides otherwise, the operation and maintenance of:
   a) the wire radio network, except in locations where this operation will be restricted or terminated in accordance with principles approved by the permitting authority and except for areas in which another operator has been granted exclusive rights to provide services, and,
   b) the special-purpose telecommunications network.
4. To ensure user access to telephone service through public payphones, public telephone offices and public telephone stations. For this purpose:
   a) to install, operate and maintain public payphones,
   b) on a contractual basis, to connect public payphones operated by other authorisation or permit holders to the UTN, and,
   c) on a contractual basis, to establish, operate and maintain public telephone stations and public telephone offices throughout the Czech Republic, except for those areas for which the exclusive right to provide telephone service has been granted to another operator.
5. To provide, pursuant to an authorisation or permit, the provision of voice, data and other telecommunications services via ISDN.
6. To provide pursuant to a permit, public telecommunications services by means of a public data network, and non-public telecommunications services.
7. To provide conditions for interconnection with GSM-type radiotelephone networks to enable the provision of full-value mobile telecommunications services.
8. To enter into a legal relationship, pursuant to legal regulations in force, with every individual person or legal entity that so requests, for the purpose of providing telecommunications services and related telecommunications performances for these persons.
9. To interconnect the Company's network with the network of each other holder of an authorisation for the operation of a fixed telecom-

munications network and the provision of telecommunications services, as well as holders of licenses or authorisations for the operation of mobile radiotelephone networks and public data networks.

10. To provide telecommunications services needed for the management, defence, protection of internal order and security of the state in crisis situation periods and in the preparation of measures for responding to these situations.
11. To utilize the frequency spectrum to provide the services and performances specified in an authorisation, subject to the conditions of the authorisation and binding legal regulations.
12. For purposes of providing the above mentioned activities:
    a) to connect approved telecommunications equipment to UTN terminal points and to incorporate approved telecommunications equipment into the UTN, and,
    b) to engage in the production, assembly, construction, maintenance, reconstruction and servicing of telecommunications equipment.
13. To establish, pursuant to applicable legal regulations, business companies and interest groups, and participate in the equity of business companies for purposes of providing services and performances set out in an authorisation.
14. To install and operate telecommunications equipment and networks and to provide telecommunications services throughout the Czech Republic, unless another operator has been granted exclusive rights to provide telecommunications services in one or more areas, and to negotiate and conclude agreements with foreign telecommunications administrations and operators for the purpose of providing international telecommunications services to and from the Czech Republic.
15. Installation, maintenance and servicing of telecommunications equipment.
16. Provision of technical services to personal and property protection.
17. Design of electric equipment.
18. Manufacture, installation and repairs of electric machinery and apparatus.
19. Production, repairs and installation of measuring equipment.
20. Manufacture, installation and repairs of electronic equipment.
21. Installation, repairs, maintenance and inspection of specified electric equipment.
22. Manufacture of low voltage distribution boxes, batteries cabling and conductors.
23. Accommodation services.
24. Catering.
25. Lease and lending of movable assets.
26. Warehousing of goods and load handling.
27. Real-estate agency activities.
28. Project preparation activity in construction.
29. Construction of buildings; including their alterations, maintenance and demolition.
30. Data processing, database services, network administration.
31. Provision of software and consulting in the area of hardware and software.
32. Business, financial, organisational, and economic consulting activities.
33. Organisation of professional training, courses and other educational events, including tutoring activities.
34. Locksmithing.
35. Production of tools.
36. Metalworking.
37. Blacksmithing.
38. Joinery.
39. Passenger road transport.
40. Freight vehicle road transport.
41. Manufacture of machinery and equipment for certain industries.
42. Road vehicle repair.
43. Vehicle body repair.
44. Transportation technical activities.
45. Maintenance of motor vehicles and accessories thereof.
46. Construction preparation activities.
47. Installation, adjustment and maintenance of products, with the exception of activities specified in appendices to Act No. 455/91 Coll.
48. Wholesale.
49. Specialised retail sale.
50. Copying services.
51. Advertising and marketing.
52. Operation of cultural and entertainment events and operation of entertainment equipment.

53. Operation of a sauna and bowling alleys.
54. Activities of technical consultants in the area of telecommunications.
55. Procurement, processing and provision of public Information services using telecommunications equipment and services.
56. Publishing activities.
57. Mediation of services.
58. Provision of telecommunications services.
59. Performance of geodetic activities.
60. Distribution of electricity and production and distribution of heat pursuant to Act No. 222/94 Coll., on conditions of business and on performance of state administration in the energetic industry and on the State Energy Inspection.
61. Activities of accounting advisors, bookkeeping.
62. Business mediation.
63. Services in the area of administration and services of organisational and economic nature for individuals and corporations.

**Securities issued**

***A. Shares***

As at 31.12.2001

| | | |
|---|---|---|
| A. | Type: | ordinary shares |
| | Form: | bearer shares |
| | Kind: | booked |
| | Number: | 322,089,890 pc |
| | Nominal Value: | CZK 100 |
| | Total Issue Volume: | CZK 32,208,989,000 |
| | ISIN: | CZ0009093209 |
| B. | Type: | ordinary share |
| | Form: | registered share |
| | Kind: | booked |
| | Number: | 1 pc |
| | Nominal Value: | CZK 1,000 |
| | Total Issue Volume: | CZK 1,000 |

All company shares were issued in booked form and were fully paid up.

Names of public markets where shares of ČESKÝ TELECOM were admitted for trading:

| Name of market *) | Note |
|---|---|
| PSE | On the main market |
| RM-S | |
| LSE | In the form of Global Depository Receipts (GDR). The depositary for the GDR is The Bank of New York, ADR Division, 620 Avenue of the Americas, Floor 6, New York, NY 10011, USA. The custodian is Komerční banka, a.s., registered at Na Příkopě 33 no. 969, 11 407 Prague 1. |

*) PSE [Burza cenných papírů Praha] – Prague Stock Exchange
RM-S [RM-SYSTÉM] – Czech share trading system
LSE – London Stock Exchange

Changes during 2001:

I. On 15.6.2001, the General Meeting of the issuer voted to change the form of 86,964,250 ordinary shares of the company from registered shares with restricted transferability to bearer shares with unrestricted transferability.

II. On 12.9.2001, the change was registered with the Municipal Court of Prague and into the Commercial Register, effective 13.9.2001.

The company's registered capital in the amount of CZK 32,208,990,000 was broken down as follows before 13.9.2001:

a) 235,125,640 ordinary bearer shares with a nominal value of CZK 100 per share, registered under ISIN CZ0009093209. 49,667,200 of those shares are publicly tradeable, which represents a 15.4% share of the registered capital.
b) 86,964,250 ordinary registered shares with a nominal value of CZK 100 per share, and
c) One registered share connected with special rights according to Art. 10a (4) (b) of Act No. 92/1991 Coll., on the conditions of the transfer of state property to other persons, as amended, with a nominal value of CZK 1,000.

As at 13.9.2001, the registered capital in the amount of CZK 32,208,990,000 breaks down as follows:

a) 322,089,890 ordinary bearer shares with a nominal value of CZK 100 per share, registered under ISIN CZ0009093209. 49,667,200 of those shares are publicly tradeable, which represents 15.4 % share of the registered capital of the company.
b) One registered share connected with special rights according to Art. 10a (4) (b) of Act No. 92/1991 Coll., on the conditions of the transfer of state property to other persons, as amended, with a nominal value of CZK 1,000.

III. On 19.12.2001, based on the issuer's request, the Czech Securities Commission authorised the Issue Prospectus and allocated the tranche of 86,964,250 of the company's ordinary shares ISIN CZ0009093209. This decision has been effective since 21.12.2001.

Changes at the beginning of 2002:

I. On 18.1.2002 the PSE Quotations Committee evaluated and authorised the company's request to increase the issue of ČESKÝ TELECOM ISIN CZ0009093209 shares on the main stock exchange market.

II. On 22.2.2002, the issue of shares on the PSE was increased.

III. On 25.2.2002, the issue on the RM-S was increased.

***B. Bonds***

As at 31.12.2001

| | |
|---|---|
| ISIN: | CZ0003500787 |
| Total nominal issue value: | CZK 7,000,000,000 |
| Nominal value of the bond: | CZK 10,000 |
| Interest rate: | As at 6.2.1997, bonds had a fixed interest rate of 11.3% p.a.; interest is paid by 6.2. of each year for the previous year |
| Form: | bearer |
| Kind: | certificated |
| Issue date: | 6.2.1997 |
| Payable on: | 6.2.2004 |
| Option of the issuer for prior redemption: | 6.2.2002 for 100.75% of the nominal value<br>6.2.2003 for 100.50% of the nominal value |
| Administrator: | Česká spořitelna, a.s., Olbrachtova 1929/62, 140 00 Prague 4. Interest may be withdrawn at local branches of the administrator in Prague and at regional branches of the administrator in the rest of the Czech Republic |

Markets on which ČESKÝ TELECOM bonds were accepted for trading:

Bonds were accepted for trading on the main PSE market.

Changes during 2001:

On 12.12.2001, ČESKÝ TELECOM announced its decision to pay up this issue of bonds by 6.2.2002 according to the conditions of the shares issue.

Changes at the beginning of 2002:

I. On 4.2.2002 – in connection with the issuer's option for the premature payment of bonds by 6.2.2002, the trading of these bonds on the main market of the Prague Stock Exchange was closed.
II. On 6.2.2002, all Administrator branches began to disburse payments.

**Company structure**

Main shareholders of ČESKÝ TELECOM (as at 31.12.2001):

| | Name | Address | Registered capital share |
|---|---|---|---|
| 1 | The National Property Fund of the Czech Republic – (Fond národního majetku České republiky) | Rašínovo nábřeží 42<br>128 00 Prague 2 | 51.1% |
| 2 | TelSource N.V. | Maanplein 5, TP - 1, 3rd Floor<br>2516 CK Den Haag<br>Netherlands | 27.0% |
| 3 | KPN TELECOM B.V. | Maanplein 5<br>2516 CK Den Haag<br>Netherlands | 6.5% |
| 4 | Investment funds and individual owners | - | 15.4% |

Shareholders of TelSource N.V. (as at 31.12.2001):

| | Name | Address | Registered capital share |
|---|---|---|---|
| 1 | KPN TELECOM B.V. | Maanplein 5<br>2516 CK Den Haag<br>Netherlands | 51.0% |
| 2 | Swisscom AG | Alte Tiefenaustrasse 6<br>3050 Bern<br>Switzerland | 49.0% |

**Entities which control the issuer, or which could control the issuer, including details on their share which entitles them to vote (for those known to the issuer)**

a) Business Firm: The National Property Fund of the Czech Republic
Registered at the Commercial Register administered by the Prague Municipal Court, Section A.LXII, Enclosure 174
Registration Date: 2.8.1991
Registered office: Rašínovo nábřeží 42, 128 00 Prague 2
Identification Number: 41692918
The controlling entity owns shares of the controlled entity, whose total nominal value represents 51.1% of the registered capital of the controlled entity.
Total share of voting rights of the controlled entity according to the provisions of Art. 183d of the Commercial Code is 84.58%.

b) Business Firm: TelSource N.V.
Registered office: Maanplein 5, TP-1, 3rd floor, 2516 CK Den Haag, Netherlands
The controlling entity owns shares of the controlled entity, whose total nominal value represents 27% of the registered capital of the controlled entity.
Total share of voting rights of the controlled entity according to the provisions of Art. 183d of the Commercial Code is 84.58%.

c) Business Firm: KPN TELECOM B.V.
Registered office: Maanplein 5, 2516 CK Den Haag, Netherlands
The controlling entity owns shares of the controlled entity, whose total nominal value represents 6.48% of the registered capital of the controlled entity.
Share of voting rights of the controlled entity according to the provisions of Art. 183d (1) of the Commercial Code is 6.48%.
Total share of voting rights of the controlled entity according to the provisions of Art. 183d of the Commercial Code is 84.58%.

d) Business Firm: Swisscom AG
Registered office: Alte Tiefenaustrasse 6, 3050 Bern, Switzerland
Share of voting rights of the controlled entity according to the provisions of Art. 183d (1) of the Commercial Code is 0%.
Total share of voting rights of the controlled entity according to the provisions of Art. 183d of the Commercial Code is 84.58%.

e) Business Firm: Royal KPN N.V.
Registered office: Maanweg 5, 2516 CK Den Haag, Netherlands
Share of voting rights of the controlled entity according to the provisions of Art. 183d (1) of the Commercial Code is 0%.
Total share of voting rights of the controlled entity according to the provisions of Art. 183d of the Commercial Code is 84.58%.

## 2. Information on the subject of business of the registered security issuer

**Main business activity areas, new products and services**

ČESKÝ TELECOM is the owner, builder and operator of the major part of the unified telecommunications network in the Czech Republic. The basic area of business activity of the issuer is the provision of public telephone services using the Public Switched Telecommunications Network (PSTN). All activities concerning the Internet have been concentrated into the business unit ČESKÝ TELECOM, a.s. - Imaginet, o.z. Eurotel Praha, spol. s r.o., in which the issuer holds 51% of shares, provides public telephone services using public mobile telecommunications networks. ČESKÝ TELECOM continuously extends the portfolio of its services. This is part of the strategy to reinforce the customer-orientation of the company on the liberalised market.

**Issuer's revenues for the last three accounting periods according to type of activity (in CZK thousands)**

| | | 1999 | 2000 | 2001 |
|---|---|---|---|---|
| Revenues from sales of services | - domestic | 40,323,913 | 40,795,127 | 38,535,016 |
| | - international | 3,054,891 | 3,268,538 | 2,208,162 |
| - of which telecommunications services | - domestic | 39,924,920 | 40,417,589 | 38,096,861 |
| | - international | 3,046,044 | 3,227,416 | 2,203,543 |
| Revenues from sales of goods | - domestic | 296,602 | 306,361 | 340,662 |
| | - international | 130 | 0 | 0 |
| Other revenues and returns | - domestic | 7,940,955 | 3,820,342 | 4,555,626 |
| | - international | 199 | 1,886 | 3,418 |
| Revenues from sale of company products | - domestic | 87,737 | 57,037 | 44,471 |
| Operating revenues | - domestic | 48,649,207 | 44,978,867 | 43,475,775 |
| | - international | 3,055,220 | 3,270,424 | 2,211,580 |
| **Total operating revenues** | | **51,704,427** | **48,249,291** | **45,687,355** |

**Organisational units with at least 10% share of total company turnover**

The issuer does not have any independent organisational unit registered in the Commercial Register which would have at least a 10% share of total turnover, production, or services provided by the issuer.

**Description of real estate owned by the company**

The issuer owns immovables used mostly to realise its business objectives to which it is licensed under existing legislation.

| As at 31.12.2001 (in CZK thousands) | Purchase price | Accumulated depreciation | Net book value |
|---|---|---|---|
| Land | 631,452 | 0 | 631,452 |
| Buildings | 108,850,525 | -32,784,392 | 76,066,133 |
| - Buildings and houses | 13,278,492 | - 2,714,666 | 10,563,826 |
| - Public telephone booths | 850,780 | - 575,585 | 275,195 |
| - Overground and underground telecommunication cables | 93,964,377 | - 29,196,773 | 64,767,604 |
| - Other | 756,876 | - 297,368 | 459,508 |

| As at 31.12.2001 | Number | Area in $m^2$ |
|---|---|---|
| Buildings | 2,932 | 1,245,246 |
| Land | 4,879 | 2,097,672 |

Book value of pledged property:

| As at 31.12.2001 | (in CZK thousands) |
|---|---|
| Immovable property | 1,448,754 |
| Movables | 5,974,964 |
| **Total** | **7,423,718** |

See Loans and bond issues below

**Details on the issuer's dependency on patents or licenses and industrial, trading, or financial contracts that have a significant impact on the issuer's business activities**

**1) Patents and licenses**

License contracts for the use of the following software products are significant for the issuer's business activities: database interface (ORACLE); operating systems (Hewlett-Packard and SUN); workstation software (Microsoft); customer care and billing - a new billing system with the option of detailed itemised bills (Amdocs); and BSS (Business Support Systems) for increased effectiveness (SAP).

**2) Industrial and trading contracts**

The issuer maintains a diversified portfolio of technology suppliers. The main goal of the issuer in relation to its suppliers is to maintain competition on the supply side. All important contracts for the supply of technology are signed after tender proceedings. Main suppliers of active elements are: Alcatel, Siemens, Lucent Technologies and TTC Marconi; of optic cables: Samsung and Lucent Technologies; of copper cables: Kabelovna Děčín and NK Cables; and of project purchase: Amdocs, Alcatel Czech and Alcatel e-business distribution.

None of the above trading contracts or any other contract with a recipient of services supplied by the issuer exceeds 5% of the trading property of the issuer in its volume.

**3) Financial contracts**

See Loans and bond issues below.

**Details on legal, administrative, or arbitrary proceedings commenced during the last two accounting periods, which had or could have material impact on the issuer's financial position**

In connection to its business activities, the issuer has entered into a number of legal, administrative and arbitrary proceedings, including proceedings concerning its main business subject – the operation of the public telecommunications network and the provision of public telecommunications services. These proceedings also concern disputes arising from interconnection agreements with other licensed operators.

The Prague division of the Czech Telecommunications Office (CTO), as the administrative body, in its ruling of 2 April 2002 partially confirmed the petition by RadioMobil, a.s. for the payment of outstanding amounts for interconnection fees for the period January–November 2001. After evaluating all information, the outstanding amount was calculated by the administrative body to be approximately CZK 765.8 million, including sundry charges. The issuer deems this decision to be both legally and factually unsubstantiated and filed an appeal against this decision at the CTO on 16 April 2002. If this appeal is refused, the issuer is prepared to take additional legal measures.

The issuer is not part of any legal, administrative, or arbitrary proceedings the value of which exceeds 5% of the issuer's registered capital. The sum of all amounts of all such proceedings also does not exceed this value. In the issuer's opinion, it is unlikely that any of these proceedings will have a material impact on its business.

**Main investments**

| Issuer's main investments for the last three accounting periods (in CZK millions) | 1999 | 2000 | 2001 |
|---|---|---|---|
| Switching technology | 3,948 | 1,811 | 2,875 |
| Transmission technology | 2,059 | 1,479 | 1,715 |
| Access network | 6,056 | 3,094 | 1,939 |
| Buildings | 1,089 | 704 | 725 |
| Data network | 140 | 732 | 891 |
| Other – support systems | 4,158 | 6,872 | 5,694 |
| **Total investment (non-financial)** | **17,450** | **14,692** | **13,839** |

All main investments of the issuer were located in the Czech Republic and were financed from the company's own resources and from loans.

In 2001, investments targeted in particular the following areas: Digitalisation of the telecommunications network – reached the 95% level. Installation and operation of ISDN channels – the significant growth trend from the previous period continued, approximately 140,000 new channels were installed and the total number of operated ISDN channels reached 261,000. A significant part of investment was made to fulfil the requirements of the Telecommunications Act, especially Carrier Selection and Number Portability.

| Issuer's financial investment for the last three accounting periods (in CZK millions) | 1999 | 2000 | 2001 |
|---|---|---|---|
| Financial investment | 99 | 3,697 | 90 |

Main future investments:

During 2002–2004, investment will target the further development of the capacity, quality, and reliability of the network with the simultaneous introduction of cutting-edge technologies, which will be the base for the Next Generation Network (NGN), enabling convergence of voice, data, and multimedia services. Part of investment in 2002 will be used to fulfil the requirements of the Telecommunications Act.

**Information on research and development policy for new products or methods during the accounting period**

In 2001, ČESKÝ TELECOM spent a total of CZK 81,399,000 (in 2000: CZK 113,775,000), out of which CZK 44,247,000 was capitalised. Costs included external development work in the area of IT and IS, data and system architecture, and system integration of applications.

**Details on interruption of business activity**

N/A

**Average number of employees**

| Business activity | 1999 | 2000 | 2001 |
|---|---|---|---|
| Managerial and administrative positions | 6,700 | 6,252 | 5,771 |
| Operation and maintenance of telecommunications network | 8,366 | 8,307 | 6,757 |
| Construction and installation | 1,219 | 151 | 5 |
| IT | 674 | 528 | 514 |
| Transport | 286 | 211 | 133 |
| Supply and logistics | 536 | 492 | 382 |
| Sales and marketing | 2,128 | 2,119 | 1,846 |
| Maintenance of buildings | 279 | 202 | 139 |
| Other support activities | 728 | 440 | 278 |
| **Total** | **20,916** | **18,702** | **15,825** |

**Statutory and supervisory bodies of the company**

(as at 31.12.2001)

| | Position | Name |
|---|---|---|
| Board of Directors | Chairman | Ondřej Felix |
| | First Vice-Chairman | André Frans Bessel Kok |
| | Second Vice-Chairman | Přemysl Klíma |
| | member | Marcela Gürlichová |
| | member | Miloslav Hejnák |
| | member | Jan Juchelka |
| | member | Jiří Němec |
| | member | Günter Heinz Pfeiffer |
| | member | Robert Jan Terwiel |
| Supervisory Board | Chairman | Michal Tošovský |
| | First Vice-Chairman | Gerardus Johannes Klein Bluemink |
| | Second Vice-Chairman | Lubomír Vinduška |
| | member | Dominik Louis Böhler |
| | member | Pavel Herštík |
| | member | Miloslav Krch |
| | member | Louis Johan Lampe |
| | member | Vladimír Měšťan |
| | member | Jan Schwarzer |
| | member | Zdeněk Šámal |
| | member | Jan Škurek |
| | member | Zdeněk Švrček |
| | member | Luboš Vaněk |
| | member | Václav Wagner |
| | member | Ladislav Zelinka |
| Operational management | President & CEO | Přemysl Klíma |
| | Chief Operating Officer | André Frans Bessel Kok |
| | Executive Vice-President, Networks Group | Petr Slováček |
| | Executive Vice-President, Telecommunications Services Group | George Jiri Jankovic |
| | Executive Vice-President, Wholesale Services Group | Pavel Jiroušek |
| | Executive Vice-President, Corporate Services Group | Juraj Šedivý |
| | Executive Vice-President, Information Support Systems Group | David Fox |
| | Director, Imaginet, o.z. | James Frederick Ledbetter |

Changes in the Board of Directors during 2001:

| | |
|---|---|
| Marten Pieters | resigned on 16.1.2001 |
| Günter Heinz Pfeiffer | elected by the General Meeting on 15.6.2001 |
| Robert Jan Terwiel | co-opted 16.1.2001 |
| | elected by the General Meeting on 15.6.2001 |
| André Frans Bessel Kok | suspended and re-elected by the General Meeting on 15.6.2001 |
| Lorne Rupert Somerville | suspended by the General Meeting on 15.6.2001 |
| Ivan Pilný | resigned 21.11.2001 |
| Ondřej Felix | co-opted 21.11.2001 - Member of the Board of Directors, since 1.12.2001 - Chairman of the Board of Directors |
| Marcela Gürlichová | co-opted 19.12.2001 (not yet recorded at the Commercial Register) |

Changes in the Board of Directors at the beginning of 2002:

| | |
|---|---|
| Marten Pieters | co-opted 16.1.2002 (not yet recorded at the Commercial Register) |
| Robert Jan Terwiel | resigned – suspended on 16.1.2002 (not yet recorded at the Commercial Register) |

New members of the Board of Directors:

**Ondřej Felix (*1954)**
*Chairman of the Board of Directors*
Graduated in 1978 from the Czech Technical University with a degree in information technologies. In 1989 he received his Ph.D. from the Czechoslovak Academy of Sciences. After his university studies he began his career with the Federal Statistical Office, where he was responsible for large software projects, the most important of which was the population census of 1980. He later joined the Czech branch of ICL, a British computer company, where he was in charge of various positions in the areas of software support, product marketing, the development of commerce, and systems integration. For two years he managed APP systems, a supplier of extensive software projects to large customers in the Czech Republic and Slovakia. From 1994 to August 1999 he worked as Managing Director of the Czech branch of Oracle. From September 1999 to November 2001 he worked as Oracle's Director of Public Services for Central and Eastern Europe. He is the First Vice-President of the Information Society Association and a member of the Administrative Council of Masaryk University in Brno, where he works as an external lecturer.

