

RadioMobil 2000

Financial Statements

	2000	1999
	million CZK	million CZK
Revenues	17 756	10 931
Operating income	3 126	1 785
Net profit	1 712	865
Total assets	22 740	16 934
Non-current assets	18 348	12 316
Total equity	8 050	6 337

Auditor's Report to the Shareholders of RadioMobil a.s.

We have audited the accompanying financial statements of RadioMobil a.s. ("the Company") for the year ended 31 December 2000. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities and equity of RadioMobil a.s. as of 31 December 2000, the results of its operations and its financial position for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

Without qualifying our opinion we draw attention to Note 4.1.2. to the financial statements, which describes the effects of Czech accounting regulations on the classification of the Company's fixed assets and depreciation thereon.

Prague, 28 February 2001



Audit firm:

Deloitte & Touche spol. s r.o.

Certificate no. 79



Statutory auditor:

Karel Hampl

Certificate no. 0005

Financial Statements according to International Accounting Standards

Balance sheets

years ended 31 December 2000 and 1999

ASSETS	Notes	31 Dec '00	31 Dec '99
		'000 CZK	'000 CZK
CURRENT ASSETS			
Cash and Cash Equivalents	4	420 176	2 783 661
Accounts Receivable and Prepayments	5	1 839 542	923 902
Inventory	6	1 492 765	593 476
Other Current Assets	7	639 940	316 502
Total Current Assets		4 392 423	4 617 541
NON-CURRENT ASSETS			
Property, Plant & Equipment	8	17 075 690	11 105 532
Intangible Assets	10	1 268 514	1 208 592
Long Term Receivables	11	3 320	1 993
Total Non-Current Assets		18 347 524	12 316 117
TOTAL ASSETS		22 739 947	16 933 658
EQUITY AND LIABILITIES			
EQUITY AND LIABILITIES	Notes	31 Dec '00	31 Dec '99
		'000 CZK	'000 CZK
CURRENT LIABILITIES			
Payables	12	4 908 994	2 589 873
Bank Overdrafts	13	258 924	32 802
Income Taxes Payable		97 730	0
Total Current Liabilities		5 265 648	2 622 675
NON-CURRENT LIABILITIES			
Bank Loans	13	4 894 558	4 685 200
Other Long Term Borrowings	13	3 039 716	3 038 157
Long Term Payables	14	805 727	0
Deferred Tax Liabilities	15	684 442	250 242
Total Non-Current Liabilities		9 424 443	7 973 599
CAPITAL AND RESERVES			
Share Capital	17	400 000	400 000
Share Premium	17	5 344 110	5 344 110
Statutory Reserve Fund		80 000	40 000
Retained Earnings (Deficit)		2 225 746	553 274
Total Equity		8 049 856	6 337 384
TOTAL EQUITY AND LIABILITIES		22 739 947	16 933 658

The financial statements on pages 3 to 26 are issued by the Company's Management on 28 February 2001 and approved by the Board of Directors on 28 March 2001.

During the year 2000, in comparison with the previous period, certain changes took place in the way financial statements are prepared according to IAS. As a result of these changes, minor differences arise in certain items of the financial statements, primarily in accounts receivable and payables.

Income statement

years ended 31 December 2000 and 1999

	Notes	2000 '000 CZK	1999 '000 CZK
Revenues	18	17 755 626	10 931 150
Cost of Sales	19	(8 921 686)	(5 373 080)
GROSS PROFIT		8 833 940	5 558 070
Other Operating Income		116 843	44 839
Staff Costs	20	(840 546)	(521 103)
Depreciation and Amortization	21	(2 281 344)	(1 455 823)
Other Operating Expenses	22	(2 702 584)	(1 841 152)
OPERATING INCOME		3 126 309	1 784 831
Finance Income / (Expenses)	23	(881 905)	(460 681)
INCOME BEFORE TAX		2 244 404	1 324 150
Income Tax	24	(531 932)	(458 990)
NET PROFIT		1 712 472	865 160

Statement of changes in equity

years ended 31 December 2000 and 1999

	Share Capital '000 CZK	Share Premium earnings / (deficit) '000 CZK	Retained reserve fund '000 CZK	Statutory '000 CZK	Total '000 CZK
Balance at 31.12.1998	400 000	5 344 110	(271 886)	0	5 472 224
Profit/(Loss) for the year 1999			825 160	40 000	865 160
Balance at 31.12.1999	400 000	5 344 110	553 274	40 000	6 337 384
Profit/(Loss) for the year 2000			1 672 472	40 000	1 712 472
Balance at 31.12.2000	400 000	5 344 110	2 225 746	80 000	8 049 856

Cash flow statements

years ended 31 December 2000 and 1999

	2000	1999
	'000 CZK	'000 CZK
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	2 244 404	1 324 150
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and Amortisation	2 278 696	1 455 823
– Loss/(gain) on sale of fixed assets	(12 521)	193
– Provision for doubtful debtors	222 972	256 170
– Provisions on inventory	165 059	22 951
– Unrealised losses on forward contracts	540 283	32 417
– Other provisions	128 914	62 275
– Interest income, net	338 485	155 247
Operating cash flows before working capital changes		
Changes in operating assets and liabilities:		
– Decrease (increase) in receivables	(660 080)	(314 832)
– Decrease (increase) in inventories	(1 447 348)	(298 029)
– Decrease (increase) in other current assets	(325 361)	(8 366)
– Increase in payables	1 718 923	15 576
Cash from operations	5 192 426	2 703 575
Interest received (paid), net	(336 562)	(155 247)
Income taxes paid	(4 662)	0
Net cash from operating activities	4 851 202	2 548 328
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible fixed assets	(7 456 239)	(4 862 615)
Proceeds from sale of fixed assets	15 430	8 340
Net cash used in investing activities	(7 440 809)	(4 854 275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital subscriptions	0	0
Increase in borrowings	226 122	4 858 008
Net cash provided by financing activities	226 122	4 858 008
Net increase/(decrease) in cash and cash equivalents	(2 363 485)	2 552 061
Cash and cash equivalents at beginning of period	2 783 661	231 600
Cash and cash equivalents at end of period	420 176	2 783 661

Notes to the Financial Statements

years ended 31 December 2000 and 1999

1. General Information

RadioMobil a.s. ("RadioMobil"), seated in Prague 2, Londýnská 59, was incorporated on 15 February 1996 as a joint stock company in the Czech Republic. It operates a public Global System for Mobile Communications ("GSM") network and provides mobile telecommunication services under the terms and conditions stated in the Authorisation issued by the Ministry of Economy of the Czech Republic (no. 7660/96-611 of March 25, 1996).

The shareholders of RadioMobil as at 31 December 2000 are:

Shareholder	Share in nominal share capital	
	'000 CZK	%
ČESKÉ RADIOKOMUNIKACE a.s.	204 000	51.0%
C Mobil B.V.	196 000	49.0%
Total	400 000	100.0%

The ownership of RadioMobil is legally structured under the terms of a joint venture agreement (the "Agreement") between the shareholders dated March 25, 1996. Under the terms of the Agreement between ČESKÉ RADIOKOMUNIKACE a.s. and C Mobil B.V. (whose ultimate parent company is Deutsche Telecom) the Board of Directors consists of 7 Directors, of which 4 Directors are nominated by C Mobil B.V. and 3 Directors are nominated by ČESKÉ RADIOKOMUNIKACE a.s. through 31 December 2000, after which Directors will be nominated according to the ownership share in RadioMobil.