**Marten Pieters (*1953)**
*Member of the Board of Directors*
He studied law and afterward obtained a teaching degree in economics in 1977 from the State University of Groningen, the Netherlands. He worked for more than ten years in the food industry, five years as the Financial Director of an international company. Since 1989 he has worked at KPN Royal Dutch Telecom (further KPN). He worked as the Secretary of the Management Board of KPN, and then as the Commercial Director and Executive Director for the company's regional units. From his appointment as Vice-President of International Operations in 1995, he was responsible for the projects, joint ventures, participation, and international activities of KPN. He is now a member of KPN's Management Board with responsibility for the DATA/IP division and international participation. He is member of the Supervisory Board of KPNQwest in the Netherlands, the Supervisory Board of TelSource N.V., and Chairman of the Supervisory Board of XANTIC, a provider of satellite services.

**Günter Heinz Pfeiffer (*1958)**
*Member of the Board of Directors*
Graduated in 1983 from the University of Bonn with a degree in economics and completed his studies with a doctoral degree from the University of Cologne in 1989. Between 1984 and 1988 he was employed as a research assistant at the University of Cologne specialising in telecommunications economics. From 1988-1995 he worked at Detecon GmbH, at the end in charge of operations and holding projects. From 1995-1996 he was Senior Director of International Business Development with T-Mobile. In 1997 he was appointed Vice-President of Marketing at VEBA Telecom GmbH with responsibility for the strategic control of the group's telecommunications operations. Since 2000 he has been Head of the Participation Management Division at Swisscom AG. He serves as Chairman of the Supervisory Board of Swisscom Multimedia B.V.

Changes in the Supervisory Board during 2001:

| | |
|---|---|
| Günter Heinz Pfeiffer | resigned on 26.4.2001 |
| Dominik Louis Böhler | co-opted on 26.4.2001,<br>elected by the General Meeting on 15.6.2001 |
| Jiří Havel | suspended by the General Meeting on 15.6.2001 |
| Zdeněk Hrubý | suspended by the General Meeting on 15.6.2001 |
| Jan Škurek | elected by the General Meeting on 15.6.2001 |
| Ladislav Zelinka | elected by the General Meeting on 15.6.2001 |

All changes in the Supervisory Board have been registered at the Commercial Register.

New members of the Supervisory Board:

**Dominik Louis Böhler (*1963)**
*Member of the Supervisory Board*
He holds a university degree in business administration and economics from Bern University, Switzerland. He has been working with Swisscom AG and its legal predecessors since 1989. Previously, he was Deputy Head of Investor Relations for Swisscom AG and Project Manager in the Swisscom IPO. During 1996 and 1997 he was also Chief Financial Officer of TelSource N.V. He is member of the Supervisory Board of TelSource N.V. and TelSource Services B.V. Since 1999 he has been Participation Manager of Swisscom AG for ČESKÝ TELECOM.

**Ladislav Zelinka (*1955)**
*Member of the Supervisory Board*
Graduated in 1985 from the Prague University of Economics as an auditor, specialising in accounting. From 1984-1987 he worked as the Head of the Internal Revision Department of the National Health Institute in Prague. From 1987-1989 he worked as Officer Manager - specialist at the Federal Ministry of Control. From 1989-1991 he was Head of the Department of Financial Statistics at the Federal Statistics Office. From 1991-2000 he was a partner at the audit company HZ Prague. From 1998-1999 he was a member of the Board of Directors of Unipetrol. From 1991-2000 he specialised in insolvency as an administrator of the foreign trade companies Pragoinvest, Investa and AB Bank. On 1 April 2000 he became Deputy Minister of Finance of the Czech Republic. From 2000-2001 he served as a member of the Supervisory Boards of Konsolidační banka and ČEZ (Czech Electricity Enterprises). Since 2000 he serves as the Chairman of the Board of Directors of Česká exportní banka and Exportní garanční a pojišťovací společnost.

**Jan Škurek (*1971)**
*Member of the Supervisory Board*
Graduated from the University of Silesia, Opava, and the faculty of business, Karviná. In 1995, he joined the credit department of SKALA Bank. He also held this position at Evrobanka in 1996. From 1997 to 1998 he worked as Head of the Trading Department at Union Banka. Since 1999 he has worked at the National Property Fund of the Czech Republic in the following positions: staff member of the Department of Analyses and Corporate Finances and Head of the Department of Corporate Finances. In 2001 he was mandated to manage the Department of Strategic Privatisation. The task of this department is to resolve factual, legal and economic issues arising during the privatisation of selected companies and the co-ordination of the activities of legal, investment and accounting advisors in accordance with the needs and requirements of the National Property Fund of the Czech Republic and other government institutions. He is a member of the Supervisory Board of Severomoravská plynárenská.

Changes in Operational Management during 2001:

The operational management of the company was realised by the Operating Committee with the following members until 20.6.2001:

| | |
|---|---|
| Přemysl Klíma | President & CEO - Chairman of the Operating Committee |
| André Frans Bessel Kok | Chief Operating Officer - member of Operating Committee |
| Petr Slováček | Executive Vice President Networks Group - member of Operating Committee |
| James S. Hubley (until 31.3.2001) | Executive Vice President Telecommunication Services Group - member of the Operating Committee |
| George Jiri Jankovic (from 1.4.2001) | Executive Vice President Telecommunication Services Group - member of the Operating Committee |
| Urs Kamber | Executive Vice President Corporate Services Group - member of the Operating Committee |

From 21.6.2001, the operational management of the company is fully under the competence of the President & CEO. The company had the following structure as at 31.12.2001:

| President & CEO |
|---|
| - President & CEO Group (CEOG) |
| - Chief Operating Officer Group (COOG) |
| - ČESKÝ TELECOM, a.s. - Imaginet, o.z. (I) |
| - Networks Group (NSG) |
| - Telecommunication Services Group (TSG) |
| - Wholesale Services Group (WSG) |
| - Corporate Services Group (CSG) |
| - Information Support Systems Group (ISSG) |

Change to the management of ČESKÝ TELECOM, a.s. - Imaginet, o.z.:

| | |
|---|---|
| James Frederick Ledbetter | suspended on 5.3.2002 from the position of Manager of ČESKÝ TELECOM, a.s. - Imaginet, o.z. |
| Radek Soušek | named Acting Manager of ČESKÝ TELECOM, a.s. - Imaginet, o.z., on 5.3.2002 |

**Remunerations to statutory bodies or its members or members of supervisory bodies of the issuer (in CZK thousands)**

| | Financial proceeds | Of which royalties | Revenues in kind |
|---|---|---|---|
| Board of Directors | 11,819 | 3,364 | 1,907 |
| Supervisory Board | 8,969 | 3,886 | 5,912 |
| Company management [1)] | 67,250 | 0 | 2,961 |

1) The "Management" group includes the managers whose positions fulfil the conditions listed in Section 27, (5) of the Labour Code.

**Remunerations to statutory bodies or its members or members of the Supervisory Board paid by entities within the entire corporation in the Czech Republic (including remunerations paid by the issuer) (in CZK thounsads)**

| | Financial proceeds | Of which royalties | Revenues in kind |
|---|---|---|---|
| Board of Directors | 11,819 | 3,364 | 1,907 |
| Supervisory Board | 8,969 | 3,886 | 5,912 |

**Number of company shares which are owned by members of the Board of Directors, Supervisory Board and management of the issuer**

| | Number of shares |
|---|---|
| Board of Directors [1)] | 6,220 |
| Supervisory Board | 150 |
| Company management [2)] | 100 |

1) This includes the number of shares of members of the Board of the Directors who are also members of company management (these shares are not included in the number of shares of company management).

2) The "Management" group includes managers whose positions fulfil the conditions listed in Section 27, (5) of the Labour Code.

## 3) Information on the financial position of the registered security issuer

**Balance sheet in full version for the last three accounting periods (in CZK thousands)**

| Ref. | ASSETS | Row | 1999 Net | 2000 Net | 2001 Net |
|---|---|---|---|---|---|
| | TOTAL ASSETS | 001 | 145,218,376 | 145,767,559 | 143,563,435 |
| A. | Receivables for registered capital | 002 | 0 | 0 | 0 |
| B. | Fixed assets | 003 | 125,308,425 | 130,493,002 | 127,575,587 |
| B.I. | Intangible fixed assets | 004 | 4,668,058 | 9,057,298 | 11,103,579 |
| B.I.1. | Establishment costs | 005 | 0 | 0 | 0 |
| B.I.2. | Research & development | 006 | 0 | 5,859 | 63,374 |
| B.I.3. | Software | 007 | 666,440 | 5,295,284 | 9,171,518 |
| B.I.4. | Royalties | 008 | 162 | 7,949 | 3,952 |
| B.I.5. | Other intangible fixed assets | 009 | 0 | 0 | 0 |
| B.I.6. | Intangible assets in the course of construction | 010 | 3,998,956 | 3,684,890 | 1,758,901 |
| B.I.7. | Advances paid for intangible assets | 011 | 2,500 | 63,316 | 105,834 |
| B.II. | Tangible fixed assets | 012 | 120,285,386 | 117,163,390 | 113,670,236 |
| B.II.1. | Land | 013 | 763,638 | 769,039 | 631,452 |
| B.II.2. | Constructions | 014 | 79,500,738 | 79,331,488 | 76,066,133 |
| B.II.3. | Equipment | 015 | 32,850,389 | 31,724,930 | 31,577,475 |
| B.II.4. | Cultivated areas | 016 | 0 | 0 | 0 |
| B.II.5. | Livestock | 017 | 0 | 0 | 0 |
| B.II.6. | Other tangible fixed assets | 018 | 31,738 | 174,201 | 512,284 |
| B.II.7. | Tangible assets in the course of construction | 019 | 6,591,324 | 5,058,064 | 4,636,208 |
| B.II.8. | Advances paid for tangible fixed assets | 020 | 483,287 | 47,517 | 194,655 |
| B.II.9. | Adjustment to acquired fixed assets | 021 | 64,272 | 58,151 | 52,029 |
| B.III. | Long-term investments | 022 | 354,981 | 4,272,314 | 2,801,772 |
| B.III.1. | Investments in group undertakings | 023 | 120,536 | 95,121 | 78,669 |
| B.III.2. | Investments in associated companies of the group | 024 | 233,843 | 233,843 | 233,843 |
| B.III.3. | Other long-term investments in securities | 025 | 118 | 3,610 | 115 |
| B.III.4. | Intragroup loans | 026 | 0 | 6,850 | 6,850 |
| B.III.5. | Other long-term financial investments | 027 | 484 | 3,932,890 | 2,482,295 |

| Ref. | ASSETS | Row | 1999 Net | 2000 Net | 2001 Net |
|---|---|---|---|---|---|
| C. | Current assets | 028 | 18,219,616 | 13,539,106 | 13,319,518 |
| C.I. | Inventories | 029 | 2,231,823 | 1,270,597 | 1,212,700 |
| C.I.1. | Raw materials | 030 | 2,056,231 | 1,170,905 | 1,090,056 |
| C.I.2. | Work in progress and semifinished products | 031 | 0 | 0 | 0 |
| C.I.3. | Finished goods | 032 | 0 | 0 | 0 |
| C.I.4. | Livestock | 033 | 0 | 0 | 0 |
| C.I.5. | Goods for resale | 034 | 175,497 | 99,692 | 122,630 |
| C.I.6. | Prepayments for inventory | 035 | 95 | 0 | 14 |
| C.II. | Long-term receivables | 036 | 42,053 | 39,965 | 190,621 |
| C.II.1. | Long-term trade receivables | 037 | 4,201 | 4,223 | 116,304 |
| C.II.2. | Long-term receivables from shareholders/owners | 038 | 0 | 0 | 0 |
| C.II.3. | Long-term receivables from group undertakings | 039 | 0 | 0 | 0 |
| C.II.4. | Long-term receivables from associated companies of the group | 040 | 0 | 0 | 0 |
| C.II.5. | Other long-term receivables | 041 | 37,852 | 35,742 | 74,317 |
| C.III. | Short-term receivables | 042 | 6,913,183 | 6,518,791 | 6,243,512 |
| C.III.1. | Trade receivables | 043 | 4,697,351 | 5,465,103 | 5,385,968 |
| C.III.2. | Receivables from shareholders/owners | 044 | 130,144 | 123,812 | 123,812 |
| C.III.3. | Receivables for social security | 045 | 0 | 0 | 0 |
| C.III.4. | Tax receivables and state subsidies receivable | 046 | 852,732 | 536,094 | 512,591 |
| C.III.5. | Deferred tax asset | 047 | 0 | 0 | 0 |
| C.III.6. | Other receivables from group undertakings | 048 | 0 | 0 | 0 |
| C.III.7. | Other receivables from associated companies of the group | 049 | 0 | 0 | 0 |
| C.III.8. | Other receivables | 050 | 1,232,956 | 393,782 | 221,141 |
| C.IV. | Financial assets | 051 | 9,032,557 | 5,709,753 | 5,672,685 |
| C.IV.1. | Cash in hand | 052 | 20,157 | -14,452 | 42,344 |
| C.IV.2. | Cash at bank | 053 | 208,774 | 243,594 | 27,906 |
| C.IV.3. | Short-term investments | 054 | 8,803,626 | 5,480,611 | 5,602,435 |
| D. | Other assets | 055 | 1,690,335 | 1,735,451 | 2,668,330 |
| D.I. | Accruals and deferrals | 056 | 1,163,234 | 991,902 | 959,975 |
| D.I.1. | Prepaid expenses | 057 | 305,847 | 236,329 | 243,539 |
| D.I.2. | Accrued revenue | 058 | 138,524 | 77,771 | 465,068 |
| D.I.3. | Unrealised exchange rate losses | 059 | 718,863 | 677,802 | 251,368 |
| D.II. | Anticipated assets | 060 | 527,101 | 743,549 | 1,708,355 |
| | Control number | 999 | 580,346,403 | 582,326,687 | 572,545,385 |

| Ref. | LIABILITIES AND EQUITY | Row | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| | TOTAL LIABILITIES AND EQUITY | 061 | 145,218,376 | 145,767,559 | 143,563,435 |
| A. | Equity | 062 | 91,585,695 | 95,159,835 | 93,922,144 |
| A.I. | Registered capital | 063 | 32,208,990 | 32,208,990 | 32,208,990 |
| A.I.1. | Registered capital | 064 | 32,208,990 | 32,208,990 | 32,208,990 |
| A.I.2. | Own shares held | 065 | 0 | 0 | 0 |
| A.II. | Capital contributions | 066 | 31,472,997 | 31,486,980 | 31,483,483 |
| A.II.1. | Share premium | 067 | 29,324,161 | 29,343,185 | 29,343,185 |
| A.II.2. | Other capital contributions | 068 | 2,148,836 | 2,143,795 | 2,140,298 |
| A.II.3. | Asset revaluation | 069 | 0 | 0 | 0 |
| | | 070 | 0 | 0 | 0 |
| A.III. | Reserve funds | 071 | 4,987,940 | 5,182,769 | 5,382,594 |
| A.III.1. | Statutory reserve fund | 072 | 4,937,568 | 5,158,053 | 5,344,458 |
| A.III.2. | Undistributable reserves | 073 | 0 | 0 | 0 |
| A.III.3. | Statutory and other reserves | 074 | 50,372 | 24,716 | 38,136 |
| A.IV. | Retained earnings | 075 | 18,506,081 | 22,553,006 | 23,555,267 |
| A.IV.1. | Retained profits | 076 | 18,506,081 | 22,553,006 | 23,555,267 |
| A.IV.2. | Accumulated losses | 077 | 0 | 0 | 0 |
| A.V. | Profit (loss) for the current period | 078 | 4,409,687 | 3,728,090 | 1,291,810 |
| B. | Liabilities | 079 | 49,962,489 | 45,581,305 | 38,954,101 |
| B.I. | Provisions | 080 | 1,587,660 | 829,367 | 1,300,678 |
| B.I.1. | Tax-deductible provisions | 081 | 4,649 | 4,691 | 0 |
| B.I.2. | Provision for exchange rate losses | 082 | 533,475 | 519,768 | 1,295,018 |
| B.I.3. | Non-deductible provisions | 083 | 1,049,536 | 304,908 | 5,660 |

| Ref. | LIABILITIES AND EQUITY | Row | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| B.II. | Long-term liabilities | 084 | 20,780,858 | 20,383,986 | 12,197,931 |
| B.II.1. | Long-term liabilities to group undertakings | 085 | 13,780,858 | 13,383,986 | 12,197,931 |
| B.II.2. | Long-term liabilities to associated companies of the group | 086 | 0 | 0 | 0 |
| B.II.3. | Long-term advances received | 087 | 0 | 0 | 0 |
| B.II.4. | Debentures and bonds issued | 088 | 7,000,000 | 7,000,000 | 0 |
| B.II.5. | Long-term bills payable | 089 | 0 | 0 | 0 |
| B.II.6. | Other long-term liabilities | 090 | 0 | 0 | 0 |
| B.III. | Short-term liabilities | 091 | 13,240,390 | 14,162,146 | 12,238,829 |
| B.III.1. | Trade payables | 092 | 5,075,976 | 4,558,288 | 2,517,313 |
| B.III.2. | Liabilities to shareholders/owners | 093 | 5,910 | 0 | 2,705 |
| B.III.3. | Payroll payable and other liabilities to employees | 094 | 281,643 | 311,702 | 256,369 |
| B.III.4. | Liabilities for social insurance | 095 | 167,395 | 193,659 | 158,357 |
| B.III.5. | Tax liabilities | 096 | 59,680 | 104,236 | 63,244 |
| B.III.6. | Deferred tax liability | 097 | 7,156,611 | 8,638,790 | 8,967,909 |
| B.III.7. | Liabilities to group undertakings | 098 | 0 | 0 | 0 |
| B.III.8. | Liabilities to associated companies of the group | 099 | 0 | 0 | 0 |
| B.III.9. | Other payables | 100 | 493,175 | 355,471 | 272,932 |
| B.IV. | Bank loans & overdrafts | 101 | 14,353,582 | 10,205,806 | 13,216,663 |
| B.IV.1. | Long-term bank loans | 102 | 12,329,085 | 7,052,713 | 6,133,898 |
| B.IV.2. | Short-term bank loans and overdrafts | 103 | 2,013,434 | 3,153,093 | 82,765 |
| B.IV.3. | Other short-term borrowings | 104 | 11,063 | 0 | 7,000,000 |
| C. | Other liabilities | 105 | 3,670,192 | 5,026,419 | 10,687,190 |
| C.I. | Accruals and deferrals | 106 | 1,935,779 | 2,359,798 | 4,208,109 |
| C.I.1. | Accruals | 107 | 1,656,692 | 1,496,947 | 1,723,634 |
| C.I.2. | Deferred revenue | 108 | 83,293 | 265,650 | 68,104 |
| C.I.3. | Unrealised exchange rate gains | 109 | 195,794 | 597,201 | 2,416,371 |
| C.II. | Anticipated liabilities | 110 | 1,734,413 | 2,666,621 | 6,479,081 |
| | Control number | 999 | 574,729,406 | 576,675,525 | 566,482,849 |