A new joint venture agreement ("the Agreement") was signed by both shareholders in October 2000. The Agreement states new conditions regarding the shareholders rights in the Company and specifies conditions under which a conversion option is to be exercised. The conversion option guarantees CMobil B.V. a right to subscribe new stocks of the Company. CMobil B.V. has an option to subscribe 120 000 Th. of new shares in the nominal value of 1 000 CZK as a sole subscriber. This subscription will increase CMobil's share in the Company to 60.77%. The share of ČESKÉ RADIOKOMUNIKACE a.s. will accordingly decrease to 39.23%. This procedure was agreed by Extraordinary Shareholders Meeting held on 20 December 2000. According to this decision the registered capital of the Company will increase to 520 mil. CZK.

Shareholders structure will change accordingly:

Shareholder	Share in nominal share capital	
	'000 CZK	%
ČESKÉ RADIOKOMUNIKACE a.s.	204 000	39.23%
C Mobil B.V.	316 000	60.77%
Total	520 000	100.0%

On 23 August 2000 the Czech Telecommunication Office issued its approval of the fulfilment of RadioMobil's GSM license for the period ending 30 June 2000. The annual approval of the fulfilment of RadioMobil's GSM license for the period ending 31 December 2000 is expected in the near future.

Based on the decision of the Czech Telecommunication Office, RadioMobil obtained a right to use GSM 1800 MHz frequencies. The right became effective on July 1st, 2000.

2. Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with International Accounting Standards ("IAS"). The accounting records and statutory reports are prepared in accordance with accounting legislation of the Czech Republic. Unless otherwise stated, the accompanying financial statements are reported in thousands of Czech crowns ('000 CZK).

3. Summary of significant accounting policies

The following accounting standards became effective in 2000 and therefore were adapted for the first time:

IAS 10 (Revised 1999)	Events after the Balance Sheet Date
IAS 16 (Revised 1998)	Property, Plant and Equipment
IAS 22 (Revised 1998)	Business Combinations
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets

The adoption of these Standards has resulted in some changes in the detailed application of the Company's accounting policies and some modifications to financial statement presentation. However, none of these amendments has affected the results for the current or prior periods.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

The accounting policies remain unchanged from previous years.

Certain reclassifications have been made to the 1999 balances to confirm with the 2000 presentation.

a) Basis of consolidation

RadioMobil does not control or significantly influence any other entity.

b) Income taxes

The Income Tax is comprised of current tax and the change in deferred tax. Deferred tax is determined based on differences between the carrying amount of assets and liabilities and the tax base of those same assets and liabilities, using the statutory tax rates for the following year. Deferred income tax charged or credited in the income statement is measured as the change in the net deferred income tax asset or liability during the year.

c) Foreign currencies

Foreign currency transactions 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 as of the balance sheet date are recognised in the income statement. Accounting policy for foreign currency forward contracts are described under Financial Instruments.

d) Cash equivalents

Cash equivalents are highly liquid balances held at banks, balances due from banks, bank promissory notes and other short-term financial investments.

e) Financial instruments

RadioMobil uses forward foreign exchange contracts in its management of the currency risks associated with its foreign supplier-customer relations and loans obtained in foreign currency. Unrealised gains or losses arising from currency forwards contracts designated as hedges of identified exposures related to recognised payables and loans are recognised in the income statement and added or deducted, respectively, to the carrying amount of those liabilities.

Unrealised gains and losses arising from currency forward contracts designated as hedges of identified exposures related to committed or forecasted purchases in foreign currency are not recognised but only disclosed in the notes to the financial statements.

RadioMobil also uses interest rate swaps to hedge part of its interest rate risk arising from a loan denominated in a foreign currency. Net income or expense associated with interest rate swap agreements is recognised on an accrual basis over the life of the swap agreements as a component of interest.

f) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less depreciation. Acquisition costs are comprised of the purchase price, transportation cost, customs, installation cost and other relevant costs. Interest and other financial expenses incurred up to the time that the asset is put into use are included in acquisition cost.

Depreciation is calculated on a straight-line method to absorb into income the cost of each asset over its estimated useful life as follows:

Land	not depreciated
Buildings	20 years
Operating equipment	3 - 20 years
of which: Vehicles, computers, office equipment	3 - 5 years
Network equipment	8 years
Towers and poles	20 years

All property, plant and equipment costing less than CZK 40,000 are charged to the income statement upon acquisition.

Leased property, plant and equipment where RadioMobil assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated net present value of the underlying lease payments. The corresponding current and long term rental obligations, net of finance charges, are included respectively as current and long term payables. Finance charges are charged to the income statement over the lease periods.

Payments made under operating leases are charged to the income statement in equal instalments over the period of the lease, except where an alternative method is more representative of the time pattern from which benefits are derived.

Repairs and maintenance costs are charged to the income statement as expenditures are incurred.

g) Intangible assets

Intangible assets comprise the following:

i) "Valuable" rights, which are the right to provide telecommunication services in the territory of the Czech Republic and to build and operate GSM telecommunication equipment, are accounted for at the purchase price from the Ministry of Economy of the Czech Republic. This amount has been capitalised and is being amortised over five years using the straight-line method.

ii) Software costs are amortised over the expected period of the benefit of the cost, which is four years. The costs include cost of the license for use of software and cost of consulting services related to the implementation of the software. Costs of consulting services, which are incurred after the relevant subsystem of the software is put into routine operation, are charged to the income statement as incurred.

iii) Development costs represent the study for microwave connection within the GSM network delivered by external supplier. Development costs are amortised over 8 years using the straight-line method.

All intangible assets costing less than CZK 60,000 are charged to the income statement upon acquisition

h) Accounts receivable

Accounts receivable are shown net of provisions for doubtful accounts. The provisions are based on specific accounts due where realisation is unlikely and on a general basis computed using an aged balance analysis.

i) Inventories

Inventories, with the exception of the subsidised mobile telephone sets mentioned below, are stated at the lower of cost or net realisable amount. Cost is determined by the weighted average price method. The cost comprises purchase cost and other costs incurred in bringing the materials into their present location and condition. These include freight, customs and storage costs during transportation. Provisions are set for obsolete, slow moving and damaged inventory and are deducted from the related inventory balances.

Mobile handsets are stated at acquisition cost, as management estimates that the discounted future profit generated by each handset will exceed the loss upon subsidised sale of that handset.

j) Revenues

Revenues include the amount invoiced for airtime, monthly subscription fees, service activation fees, interconnection revenues, charges for roaming calls and related services, such as the sale of handsets and other accessories supplied to subscribers and intermediaries, within the period together with airtime amounts earned, but not invoiced. It excludes airtime amounts billed in advance and value added tax.

Revenues for telecommunication services are recorded on the basis of minutes of traffic processed, and are recorded when the traffic is processed and the communication services are rendered.

k) Subsidy of mobile telephones

RadioMobil sells mobile telephone sets to customers who subscribe to use the Paegas GSM services for at least two years at a discounted price substantially lower than RadioMobil's purchase price. These costs are charged to the income statement as incurred.

l) Cost of sales

Cost of sales includes costs of sold handsets and accessories, dealer's commissions and bonuses and costs of leased lines, roaming costs and interconnecting fees for delivering calls that terminate outside RadioMobil's network. The costs are charged to income in the period in which the related revenue is recognised.

m) Advertising costs

All advertising costs are charged to the income statement as incurred.

n) Borrowing costs

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to those assets, until such time as the assets are substantially ready for their intended use or sale. No borrowing costs were capitalised during 2000.

o) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. Cash and Cash Equivalents

'000 CZK	31.12.2000	31.12.1999
Cash at banks and in hand	170 176	85 703
Cash Equivalents	250 000	2 697 958
Total	420 176	2 783 661

The Cash Equivalents at December 31, 2000 and 1999 consist mainly of bank promissory notes.

5. Accounts Receivable and Prepayments

'000 CZK	31.12.2000	31.12.1999
Trade receivables less advances	1 802 074	986 924
Advance payments	281 831	108 214
Trade receivables	2 083 905	1 095 138
Less: Provision for bad and doubtful debts	(727 135)	(516 173)
Trade receivables (net of provision)	1 356 770	578 965
Tax receivables	467 794	330 046
Other receivables	14 978	14 891
Total	1 839 542	923 902

Trade receivables primarily relate to the GSM service customers and dealers of the Company.