**Income statement in full version for the last three accounting periods (in CZK thousands)**

| Ref. | DESCRIPTION | Row | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| I. | Sales of purchased goods | 01 | 296,732 | 306,361 | 340,662 |
| A. | Cost of goods sold | 02 | 242,688 | 269,492 | 428,031 |
| + | Gross profit | 03 | 54,044 | 36,869 | -87,369 |
| II. | Sale of production | 04 | 45,529,393 | 45,289,629 | 41,910,818 |
| II.1. | Sales of own products and services | 05 | 43,466,541 | 44,120,702 | 40,787,649 |
| II.2. | Change in inventory of finished goods and work in progress | 06 | 0 | 0 | 0 |
| II.3. | Own work capitalised | 07 | 2,062,852 | 1,168,927 | 1,123,169 |
| B. | Cost of sales | 08 | 16,057,250 | 15,840,070 | 13,872,641 |
| B.1. | Raw materials and consumables | 09 | 3,741,247 | 2,791,871 | 2,510,049 |
| B.2. | Services | 10 | 12,316,003 | 13,048,199 | 11,362,592 |
| + | Added value | 11 | 29,526,187 | 29,486,428 | 27,950,808 |
| C. | Staff costs | 12 | 7,252,592 | 7,490,003 | 6,773,532 |
| C.1. | Wages and salaries | 13 | 5,092,765 | 5,066,682 | 4,897,538 |
| C.2. | Emoluments of board members | 14 | 16,995 | 16,422 | 14,788 |
| C.3. | Social security costs | 15 | 1,886,540 | 1,867,152 | 1,605,074 |
| C.4. | Other social costs | 16 | 256,292 | 539,747 | 256,132 |
| D. | Taxes and charges | 17 | 48,691 | 49,806 | 122,320 |
| E. | Depreciation of long-term assets | 18 | 12,255,225 | 13,186,752 | 15,028,701 |
| III. | Sale of long-term assets and raw materials | 19 | 101,934 | 217,935 | 559,572 |
| F. | Net book amount of long-term assets and raw materials sold | 20 | 71,942 | 180,646 | 351,996 |
| IV. | Provisions written back to operating income | 21 | 1,708 | 2,584 | 4,690 |
| G. | Provisions for operating liabilities and charges | 22 | 3,462 | 2,625 | 0 |
| V. | Amounts written back to operating assets | 23 | 350,122 | 420,265 | 295,979 |
| H. | Amounts written off operating assets | 24 | 779,478 | 529,451 | 663,003 |
| VI. | Other operating income | 25 | 42,578 | 46,421 | 82,256 |
| I. | Other operating charges | 26 | 374,310 | 303,790 | 235,312 |
| VII. | Adjustments to operating income | 27 | 0 | 0 | 0 |
| J. | Adjustments to operating expense | 28 | 0 | 0 | 0 |
| * | Operating result | 29 | 9,236,829 | 8,430,560 | 5,718,441 |

| Ref. | DESCRIPTION | Row | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| VIII. | Income from sales of securities and shares | 30 | 3,428,847 | 160 | 843,590 |
| K. | Securities and shares sold | 31 | 3,442,655 | 610 | 824,426 |
| IX. | Income from long-term investments | 32 | 0 | 70,457 | 224,288 |
| IX.1. | Income from shares in group undertakings | 33 | 0 | 0 | 0 |
| IX.2. | Income from shares in other participating interests | 34 | 0 | 26,933 | 137,516 |
| IX.3. | Income from other long-term investments | 35 | 0 | 43,524 | 86,772 |
| X. | Income from short-term investments | 36 | 382,251 | 238,832 | 187,083 |
| XI. | Provisions written back to financial income | 37 | 596,091 | 623,019 | 665,017 |
| L. | Provisions for financial liabilities and charges | 38 | 623,019 | 665,017 | 1,295,018 |
| XII. | Amounts written back on investments | 39 | 47,386 | 95,133 | 13,138 |
| M. | Amounts written off investments | 40 | 125,181 | 380,610 | 396,751 |
| XIII. | Interest income | 41 | 19,928 | 17,676 | 44,440 |
| N. | Interest expense | 42 | 2,888,996 | 2,702,435 | 2,269,676 |
| XIV. | Other financial income | 43 | 907,456 | 920,819 | 515,822 |
| O. | Other financial expense | 44 | 830,955 | 906,246 | 1,535,928 |
| XV. | Adjustments to financial income | 45 | 0 | 0 | 0 |
| P. | Adjustments to financial expense | 46 | 0 | 0 | 0 |
| * | Result from financial transactions | 47 | -2,528,847 | -2,688,822 | -3,828,421 |
| R. | Tax on profit or loss on ordinary activities | 48 | 1,595,658 | 1,730,738 | 515,597 |
| R.1. | - current | 49 | 300,644 | 224,089 | 186,478 |
| R.2. | - deferred | 50 | 1,295,014 | 1,506,649 | 329,119 |
| | | 51 | 0 | 0 | 0 |
| ** | Profit or loss on ordinary activities after taxation | 52 | 5,112,324 | 4,011,000 | 1,374,423 |
| XVI. | Extraordinary income | 53 | 405,625 | 1,125,135 | 210,691 |
| S. | Extraordinary charges | 54 | 1,130,315 | 1,418,460 | 299,700 |
| T. | Tax on extraordinary profit or loss | 55 | -22,053 | -10,415 | -6,396 |
| T.1. | - current | 56 | -22,053 | -10,415 | -6,396 |
| T.2. | - deferred | 57 | 0 | 0 | 0 |
| * | Profit (loss) on extraordinary items after taxation | 58 | -702,637 | -282,910 | -82,613 |
| U. | Profit (loss) share apportioned to partners [v.o.s. only] | 59 | 0 | 0 | 0 |
| *** | Net profit (loss) for the financial period | 60 | 4,409,687 | 3,728,090 | 1,291,810 |
| | Profit (loss) before taxation | 61 | 5,983,292 | 5,448,413 | 1,801,011 |
| | Control number | 99 | 221,314,134 | 213,600,872 | 187,932,852 |

**Changes in equity in the last three accounting periods (in CZK thousands)**

| Year | 1999 | 2000 | 2001 |
|---|---|---|---|
| Share capital | 32,208,990 | 32,208,990 | 32,208,990 |
| Share premium | 29,324,161 | 29,343,185 | 29,343,185 |
| Other capital funds | 2,148,836 | 2,143,795 | 2,140,298 |
| Profit funds | 4,987,940 | 5,182,769 | 5,382,594 |
| of which reserve fund | 4,937,568 | 5,158,053 | 5,344,458 |
| Undistributed profit from previous acct. period | 18,506,081 | 22,553,006 | 23,555,267 |
| Financial results | 4,409,687 | 3,728,090 | 1,291,810 |
| **Total capital** | **91,585,695** | **95,159,835** | **93,922,144** |

**Profit on ordinary activities after taxation of the issuer per one share (in CZK)**

| | 1999 | 2000 | 2001 |
|---|---|---|---|
| Profit on ordinary activities after taxation (in CZK thousands) | 5,112,324 | 4,011,000 | 1,374,423 |
| Number of shares [1] | 322,089,900 | 322,089,900 | 322,089,900 |
| Profit on ordinary activities after taxation per one share with nominal value of CZK 100 (in CZK) | 16 | 12 | 4 |

[1] Due to comparability, one registred ordinary share with the nominal value of CZK 1,000 was included as 10 shares with a nominal value of CZK 100.

**Dividends for the last three accounting periods**

During the 1998 and 1999 accounting periods, no dividends were paid by the issuer. For the 2000 accounting period, the General Meeting of 15.6.2001 decided to pay out dividends in the amount of CZK 7.50 (before tax) per 1 issuer share with a nominal value of CZK 100 and CZK 75 (before tax) per 1 share with a nominal value of CZK 1,000. Dividends for the 2001 accounting period will be decided by the General Meeting on 14.6.2002 in Prague.

**Loans and bond issues**

Loans and bond issues, divided to short- and long-term:

| As at 31.12.2001 | (in CZK thousands) |
|---|---|
| Short-term loans and bond issues (payable within 1 year) | 7,376,584 |
| Long-term loans | 18,038,010 |
| **Total** | **25,414,594** |

Overview of loans and bond issues:

| | Currency | Total loan value in that currency | Balance in currency as at 31.12.2001 | Balance in CZK as at 31.12.2001 | Date due |
|---|---|---|---|---|---|
| European Investment Bank - Loan I [1] | EUR | 65,000,000 | 41,253,672 | 1,319,292,434 | 2008 |
| European Investment Bank - Loan II [1] | EUR | 30,000,000 | 22,727,538 | 726,826,655 | 2009 |
| Morgan Stanley – loan instrument | EUR | 127,822,970 | 127,822,970 | 4,087,778,590 | 2012 |
| SPT TELECOM (Czech Republic) Finance B.V. (Loan from issue of eurobonds) [2] | EUR | 381,423,743 | 381,423,743 | 12,197,931,313 | 2003 |
| Issue of bonds (managed by Česká spořitelna, a.s.) [3] | CZK | 7,000,000,000 | 7,000,000,000 | 7,000,000,000 | 2004 |

Exchange rate of CZK/EUR used in the table (as at 31.12.2001) is CZK 31.980/EUR

[1] Loans are collateralised by the movable and immovable property of ČESKÝ TELECOM.

[2] In May 1998, the Dutch company SPT TELECOM (Czech Republic) Finance B.V., of which the issuer holds 100% of shares, issued eurobonds in the total value of DEM 750,000,000 with a fixed coupon of 5.125% and with a five-year maturity. The issuer provided an unconditional and irrevocable guarantee in respect of the liabilities from this issue. A contract for a loan in the amount of DEM 746,000,000 was signed between SPT TELECOM (Czech Republic) Finance B.V. (payee) and the issuer (debtor) in connection with the issue of the eurobonds.

[3] On 12.12.2001, ČESKÝ TELECOM announced its decision to pay up this emission of bonds by 6.2.2002 (see Securities issued, section B. Bonds)

The above loans are being re-paid according to the relevant loan contract or according to issue conditions. ČESKÝ TELECOM did not have any loan not paid by the due date as at 31.12.2001.

**Entities in which the issuer holds directly or indirectly 10% or more of their consolidated shareholder's equity**

N/A

**Entities in which the issuer holds directly or indirectly 10% or more of their consolidated net annual profit**

| | |
|---|---|
| Business Firm: | Eurotel Praha, spol. s r.o. |
| Registered office: | Sokolovská 855/225, 190 00 Prague 9 |
| Identification Number: | 15268306 |
| Subject of Business : | Installation and operation of a public mobile telecommunications network and provision of mobile telecommunications services in the range and under conditions listed in the authorisation |
| Registered capital: | CZK 1,211,000,000 |
| ČESKÝ TELECOM Share: | Direct interest in the amount of 51.0% |

**Business entities in which the issuer directly owns more than 10% of the registered capital**

(as at 31.12.2001)

| Business Firm | Registered office | Identification number | Registered capital in CZK | Issuer's share of registered capital in % |
|---|---|---|---|---|
| AUGUSTUS, spol. s r.o. | Kubelíkova 54,<br>130 00 Prague 3, | 49356160 | 166,000 | 39.76 |
| EDINet.cz, s.r.o. [1] | Olšanská 5,<br>130 00 Prague 3, | 25746367 | 97,929,000 | 100 |
| Eurotel Praha, spol. s r.o. | Sokolovská 855/225,<br>190 00 Prague 9 | 15268306 | 1,211,000,000 | 51 |
| M.I.A., a.s. | Jaselská 6,<br>160 00 Prague 6 | 25606298 | 1,000,000 | 100 |
| OMNICOM Praha, spol. s r.o. | Bartákova 1121/3,<br>140 00 Prague 4 | 45797111 | 10,000,000 | 100 |
| Vianet, spol. s r.o., in liquidation [2] | Olšanská 5,<br>130 00 Prague 3 | 62912054 | 100,000 | 100 |
| **Foreign companies** | | | **EUR** | |
| SPT TELECOM (Czech Republic) Finance B.V. | Drentestraat 24<br>1083 HK Amsterdam, Netherlands | | 18,151 | 100 |

[1] At the General Meeting of 20.2.2002, the sole shareholder decided on the winding up of the company with liquidation.

[2] The commencement of the liquidation was entered in the Commercial Register on 6.2.2002

**asp1000, s.r.o.**

ČESKÝ TELECOM bought a share in this company and on 19.9.2001 signed a Memorandum of Association and became a partner with a 50.9% share of the equity capital in asp1000. As prescribed in the above memorandum, ČESKÝ TELECOM has transferred an amount corresponding to the agreed share which was used to raise the equity capital of asp1000. Changes to be entered into the Commercial Register, including the increase of the registered capital, were not yet recorded.

**Centrade, a.s.**

On 2.11.2001, Centrade, a.s. was founded. Its registered capital is CZK 600 million; the issuer's share of the registered capital of the company is 86.5%. The company was entered into the Commercial Register on 27.2.2002.

**Business entities where the issuer indirectly owns more than 10% of the registered capital**

(as at 31.12.2001)

| Business Company | Address | Identification number | Registered capital | Issuer's share of registered capital in % |
|---|---|---|---|---|
| Trigo Property Management limited liability Company [1] | Sombathely 9700, Málom 7, Hungary | - | USD 10,000 | Eurotel Praha, spol. s r.o., holds 100% share of the registered capital of the company |

[1] On 20.12.2001, Eurotel Praha became a 100% owner of Trigo Property Management limited liability company. The company was founded on 29.12.2000.

**Details on expected business and financial position in the next year**

In 2002, the financial results will be influenced by the further liberalisation of the market and the introduction of new services. The company aims to maintain its dominant position in voice and data services over fixed networks in the liberalised market environment. For that reason, we have been offering new service packages since February 2002. These packages complete the process of re-balancing call tariffs and monthly charges and enable customers to select tariffs according to their needs. While increased liberalisation will represent pressure on revenues from traditional voice services, the company expects further growth of revenues from data services, euroISDN, and the Internet.

2002 will also bring a further reduction of international and local interconnection charges. Our cost effectiveness program will continue. Long-term property depreciation should culminate during the next two years in connection with investments into complete digitalisation and into services required by the Telecommunications Act (especially Carrier Selection and Number Portability).

Costs and revenues of the company are largely dependent on the stability of the Czech crown. The company realises a number of measures to minimise the negative impact of exchange rate fluctuations. Providing the company's financing structure trends and current interest rates remain unchanged, interest costs will be reduced in 2002.

## 4) Information on the people responsible for the Annual Report and audited financial statements

Ondřej Felix, Chairman of the Board of Directors, ČESKÝ TELECOM, and

Přemysl Klíma, Second Vice-Chairman of the Board of Directors and President & CEO, ČESKÝ TELECOM

**hereby declare that the information listed in the Annual Report is accurate and that no significant information which could influence the correct and accurate evaluation of the registered security issuer was omitted.**

**Ondřej Felix**
*Chairman of the Board of Directors*

**Přemysl Klíma**
*Second Vice-Chairman of the Board of Directors and President & CEO*

**Report of the Board of Directors on company business activity and property status**

**Report of independent auditors to the shareholders of ČESKÝ TELECOM, a.s.**

**Report of the Board of Directors on relations between the controlled party and its controlling party and between the controlled party and other persons controlled by the same controlling party**

# Report of the Board of Directors on company business activity and property status

**95 -- Business activities**
**96 -- Consolidated financial results and property status**

## Report of the Board of Directors on company business activity and property status (part of the Annual Report for 2001 pursuant to Section 192, Par. 2, of Act No. 513/1991 Coll., the Commercial Code, as amended)

## Business activities

The business activity of ČESKÝ TELECOM, a.s., (ČESKÝ TELECOM) in 2001 focused on creating the preconditions for maintaining the company's leading position on the Czech telecommunications market and its long-term competitiveness and prosperity. The company also concentrated on the development of business activities in areas other than traditional voice services (data services, Internet, e-commerce), in order to compensate for the drop in revenues from voice services. The company also focused on modifying its portfolio of services in line with customer requirements. The implementation of our new Business Model was an important part of the development in 2001. The main imperative of the Business Model is to satisfy the needs of our customers and to ensure the increase of effective business operations, support, and corporate activities.

ČESKÝ TELECOM continued to fulfil all obligations ensuing from the Telecommunications Act and cooperated in complying with regulations enabling the further liberalisation of the market.

At the end of 2001, 95% of all exchanges had been digitalised, and 100% was achieved in two regions of the Czech Republic. ČESKÝ TELECOM successfully executed its pilot project for ADSL technology and created the conditions for its commercial launch in 2002. This technology will enable customers to use broadband data and Internet transmission across the existing telephone infrastructure while simultaneously preserving telephone and euroISDN lines.

In 2001, the number of main telephone lines in operation totalled 3.842 million. This slight decrease is attributable to the massive development of mobile telecommunications, which achieved almost 70% penetration at the end of the year. A positive development is the increased number of euroISDN lines. Increasingly, our customers are choosing to replace their traditional telephone lines with euroISDN lines, as this provides higher levels of service and quality.

**ČESKÝ TELECOM continued to expand the spectrum of services offered in 2001**

1) In the area of traditional voice telephony, impulse-based pricing was replaced by time-based pricing; the Detailed bill option was introduced; attractive product packages, with low-cost telephones and accessories, were launched; the prices of calls to mobile networks were reduced; the portfolio of value-added services was expanded, e.g., the introduction of new Colour Lines, which enable cost sharing between the caller and the party called;

2) In the area of the Internet, the number of users of ČESKÝ TELECOM services tripled to almost 500,000; the company began the extension of its activities in e-commerce, and the CenTrade B2B electronic marketplace began operations; ČESKÝ TELECOM acquired ownership interest in asp1000, s.r.o., a company which provides modern Internet application services; the number of minutes called to access the Internet almost equalled the number of minutes generated by voice traffic;

3) In the area of data, the fast growth of the euroISDN service continued (in comparison with 2000, the number of channels increased 114%); the introduction of services with guaranteed quality brought a further increase of sales in data services (Frame Relay, ATM);

4) In 2001, ČESKÝ TELECOM concluded the first interconnection agreements with domestic alternative telecommunications operators pursuant to the Telecommunications Act; the company offered international transit voice services to international operators; the company extended the lease of its telecommunications infrastructure to alternative telecommunications operators as well as to Internet service providers (ISP).

Eurotel Praha, spol. s r.o., (Eurotel Praha), increased the number of its customers in 2001 to 3.24 million; Eurotel Praha invested CZK 3.53 billion for the purchase of a licence to build and operate a third-generation UMTS (Universal Mobile Telecommunication System) network under favourable payment terms (CZK 1 billion paid at the end of 2001, the remaining instalment payments are split over a 10-year period). A new, simpler and more transparent structure of tariffs, price reductions, and the expansion of value-added and data services further contributed to Eurotel Praha's commercial success. In 2001 Eurotel Praha customers sent 1.2 billion SMS messages, an increase of over 100% on the previous year. New services were introduced, such as Go GSM Banking, which offers new, multi-banking technology and allows access to up to 10 different bank accounts, even from abroad; the Juice Easy Service, for easy access to information services directly from the mobile phone display; and the Mobile Guide and Mobile Compass services for all users of WAP-enabled mobile phones. Eurotel Praha put into operation high-speed data services based on HSCSD and GPRS technologies, available also for prepaid Go services.

## Consolidated financial results and property status of ČESKÝ TELECOM in 2001 (according to IAS)

ČESKÝ TELECOM managed to maintain its EBITDA margin at the level of the best operators (49%). In the area of revenues, the highest level of growth is recorded in mobile telephony and in data and Internet services. In 2001, as in the previous year, ČESKÝ TELECOM succeeded in keeping its operating costs fully under control, with a positive influence on the financial result.

In 2001, which was the first year of the liberalised telecommunications market in the Czech Republic, ČESKÝ TELECOM generated consolidated net profit of CZK 6.1 billion, which represents a 4% decrease in comparison with 2000. Despite currency gains arising from the strong Czech crown, consolidated profit before tax dropped to CZK 8.8 billion.

**Revenue overview**

Consolidated revenues of ČESKÝ TELECOM in 2001 totalled CZK 55.9 billion, a 2% decrease compared with the previous financial period. Eurotel Praha's share of consolidated company revenues increased; the contribution to consolidated revenues from the Public Telephone Network was generated particularly by monthly fees and revenues from data transmission and other telephone services, particularly revenues from euroISDN services.

Consolidation of Eurotel Praha's revenues reached CZK 14 billion, which represents a 16% increase in comparison with the previous year. This sum represents 25% of the total consolidated revenues of ČESKÝ TELECOM.

Revenues from monthly fees recorded an annual increase of 5% to total CZK 7.3 billion, reflecting the results of tariff rebalancing, which will continue in 2002.

Revenues from data transmission and other telephony services grew 19% to CZK 5.3 billion. Data services and euroISDN services were the main drivers of growth in this area. The number of ISDN channels grew from 122,000 to 261,000.

Internet services continued to grow throughout 2001. Total internet revenues grew 24% to CZK 277 million.

**Overview of costs**

In 2001, total operating costs excluding depreciation reached CZK 28.7 billion, which represents an annual decrease of 6%. This was achieved by the implementation of thorough cost controls and by improving operational efficiency.

Consolidated staff costs decreased by 2% to CZK 7.6 billion, which was facilitated, among other factors, through the strategic downsizing of staff in ČESKÝ TELECOM by 12%, to 15,194 employees. This helped improve the efficiency indicator, which achieved the level of 253 fixed lines per employee, representing an annual increase of 14%. In 2001, the number of Eurotel Praha employees increased 14% to 2,420, a result of the high increase in the number of customers and strong revenue dynamics.

Payments to operators of other networks decreased by 9% to CZK 7.4 billion. Traditionally, payments for domestic interconnection prevailed. The mobile telecommunications boom began to manifest itself through increased traffic between mobile networks, which resulted in an annual decrease in consolidated payments to domestic operators by 3%, to CZK 4.9 billion. The effect of decreased interconnection fees stipulated by the Czech Telecommunications Office was also reflected in this area.

**Earnings before finance costs, tax, depreciation and amortisation (EBITDA), Net profit**

Earnings before finance costs, tax, depreciation and amortisation were CZK 27.2 billion. In comparison with the previous year, the percentage of the EBITDA margin increased from 47% to 49% during 2001.

In 2001 depreciation increased by 17% to CZK 17 billion, leading to a decrease of the consolidated earnings before finance costs and tax (EBIT) by 16%, to CZK 10.1 billion. Profit before tax dropped to CZK 8.8 billion, while profit after tax totalled CZK 6.1 billion, 4% less than in 2000.

**Status of corporate property**

Assets of ČESKÝ TELECOM decreased in 2001 from CZK 160,377 million to CZK 159,097 million. In terms of liabilities, there was a decline in the company's payables by 8%, to CZK 52,035 million. The company's registered capital (shareholders' equity) increased from CZK 103,807 million to CZK 107,023 million, chiefly due to the increase of reserves.

2001 saw the continued cautious and prudent attitude of investors toward technology stocks, which is reflected in the price of shares of ČESKÝ TELECOM. The global development of share prices followed the development of the NASDAQ, the US technology index, which reflected the unfulfilled profit expectations of Internet companies and the high indebtedness of many leading telecommunications companies, caused by their purchase of UMTS licences and by investors' doubts about returns on these investments. This market climate, which affected all telecommunications stocks to various extents, had its effect on ČESKÝ TELECOM's share price in 2001, and consequently on shareholder value (CZK 163.4 billion as at 31 December 2000, compared with CZK 116.8 billion at the end of 2001). The effect of ČESKÝ TELECOM's financial results on share price was not significant; the share price was also determined by investor expectations based on the anticipated further privitisation of the company. Due to its market capitalisation and business volume, ČESKÝ TELECOM ranks among the most significant companies on the Czech capital market. The company's shares are traded on the London Stock Exchange in the form of Global Depository Receipts. ČESKÝ TELECOM's credit rating is consistently at the highest level that Czech companies can receive from the renowned international rating agencies. Unlike other telecommunications companies, ČESKÝ TELECOM has managed, thanks to its financial stability, to maintain a high credit rating.

The ownership structure of the company with respect to the main shareholders did not change during the course of 2001.

**The company's financial statements have been audited by PricewaterhouseCoopers. As in previous years, the auditor's statement is "no objections."**

In 2001, ČESKÝ TELECOM won the Paegas Signum Temporis award for the most open information policy among companies on the domestic capital market. In 2002, it ranked second in this competition. In this category, experts assessed companies traded on the major and minor markets of the Prague Stock Exchange, where the duty to inform is the strictest. The assessment included the public voting of over 1,000 professionals, media representatives, and an expert jury.

ČESKÝ TELECOM has unequivocally embraced the introduction of and adherence to the standards of proper corporate governance, as outlined by the Code of Proper Governance issued by the Czech Securities Commission, which is based on OECD Principles of Corporate Governance and the Combined Code of the London Stock Exchange.

## Report of independent auditors to the shareholders of ČESKÝ TELECOM, a.s.

PRICEWATERHOUSECOOPERS

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IČ No. 40765521

## Report of independent auditors to the shareholders of ČESKÝ TELECOM, a.s.

We have reviewed the accompanying report (the "Report") on relations between ČESKÝ TELECOM, a.s. (the "Company") and its controlling entities and between the Company and the other entities controlled by the same controlling entities for the year ended 31 December 2001. The completeness and accuracy of the Report is the responsibility of the Board of Directors of the Company. Our responsibility is to review the accuracy of information included in the Report.