6. Inventory

Inventories at the year-end primarily relate to handsets for resale, removed technical network equipment and spare parts. A provision for obsolete stock was created in 2000 in the amount of CZK 197 609 th (1999 CZK 32 551 th).

'000 CZK	31.12.2000	31.12.1999
Handsets and accessories for sale	798 637	268 101
Technical inventory	741 964	272 073
Other inventory	149 773	85 853
Subtotal	1 690 374	626 027
Less: Provision	(197 609)	(32 551)
Total	1 492 765	593 476

7. Other Current Assets

'000 CZK	31.12.2000	31.12.1999
Estimated receivables	537 382	238 427
Other current assets	102 558	78 075
Total	639 940	316 502

Estimated receivables relate mainly to GSM services provided to subscribers that were not invoiced as at 31 December 2000.

8. Property, Plant & Equipment

'000 CZK

Acquisition cost	Buildings	Land	Equipment and other fixed assets	Tangible fixed assets under construction and advances	Total
31.12.1998	490 972	28 408	7 669 834	765 306	8 954 520
Additions *)	130 002	713	3 719 914	610 593	4 461 222
Disposals	0	0	260 073	0	260 073
31.12.1999	620 974	29 121	11 129 675	1 375 899	13 155 669
Additions *)	77 274	6 219	6 886 078	1 334 204	8 303 775
Disposals **)	1 280	100	713 550	0	714 930
31.12.2000	696 968	35 240	17 302 203	2 710 103	20 744 514

'000 CZK

Accumulated depreciation	Buildings	Land	Equipment and other fixed assets	Tangible fixed assets under construction and advances	Total
31.12.1998	57 504	0	1 037 979	0	1 095 483
Additions	32 022	0	1 022 523	0	1 034 545
Disposals	0	0	99 891	0	99 891
31.12.1999	89 526	0	1 960 611	0	2 050 137
Additions	42 675	0	1 834 435	0	1 877 110
Disposals	165	0	258 258	0	258 423
31.12.2000	132 036	0	3 536 788	0	3 668 824

'000 CZK

Net book value	Buildings	Land	Equipment and other fixed assets	Tangible fixed assets under construction and advances	Total
31.12.1999	531 448	29 121	9 169 064	1 375 899	11 105 532
31.12.2000	564 932	35 240	13 765 415	2 710 103	17 075 690

*) Additions and reclassifications of tangible fixed assets under construction and advances are presented as net (negative) additions.

**) The major part of disposals consists of removed network equipment reused in other locations or recognised as inventory until reused in a subsequent accounting period.

Additions to machinery and equipment relate mainly to the development of the GSM network. Removed network equipment that was subsequently reused in other locations represent part of additions in machinery and equipment. The total value of such items during 2000 was CZK 383 mil.

No property of the Company is pledged.

9. Financial Leases

Leasing liabilities, relating to 405 cars leased under financial lease contracts as of 31 December 2000, are as follows:

'000 CZK				
	2001	2002	2003	Total
Payables including interest	45 120	35 310	12 284	92 714
Payables excluding interest	37 651	29 466	10 250	77 367

Current lease liabilities are included in Payables (see Note 12.)

Non current lease liabilities are included in Long Term Borrowings.

At the end of the lease RadioMobil purchases the automobiles at an agreed net book value.

The total net book value of assets under financial lease as of 31 December 2000 amounts to CZK 77 367 Th. and is included under Equipment and other fixed assets

Interest and costs are allocated to future payments using the straight line method, which does not significantly differ from the effective interest method.

10. Intangible Assets

'000 CZK						
Acquisition cost	Development Costs	Software	Valuable rights assets not in use	Intangible fixed	Pre-payments	Total
31.12.1998	109 644	165 347	422 140	25 378	0	722 509
Additions	13 290	743 707	8 107	302 288	2 975	1 070 367
Disposals	0	6 995	0	0	0	6 995
31.12.1999	122 934	902 059	430 247	327 666	2 975	1 785 881
Additions	14 301	395 515	279 632	0	12 654	702 102
Disposals	0	11 903	0	114 176	0	126 079
31.12.2000	137 235	1 285 671	709 879	213 490	15 629	2 361 904

'000 CZK						
Accumulated depreciation	Development Costs	Software	Valuable rights assets not in use	Intangible fixed	Pre-payments	Total
31.12.1998	13 705	66 093	196 238	0	0	276 036
Additions	15 595	204 079	86 498	0	0	306 172
Disposals	0	4 919	0	0	0	4 919
31.12.1999	29 300	265 253	282 736	0	0	577 289
Additions	33 683	374 356	115 847	0	0	523 886
Disposals	0	7 785	0	0	0	7 785
31.12.2000	62 983	631 824	398 583	0	0	1 093 390

'000 CZK						
Net book value	Development Costs	Software	Valuable rights assets not in use	Intangible fixed	Pre-payments	Total
31.12.1999	93 634	636 806	147 511	327 666	2 975	1 208 592
31.12.2000	74 252	653 848	311 296	213 490	15 628	1 268 514

11. Long-Term Receivables

The long-term receivables consist mainly of deposits for leasing obligations.

12. Payables

'000 CZK

	31.12.2000	31.12.1999
Trade payables	2 308 864	1 538 483
Uninvoiced capital expenditures – GSM network	280 330	39 029
Deposits and prepayments	20 145	18 033
Unrealised exchange losses on forward contracts (Note 15)	241 241	55 297
Payables to employees	33 466	21 900
Other taxes and social security	29 029	18 883
Financial lease (current)	37 652	27 306
Deferred income	1 005 338	493 578
Estimated payables	682 356	209 038
Accruals for customer loyalty programme	180 265	62 275
Other accruals	90 307	106 051
Total	4 908 993	2 589 873

Deposits and prepayments include mainly deposits received from customers for RadioMobil services.

Selected payables are paid by promissory notes issued by the Company. The amount of those promissory notes as at 31 December 2000, which is included in Trade payables was CZK 424 944 Th. (1999: CZK 441 725 Th.)

Deferred income consists mostly of activation and air time related to prepaid customers.

Estimated payables consist mainly of uninvoiced deliveries of inventory and uninvoiced services provided in the current year.

The Company created a reserve of CZK 180 265 Th. for likely future expenses associated with the anticipated drawing of loyalty program benefits.

13. Financing

Bank Loans

The Company had the following bank loans as at 31 December 2000:

Description and bank	Maturity	Credit Line	Balance as of 31.12.2000	Balance as of 31.12.2000
		'000 DEM	'000 DEM	'000 CZK
Long term syndicated loan	June/2003	250 000		
Tranche A			100 000	2 039 399
Tranche B			140 000	2 855 159
Total			240 000	4 894 558

A syndicate of 17 banks provided the syndicated loan on June 17, 1998. The joint arrangers were ABN AMRO Bank N.V., Bayerische Landesbank Girozentrale, COMMERZBANK AKTIENGESELLSCHAFT, CREDIT LYONNAIS GROUP, Deutsche Bank AG and Midland Bank plc.

The interest for tranche A is based on 6M EURO LIBOR interest rate, which was fixed at 4,83% p.a. as of 31 December 2000.

The interest for tranche B is based on 3M EURO LIBOR interest, which was fixed at 4,85% p.a. as of 31 December 2000.

Description and bank	Maturity	Credit Line	Balance as of 31.12.2000
		'000 CZK	'000 CZK
Short term loan	December/2001	2 000 000	0

ABN AMRO, COMMERZBANK AKTIENGESELLSCHAFT AND ČESKÁ SPORITELNA provided a loan for investment and operational purposes with a credit line of CZK 2 000 000 Th. No money was drawn from this credit line as at 31 December 2000.