We conducted our review in accordance with the auditing standards of the Chamber of Auditors of the Czech Republic related to reviews of reports on relations between related entities. 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 and analytical procedures applied to the presented data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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 provision of Section 66a (9) of the Commercial Code.

26 March 2002

PricewaterhouseCoopers Audit, s.r.o.

represented by

**Richard Addison**
*Partner*

**Ing. Jitka Žaloudková**
*Auditor, Licence No. 1802*

PricewaterhouseCoopers Audit, s.r.o., is registered in the Commercial Register with the Municipal Court in Prague, part C, section No 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 21.

# Report of the Board of Directors on relations between the controlled party and its controlling party and between the controlled party and other persons controlled by the same controlling party


**101 -- Part A) Crucial period**

**101 -- Part B) Parties forming the holding**
**101 --** Section I. Basic identification of the controlled party – ČESKÝ TELECOM, a.s.
**101 --** Section II. Basic identification of the controlling parties
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**103 --** Section I. Contracts and agreements between the controlled party and the controlling parties
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## Report of the Board of Directors on relations between the controlled party and its controlling party and between the controlled party and other persons controlled by the same controlling party (part of the Annual Report for 2001 pursuant to Section 66a of Act No. 513/1991 Coll., the Commercial Code, as amended)

### Part A) Crucial period

This Report, pursuant to the provisions of Section 66a of Act No. 513/1991 Coll., the Commercial Code, as amended (hereinafter the "Commercial Code") on relationships between the controlling and the controlled party and on relationships between the controlled party and other parties – interconnected parties controlled by the same controlling party (hereinafter the "Report"), has been prepared for the last accounting period, i.e., for the period from 1 January 2001 till 31 December 2001.

### Part B) Parties forming the holding

### Section I. Basic identification of the controlled party – ČESKÝ TELECOM, a.s.

The company is recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2322.

| | |
|---|---|
| Registration date: | 1 January 1994 |
| Business firm: | ČESKÝ TELECOM, a.s. |
| Registered office: | Prague 3, Olšanská 55/5, area code 130 34 |
| Identification No.: | 60193336 |
| Legal form: | joint stock company |

### Section II. Basic identification of the controlling parties

**Parties acting in concert:**

a) Business firm: National Property Fund of the Czech Republic recorded in the Commercial Register of the Municipal Court in Prague, Section A.LXII, Enclosure 174
Registration date: 2 August 1991
Registered office: Prague 2, Rašínovo nábřeží 42, area code 128 00
Identification No.: 41692918
The controlling party has the controlled party's shares in total nominal value of 51.1% of the controlled party's basic capital.
Share in the controlled party's voting rights according to the provision of Section 183d (1) of the Commercial Code: 51.1%
Date of share origination in voting rights: 8 September 1995
Share in the controlled party's voting rights according to the provision of Section 183d (4)c) of the Commercial Code is 27.0% from 8 September 1995 and 33.48% from 18 December 1998.
Total share in the controlled party's voting rights according to the provision of Section 183d of the Commercial Code is then 84.58%.

b) Business firm: TelSource N.V.
Registered office: Maanplein 5, TP-1 kmr 3.09, 2516 CK's-Gravenhage, the Netherlands
The controlling party has the controlled party's shares in total nominal value of 27% of the controlled party's basic capital.
Share in the controlled party's voting rights according to the provision of Section 183d (1) of the Commercial Code: 27.0%
Date of share origination in voting rights: 8 September 1995
Share in the controlled party's voting rights according to the provision of Section 183d (4)c) of the Commercial Code is 51.1% from 8 September 1995 and 57.58% from 18 December 1998.
Total share in the controlled party's voting rights according to the provision of Section 183d of the Commercial Code is then 84.58%.

c) Business firm: KPN TELECOM B.V.
Registered office: Maanplein 5 Telecomplein, 2516 CK's Gravenhage, the Netherlands
The controlling party has the controlled party's shares in total nominal value of 6.48% of the controlled party's basic capital.
Share in the controlled party's voting rights according to the provision of Section 183d (1) of the Commercial Code: 6.48%
Date of share origination in voting rights according to the provision of Section 183d (1) of the Commercial Code: 18 December 1998
Share in the controlled party's voting rights according to the provision of Section 183d (4)b) of the Commercial Code is 27.0% from 8 September 1995.
Pursuant to the provision of Section 183d (4) c) of the Commercial Code, share in the controlled party's voting rights is 51.1% from 8 September 1995.

Total share in the controlled party's voting rights according to the provision of Section 183d of the Commercial Code is then 84.58%.

Total share of TelSource N.V., KPN TELECOM B.V. and the National Property Fund of the Czech Republic, as of the parties acting in concert pursuant to Section 66b of the Commercial Code, in the voting rights of ČESKÝ TELECOM, a.s., is 84.58%.

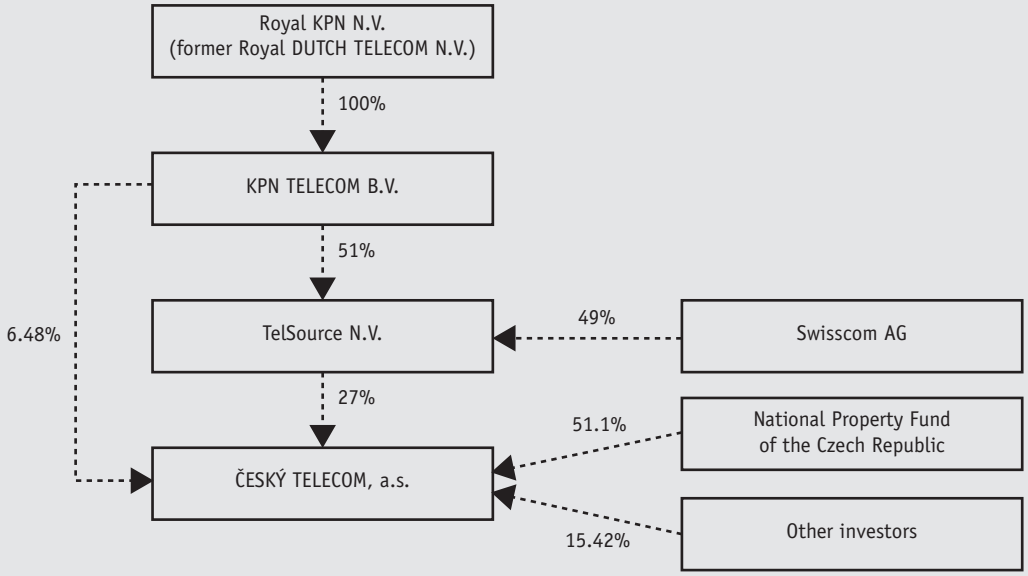
d) Business firm: Swisscom AG
Registered office: Alte Tiefenaustrasse 6, 3050 Bern, Switzerland
Total share in the controlled party's voting rights pursuant to the provision of Section 183d (1) of the Commercial Code is 0%.
Share in the controlled party's voting rights according to the provision of Section 183d (4)b) of the Commercial Code is 27.0% from 8 September 1995.
Pursuant to the provision of Section 183d (4) c) of the Commercial Code, share in the controlled party's voting rights is 51.1% from 8 September 1995 and 57.58% from 18 December 1998.
Total share in the controlled party's voting rights according to the provision of Section 183d of the Commercial Code is then 84.58%.

e) Business firm: Royal KPN N.V. (former Royal DUTCH TELECOM N.V.)
Registered office: Maanweg 5, 2516 CK Den Haag, the Netherlands
Total share in the controlled party's voting rights pursuant to the provision of Section 183d (1) of the Commercial Code is 0%.
Share in the controlled party's voting rights according to the provision of Section 183d (4)b) of the Commercial Code is 27.0% from 8 September 1995 and 33.48% from 18 December 1998.
According to the provision of Section 183d (4) c) of the Commercial Code, the share of Royal KPN N.V. in the controlled party's voting rights is 51.1% since 8 September 1995.
Total share in the controlled party's voting rights according to the provision of Section 183d of the Commercial Code is then 84.58%.

**Relationships of the controlling parties**

Royal KPN N.V. owns 100% of shares in KPN TELECOM B.V.
KPN TELECOM B.V. owns 51% of shares in TelSource N.V.
Swisscom AG owns 49% of shares in TelSource N.V.
KPN TELECOM B.V. and Swisscom AG act in concert and they jointly control TelSource N.V.

*Scheme of the controlling parties' interconnection:*



**Other relationships of the controlling parties**

51% of TelSource Services B.V., which is the 100% owner of TelSource Services, s.r.o., is owned by KPN TELECOM B.V.
49% of TelSource Services B.V. is owned by Swisscom AG.
KPN Czech Republic, s.r.o. is 100% owned by KPN TELECOM B.V.
TelSource N.V. and KPN are represented by three members of the Board of Directors of the controlled party and by three members of the Supervisory Board of the controlled party.

## Section III. Interconnected parties

**Parties controlled by the National Property Fund of the Czech Republic:**

a) The list of parties controlled by the National Property Fund of the Czech Republic is provided in Annex No. 1 to this Report.
b) The list of parties controlled by parties controlled by the National Property Fund of the Czech Republic is provided in Annex No. 2 to this Report. The list has been prepared based on available information.

# Part C) Contracts and agreements concluded among the holding parties during the accounting period of 2001

## Section I. Contracts and agreements between the controlled party and the controlling parties

**Amendment No. 3 to the Shareholders Agreement**

Amendment No. 3 to the Shareholders Agreement of 10 July 1995 related to the controlled party's privatisation was concluded on 14 June 2001 between the controlling parties – the National Property Fund of the Czech Republic and TelSource N.V. – and the controlled party – ČESKÝ TELECOM, a.s. The participation of ČESKÝ TELECOM, a.s., as a contracting party, was terminated by the effective date of Amendment No. 3. No detriment has been caused to the controlled party by the conclusion of Amendment No. 3.

**Sale of 51.1% of ČESKÝ TELECOM, a.s.**

On 7 December 2001, Amendment No. 1 to the Confidentiality Agreement was concluded between the controlled party, the National Property Fund of the Czech Republic and other contracting parties involved in the preparation and implementation of the sale of the 51.1% share in the basic capital of the controlled party in the property of the National Property Fund of the Czech Republic.

**Other contracts**

Contract on the provision of consultancy services between TelSource Services, s.r.o. and the controlled party of 14 December 2001.

Contract on services between KPN Czech Republic s.r.o. and the controlled party of 15 June 1999.

Contract between TelSource N.V. and the controlled party related to network construction of 3 June 1999.

Contract between TelSource N.V. and the controlled party on network planning of 23 July 1999.

Contracts between TelSource N.V. and the controlled party on purchase of vehicles:
VW Passat registration no. 4HB 22-56 of 8 January 2001,
VW Golf registration no. AHA 98-77 of 16 April 2001, and
VW Passat registration no. AHD 27-90 of 4 September 2001.

**Conclusion**

In connection with the contracts and agreements concluded between the controlled party and the controlling parties in 2001, based on which performance and counterperformance were provided, or in connection with the provision of performance and counterperformance in 2001 based on the contracts and agreements concluded before 1 January 2001, no detriment has been caused to the controlled party. Performances and counterperformances arising from these contracts are stated in the Annex to the financial statement for 2001, in note no. 16.

## Section II. Contracts and agreements between the controlled party and other interconnected parties controlled by the National Property Fund of the Czech Republic

**Telecommunications services**

The controlled party provided to some interconnected parties mentioned in Annex Nos. 1 and 2 to this Report the following telecommunications services within the basic subject of business, for which it accepted financial counterperformance, and a price was always determined in compliance with the valid price list, either as a regulated or a non-regulated price:

- public telephone service and other services supplementary to the telephone service as a part of the Universal Service, e.g. operator services, information on telephone numbers,
- other value-added telecommunications services, e.g., Green Line, Memobox, Czech direct, Colour Lines, Audiotext,
- issue of telephone directories,
- euroISDN service,
- digital and analogue Leased Lines service,
- data services, e.g. ATM, Frame Relay, Packet Services,
- access to Internet network,
- Internet 2001 – ISP connection,
- lease of cable duct holes,
- lease of terminal equipment.

The information on contracting partners and contracts concluded during the provision of telecommunications services are considered by the controlled party, in compliance with the Commercial Code and internal management documents, to be a commercial secret. No detriment has been caused to the controlled party by the conclusion of these contracts or by the provision of telecommunications services for consideration.

**Media supplies**

Contracts for power supplies and supplies of gas and water were concluded with respective interconnected parties listed in Annex No. 3 in 2001 and before, according to the subject of their business. Financial counterperformance for the performances above was provided pursuant to the valid price lists of the controlled party.

**Lease of non-residential space**

The controlled party, as the lessee, and the interconnected parties stated in Annex No. 4 concluded contracts in 2001 and before 1 January 2001 on the lease of non-residential space for the purpose of the performance of the controlled party's subject of business.

The controlled party, as the lessor, and the interconnected parties stated in Annex No. 5 concluded contracts in 2001 and before 1 January 2001 on the lease of non-residential space for the needs of these interconnected parties.

**Other lease**

The controlled party, as the lessee, and the interconnected parties stated in Annex No. 6 concluded lease contracts in 2001 and before 1 January 2001 in a limited scope, mainly lease contracts for parking places or poles.

The controlled party, as the lessor, and the interconnected parties stated in Annex No. 7 concluded lease contracts in 2001 and before 1 January 2001 in a limited scope, mainly lease contracts for cable duct holes, cable ducts, collectors, antennae equipment and garages, transformer stations and plot.

**Construction-erection works**

In 2001 the controlled party and the interconnected parties stated in Annex No. 8 concluded contracts for the supply of construction-erection works by the controlled party for financial counterperformance provided by the interconnected parties.

In 2001 the controlled party and the interconnected parties stated in Annex No. 9 concluded contracts for the supply of construction-erection works by the interconnected party for financial counterperformance provided by the controlled party.

**Sale of goods and services**

In 2001 the controlled party and the interconnected parties stated in Annex No. 10 concluded contracts on the sale of goods or services by the controlled party for financial counterperformance provided by the interconnected parties.

In 2001 the controlled party and the interconnected parties stated in Annex No. 11 concluded contracts on the sale of goods or services by the interconnected party for financial counterperformance provided by the controlled party.

**Bank contracts and agreements**

Performance was provided between the controlled party and the interconnected party Komerční banka, a.s. in the form of a series of bank services for which contracts and agreements were concluded in 2001 and earlier. This concerns contracts on maintaining an account (18 contracts from 1994-1999), contracts on other services for bank accounts (4 contracts from 1998-2001), a contract on electronic banking from 1999, contracts on giveover and takeover of payment cards (2 contracts from 1999-2000), and contracts on financial market business (2 contracts from 1997 and 2001).

**Pension supplementary insurance**

A contract was concluded between the controlled party and the interconnected party Penzijní fond of Komerční banka, a.s. on 2 September 1999, on co-operation during the implementation of supplementary employee pension insurance. No detriment has been caused to the controlled party by this contract.

**Damage of underground public telecommunication network lines**

The controlled party accepted financial performance in 2001 as compensation for damage to underground public telecommunication network lines from the interconnected parties ELTOM, s.r.o. and Komerční pojišťovna a.s. (performance from the Insurance Contract).

**Printing and account enveloping services**

Performance was provided between the controlled party and the interconnected party Východočeská energetika, a.s. in the form of printing and accounts enveloping services and financial counterperformance based on the contract of 15 September 1997.

Performance was provided between the controlled party and the interconnected party Východočeská plynárenská, a.s. in the form of printing and accounts enveloping services and financial counterperformance based on the contract of 2 April 1998.

**Contracts on Establishment of Right of User**

In 2001 and earlier, since 1 July 2000, the controlled party and some interconnected parties stated in Annexes Nos. 1 and 2 concluded contracts on the establishment of the right of user to real estate owned by the interconnected parties, for the purpose of the construction of overhead and underground lines for the public telecommunications network, pursuant to Act No. 151/2000 Coll., on Telecommunications and on Change of Other Acts. Compensations for limitation by a right of user were stipulated in accordance with the price list based on the Statement of the Ministry of Finance in the Price Gazette No. 6/99.

**Contract on preparation of a digital technical city map**

The controlled party, City of Jablonné nad Orlicí, and the network administrators (interconnected parties) Východočeská energetika, a.s. and Východočeská plynárenská, a.s. concluded a contract on 31 January 2001, on common procedures during the creation, administration, updating, recording and unified preparation of a digital technical city map.

The same contract was concluded on 30 January 2001 among the controlled party, City of Hlinsko, Vodovody a kanalizace Chrudim, a.s. and network administrators (interconnected parties) Východočeská energetika, a.s. and Východočeská plynárenská a.s.

**Conclusion**

More detailed information on the concluded contracts are considered by the controlled party, in compliance with the Commercial Code and internal management documents, to be a commercial secret. No detriment has been caused to the controlled party in connection with the contracts and agreements concluded in 2001 among the controlled party and other interconnected parties, based on which performance and counterperformance were provided, or in connection with the provision of performance and counterperformance in 2001, based on the contracts and agreements concluded before 1 January 2001.

## Part D) Legal actions among the holding parties in the accounting period of 2001

In the 2001 accounting period, no legal action was taken by the controlled party and the controlling or interconnected parties in the interest of, or based on an initiation of, these controlling or interconnected parties which would result in a detriment or benefit or advantage or disadvantage.

## Part E) Measures among the holding parties in the accounting period of 2001

In the 2001 accounting period, no legal action was taken or implemented by the controlled party in the interest of, or based on an initiation of, the controlling or interconnected parties which would result in a detriment or benefit or advantage or disadvantage.

## Part F) Conclusion

a) This Report has been prepared by the Board of Directors of the controlled party, ČESKÝ TELECOM, a.s., and approved at the Board of Directors meeting on 26 March 2002.

b) This Report has been prepared based on the data and information obtained from the controlling and other interconnected parties, from the data of the Commercial Register, other available documentation and results of the examination of the controlled party's relations to the controlling and other interconnected parties, while the Board of Directors of the controlled party, ČESKÝ TELECOM, a.s., declares it proceeded with the due care of a manager when collecting the data and information.

c) Referring to the controlled party, ČESKÝ TELECOM, a.s., is obliged, in accordance with law, to prepare an annual report pursuant to Act No. 363/1991 Coll. on Bookkeeping, as amended, the Report will be attached to the Annual Report. The shareholders will have a chance to acquaint themselves with the Report in the same term and under the same conditions as with a financial statement.

**In Prague, on 26 March 2002**

**ČESKÝ TELECOM, a.s. – controlled party**

**Board of Directors**

**Ondřej Felix**
*Chairman of the Board of Directors*

**Přemysl Klíma**
*Second Vice-Chairman of the Board of Directors*

## Annex No. 1

## List of joint stock companies controlled by the National Property Fund of the Czech Republic with a stock interest in the amount of 40-100% in the period from 1.1.2001 till 31.12.2001

| No. | Name of the Joint Stock Company | Identification No. of the joint stock company | Registered capital (CZK thousands) | Participation of the National Property Fund (CZK thousands) | % Participation of the National Property Fund | Note |
|---|---|---|---|---|---|---|
| 1. | Severomoravská plynárenská, a.s. | 47675748 | 2,069,728,000 | 828,935,000 | 40.05 | |
| 2. | Severočeské mlékárny, a.s., bankrupt | 48291749 | 30,228,000 | 12,326,000 | 40.78 | |
| 3. | EGO, a.s. | 45534560 | 181,069,000 | 75,103,000 | 41.48 | |
| 4. | KONAX, a.s., bankrupt | 46347801 | 90,671,000 | 39,989,000 | 44.10 | |
| 5. | Západočeská plynárenská, a.s. | 49790315 | 777,466,000 | 356,375,000 | 45.84 | |
| 6. | Jihomoravská energetika, a.s. | 49970194 | 3,531,570,000 | 1,647,785,000 | 46.66 | according to NPF CR, controlled by NPF CR till 12. 1.; found out that in 2001 it was not controlled by NPF CR |
| 7. | Jihočeská plynárenská, a.s. | 60827807 | 485,523,000 | 226,584,000 | 46.67 | controlled by NPF CR till 20.12. |
| 8. | Ormilk, a.s., in liquidation | 60109092 | 183,070,000 | 86,028,000 | 46.99 | |
| 9. | Východočeská plynárenská, a.s. | 60108789 | 960,602,000 | 452,409,000 | 47.10 | |
| 10. | Jihomoravská plynárenská, a.s. | 49970607 | 2,687,482,800, | 1,280,674,800, | 47.65 | |
| 11. | Severočeská energetika, a.s. | 49903179 | 3,257,667,000 | 1,565,344,000 | 48.05 | |
| 12. | Západočeská energetika, a.s. | 49790463 | 1,605,615,000 | 775,245,000 | 48.28 | |
| 13. | Středočeská plynárenská, a.s. | 60193158 | 649,425,000 | 314,925,000 | 48.49 | |
| 14. | Severomoravská energetika, a.s. | 47675691 | 3,406,613,000 | 1,657,788,000 | 48.66 | for 15,500 shares – interim certificate of 12.6. 2000 |
| 15. | Sokolovská uhelná, a.s. | 49790072 | 6,782,994,000 | 3,302,594,000 | 48.69 | |
| 16. | NOVÁ HUŤ, a.s. | 45193258 | 11,465,873,000 | 5,618,451,000 | 49.00 | |
| 17. | Severočeská plynárenská, a.s. | 49903209 | 1,031,131,000 | 507,192,000 | 49.19 | |
| 18. | Východočeská energetika, a.s. | 60108720 | 2,549,544,000 | 1,265,178,000 | 49.62 | |
| 19. | Naturamyl, a.s. | 60108649 | 98,573,000 | 49,401,000 | 50.12 | transfer of shares on 28.12., then zero possession |
| 20. | KRÁLOVOPOLSKÁ, a.s. | 46347267 | 1,210,272, | 617,240 | 51.00 | |
| 21. | ČESKÝ TELECOM, a.s. | 60193336 | 32,208,990,000 | 16,458,795,000 | 51.10 | |
| 22. | ČESKÉ RADIOKOMUNIKACE, a.s. | 60193671 | 3,090,007,000 | 1,581,638,000 | 51.19 | transfer of shares on 30.11., then zero possession |
| 23. | KANALIZACE A VODOVODY Starý Plzenec, a.s. | 61778079 | 17,445,000 | 8,992,000 | 51.54 | |
| 24. | ŠKODA PRAHA, a.s. | 00128201 | 557,524,000 | 305,351,000 | 54.77 | |
| 25. | TOS Kuřim, a.s., bankrupt | 46347615 | 562,672,000 | 310,610,000 | 55.20 | |
| 26. | České aerolinie, a.s. | 45795908 | 2,735,510,000 | 1,556,980,000 | 56.92 | |
| 27. | Středočeská energetická, a.s. | 60193140 | 3,209,386,000<br>1,870,763,000 | 3,210,369,000<br>1,871,746,000 | 58.29<br>58.30 | change of basic capital on 12.2. |
| 28. | Jan Becher- Karlovarská Becherovka, a.s. | 49790765 | 427,423,000 | 252,180,000 | 59.00 | transfer of shares on 30.11., then 1 share with special right |
| 29. | Komerční banka, a.s. | 45317054 | 19,004,926,000 | 11,403,113,500 | 60.00 | transfer of shares on 4.10., then zero possession |
| 30. | AERO HOLDING, a.s., in liquidation | 00002127 | 7,862,900,000<br>4,861,664,000 | 1,572,580,000<br>972,332,800 | 61.83<br>61.83 | change of basic capital on 21.12. |
| 31. | UNIPETROL, a.s. | 61672190 | 18,133,476,400 | 11,422,403,800 | 62.99 | |
| 32. | PRESTA, výroba stavebních hmot a dílců, a.s. | 46708944 | 146,643,000 | 96,960,000 | 66.12 | |