Interest rate based on 1,3 and 6M PRIBOR is used for this credit line.

The company has an overdraft facility. The total amount drawn from this facility as at 31.12.2000 was 258 924 Th. CZK.

Bonds – included in Other Long Term Borrowings

In 1999 the Company issued bonds on Prague Stock Exchange with the interest of 8,20% p.a. (standard 30E/360), due in 2004, in the aggregate nominal amount of CZK 3 000 mil. as of the initial date with an option to issue additional bonds within 18 months after the initial issue date up to the cumulative maximum aggregate nominal amount of CZK 5 000 mil.

The issue was arranged and subscribed by the Joint Lead Managers: ABN AMRO Bank N.V., Commerzbank Capital Markets (Eastern Europe) a.s. and Česká spořitelna, a.s. The issue price of all bonds as of the Initial Issue Date was 99,85% of their nominal value. The difference between the issue price and the nominal value is recognised as a financial expense in the income statement on an accrued basis.

14. Long term payables

RadioMobil started to issue long term promissory notes during year 2000. The amount of these promissory notes as at December 2000 was CZK 805 727 ths. (1999: 0 CZK).

15. Deferred tax

The movement for the year in deferred tax assets (liabilities) was as follows

'000 CZK	2000	1999
At 1 January	(250 242)	208 748
Correction of the opening balance	159 213	0
Effect of change in tax rate	0	(23 857)
Charge to the income statement for the year	(593 413)	(435 133)
Total change in deferred tax	(434 200)	(458 990)
At 31 December	(684 442)	(250 242)

Corrections of opening balance relates to difference between preliminary calculation of taxable income for 1999 and final tax return submitted to the Financial Authorities. The difference relates mainly to the assumption of utilisation of tax losses carried forward in the preliminary calculation of income tax and instead in the final tax return utilisation of 10 % investment relief carried forward on which deferred tax asset was not recognised in accordance with the Company's accounting policy.

Deferred income tax assets (liabilities) are computed as follows:

'000 CZK	31.12.2000	31.12.1999
Depreciation differences	(3 821 050)	(1 703 826)
Provisions	881 930	516 794
Unrealised foreign exchange differences	731 242	304 544
Tax losses carried forward	0	75 257
Base for deferred tax asset computation	(2 207 878)	(807 231)
Tax rate	31%	31%
Total	(684 442)	(250 242)

16. Financial Instruments

The Company entered into four five-year Interest Rate Swaps in the total amount of DEM 100 000 Th. in 1998 in order to hedge a part of its interest rate risk resulting from the DEM 250 000 Th. syndicated credit facility (as of 31.12.2000 DEM 240 000 th. was withdrawn). The 6 months EUROLIBOR floating interest rate was changed into a fixed rate. These transaction are due in 2003.

In 2000 two interest rate swap transactions in the total amount of 400 mil. CZK were concluded in order to change the fixed interest rate of a part of the issued bonds into the 6 months floating rate. These transaction are due in 2004.

The Company has opened currency forward exchange contracts in total amount of 780 mil. DEM as at December 31, 2000. These transactions are focused on managing the currency risks within its supplier/customer relations, mainly related to capital expenditures and services paid in DEM, and repayment of the DEM bank loan due in the period ending 2003. Using the agreed exchange rates these contracts represent the amount of 16 560 mil. CZK.

Provisions for exchange losses on forward contracts related to:

1. repayment of the syndicated loan

Forward contracts of 240 mil. DEM hedge the exchange rate risk on the syndicated loan drawn in the same amount as of December 31, 2000 due in 2003. The costs of the contracts, defined as the difference between the spot rate at the date of entering the contracts and the agreed exchange rate, are accrued over the life of the loan. In 2000 accrued costs and exchange rate losses in the amount of 589 mil. CZK regarding these forward contracts was added to the carrying amount of the loan.