| No. | Name of the Joint Stock Company | Identification No. of the joint stock company | Registered capital (CZK thousands) | Participation of the National Property Fund (CZK thousands) | % Participation of the National Property Fund | Note |
|---|---|---|---|---|---|---|
| 33. | VÍTKOVICE, a.s. | 45193070 | 10,623,362,400 | 8,937,854,000 | 67.31 | |
| 34. | ČEZ, a.s. | 45274649 | 59,194,942,100 | 40,014,647,500 | 67.60 | |
| | | | 59,208,846,100 | 40,028,551,500 | 67.61 | change of basic capital on 25.10. |
| 35. | Plynoprojekt Praha, a.s. | 60193484 | 125,031,000 | 90,682,000 | 72.53 | transfer of shares on 20.12., then zero possession |
| 36. | Teplotechna Praha, a.s., bankrupt | 60192933 | 129,681,000 | 95,345,000 | 73.52 | |
| 37. | SEVAC, a.s., in liquidation | 60192968 | 211,849,000 | 167,054,000 | 78.86 | |
| 38. | Železnobrodské sklo, a.s. | 60278226 | 236,434,000 | 211,284,000 | 84.89 | transfer of shares on 3.5., then 238 shares |
| 39. | TONAVA, a.s. | 48171549 | 135,000,000 | 122,650,000 | 90.85 | transfer of shares on 2.2., then zero possession |
| 40. | HOLDING KLADNO, a.s., in liquidation | 45144419 | 7,500,000,000 | 7,263,533,000 | 96.85 | |
| 41. | Interhotel Transit Praha, a.s. | 60193956 | 12,503,000 | 12,128,000 | 97.00 | |
| 42. | LACMO, a.s., bankrupt | 63475863 | 64,966,000 | 63,232,000 | 97.33 | |
| 43. | Pražské vodovody a kanalizace, a.s. | 25656635 | 792,276,000 | 792,276,000 | 100.00 | transfer of shares on 12.4., then, 34% |
| 44. | Stasis, stavební a silniční stroje, a.s. | 45350329 | 166,257,000 | 166,257,000 | 100.00 | |
| 45. | Osinek, a.s. | 00012173 | 154,030,000 | 154,030,000 | 100.00 | |
| 46. | STAZAP, a.s. | 45280100 | 69,180,000 | 69,180,000 | 100.00 | |
| 47. | Silnice Teplice, a.s., in liquidation | 47285583 | 7,347,000 | 7,347,000 | 100.00 | |
| 48. | MERO ČR, a.s. | 60193468 | 8,430,921,000 | 8,430,921,000 | 100.00 | |
| 49. | ČEPRO, a.s. | 60193531 | 4,155,814,000 | 4,155,814,000 | 100.00 | |
| 50. | Skleněná bižuterie, a.s. | 00480851 | 84,886,000 | 84,886,000 | 100.00 | |
| 51. | KRAS, a.s., Brno | 00013455 | 337,469,000 | 337,469,000 | 100.00 | |
| 52. | NOVA, a.s. | 60916206 | 34,513,000 | 34,513,000 | 100.00 | |
| 53. | PAL, a.s. | 00211222 | 237,006,000 | 237,006,000 | 100.00 | |
| 54. | LETKA, a.s. | 25134132 | 961,000,000 | 961,000,000 | 100.00 | |
| 55. | Pragoinvest, a.s., in liquidation | 00000965 | 260,000,000 | 260,000,000 | 100.00 | |
| 56. | Česká typografie, a.s. | 17046581 | 1,550,000,000 | 1,550,000,000 | 100.00 | transfer of shares on 15.5., then zero possession |
| 57. | STROJOSVIT-F.CZ, a.s. | 25386930 | 121,300,000 | 121,300,000 | 100.00 | transfer of shares on 1.6., then zero possession |
| 58. | THERMAL-F, a.s. | 25401726 | 16,250,000 | 16,250,000 | 100.00 | |
| 59. | Dřevařské závody Borohrádek-F, a.s. | 25288016 | 48,500,000 | 48,500,000 | 100.00 | |
| 60. | INTERHOTEL BOHEMIA-F, a.s. | 25016458 | 35,779,000 | 35,779,000 | 100.00 | transfer of shares on 20.12. then zero possession, |
| 61. | HOTEL MONTANA-F, a.s. | 26196557 | 15,000,000 | 15,000,000 | 100.00 | |
| 62. | Přeloučská poliklinika, a.s. | 60917415 | 17,246,000 | 17,246,000 | 100.00 | |
| 63. | FORTE, a.s. | 25322303 | 98,075,000 | 98,075,000 | 100.00 | |
| 64. | Transgas, a.s. | 26460815 | 36,550,385,000 | 36,550,385,000 | 100.00 | shares possessed by NPF CR since 7.8. |
| 65. | Severočeské doly, a.s. | 49901982 | 8,868,186,000 | 4,853,823,000 | 54.73 | |
| | | | 8,997,530,000 | 4,983,167,000 | 55.38 | change of basic capital on 25.9. |
| 66. | Doprava Vodňany, s.r.o., in liquidation | 62497588 | 100,000 | | 100.00 | |

## Annex No. 2

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| 1. | **Severomoravská plynárenská, a.s.**<br>702 00 Ostrava, Plynární 6<br>47675748 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 757 | 2,069,728,000 | 40,05 | data have not been found out |
| 2. | **Severočeské mlékárny a.s.,** bankrupt<br>415 03 Teplice, Libušina 2154<br>48291749 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 438 | 30,228,000 | 40.78 | does not control anything |
| 3. | **EGO, a.s.**<br>533 12 Chvaletice<br>45534560 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 610 | 181,069,000 | 41.48 | does not control anything |
| 4. | **KONAX a.s.** – in liquidation<br>Jihlava, Křižíkova 17<br>46347801 | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 807 | 90,671,000 | 44.10 | data have not been found out |
| 5. | **Západočeská plynárenská, a.s.**<br>304 77 Plzeň, Ed. Beneše<br>2439/70 – 2438/72<br>49790315<br>– controlled parties: 4 | recorded in the Commercial Register of the Regional Court in Plzeň, Section B, Enclosure 385 | 777,466,000 | 45.84 | |
| | GASIS, s.r.o.<br>326 00 Plzeň, Koterovská 173<br>64361349 | recorded in the Commercial Register of the Regional Court in Plzeň, Section C, Enclosure 7106 | 3,000,000 | 51 | |
| | GAZELA plus s.r.o.<br>326 00 Plzeň, Železniční 128/34<br>26339404 | recorded in the Commercial Register of the Regional Court in Plzeň, Section C, Enclosure 13986 | 4,000,000 | 50 | |
| | PLYNOINŽENÝRINK, spol. s r.o.<br>320 06 Plzeň, Ed. Beneše<br>2439/70-2438/72<br>61779792 | recorded in the Commercial Register of the Regional Court in Plzeň, Section C, Enclosure 5991 | 100,000 | 80 | |
| | Západočeské plynárenské montáže s.r.o.<br>301 33 Plzeň, Doudlevecká 48<br>25209540 | recorded in the Commercial Register of the Regional Court in Plzeň, Section C, Enclosure 8682 | 7,000,000 | 100 | |
| 6. | **Jihomoravská energetika, a.s.**<br>659 44 Brno, Lidická 36<br>49970194 | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 1233 | 3,531,570,000 | 46.66 | NPF CR no longer controlled this company in 2001 |
| 7. | **Jihočeská plynárenská a.s.**<br>371 47 České Budějovice, Vrbenská 2<br>60827807<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in České Budějovice, Section B, Enclosure 633 | 485,523,000 | 46.67 | controlled by NPF CR till 20.12. |
| | Jihočeská plynárenská – INVEST, spol. s r.o.<br>371 47 České Budějovice, Vrbenská 2<br>25186213 | recorded in the Commercial Register of the Regional Court in České Budějovice, Section C, Enclosure 8464 | 1,000,000 | 55 | |
| | PVK s.r.o.<br>371 47 České Budějovice, Vrbenská 6<br>25170155 | recorded in the Commercial Register of the Regional Court in České Budějovice, Section C, Enclosure 7523 | 1,000,000 | 50 | action in concert |
| | GAS s.r.o.<br>120 00 Prague 2, Sokolská 4<br>61506192 | recorded in the Commercial Register of the Regional Court in Prague, Section C, Enclosure 29848 | 26,782,000 | 10.82 | action in concert |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| | ENERGETIKA INVEST s.r.o.<br>370 49 České Budějovice, Lannova 16<br>25172662 | recorded in the Commercial Register of the Regional Court in České Budějovice, Section C, Enclosure 7646 | 200,000,000 | 11 | action in concert |
| **8.** | **Ormilk, a.s.** in liquidation<br>564 01 Žamberk<br>60109092 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 1043 | 183,070,000 | 46.99 | data have not been found out |
| **9.** | **Východočeská plynárenská, a.s.**<br>501 17 Hradec Králové, Pražská 702<br>60108789 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 1025 | 960,602,000 | 47.10 | data have not been found out |
| **10.** | **Jihomoravská plynárenská, a.s.**<br>657 02 Brno, Plynárenská 499/1<br>49970607<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 1246 | 687,482,800 | 47.65 | |
| | RC Vanov, a.s.<br>588 56 Vanov 21, District: Jihlava<br>25567381 | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 3007 | 4,000,000 | 56 | |
| **11.** | **Severočeská energetika, a.s.**<br>405 49 Děčín IV., Teplická 874/84<br>49903179<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 512 | 3,257,667,000 | 48.05 | |
| | Energetická montážní společnost Ústí nad Labem, s.r.o.<br>400 01 Ústí nad Labem, U vlečky 440<br>62743317 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section C, Enclosure 8952 | 12,000,000 | 100 | |
| | Energetická montážní společnost Liberec, s.r.o.<br>460 01 Liberec, Budyšínská 1294<br>62743325 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section C, Enclosure 8953 | 4,000,000 | 100 | |
| | Energetická montážní společnost Česká Lípa, s.r.o.<br>470 02 Česká Lípa, Dubická ulice 959<br>62743333 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section C, Enclosure 8954 | 20,408,000 | 49 | |
| | Energetická montážní společnost Louny, s.r.o., in liquidation, abbreviation:<br>EMS Louny, s.r.o. in liquidation<br>440 01 Louny, Osvoboditelů 320<br>62742868 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section C, Enclosure 8908 | 2,000,000 | 100 | |
| | Energozdroj, s.r.o.<br>405 49 Děčín 4, Teplická 8<br>64653382 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section C, Enclosure 10398 | 1,000,000 | 50 | |
| | ESS s.r.o.<br>415 10 Teplice část Sobědruhy, Důlní 97<br>25013271 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section C, Enclosure 11680 | 1,000,000 | 51 | |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| | ENERGOKOV, s.r.o.<br>Děčín 1, Krokova 12<br>25015621 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section C, Enclosure 11 855 | 3,000,000 | 100 | 20.10.1999 bankruptcy order |
| | Energokonstrukce s.r.o. „in liquidation"<br>405 01 Děčín 1, Krokova 12<br>25412159 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section C, Enclosure 16402 | 2,000,000 | 49 | |
| | PPC Trmice, a.s.<br>400 04 Trmice, Edisonova 453<br>25015915 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 967 | 24,000,000 | 49 | till 31.8.2001 |
| | Teplárna Ústí nad Labem, a.s.<br>400 04 Trmice, Edisonova 453<br>44569971 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 232 | 1,035,793,000 | 51.74 | till 31.8.2001 |
| **12.** | **Západočeská energetika, a.s.**<br>303 28 Plzeň, Guldenerova 19<br>49790463<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Plzeň, Section B, Enclosure 390 | 1,605,615,000 | 48.28 | |
| | Enerfin, a.s.<br>160 00 Prague 6, Na Beránce 2/57<br>25751344 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 5869 | 1,000,000 | 84.6 | |
| | ESMOS, s.r.o.<br>345 34 Klenčí pfrom Čerchovem 329,<br>District Domažlice<br>62620673 | recorded in the Commercial Register of the Regional Court in Plzeň, Section C, Enclosure 6185 | 800,000 | 80 | |
| | PRO ENERGO Plzeň, spol. s r.o.<br>317 06 Plzeň, K Cihelnám 74<br>64356591 | recorded in the Commercial Register of the Regional Court in Plzeň, Section C, Enclosure 6755 | 3,000,000 | 80 | |
| | EN-DATA a.s.<br>303 28 Plzeň, Guldenerova 19<br>62621084 | recorded in the Commercial Register of the Regional Court in Plzeň, Section B, Enclosure 925 | 6,000,000 | 100 | |
| | LIDRONE, spol. s r.o.<br>301 48 Plzeň, Železniční 34,<br>District Plzeň - město<br>49786105 | recorded in the Commercial Register of the Regional Court in Plzeň, Section C, Enclosure 4459 | 5,400,000 | 66.6 | |
| **13.** | **Středočeská plynárenská, a.s.**<br>Prague 4, Novodvorská 803/82<br>60193158<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2375 | 649,425,000 | 48.49 | |
| | Středočeská plynofikační, a.s.<br>142 00 Prague 4, Novodvorská 803/82<br>25693786 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 5545 | 5,000,000 | 64 | |
| | GAS s.r.o.<br>120 00 Prague 2, Sokolská 4<br>61506192 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 29848 | 26,782,000 | 10.82 | action in concert |
| **14.** | **Severomoravská energetika, a.s.**<br>709 02 Ostrava, 28. října 152<br>47675691<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 745 | 3,406,613,000 | 48.66 | |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| | Moravskoslezská elektro-montážní, a.s.<br>738 02 Frýdek-Místek, Collo louky 126<br>64610080 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 1197 | 154,900,000 | 100 | |
| | STMEM, a.s.<br>750 02 Přerov, Tržní 8<br>64610098 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 1198 | 159,300,000 | 100 | |
| | Energetika Vítkovice, a.s.<br>709 02 Ostrava – Moravská Ostrava,<br>28. října 1323/152<br>25854712 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 2313 | 402,000,000 | 100 | |
| | EPRIM, a.s.<br>709 02 Ostrava – Moravská Ostrava,<br>28. října 568/147<br>25889567 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 2523 | 10,000,000 | 100 | from 29.8.2001 |
| | Union Leasing, a.s.<br>702 00 Ostrava, Mlýnská 1<br>60792710 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 1004 | 100,000,000 | 100 | |
| | Beskydská energetická, a.s.<br>709 02 Ostrava – Moravská Ostrava,<br>28. října 3123/152<br>25829491 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 2059 | 2,000,000 | 100 | |
| | SINIT, a.s.<br>Ostrava – Mariánské Hory, Emila Filly 13<br>25397401 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 1906 | 3,688,000 | 100 | |
| | Elektrorozvaděče, s.r.o.<br>738 02 Frýdek-Místek, Collo louky 126<br>25393537 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 18006 | 3,700,000 | majority influence | |
| | ELTOM, s.r.o.<br>735 14 Orlová-Lutyně, Polní 1294<br>25837117 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 20630 | 4,140,000 | majority influence | |
| | ELEKTROSPOLEČNOST B.D. spol. s r.o.<br>709 00 Ostrava – Mariánské Hory,<br>Oběžná č.p. 163, or. č. 19<br>44739486 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 2283 | 16,400,000 | majority influence | |
| **15.** | **Sokolovská uhelná, a.s.**<br>356 00 Sokolov, Staré náměstí 69<br>49790072<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Plzeň, Section B, Enclosure 381 | 6,782,994,000 | 48,69 | |
| | Malé Versailles, s.r.o.<br>360 01 Karlovy Vary, Křižíkova 420<br>63505312 | recorded in the Commercial Register of the Regional Court in Plzeň, Section C, Enclosure 6475 | 65,100,000 | 100 | |
| | SOMET ENERGY a.s.<br>Prague 1, Štěpánská 34<br>25107623 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 4556 | 6,000,000 | 100 | |
| | REO-SUAS s.r.o.<br>356 45 Sokolov, Jednoty 1628<br>63505401 | recorded in the Commercial Register of the Regional Court in Plzeň, Section C, Enclosure 6484 | 15,000,000 | 66.60 | |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| | EKOSOLARIS, a.s.<br>767 01 Kroměříž, Kotojedská 2381<br>25535668 | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 2712 | 25,000,000 | 51.05 | from 17.12.2001 |
| **16.** | **NOVÁ HUŤ, a.s.**<br>707 02 Ostrava-Kunčice,<br>Vratimovská 689<br>45193258<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 297 | 11,465,873,000 | 49 | |
| | NOVÁ HUŤ EXPORT a.s.<br>Prague 1, Biskupský Dvůr 7/1146<br>15269299 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 762 | 12,000,000 | 100 | |
| | SVAŘOVNA TRUB NH, a.s.<br>Ostrava-Kunčice, Vratimovská ul.<br>47676671 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 753 | 1,000,000 | 100 | |
| | NOVÁ HUŤ – Projekce, spol. s r.o.<br>Ostrava-Kunčice, Vratimovská 689<br>25393804 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 18131 | 100,000 | 100 | |
| | NOVÁ HUŤ – OSTRAHA, spol. s r.o.<br>707 02 Ostrava-Kunčice, Lešetínská 39<br>25815377 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 18612 | 100,000 | 100 | |
| | Hoteltrans s.r.o.<br>Ostrava-Výškovice, Výškovická 122,<br>Hotel DMH<br>60779179 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 6605 | 114,814,000 | 99.65 | |
| | NOVÁ HUŤ – Válcovna za studena, spol. s r.o.<br>Ostrava-Vítkovice, Štramberská ul.<br>64617882 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 14149 | 215,748,000 | 99 | |
| | MS-UNIKOV OSTRAVA, s.r.o.<br>Ostrava-Svinov, Polanecká 820<br>47977264 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 5891 | 208,286,000 | 74.97 | |
| | VYSOKÉ PECE Ostrava, a.s.<br>Ostrava-Kunčice, Vratimovská 142<br>25352954 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 1465 | 2,073,000,000 | 66 | |
| | VÁLCOVNY PLECHU, a.s.<br>Frýdek-Místek, Křižíkova 1377<br>14613581 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 155 | 198,244,000 | 54.96 | |
| | JÄKL Karviná, a.s.<br>733 23 Karviná-Hranice,<br>Rudé armády 471<br>47672781 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 599 | 602,000,000 | 51.78 | |
| | ROMULUS CZ, a.s.<br>721 00 Ostrava-Svinov, Polanecká 820<br>25846191 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 2232 | 1,000,000 | 51 | |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| | NH – TRANS, spol. s r.o.<br>Ostrava 1, Poděbradova 28<br>47679115 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 4367 | 250,000 | 48.80 | |
| **17.** | **Severočeská plynárenská, a.s.**<br>401 17 Ústí nad Labem, Klíšská 940<br>49903209 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 515 | 1,031,131,000 | 49.19 | does not control anything |
| **18.** | **Východočeská energetika, a.s.**<br>501 03 Hradec Králové,<br>Sladkovského 215<br>60108720<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 1008 | 2,549,544,000 | 49.62 | |
| | VČE – montáže, a.s.<br>531 17 Pardubice,<br>Arnošta z Pardubic 2082<br>25938746 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 2066 | 78,000,000 | 100 | |
| | VČE – elektrárny, s.r.o.<br>500 02 Hradec Králové, Křižíkova 788<br>25938924 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section C, Enclosure 16087 | 198,600,000 | 100 | |
| | VČE – měřící technika, s.r.o.<br>539 73 Skuteč, Husova 610,<br>District Chrudim<br>25938878 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section C, Enclosure 16079 | 56,600,000 | 100 | |
| | VČE – transformátory, s.r.o.<br>503 01 Hradec Králové, Koutníkova 208<br>25938916 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section C, Enclosure 16077 | 28,000,000 | 100 | |
| | ENEST, s.r.o.<br>142 01 Prague 4, Novohradská 1010/14<br>64791327 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 71065 | 15,600,000 | 67 | |
| **19.** | **Naturamyl, a.s.**<br>580 01 Havlíčkův Brod, Hamry 1596<br>60108649 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 1001 | 98,573,000 | 50.12 | does not control anything |
| **20.** | **KRÁLOVOPOLSKÁ, a.s.**<br>Brno, Křižíkova 68<br>46347267<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 771 | 1,210,272 | 51 | |
| | Královopolská strojírna Brno, a.s.<br>660 90 Brno, Křižíkova 68a<br>63490188 | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 1811 | 590,509,000 | 100 | |
| | KRÁLOVOPOLSKÁ NÁŘADÍ A STROJE, a.s.<br>bankrupt<br>660 90 Brno, Křižíkova 68<br>63490170 | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 1810 | 4,650,000 | 100 | |
| | CHEMIE, a.s.<br>660 90 Brno, Křižíkova 68<br>63490196 | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 1812 | 1,000,000 | 100 | |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| | Královopolská Italia, S.R.I. | established in Italy on 13.3.1993 | | 51 | |
| | KRÁLOVOPOLSKÁ, a.s. is able, in all the controlled companies, to enforce the election and removal of all persons who are statutory body members, and the election and recall of most of the persons who are supervisory body members. KRÁLOVOPOLSKÁ, a.s. does not dispose of a crucial number of voting rights in any other controlled party, neither directly, nor based on an agreement with another party. | | | | |
| **21.** | **Severočeské doly a.s.**<br>430 01 Chomutov,<br>Boženy Němcové 5359<br>49901982<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 495 | 8,868,186,000<br>8,997,530,000 | 54.73<br>55.38 | change of registered capital on 25.9. |
| | Skládka Tušimice, a.s.<br>432 01Kadaň, Tušimice 7,<br>District Chomutov<br>25005553 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 882 | 140,150,000 | 97.29 | |
| | Severočeské doly – VTP, a.s.<br>418 29 Bílina, Důlní ul. 375/89<br>25022768 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 1018 | 123,080,000 | 100 | |
| | SD-Autodoprava, a.s.<br>418 01 Bílina, Důlní 429<br>25028197 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 1059 | 317,084,000 | 100 | |
| | SHD-SOFT(ware), a.s.<br>Most, Moskevská 1/14<br>62241958 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 655 | 17,568,000 | 50.89 | |
| | Severozápadní ENERGO GROUP, a.s.<br>403 13 Řehlovice – Hliňany č.p. 18,<br>District Ústí nad Labem<br>25419196 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 1309 | 41,000,000 | 51.22 | |
| | SD-1. strojírenská, a.s.<br>418 01 Bílina, Důlní 437<br>25437127 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 1387 | 2,000,000 | 100 | |
| | SD-Kolejová doprava, a.s.<br>432 01 Kadaň, Tušimice 7<br>25438107 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 1389 | 2,000,000 | 100 | |
| | SHD-KOMES a.s.<br>Most, Moskevská 1/14<br>44569891 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 251 | 363,146,000 | 46.32 | action in concert with Kooperativa, pojišťovna, a.s |
| **22.** | **ČESKÉ RADIOKOMUNIKACE a.s.**<br>130 00 Prague 3,<br>U Nákladového nádraží 3144<br>60193671<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2376 | 3,090,007,000 | 51.19 | |
| | SOFTLINK, spol. s r.o.<br>278 01 Kralupy nad Vltavou,<br>Tomkova 409<br>47541750 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 25454 | 4,000,000 | 100 | |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| | DATALINK, s.r.o.<br>278 01 Kralupy nad Vltavou,<br>Tomkova 409<br>47541725 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 25451 | 300,000 | 100 | |
| 23. | **KANALIZACE A VODOVODY Starý Plzenec, a.s.**<br>332 02 Starý Plzenec, Sedlec 195<br>61778079 | recorded in the Commercial Register of the Regional Court in Plzeň, Section B, Enclosure 443 | 17,445,000 | 51.54 | does not control anything |
| 24. | **ŠKODA PRAHA a.s.**<br>Prague 6, Milady Horákové 109<br>00128201<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 372 | 557,524,000 | 54.77 | |
| | EGI, a.s.<br>160 41 Prague 6, M. Horákové 109<br>60721332 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2879 | 83,699,000 | 100 | |
| | ENERGOSERVIS TRNAVA a.s.<br>917 00 Trnava, Malženická 1<br>34128956 | recorded in the Commercial Register of the District Court in Trnava, Enclosure No. 133/T | 9,950,000 SKs | 68.81 | |
| | OPM 1 a.s.<br>160 41 Prague 6, M. Horákové 109<br>63079534 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 3202 | 1,000,000 | 100 | |
| 25. | **TOS Kuřim, a.s.**<br>Kuřim, Blanenská 257<br>46347615 | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 796 | 562,672,000 | 55.20 | data have not been found out |
| 26. | **České aerolinie a.s.**<br>Prague 6, ul. K Letišti, Letiště Ruzyně<br>45795908<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 1662 | 2,735,510,000 | 56.92 | |
| | ČSA Support s.r.o.<br>160 08 Prague 6, K letišti<br>25674285 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 60140 | 100,000 | 100 | |
| | AMADEUS MARKETING CSA, s.r.o.<br>110 00 Prague 1, V Celnici 1040/5,<br>GESTIN centrum<br>49680030 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 21718 | 585,000 | 65 | |
| | Slovak Air Services s.r.o.<br>Letisko M.R. Štefánika,<br>820 01 Bratislava<br>31373844 | recorded in the Commercial Register of the District Court in Bratislava 1, Section s.r.o. | 200,000 SK | 100 | |
| | Slovenská konzultačná firma s.r.o., in liquidation | recorded in the Commercial Register of the District Court in Bratislava 1 | 200,000 SK | 100 | |
| | ČSA Airtours a.s.<br>60 00 Prague 6, Kolejní 21<br>61860336 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2929 | 1,000,000 | 100 | |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| | ČSA Services, s.r.o.<br>160 08 Prague 6, K letišti,<br>Letiště Ruzyně<br>25085531 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 48439 | 270,000 | 100 | |
| **27.** | **Středočeská energetická a.s.**<br>120 21 Prague 2, Vinohradská 325/8<br>60193140<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2356 | 3,209,386,000<br>3,210,369,000 | 58.29<br>58.30 | |
| | STE-HYDRO, spol. s r.o.<br>120 21 Prague 2, Vinohradská 325/8<br>25716158 | recorded in the Commercial Register of the Municipal Court in Prague, Section C Enclosure 63779 | 10,000,000 | 100 | |
| | STE – obchodní služby spol. s r.o.<br>120 21 Prague 2, Vinohradská 8<br>49826182 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 33483 | 14,000,000 | 76.43 | change of registered capital in 01/2002 |
| | ELTRAF, a.s.<br>285 11 Nepoměřice,<br>District: Hutná Hora, Kralice<br>46357483 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2796 | 4,000,000 | 51 | |
| **28.** | **Jan Becher – Karlovarská Becherovka, a.s.**<br>360 76 Karlovy Vary, T.G. Masaryka 57<br>49790765<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Plzeň, Section B, Enclosure 401 | 427,423,000 | 59 | |
| | Jan Becher Slovensko s.r.o.<br>3575521 | recorded in the Commercial Register of the District Court in Bratislava 1 | | 100 | |
| | Domino Verwaltungs GmbH<br>Düsseldorf, Germany | not in the Czech Commercial Register | | 100 | |
| | Start Up 27 Verwaltungs GmbH<br>Düsseldorf, Germany | not in the Czech Commercial Register | | 100 | |
| **29.** | **Komerční banka, a.s.**<br>114 07 Prague 1,<br>Na Příkopě 33 čp. 969<br>45317054<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 1360 | 19,004,926,000 | 60 | |
| | ALL IN, a.s., in liquidation<br>110 00 Prague 1, Truhlářská 18<br>00548758 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 120 | 44,517,000 | 100 | |
| | ALL IN REAL ESTATE LEASING, s.r.o.<br>110 00 Prague 1,<br>Truhlářská 18, čp. 1118<br>49617982 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 21489 | 1,000,000 | 100 | |
| | A – TRADE, s.r.o.<br>110 00 Prague 1,<br>Truhlářská 18, čp. 1118<br>63988071 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 38548 | 280,000,000 | 100 | |

| Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|
| AIREL IMMO spol. s r.o. bankrupt<br>110 00 Prague 1, V jámě 1/699<br>62907034 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 34487 | 25,000,000 | 100 | |
| ALLA PRIMA, s.r.o., in liquidation<br>110 00 Prague 1, V jámě 1/699<br>64939693 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 42048 | 155,000 | 100 | |
| Investiční kapitálová společnost KB, a.s.<br>110 15 Prague 1, Dlouhá 34, čp. 713<br>60196769 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2524 | 50,000,000 | 100 | |
| Penzijní fond Komerční banky a.s.<br>Prague 1, Na Příkopě 33<br>kontaktní adresa:<br>Prague 3, Lucemburská 7/1170<br>61860018 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2865 | 200,000,000 | 100 | |
| Komerční banka Bratislava, a.s.<br>Bratislava, Medená 6<br>31395074 | recorded in the Slovak Com. Register File No.: Sa/835/B | 374,030,000 | 100 | |
| Komerční pojišťovna, a.s.<br>111 21 Prague 1, Jindřišská 17, čp. 889<br>63998017 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 3362 | 450,000,000 | 100 | |
| Komercni Finance B. V.<br>Amsterdam, Drentestraat 24<br>33279994 | not in the Czech Commercial Register | 580,000 | 100 | |
| Factoring KB, a.s.<br>Prague 1, Na Poříčí 36<br>25148290 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 4861 | 84,000,000 | 100 | |
| ASIS, a.s.<br>191 02 Prague 9, Náměstí OSN 844/1<br>26418479 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 6917 | 1,000,000 | 100 | |
| REFLEXIM, a.s.<br>110 00 Prague 1, Bolzanova 3, čp. 1679<br>26425424 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 6980 | 1,000,000 | 100 | |
| MUZO, akciová společnost<br>(abbreviation: MUZO, a.s.)<br>Prague 10, V Olšinách 80/626<br>00001155 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 299 | 102,000,000 | 51.25 | |
| Vodní stavby – akciová společnost in liquidation<br>Prague 7, Dělnická 12<br>45273375 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 1493 | 1,086,421,000 | 77.18 | |
| Česká zbrojovka a.s.<br>Uherský brod, Svatopluka Čecha 1283<br>46345965 | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 712 | 687,494,000 | 69.42 | |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| **30.** | **AERO HOLDING a.s.** in liquidation<br>Prague 9, Beranových 130 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, | 7,862,900,000<br>1 572 580,000 | 61.83<br>61.83 | does not control anything<br>change of registred capital on 21.12. |
| **31.** | **UNIPETROL, a.s.**<br>182 21 Prague 8, Trojská 1997/13a<br>61672190<br>– controlled parties: | 182 21 Prague 8, Trojská 1997/13a<br>Municipal Court in Prague, Section B,<br>Enclosure 3020 | 18,133,476 400 | 62.99 | |
| | **CHEMOPETROL, a.s.**<br>436 70 Litvínov, Litvínov – Záluží 1,<br>District: Most<br>25003887<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Ústí nad Labem,<br>Section B, Enclosure 841 | 10,846,764,000 | 100 | |
| | B.U.T., s.r.o.<br>436 06 Litvínov, Podkrušnohorská 1719<br>25005120 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem,<br>Section C, Enclosure 10688 | 337,200,000 | 100 | |
| | CHEMOPETROL BM, a.s.<br>436 70 Litvínov, Litvínov-Záluží čp. 1,<br>areál Chemopetrolu<br>25021877 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem,<br>Section B, Enclosure 1001 | 27,800,000 | 100 | |
| | CHEMOPETROL – DOPRAVA, a.s.<br>436 70 Litvínov, Litvínov – Záluží čp. 1,<br>District: Most<br>64049701 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem,<br>Section B, Enclosure 761 | 806,000,000 | 100 | |
| | CHEMOPETEOL – CHEMTEZ, a.s.<br>436 70 Litvínov, Litvínov-Záluží čp. 1<br>25018434 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem,<br>Section B, Enclosure 959 | 27,800,000 | 100 | |
| | INCHEM GROUP, a.s.<br>436 70 Litvínov, Litvínov-Záluží 1<br>25025139 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem,<br>Section B, Enclosure 1040 | 1,000,000 | 100 | |
| | TERANET, a.s.<br>436 70 Litvínov–Záluží 1<br>25005014 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem,<br>Section B, Enclosure 876 | 2,025,000 | 100 | |
| | HC CHEMOPETROL, a.s.<br>436 01 Litvínov, S. K. Neumanna 1598,<br>zimní stadion<br>64048098<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Ústí nad Labem,<br>Section B, Enclosure 749 | 84,000,000 | 68.45 | |
| | *– CHEMODATA, a.s.*<br>*436 01 Litvínov, S. K. Neumanna 1598*<br>*zimní stadion*<br>*25019180* | *recorded in the Commercial Register of the Regional Court in Ústí nad Labem,*<br>*Section B, Enclosure 981* | *1,000,000* | *100* | |
| | Střední školy EDUCHEM, a.s.<br>435 13 Meziboří, Okružní 129<br>25014188 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem,<br>Section B, Enclosure 947 | 11,000,000 | 100 | till 24.7.2001 |

| Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|
| – CHEMOPETROL – DSL spol. s r.o.<br>in liquidation<br>436 70 Litvínov, Areál Chemopetrolu 488<br>63149273<br>– controlled parties: | deleted | | 99.72 | deleted from the Commercial Register on 28.1.2001 |
| *– PPL MOST spol. s r.o.*<br>*Most, Bělehradská 360/6*<br>*62241109* | *recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section C, Enclosure 8001* | *100,000* | *80* | *deleted* |
| CHEMOPETROL PENTAR, s.r.o.<br>357 31 Horní Slavkov čp. 870<br>61171531 | recorded in the Commercial Register of the Regional Court in Plzeň, Section C, Enclosure 5452 | 43,300,000 | 99.65 | till 5.9.2001 |
| CITADELA VI. s.r.o.<br>436 01 Litvínov,<br>Podkrušnohorská čp. 1720<br>63146533<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section C, Enclosure 9238 | 34,657,000 | 99 | till 19.11.2001 |
| *– CITADELA SLUŽBY,s.r.o.*<br>*436 01 Litvínov, Podkrušnohorská 1720,*<br>*District Most*<br>*25002333* | *recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section C, Enclosure 10682* | *100,000* | *100* | *till 19.11.2001* |
| SPORTaS, s.r.o.<br>436 01 Litvínov, Studentská 758<br>25005430 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section C, Enclosure 10590 | 113,000,000 | 95.46 | till 5.11.2001 |
| CHEMOPETROL CHEMINVEST s.r.o.<br>436 70 Litvínov,<br>Areál Chemopetrolu a.s. (DS) 932<br>63148064 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section C, Enclosure 9382 | 6,609,000 | 74.01 | till 25.9.2001 |
| **KAUČUK, a.s.**<br>278 52 Kralupy nad Vltavou,<br>O. Wichterleho 810, District: Mělník<br>25053272<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 4035 | 6,236,000,000 | 100 | |
| Mateřská škola MARS, s.r.o.<br>in liquidation<br>278 01 Kralupy nad Vltavou,<br>Štefánikova 679, District Mělník<br>62955748 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 40977 | 200,000 | 100 | |
| K-PROTOS, a.s.<br>278 52 Kralupy nad Vltavou,<br>areál Kaučuk 880, District Mělník<br>25617214 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 4999 | 19,710,000 | 70.02 | |
| **Výzkumný ústav anorganické chemie, a.s.**<br>400 01 Ústí nad Labem,<br>Revoluční 84, čp. 1521<br>62243136 | recorded in the Commercial Register of the Regional Court in Ústí n/L., Section B, Enclosure 664 | 50,015,000 | 100 | |

| Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|
| **C.H.T., a.s.**<br>100 10 Prague 10, Kodaňská 46<br>25056433<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 4074 | 181,000,000 | 100 | from 26.6.2001 |
| ALIACHEM VERWALTUNGS GmbH<br>Langen Hessen<br>– controlled parties: | not in the Czech Commercial Register | | 100 | |
| *– ALIACHEM DEUTSCHLAND GmbH*<br>*Langen Hessen* | *not in the Czech Commercial Register* | | *100* | |
| *– ALIAPHARM GmbH*<br>*Frankfurt/Main* | *not in the Czech Commercial Register* | | *100* | |
| ALIACHEM IBERICA S.A.<br>Barcelona | not in the Czech Commercial Register | | 100 | |
| CHEMAPOL (SCHWEIZ) AG<br>Basel, Switzerland | not in the Czech Commercial Register | | 100 | |
| CHEMAPOL POLSKA Sp. z o.o.<br>Warszawa | not in the Czech Commercial Register | | 100 | |
| ALIACHEM VIENNA HmbH<br>Wien | not in the Czech Commercial Register | | 100 | |
| ALIACHEM USA, Inc.<br>Engelwofrom Cliffs, USA | not in the Czech Commercial Register | | 100 | |
| ALIACHEM BENELUX B.V.<br>Le Amstelween, Nizozemí | not in the Czech Commercial Register | | 100 | |
| CHEMAPOL (U.K.) LIMITED<br>London | not in the Czech Commercial Register | | 99.99 | |
| CHEMAPOL ASIA Pte Ltd.<br>Singapore | not in the Czech Commercial Register | | 99.99 | |
| ALIACHEM FRANCE S.A.<br>Paris | not in the Czech Commercial Register | | 96.73 | |
| ALIACHEM ITALIA S.r.l.<br>Milano | not in the Czech Commercial Register | | 90 | |
| CHEMAPOL AMERICA LATIN Corp. Inc.<br>Miami, USA | not in the Czech Commercial Register | | 51 | |
| CHEMAPOL SCANDINAVIA AB<br>Stockholm<br>– controlled parties: | not in the Czech Commercial Register | | 51 | |
| *– OY CHEMAPOL SCANDINAVIA AB*<br>*Espoo, Finland* | *not in the Czech Commercial Register* | | *100* | |
| *– CHEMAPOL SCANDINAVIA A/S*<br>*Helsingor, Denmark* | *not in the Czech Commercial Register* | | *100* | |
| *– Trans Europe Chemicals, s.r.o.*<br>*101 00 Prague 10, Žitomírská 38*<br>*25680978* | *recorded in the Commercial Register of the Municipal Court in Prague , Section C, Enclosure 60685* | *100,000* | *100* | |

| Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|
| KORAMO, a.s.<br>280 26 Kolín V., Ovčárecká čp. 314<br>46357289<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2631 | 1,029,175,000 | 52.30 | |
| *– MOGUL PETROL a.s.*<br>*748 01 Hlučín, Opavská 25/51*<br>*60792884* | *recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 1018* | *1,000,000* | *100* | |
| *– MOGUL SERVIS, a.s.*<br>*280 26 Kolín V., Ovčáreská 314*<br>*25634151* | *recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 5123* | *5,000,000* | *100* | |
| *– PENSION KORAMO, spol. s r.o. „in liquidation"*<br>*280 26 Kolín V., Ovčárecká 314*<br>*25275275* | *recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 86195* | *250,000* | *100* | |
| *– MOGUL POLSKA, s.r.o.*<br>*Kepa, Luboszyce* | *not in the Czech Commercial Register* | | *100* | |
| *– MOGUL UKRAJINA, a.s.*<br>*Kyjev* | *not in the Czech Commercial Register* | | *100* | |
| *– FORTE a.s. „in liquidation"*<br>*984 01 Lučenec, Gemerská cesta 1, SR*<br>*31627188* | *recorded in the Commercial Register of the District Court in Banská Bystrica, Section Sa, Enclosure No. 265/S* | | *100* | *from 29.1.2001*<br>*from 9.12.1999* |
| *– MOGUL KORAK, a.s.*<br>*434 01 Most – Velebudice, Skyřická 9*<br>*25013408* | *recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 941* | *1,000,000* | *100* | |
| *– MOGUL PROM, a.s.*<br>*679 22 Újezd u Černé Hory 96*<br>*60755245* | *recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 1626* | *1 200,000* | *80* | |
| *– MOGUL TANK-PLUS a.s.*<br>*386 01 Strakonice,*<br>*Areál DMP Pracejovice*<br>*62526774* | *recorded in the Commercial Register of the Regional Court in České Budějovice, Section B, Enclosure 694* | *1,000,000* | *80* | |
| *– MOGUL NOCC, a.s.*<br>*Prague 8, Trojská 13a*<br>*43004211* | *recorded in the Commercial Register of the Municipal Court in Prague , Section B, Enclosure 982* | *2,100,000* | *70* | |
| *– MOGUL MORAVA, a.s.*<br>*Hodonín, Brnonská 3540*<br>*60742160* | *recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 1540* | *4,200,000* | *70* | |
| *– MOGUL BEOGRAD, s.r.o.*<br>*Beograd, Jugoslávie* | *not in the Czech Commercial Register* | | *70* | |
| *– PETRA SLOVAKIA, s.r.o.*<br>*965 01 Ladomerská Vieska,*<br>*Priemyselná 248*<br>*31600191* | *recorded in the Commercial Register of the District Court in Banská Bystrica, Section Sro, Enclosure 1691/S* | | *70* | *from 19.2.1997*<br>*from 26.3.1998* |
| *– MOGUL OIL, s.r.o.*<br>*Moskva* | not in the Czech Commercial Register | | *70* | |

| Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|
| *– MOGUL SLOVAKIA, s.r.o.*<br>906 12 Hradište pod Vrátnom,<br>U ihriska 300<br>36222992 | *recorded in the Commercial Register of the* District Court in Trnava, Section Sro, Enclosure 10509/T | | *64* | *from 15.11.1999* |
| *– MOGUL OK OIL, a.s.*<br>*280 26 Kolín, Ovčárecká*<br>*25061755* | *recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 4138* | *1,000,000* | *51* | |
| *– MOGUL TRAD OIL, a.s.*<br>*281 27 Krakovany 148*<br>*25651412* | *recorded in the Commercial Register of the Municipal Court in Prague , Section B, Enclosure 5253* | *1,000,000* | *51* | |
| *– MOGUL HUNGARIA, a.s.*<br>*Ballasagyarmat* | not in the Czech Commercial Register | | *51* | |
| *– MOGUL SLOVENIJA, s.r.o.*<br>*Velenje, Šalek* | not in the Czech Commercial Register | | *50* | |
| *– FK MOGUL KOLÍN, s.r.o.*<br>*280 00 Kolín, Brankovická 1216*<br>*48950467* | *recorded in the Commercial Register of the Municipal Court in Prague , Section C, Enclosure 29275* | *100,000* | *80* | *till 29.6.2001* |
| *– FK MOGUL VACENOVICE, s.r.o.*<br>*696 06 Vacenovice 467, okres Hodonín*<br>*25502115* | *recorded in the Commercial Register of the Regional Court in Brno, Section C, Enclosure 28345* | *100,000* | *70* | *till 28.8.2001* |
| *– MOGUL Vacenovjáci, spol. s r.o.*<br>*696 06 Vacenovice 426, okr. Hodonín*<br>*25324551* | *recorded in the Commercial Register of the Regional Court in Brno, Section C, Enclosure 25542* | *100,000* | *80* | *till 30.1.2001* |
| **SEGAS Uni a.s.** „in liquidation"<br>180 00 Prague 8, Trojská 13<br>25258486 | deleted | | 90 | deleted from the Commercial Register on 22.3.2002 |
| **SPOLANA a.s.**<br>277 11 Neratovice, ul. Práce 657<br>45147787<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 1462 | 4,998,493,640 | 81.605 | from 19.12.2001 |
| NeraAgro, spol. s r.o.<br>277 11 Neratovice, ul. Práce 657,<br>District Mělník<br>26133733 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 73159 | 100,000 | 100 | |
| NeraPharm, spol. s r.o.<br>277 11 Neratovice, ul. Práce 657,<br>District Mělník<br>26499258 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 86011 | 200,000 | 100 | company established on 17.12.2001 |
| ZSD servis, spol. s r.o.<br>277 11 Neratovice, Ke Spolaně,<br>District Mělník<br>25635336 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 56737 | 1,000,000 | 100 | |
| NERASERVIS, spol. s r.o.<br>277 11 Neratovice, Ke Spolaně,<br>District Mělník<br>25712811 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 63486 | 100,000 | 100 | |

| Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|
| SPOLSIN, spol. s r.o.<br>560 02 Česká Třebová, Moravská 1078<br>62063545 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section C, Enclosure 7462 | 3,130,000 | 66 | |
| **BENZINA a.s.**<br>182 21 Prague 8, Trojská 13a<br>60193328<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2320 | 420,778,296 | 78.23 | |
| BENZINA Trade a.s.<br>Prague 8, Trojská 13a<br>26135710 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 6267 | 1,000,000 | 100 | |
| BENZINA SLOVAKIA, a.s. in liquidation<br>831 01 Bratislava, Stromová 13<br>35685654 | recorded in the Commercial Register of the District Court in Bratislava 1, Section Sa, Enclosure 1030/B | | 100 | from 16.08.2001<br>from 12.11.1996 |
| PETROTRANS, a.s.<br>182 21 Prague 8, Trojská 1997/13a<br>25123041<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 4670 | 11,000,000 | 100 | |
| *– ATRANS a.s.*<br>*100 10 Prague 10, Kodaňská 46*<br>*63078376* | *recorded in the Commercial Register of the Municipal Court in Prague , Section B, Enclosure 3056* | *20,000,000* | *100* | *from 30.11.2001* |
| ČS Žilina s.r.o.<br>813 39 Bratislava, Cukrová 14<br>35807539 | recorded in the Commercial Register of the District Court in Bratislava 1, Section Sro, Enclosure 23631/B | | 100 | from 13.03.2001 |
| ČS Smižany s.r.o.<br>813 39 Bratislava, Cukrová 14<br>35808306 | recorded in the Commercial Register of the District Court in Bratislava 1, Section Sro, Enclosure 23698/B | | 100 | from 22.03.2001 |
| ČS Milhosť s.r.o.<br>813 39 Bratislava, Cukrová 14<br>35807547 | recorded in the Commercial Register of the District Court in Bratislava 1, Section Sro, Enclosure 23632/B | | 100 | from 13.03.2001 |
| **PARAMO, a.s.**<br>530 06 Pardubice, Přerovská čp. 560<br>48173355<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 992 | 1,330,078,000 | 73.52 | |
| Paramo Trysk a.s.<br>Pardubice, Přerovská 560<br>64259790<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 1281 | 133,500,000 | 100 | |
| *– PARAMO NOVA, a.s.*<br>*160 00 Prague 6, Drnovská 1042/28*<br>*60194065* | *recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2374* | *4,250,000* | *51* | *till 13.3.2001* |
| PARAMET a.s.<br>301 51 Plzeň, Hlavanova 4,<br>District Plzeň-City<br>25228447 | recorded in the Commercial Register of the Regional Court in Plzeň, Section B, Enclosure 760 | | 100 | dissolution on 21.12.2001 |

| Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|
| PARAMO-BIONA s.r.o.<br>783 71 Olomouc-Holice, U cukrovaru<br>63323398 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 13521 | 5,000,000 | 51 | |
| PARAMO-KARIMPEX, a.s.<br>735 14 Orlová, Slezská 320<br>25824660 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 2050 | 1,000,000 | 51 | |
| PARAMOBIT, spol. s r.o.<br>362 33 Hroznětín, Karlovarská,<br>District Karlovy Vary<br>45349215 | recorded in the Commercial Register of the Regional Court in Plzeň, Section C, Enclosure 2170 | 67,612,000 | 88 | till 20.8.2001 |
| PARAMO OMA a.s.<br>471 27 Stráž pfrom Ralskem,<br>Borová 103<br>25406761 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 1207 | 1,300,000 | 70 | till 19.7.2001 |
| PARAMO Slovakia, a.s.<br>949 01 Nitra, Štefánikova 15, SR<br>36526606<br>– controlled parties: | recorded in the Commercial Register of the District Court in Nitra, Section Sa, Enclosure 10049/N | | 70 | till 25.10.2001 |
| *– PARAMO TRADE kft.*<br>*Komárom, Maďarsko* | *not in the Czech Commercial Register* | | *100* | *till 25.10.2001* |
| PARAMOPLAST, a.s.<br>530 06 Pardubice, Přerovská 560<br>25915568 | recorded in the Commercial Register of the Regional Com. Court in Hradec Králové, Section B, Enclosure 1860 | 1,000,000 | 52 | till 21.11.2001 |
| PARAMO Bitumen s.r.o.<br>Rychnov nad Kněžnou, Zbuzany č. 307<br>47450118 | recorded in the Com. Court of the Regional Court in Hradec Králové, Section C, Enclosure 2351 | 103,952,000 | 100<br>71.14 | 1.1. – 20.8.2001<br>14.11. - 6.12.2001 |
| **KRALUPOL, spol. s r.o.**<br>278 01 Kralupy nad Vltavou,<br>Tyršova 535, District Mělník<br>49679597<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 21675 | 5,000,000 | 55 | |
| K–Logtrans, s.r.o.<br>278 01 Kralupy nad Vltavou,<br>Tyršova 535, District Mělník<br>25073745 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 47364 | | | |
| **ČESKÁ RAFINÉRSKÁ, a.s.**<br>436 70 Litvínov, Záluží 2<br>62741772<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 696 | 9,348,240,000 | 51 | |
| ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o.<br>831 01 Bratislava, Stromová 13<br>35777087 | recorded in the Commercial Register of the District Court in Bratislava I, Section Sro, Enclosure 20665/B | | 100 | from 24.11.1999 |
| CRC POLSKA, Sp. z o.o.<br>Wroclaw | | | 100 | |

| Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|
| **ALIACHEM a.s.**<br>100 10 Prague 10, Kodaňská 46<br>60108916<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 5756 | 10,730,105,600 | 38.13 | action in concert with AGROBOHEMIE, a.s. |
| Explosia a.s.<br>532 17 Pardubice–Semtín<br>25291581 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 1828 | 1,000,000 | 100 | |
| LANOCU s.r.o.<br>532 17 Pardubice, Semtín, hall P9<br>25937421 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section C, Enclosure 16029 | 100,000 | 100 | |
| MORAVIAN CHEMICALS GmbH<br>in liquidation<br>Dusseldorf | not in the Czech Commercial Register | | 100 | |
| Chemoinvest, s.r.o. „in liquidation“<br>Ostrava–Mariánské Hory, Chemická 1<br>64613097 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 8837 | 7,500,000 | 100 | |
| C.H.Educa, a.s. (in liquidation)<br>100 10 Prague 10, Kodaňská 46<br>25602837<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 4903 | 10,000,000 | 100 | |
| *– Střední odborná škola průmyslově obchodní a Vyšší odborná škola podnikového řízení s.r.o.*<br>*(in liquidation)*<br>*763 61 Napajedla, zámek čp. 265*<br>*25508334* | *recorded in the Commercial Register of the Regional Court in Brno, Section C, Enclosure 28740* | *100,000* | *100* | |
| PERSTORP MCHZ a.s. (in liquidation)<br>709 03 Ostrava–Mariánské Hory,<br>Chemická 1<br>25351371 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 1301 | 1,000,000 | 100 | |
| SIMATOS, s.r.o.<br>142 01 Prague 4, Písnice, Libušská 190<br>48584355 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 18235 | 180,000 | 100 | |
| ATRANS a.s.<br>(till 19.1.2001 „CHEMAPOL TRANS a.s.“)<br>100 10 Prague 10, Kodaňská 46<br>63078376 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 3056 | 20,000,000 | 100 | till 30.11.2001 |
| C.H.T., a.s.<br>100 10 Prague 10, Kodaňská 46,<br>25056433 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, sss Enclosure 4074 | 181,000,000 | 100 | till 26.6.2001 |
| TIM-Plus, a.s.<br>Ostrava–Mariánské Hory, Dr. Maye 1<br>25381181 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 1731 | 5,237,500 | 100 | till 29.11.2001 |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| | SoftPlast, a.s.<br>768 11 Chropyně, Moravská 785<br>25335961 | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 2279 | 1,000,000 | 51 | till 29.6.2001 |
| | MAINE FATRA, s.r.o.<br>763 61 Napajedla, tř. T. Bati<br>60709782 | recorded in the Commercial Register of the Regional Court in Brno, Section C, Enclosure 15487 | 8,000,000 | 100 | till 10.12.2001 |
| | GA GRANCHEM a.s.<br>288 02 Nymburk, Pražská čp. 2214<br>25686330 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 5497 | 5,200,000 | 99.81 | 18.7. – 14.12.2001 |
| | ZLATÝ JELEN, spol. s r.o. bankrupt<br>763 12 Vizovice, Dubovsko 1192<br>60738006 | recorded in the Commercial Register of the Regional Court in Brno, Section C, Enclosure 18055 | 500,000 | 91 | |
| | OSTACOLOR, a.s.<br>533 54 Pardubice 20, Rybitví 294<br>00011878<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 2 | 62,100,000 | 97.34 | |
| | *– Ostadyes Trading B.V.<br>in liquidation<br>Amsterodam* | *not in the Czech Commercial Register* | | *50* | *Aliachem Benelux B.V.-50* |
| | *– Ostaorganica Trading International GmbH in liquidation<br>Düsseldorf* | *not in the Czech Commercial Register* | | *100* | |
| | *– Ostacolor Polska Sp. z o.o.<br>Lodž* | *not in the Czech Commercial Register* | | *100* | |
| | Výzkumný ústav organických syntéz, a.s.<br>532 18 Pardubice–Rybitví<br>60108975 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 1033 | 102,219,000 | 85.25 | |
| | Plastcentrum, s.r.o.<br>763 61 Napajedla, Podzámčí 757,<br>District Zlín<br>64507891 | recorded in the Commercial Register of the Regional Court in Brno, Section C, Enclosure 22705 | 100,000 | 70 | |
| | PLASTFLOOR, spol. s r.o.<br>– in liquidation, bankrupt<br>768 11 Chropyně, Komenského 75<br>48911267 | recorded in the Commercial Register of the Regional Court in Brno, Section C, Enclosure 11524 | 120,637,000 | 65.71 | |
| | FATRA-IZOLFA, s.r.o. (in liquidation)<br>686 03 Staré Město, Kopánky 1636<br>47917563 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 10488 | 100,000 | 60 | |
| **32.** | **PRESTA, výroba stavebních hmot a dílců, a.s.**<br>470 11 Česká Lípa, Litoměřická 2722<br>46708944 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 288 | 146,634,000 | 66.12 | data have not been found out |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| **33.** | **VÍTKOVICE, a.s.**<br>706 02 Ostrava – Vítkovice,<br>Ruská 2887/101<br>45193070<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 302 | 10,623,362,400 | 67.31 | |
| | VÍTKOVICE – Export, a.s.<br>706 02 Ostrava–Vítkovice, Ruská 116<br>00549070 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 1729 | 3,000,000 | 100 | |
| | VÍTKOVICE CAD/CAM Systémy, spol. s r.o.<br>Ostrava – Vítkovice, Ruská 60<br>61972576 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 7305 | 4,014,000 | 100 | |
| | VÍTKOVICE – PRODECO, a.s.<br>416 78 Teplice, ul. Masarykova 51<br>25020790 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 989 | 19,873,000 | 100 | |
| | VÍTKOVICE Lisovna, spol. s r.o.<br>Ostrava – Vítkovice, Ruská 101<br>62305492 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 7746 | 50,692,000 | 100 | |
| | Vítkovické slévárny, spol. s r.o.<br>Ostrava – Vítkovice, Ruská 83<br>25362810 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 15478 | 212,459,000 | 100 | |
| | Hotel ATOM Ostrava, spol. s r.o.<br>Ostrava – Vítkovice, Ruská 83<br>25386727 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 17542 | 21,869,000 | 100 | |
| | VÍTKOVICE – Servis Centrum, a.s.<br>378 01 Frýdek-Místek, ul. Míru 3267<br>25824341 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 2038 | 1,000,000 | 100 | |
| | LANG FAN PAN Vítkovice Enviromental | not in the Czech Commercial Register | 1,912,000 USD | 58 | |
| | VÍTKOVICE – Real. proj. Košice, s.r.o. | not in the Czech Commercial Register | 200,000 SK | 100 | |
| | VÍTKOVICE – STAMONT, spol. s r.o.<br>706 02 Ostrava-Vítkovice,<br>Mostárenská 1140/48<br>64617874 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 14148 | 22,077,000 | 100 | |
| | Mechanické dílny Kojetín, spol. s r.o.<br>Kojetín, nám. Svobody 268<br>60779993 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 6563 | 48,412,000 | 100 | |
| | VÍTKOVICE – Údržba, spol. s r.o.<br>706 02 Ostrava-Vítkovice,<br>Pohraniční 52/23<br>25871587 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 23478 | 52,000,000 | 100 | |
| | VÍTKOVICE Zkušebny a laboratoře, spol. s r.o.<br>709 00 Ostrava – Hulváky,<br>Pohraniční 584/142<br>25870556 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 23705 | 49,000,000 | 100 | |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| | VÍTKOVICE – Výzkum a vývoj, spol. s r.o.<br>706 02 Ostrava-Vítkovice, Pohraniční 693/31<br>25870807 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 23704 | 39,000,000 | 100 | |
| | VÍTKOVICE STEEL, a.s.<br>709 00 Ostrava – Hulváky, Štramberská č.p. 2871/47<br>25874942 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 2475 | 2,602,000,000 | 100 | |
| | VÍTKOVICE STROJÍRENSTVÍ, a.s.<br>706 02 Ostrava-Vítkovice, Ruská č.p. 83/24<br>25877950 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 2486 | 2,000,000 | 100 | |
| | VÍTKOVICE Ozubárna, a.s.<br>706 02 Ostrava-Vítkovice, Ruská č.p. 83/24<br>25877933 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 2485 | 2,000,000 | 100 | |
| **34.** | **ČEZ, a.s.**<br>111 48 Prague 1, Jungmannova 29/35<br>45274649<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 1581 | 59,194,942,100<br>59,208,846,100 | 67.60<br>67.61 | change of registered capital on 25.10. |
| | AB Michle s.r.o.<br>140 00 Prague 4, Michle, U Plynárny č.p. 1388<br>26206803 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 79698 | 420,100,000 | 99.99 | |
| | CEZTel, a.s.<br>111 48 Prague 1, Jungmannova 29<br>25107950 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 4558 | 1,000,000 | 100 | |
| | **ČEPS, a.s.**<br>101 52 Prague 10, Elektrárenská 774/2<br>25702556<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 5597 | 17,855,733,300 | 100 | |
| | *– ENIT, a.s.*<br>*432 01 Kadaň, Rokle čp. 54*<br>*25426796* | *recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 1349* | *2,000,000* | *100* | *from 02/2001* |
| | ČEZ ENERGOSERVIS spol. s r.o.<br>674 01 Třebíč, Bráfova 16<br>60698101 | recorded in the Commercial Register of the Regional Court in Brno, Section C, Enclosure 14400 | 6,032,000 | 100 | |
| | ČEZ FINANCE B.V.<br>Herengracht 548,<br>1017 CG Amsterdam, Netherlands | not in the Czech Commercial Register | | 100 | |
| | Energetické opravny, a.s.<br>432 01 Kadaň, Prunéřov 375<br>25040707 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 1133 | 40,000,000 | 100 | |

| Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|
| GAPROM, s.r.o. in liquidation<br>140 00 Prague 4, Marie Cibulkové 8<br>64939111 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 41976 | 12,000,000 | 50 | |
| HYDROČEZ, a.s.<br>110 00 Prague 1, Dlážděná 4<br>63079852 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 3229 | 412,798,000 | 100 | |
| I & C Energo s.r.o.<br>674 01 Třebíč, Pražská 684/49<br>49433431 | recorded in the Commercial Register of the Regional Court in Brno, Section C, Enclosure 11734 | 45,000,000 | 100 | |
| KOTOUČ ŠTRAMBERK, spol. s r.o.<br>742 68 Štramberk 500, pošta Ženklava<br>47972165 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 5327 | 569,259,000 | 64.87 | |
| LOMY MOŘINA spol. s r.o.<br>267 17 Mořina, District Beroun<br>61465569 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 29268 | 333,000,000 | 51 | |
| MOONSTONE, a.s.<br>111 48 Prague 1, Jungmannova 35/29<br>26470411 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 7309 | 2,000,000 | 100 | from 11/2001 |
| OSC, a.s.<br>612 00 Brno, Staňkova 18a<br>60714794 | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 1376 | 13,899,600 | 66.66 | |
| SIGMA – ENERGO s.r.o.<br>674 01 Třebíč, Na Nivkách 299<br>60702001 | recorded in the Commercial Register of the Regional Court in Brno, Section C, Enclosure 14731 | 4,014,000 | 51 | |
| **Ústav jaderného výzkumu Řež a.s.**<br>250 68 Husinec – Řež, č.p. 130<br>46356088<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 1833 | 524,139,000 | 52.46 | |
| *– Ústav jaderných informací Zbraslav, a.s.<br>156 00 Prague 5–Zbraslav,<br>Elišky Přemyslovny 1335,<br>okres Prague 5<br>45270902* | *recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 1405* | *11,183,000* | *51* | |
| *– LACOMET, spol. s r.o.<br>250 68 Řež, areál Ústavu jaderného výzkumu Řež a.s.,<br>Husinec – Řež č.p. 130<br>46348875* | *recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 10546* | *160,000* | *62.50* | |
| *– Ústav aplikované mechaniky Brno, s.r.o.<br>611 00 Brno, Veveří 95<br>60715871* | *recorded in the Commercial Register of the Regional Court in Brno, Section C, Enclosure 16049* | *6,568,000* | *60* | |
| Hotel Dlouhé Stráně, s.r.o.<br>788 12 Loučná nad Desnou – Kouty<br>48391310 | recorded in the Commercial Register of the Regional Court in Ostrava, Section C, Enclosure 6125 | 9,720,000 | 100 | till 08/2001 |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year<br>(Controlled from/till) |
|---|---|---|---|---|---|
| **35.** | **Plynoprojekt Praha, a.s.**<br>120 21 Prague 2, Sokolská 1796<br>60193484<br>- controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2336 | 125,031,000 | 72.53 | transfer of shares on 20.12. then zero possession |
| | SANUS, s.r.o.<br>120 21 Prague 2, Sokolská 1796<br>49713825 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 23277 | 130,000 | 100 | |
| | Plynoprojekt Slovakia, s.r.o.<br>984 01 Lučenec, Partizanska 7, SR<br>34111824 | recorded in the Commercial Register of the District Court in Banská Bystrica, Section Sro, Enclosure 3131/S | 200,000 SK | 100 | |
| **36.** | **Teplotechna Praha, a.s.**<br>113 39 Prague 2, Ječná 39<br>60192933 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2283 | 129,681,000 | 73.52 | data have not been found out |
| **37.** | **SEVAC a.s.** in liquidation<br>281 63 Kostelec nad Černými Lesy, Bohumile<br>60192968 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2291 | 211,849,000 | 78.86 | data have not been found out |
| **38.** | **Železnobrodské sklo a.s.**<br>468 22 Železný Brod, Průmyslová 702<br>60278226 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 550 | 236,434,000 | 84.89 | data have not been found out |
| **39.** | **TONAVA, akciová společnost**<br>542 32 Úpice, Havlíčkova 437<br>48171549 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 943 | 135,000,000 | 90.85 | does not control anything |
| **40.** | **HOLDING KLADNO a.s.** „in liquidation"<br>Kladno, Cyrila Boudy 1444<br>45144419 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 1335 | 7,500,000,000 | 96.85 | data have not been found out |
| **41.** | **Interhotel Transit Praha a.s.**<br>Prague 6 – Ruzyně, Nové letiště Prague<br>60193956 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2409 | 12,503,000 | 97 | data have not been found out |
| **42.** | **LACMO, a.s.** bankrupt<br>760 95 Zlín, Nábřeží 578<br>63475863 | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 1690 | 64,966,000 | 97.33 | data have not been found out |
| **43.** | **Pražské vodovody a kanalizace a.s.**<br>112 65 Prague 1, Národní 13<br>25656635 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 5297 | 792,276,000 | 100 | does not control anything |
| **44.** | **Stasis, stavební a silniční stroje, a.s.**<br>Horní Slavkov, Kounice,<br>District Sokolov<br>45350329 | recorded in the Commercial Register of the Regional Court in Plzeň, Section B, Enclosure 264 | 166 257,000 | 100 | data have not been found out |
| **45.** | **OSINEK, akciová společnost**<br>706 02 Ostrava–Vítkovice, Ruská 101<br>00012173 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 2392 | 154,030,000 | 100 | does not control anything |
| **46.** | **STAZAP, a.s.**<br>110 00 Prague 10, Tiskařská 12<br>45280100 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 1623 | 69,180,000 | 100 | does not control anything |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| **47.** | **Silnice Teplice a.s.** in liquidation<br>Teplice, Chelčického 7<br>47285583 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 327 | 7,347,000 | 100 | data have not been found out |
| **48.** | **MERO ČR, a.s.**<br>278 01 Kralupy nad Vltavou, Veltruská 748<br>60193468<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2334 | 8,430,921,000 | 100 | |
| | MERO Pipeline, GmbH<br>Mero-Weg 1,<br>85088 Vohburg a. d. Donau,<br>Germany | recorded at the District Court in Neuburg a. d. Donau, Section B, No. 90.659 | | 100 | |
| **49.** | **ČEPRO, a.s.**<br>111 21 Prague 1, Spálená 5, č.p. 84<br>60193531<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2341 | 4,155,814,000 | 100 | |
| | BAUFELD – Ekologické služby, s.r.o.<br>186 02 Prague 8, Pernerova 48<br>49681036 | recorded in the Commercial Register of the Municipal Court in Prague, Section C, Enclosure 21855 | 3,500,000 | 49 | |
| **50.** | **Skleněná bižuterie, a.s.**<br>468 21 Bratříkov, Alšovice 156,<br>District: Jablonec nad Nisou<br>00480851 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 102 | 84,886,000 | 100 | does not control anything |
| **51.** | **KRAS, akciová společnost, Brno**<br>603 71 Brno, Bělidla 6, čp. 759,<br>District Brno-město<br>00013455<br>– controlled parties: | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 399 | 337,469,000 | 100 | |
| | TATRA, a.s.<br>742 21 Kopřivnice, Štefánikova 1163,<br>District Nový Jičín<br>45193444 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 309 | 2,069,752,600 | 41.63 | till 30.11.2001 |
| **52.** | **NOVA, a.s.**<br>507 43 Sobotka, Špálova 455<br>60916206 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 1118 | 34,513,000 | 100 | data have not been found out |
| **53.** | **PAL a.s.**<br>Prague 9, Mladoboleslavská 15<br>00211222 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 614 | 237,006,000 | 100 | data have not been found out |
| | Galvanovna Kbely, a.s.<br>Prague 9 – Kbely, Mladoboleslavská 15<br>61860891 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 3000 | 58,970,000 | 100 | |
| | Výzkumný a zkušební letecký ústav, a.s.<br>Prague 9, Beranových 130<br>00010669 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 446 | 750,968,000 | 44.61 | |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| **54.** | **LETKA, a.s.**<br>Prague 2, Rašínovo nábř. 42<br>25134132 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 4759 | 961,000,000 | 100 | does not control anything |
| **55.** | **Pragoinvest akciová společnost**<br>in liquidation<br>190 00 Prague 9, Českomoravská 23<br>00000965 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 31 | 260,000,000 | 100 | data have not been found out |
| **56.** | **Česká typografie, a.s.**<br>108 00 Prague 10, Malešice,<br>Černokostelecká 613/145<br>17046581<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 806 | 1,550,000,000 | 100 | |
| | Deník Práce, a.s.<br>Prague 1, Václavské nám. 17<br>47115904 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 1807 | 1,001,000 | 54 | |
| **57.** | **STROJOSVIT–F.CZ, a.s.**<br>794 01 Krnov, Vrchlického 844/22<br>25386930 | recorded in the Commercial Register of the Regional Court in Ostrava, Section B, Enclosure 1815 | 121,300,000 | 100 | data have not been found out |
| **58.** | **THERMAL–F, a.s.**<br>360 01 Karlovy Vary,<br>I. P. Pavlova 2001/11<br>25401726 | recorded in the Commercial Register of the Regional Court in Plzeň, Section B, Enclosure 813 | 16,250,000 | 100 | does not control anything |
| **59.** | **Dřevařské závody Borohrádek – F a.s.**<br>517 24 Borohrádek, Nádražní 35,<br>District Rychnov nad Kněžnou<br>25288016 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 1783 | 48,500,000 | 100 | does not control anything |
| **60.** | **INTERHOTEL BOHEMIA-F a.s.**<br>Ústí nad Labem, Mírové nám. 6/2442<br>25016458 | recorded in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Enclosure 971 | 35,779,000 | 100 | data have not been found out |
| **61.** | **HOTEL MONTANA – F, a.s.**<br>128 00 Prague 2, Rašínovo nábř. 42<br>26196557 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 6698 | 15,000,000 | 100 | data have not been found out |
| **62.** | **Přeloučská poliklinika a.s.**<br>535 01 Přelouč, Libušina 203<br>60917415 | recorded in the Commercial Register of the Regional Court in Hradec Králové, Section B, Enclosure 1175 | 17,246,000 | 100 | does not control anything |
| **63.** | **FORTE a.s.**<br>798 02 Mostkovice 529,<br>District Prostějov<br>25322303 | recorded in the Commercial Register of the Regional Court in Brno, Section B, Enclosure 2225 | 98,075,000 | 100 | does not control anything |
| **64.** | **Transgas, a.s.**<br>100 98 Prague 10 – Strašnice,<br>Limuzská 12/3135<br>26460815<br>– controlled parties: | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 7240 | 36,550,385,000 | 100 | |

| | Interconnected parties and parties controlled by them<br>Registered office<br>Identification No. | Record in the Commercial Register | Registered capital | % Participation in the registered capital | Change during the year (Controlled from/till) |
|---|---|---|---|---|---|
| | TransgasNet, a.s.<br>100 98 Prague 10 – Strašnice,<br>Limuzská 12/3135<br>26152436 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 6370 | 194,515,000 | 100 | |
| | Plynoprojekt Praha, a.s.<br>Prague 2, Sokolská 44<br>60193484 | recorded in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2336 | 125,031,000 | 72.53 | from 20.12.2001 |
| **65.** | **„Doprava Vodňany s.r.o."**<br>in liquidation<br>České Budějovice, Okružní 6<br>62497588 | recorded in the Commercial Register of the Regional Court in České Budějovice, Section C, Enclosure 4508 | 100,000 | 100 | data have not been found out |

## Annex No. 3

List of the interconnected parties with whom contracts for power supplies, supplies of gas and water were concluded in 2001, and performance was provided based on contracts concluded before 1 January 2001:

Jihomoravská energetika, a.s.
Jihomoravská plynárenská, a.s.
Západočeská energetika, a.s.
Východočeská plynárenská, a.s.
Jihočeská plynárenská, a.s.
Východočeská energetika, a.s.
Severomoravská energetika, a.s.
Severočeská energetika, a.s.
Středočeská energetická, a.s.
Softlink, s.r.o.
Pražská energetika, a.s.
Středočeská plynárenská, a.s.
Pražské vodovody a kanalizace, a.s.
Severomoravská plynárenská, a.s.
Severočeská plynárenská, a.s.
Západočeská plynárenská, a.s.
Jihočeská energetika, a.s.
ČEPRO, a.s.
Kanalizace a vodovody Starý Plzenec, a.s.
Teplárna Ústí nad Labem, a.s.
Ústav jaderného výzkumu Řež, a.s.
KRALUPOL, s.r.o.

## Annex No. 4

List of the interconnected parties, as the lessors, with whom contracts for the lease of non-residential space were concluded before 1 January 2001:

ALIACHEM, a.s.
B.U.T., s.r.o.
Západočeská energetika, a.s.
ČESKÉ RADIOKOMUNIKACE, a.s.
Česká typografie, a.s.
ČEZ, a.s.
Severočeská energetika, a.s.
Vítkovice, a.s.
Plynoprojekt Praha, a.s.
Komerční banka, a.s.
Sokolovská uhelná, a.s.
Strojosvit – F CZ, a.s.
NOVÁ HUŤ, a.s.
Vodní stavby Praha, a.s., in liquidation

## Annex No. 5

List of the interconnected parties, as the lessees, with whom contracts for the lease of non-residential space were concluded before 1 January 2001:

ČESKÉ RADIOKOMUNIKACE, a.s.
Komerční banka, a.s.
Západočeská energetika, a.s.
Východočeská energetika, a.s.
Transgas, a.s.
Východočeská plynárenská, a.s.
Severomoravská plynárenská, a.s.
Softlink, s.r.o.

## Annex No. 6

List of the interconnected parties, as the lessors, with whom other lease contracts were concluded in 2001 and before 1 January 2001:

Jihomoravská energetika, a.s.
ČESKÉ RADIOKOMUNIKACE, a.s.
Západočeská energetika, a.s.

## Annex No. 7

List of the interconnected parties, as the lessees, with whom other lease contracts were concluded in 2001 and before 1 January 2001:

ČESKÉ RADIOKOMUNIKACE, a.s.
Komerční banka, a.s.
ČEZ, a.s.
Transgas, a.s.
Středočeská energetická, a.s.

## Annex No. 8

List of the interconnected parties with whom contracts for supplies of construction-erection works by the controlled party were concluded in 2001:

FORTE, a.s.
Interhotel Bohemia–F, a.s.
SEVAC, a.s.
SPORTaS, s.r.o.
Energetika Vítkovice, a.s.
VČE – montáže, a.s.
VČE – měřící technika, s.r.o.
Elektrospolečnost B.D., s.r.o.
SPOLANA, a.s.
Vodní stavby, a.s.
Ústav jaderného výzkumu Řež, a.s.
KORAMO Kolín, a.s.
PARAMO Bitumen, a.s.
GAS, s.r.o.
Plynoinženýrink, s.r.o.
ESMOS, s.r.o.
Energetická montážní společnost Česká Lípa, s.r.o.
Energetická montážní společnost Ústí nad Labem, s.r.o.
Energetická montážní společnost Liberec, s.r.o.
Vítkovice – STAMONT, s.r.o.
TATRA, a.s.

## Annex No. 9

List of the interconnected parties with whom contracts for supplies of construction-erection works by the interconnected party were concluded in 2001:

Energetická montážní společnost Česká Lípa, s.r.o.
Energetická montážní společnost Ústí nad Labem, s.r.o.
Energetická montážní společnost Liberec, s.r.o.
VČE – montáže, a.s.

## Annex No. 10

List of the interconnected parties with whom contracts on the sale of goods or services by the controlled party were concluded in 2001:

NOVÁ HUŤ, a.s.
NATURAMYL, a.s.
Železnobrodské sklo, a.s.
Vítkovice – údržba, s.r.o.
VČE – montáže, a.s.
Benzina, a.s.
Kotouč Štramberk, s.r.o.
MS Unikov Ostrava, s.r.o.
Hotel Dlouhé Stráně, s.r.o.
I&C Energo, s.r.o.
GASIS, s.r.o.
Moravskoslezská elektromontážní, a.s.

## Annex No. 11

List of the interconnected parties with whom contracts on the sale of goods or services by the interconnected party were concluded in 2001:

Interhotel Bohemia–F, a.s.
NOVÁ HUŤ, a.s.
Severočeské doly, a.s.
MOGUL NOCC, a.s.
Moravskoslezská elektromontážní, a.s.
Hotel Dlouhé Stráně, s.r.o.
K – PROTOS, a.s.
ESS, s.r.o.
TransgasNet, a.s.

# Shareholder information

## Shareholder information

### Shareholders [1)]

| | |
|---|---|
| National Property Fund of the Czech Republic | 51.1% |
| TelSource N.V. | 27.0% |
| KPN TELECOM B.V. | 6.5% |
| Investment funds and individual shareholders | 15.4% |

1) as at 31.12.2001

### Shares

| | 1999 | 2000 | 2001 |
|---|---|---|---|
| Number of shares (in millions) | 322.1 | 322.1 | 322.1 |
| Net profit per share (in CZK)[2] | 19.2 | 19.7 | 18.9 |
| Maximum share price (in CZK) | 651.7 | 965.9 | 569.1 |
| Minimum share price (in CZK) | 376.2 | 381.3 | 184.0 |
| Share price at the end of period in CZK | 576.5 | 507.2 | 362.5 |
| Market capitalisation (in CZK billions) | 185.7 | 163.4 | 116.8 |

2) consolidated net profit under IAS

ČESKÝ TELECOM was, according to its market capitalisation and trading volume, among the most important companies on the Czech capital markets in 2001. The total volume of trade in company shares on the Prague Stock Exchange (PSE) in 2001 was CZK 36.0 billion, and market capitalisation as at 31 December 2001 was CZK 116.8 billion. ČESKÝ TELECOM's share price at the end of 2001 was CZK 362.5, 29% lower than on the last day of trading on the Prague Stock Exchange in 2000. Share price reached its maximum value of CZK 569.1 on 17 January 2001 and its minimum value, CZK 184.0, on 17 September 2001, a result of the attacks in New York and Washington.

**Price of ČESKÝ TELECOM shares on the PSE in 2001**

Trading on the London Stock Exchange (LSE), in the form of Global Depository Receipts (GDR), took a similar course. The price of GDRs was down 25% in comparison with last year's value.

**Price of GDR on the LSE in 2001**

## Dividends

The shareholders at the General Meeting of 15 June 2001 decided to pay dividends for 2000 of CZK 7.50 before tax per share with a nominal value of CZK 100, and dividends of CZK 75 before tax per share with a nominal value of CZK 1,000. The above-mentioned dividends were the first paid by ČESKÝ TELECOM since its foundation.

| | 1999 | 2000 | 2001 |
|---|---|---|---|
| Dividends per share (in CZK)[3)] | 0.0 | 0.0 | 7.5 |

[3)] Dividends before tax per share with a nominal value of CZK 100.

## General Meeting of shareholders

The annual General Meeting of shareholders will be held on 14 June 2002.

## Financial calendar

Date of earnings announcement

| | |
|---|---|
| For the first half of 2002 | End of July 2002 |
| For three quarters of 2002 | End of October 2002 |
| For entire year 2002 | Preliminary results - February 2003<br>Audited results – end of March 2003 |
| For the first quarter of 2003 | End of April 2003 |

## Institutional investors and shareholders may contact

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## Glossary of terms

**ADR-index** *American Depository Receipts; index of depository receipts*

**aDSL** *Asymmetric Digital Subscriber Line; technology which enables the addition of high-speed digital channels to normal fixed lines, allowing them to be used for data transmission or Internet connection*

**ASP** *Application Service Provider*

**ATM** *Asynchronous Transfer Mode; services using ATM protocol are based on the transmission of short cells and are used for the transmission of data, graphics and voice*

**ATM (STM-16)** *Synchronous Transport Mode; capacity 2.56 Gbit/s*

**ATM LLNet (STM-1)** *Synchronous Transport Mode; capacity 155 Mbit/s*

**B2B** *Business-to-Business; services for all firms and corporate clients*

**BBP** *Business-to-Business Procurement*

**B-channel** *digital transmission channel with capacity of 64 kbit/s*

**BSS** *Business Support Systems*

**Business Model** *new management and organisational model of ČESKÝ TELECOM*

**CenTrade** *brand for the electronic marketplace provided by the company Centrade.*

**CEOG** *Chief Executive Officer Group*

**Chat** *discussion within certain groups, mostly via Internet, but newly via SMS using mobile telephones*

**CNB** *Czech National Bank*

**COOG** *Chief Operating Officer Group*

**CSG** *Corporate Services Group; service unit*

**CSO** *Czech Statistical Office*

**CTO** *Czech Telecommunications Office; public authority for the state administration and regulation of the Czech telecommunications industry*

**Czech direct** *after dialing the access number from abroad, this assistance service provided by ČESKÝ TELECOM connects the caller with desired number in Czech Republic*

**Direct** *permanent connection to ČESKÝ TELECOM data network through fixed lines and X.25 protocol*

**dotcom** *label for a company providing services closely connected to the Internet*

**DWDM** *Dense Wave Digital Multiplexing*

**EBIT** *Earnings before finance cost and tax*

**EBITDA** *Earnings before finance cost, tax, depreciation and amortisation*

**EBITDA margin** *margin of EBITDA of total operational revenues*

**EBT** *Earnings before tax*

**E-mail notification** *notification via e-mail that the Memobox contains a new message; the message in the Memobox can also be an attachment of the notification*

**EMS** *Environmental Management System*

**euroISDN** *internationally respected European standard of ISDN network guaranteeing the compatibility of the network, equipment and accessories*

**Eurotel** *company in which ČESKÝ TELECOM has 51% ownership interest*

**Frame Relay** *communication protocol and name of service; services using the Frame Relay protocol enable the connection of LANs through WAN, with a capacity of 64-2.048 kbit/s*

**GDR** *Global Depository Receipts; form in which ČESKÝ TELECOM shares are traded on the London Stock Exchange*

**GO** *prepaid services brand of Eurotel*

**GPRS** *General Packet Radio Service; technology for mobile data transmission which reduces the time necessary for the establishment of data connection, as users are permanently connected to the network; the maximum theoretical capacity of transmission is 115.2 kbit/s*

**GSM** *Global System for Mobile Communication; the widest-spread digital wireless communication standard working worldwide on frequencies 450, 900, 1,800, and 1,900 MHz, and in Czech Republic on frequencies 900 and 1,800 MHz*

**HOST** *main parent exchange*

**Hosting centre** *location where hosting services are provided*

**HR** *human resources; Human Resources department*

**HRIS** *Human Resources Information System*

**HSCSD** *High Speed Circuit Switched Data; technology for mobile data transmission enabling a transmission capacity of 57.6 kbit/s; currently using the capacity of 43.2 kbit/s*

**HTS** *main telephone unit*

**ICG** *Internet Content Group*

**Imaginet, o.z.** *ČESKÝ TELECOM, a.s. - Imaginet, o.z.; business unit responsible for Internet services*

**IMS** *Internet Media Service; advertising chain of main Czech Internet servers by M.I.A.*

**International Frame Relay** *modification of the Frame Relay service enabling international communication between LANs*

**IOL DIAL-UP** *service enabling Internet connection through a modem and standard telephone line or euroISDN line*

**IOL FIXED** *service enabling dedicated connection to the Internet through a fixed line*

**IP** *Internet Protocol; Internet transmission protocol*

**IP/ATM** *Asynchronous Transfer Mode*

**IP VPN** *Internet Protocol Virtual Private Network; the Internet protocol for the virtual private networks service enables internal data transfers and eventually voice communication within a company via IP*

**ISDN** *Integrated Services Digital Network; publicly accessible, fully digitalised network for modern and quality telephone services; fast Internet connection, high-speed data transmission, transmission of voice and moving pictures*

**ISP** *Internet Service Provider*

**ISSG** *Information Support Systems Group; service unit*

**Juice** *Eurotel's umbrella brand for interactive services and WAP supported services*

**Juice Easy** *Eurotel service enabling easy access to information services from a mobile telephone display through the easily remembered code, *111*#*

**Karta X** *prepaid calling card*

**LAN** *Local Area Network*

**LLNet** *Leased Line Network*

**NGN** *Next Generation Network*

**NMT** *Nordic Mobile Telephony; analogue communication wireless standard for the wireless mobile system working on the frequency 450 MHz; services based on this system are offered by Eurotel under the brand T!P*

**NSG** *Network Services Group; production unit*

**OSS** *Operations Support Systems*

**PoP** *Point of Presence; network access point*

**PSE** *Prague Stock Exchange*

**PSTN** *Public Switched Telephone Network*

**PX-50** *official index of the Prague Stock Exchange, which consists of 50 main stocks based on market capitalisation, liquidity and also on industry sector classification; investment funds are not included in the index*

**Refile/Hubbing** *transition service for international operators who require termination of international calls with guaranteed quality*

**ROA** *Return on Assets*

**Roaming** *usage of mobile services through operators other than the contracted operator; the widest spread is international roaming*

**ROE** *Return on Equity*

**SAP** *System Applications Products; software solution provided by SAP Czech Republic*

**SDH** *Synchronous Digital Hierarchy*

**SERVER HOSTING** *service providing technological space for the location of customer servers and equipment connected directly to the Internet through the backbone network*

**SIM card** *Subscriber Identification Module; card activating a mobile telephone's functions, including the telephone number*

**SMS** *Short Message Service; messages sent from one mobile telephone to another, or via e-mail or Internet to a mobile phone*

**Staffing** *a modern human resources strategy; positions are filled by candidates who hold specific professional skills; the strategy is based on finding the best position for each employee*

**SuperSound** *Eurotel brand for super clean transmission of sound*

**T!P** *Eurotel brand provided via NMT*

**TSG** *Telecommunication Services Group; business unit*

**UMTS** *Universal Mobile Telecommunication System; standard for third generation mobile networks; UMTS networks enable a wide range of multimedia services, e.g., videoconferences and high-speed data transmission*

**Voice VPN** *voice virtual private network enabling voice and data transmission via individual local data connections; superstructure above Frame Relay and ATM*

**VoIP** *Voice over Internet Protocol*

**VPN** *Virtual Private Network*

**WAN** *Wide Area Network; large, mainly long-distance or international computer network, mostly used for LAN*

**WAP** *Wireless Application Protocol; protocol enabling access to selected web sites on the mobile phone display; the web site needs to be coded in WML*

**WEB HOSTING** *services for placement of Internet presentations and applications on ISP servers*

**WebAuction, WebSurvvey, WorkTeam, WorkTeam CRM** *services provided by asp1000*

**WML** *Wireless Mark-up Language; language for the coding of web sites accessible by mobile phones supporting WAP*

**WSG** *Wholesale Services Group; business unit*

**Xcall** *service enabling calls to most European and other countries at special rates*

**Act on the Protection of Confidential Information** *Act No. 148/1998 Coll., from 11.6.2002, valid from 1.11.1998*

**Act on Telecommunications** *Act No. 151/2000 Coll., from 16.5.2000, valid from 1.7.2000*

**02/PROP/2001** *CTO decision from 12.1.2001, which sets maximum prices for connections to public telecommunications networks*

**03/PROP/2001** *CTO decision from 13.2.2001, which extends CTO price decision 02/PROP/2001 from 12.1.2001*

**09/PROP/2001** *CTO decision from 27.11.2001, which determines the calculation method and maximum prices for connections to public mobile telecommunications networks*

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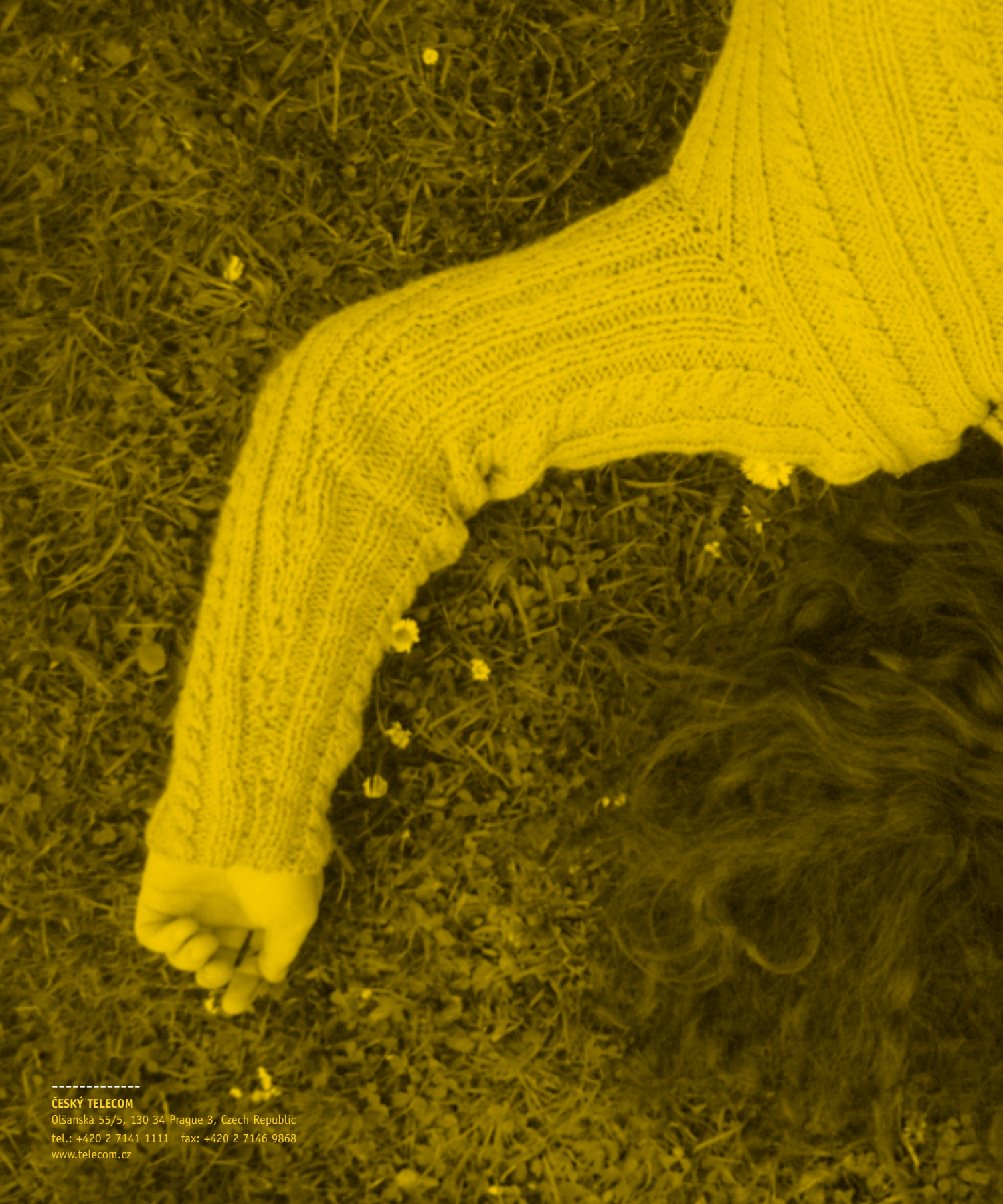

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