2. foreign currency payables as at December 31, 2000

Forward contracts of 103 mil. DEM hedge the exchange rate risk on payables to suppliers dominated in DEM as of December 31, 2000. In 2000 the Company created a provision related to these forward contracts as at December 31, 2000 in the amount of 259 mil. CZK.

The remaining forward contracts of 437 mil. DEM hedge the exchange rate risk, which is related to future capital expenditures of the Company and are treated as an off-balance sheet item. Based on this fact, no provision was created regarding these contracts.

Forward operations		31.12.2000	31.12.1999
Open forward exchange contracts	(mil. DEM)	780	800
	--		
Forward contracts hedging on-balance sheet items:	mil. DEM	343	310
Valuation at contractual forward rate	(mil. CZK)	7 575	6 764
Valuation at closing rate year end	(mil. CZK)	6 154	5 727
Forward contracts hedging off-balance sheet items:	mil. DEM	437	490
Valuation at contractual forward rate	(mil. CZK)	8 985	10 368
Valuation at closing rate year end	(mil. CZK)	7 840	9 051

Fair value of financial assets and liabilities

The estimated fair value of financial assets and liabilities has been determined using the best available market information and appropriate valuation methodologies. However considerable judgement is necessary to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that RadioMobil could realize in a current market or the value that ultimately will be received by RadioMobil upon maturity or disposition. Accordingly, because of the variety of valuation techniques, comparability of fair values among estimates may not be meaningful. The use of different market assumption and/or estimation methodologies may have a material effect on the estimate fair value amount.

'000 CZK

	31.12.2000		31.12.1999	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial Assets				
Cash and Cash Equivalents	420 176	420 176	2 783 661	2 783 661
Accounts Receivables and prepayments	1 839 542	1 839 542	923 902	923 902
Other Current Assets	639 940	639 940	316 502	316 502
Long Term Receivables	3 320	3 320	1 993	1 993
Financial Liabilities				
Payables	4 908 994	4 908 994	2 589 873	2 589 873
Bank Overdrafts	258 924	258 924	32 802	32 802
Bank Loans	4 894 558	4 894 558	4 685 200	4 685 200
Other Long Term Borrowings	3 039 716	3 155 668	3 038 157	3 038 157
Long Term Payables	805 727	805 727	0	0

The fair value of these financial assets and liabilities approximate cost mainly because of their immediate or short-term maturity or floating interest rate. Management believes the fair value of bank overdrafts and loans with fixed interest rate approximates its cost based upon current interest rates.

17. Registered Capital and Capital Funds

The Company was established as a joint stock company with a registered capital of CZK 1 mil. contributed by ČESKÉ RADIOKOMUNIKACE a.s. and was entered in the Commercial Register of the Commercial Court in Prague on 15 February 1996.

The registered capital of the Company was increased to CZK 400 mil. during 1996 and share premiums were paid in the amount of CZK 5 344 110 th. under the Joint Venture Agreement of the joint stock company between ČESKÉ RADIOKOMUNIKACE a.s. and C Mobil B.V. dated 25 March 1996 and the Contract between the Ministry of Economy of the Czech Republic, C Mobil B.V. and ČESKÉ RADIOKOMUNIKACE a.s. dated 25 March 1996. The valuable right to provide telecommunication services is a part of the share premium.

The nominal value of the Company's shares is CZK 1 000. The shares are uncertificated, registered and are not publicly traded.

There were no changes during 2000 in the registered capital, capital funds and ownership structure.

For agreed future capital increase see Note 1.

18. Revenues

'000 CZK

	31.12.2000	31.12.1999
Sale of mobile phones	1 270 662	1 065 050
GSM network services	16 484 964	9 866 100
Total	17 755 626	10 931 150

The sale of mobile phones is mostly linked to GSM network services. The Company sells mobile telephone sets to customers who subscribe to use the Paegas GSM services for two years at a discounted price substantially lower than the Company's cost. These losses are recognized as the phones are sold to customers.

GSM Authorisation of RadioMobil contains maximum limits, which must be respected by actual rate plans offered to customers.

19. Cost of Sales

'000 CZK	31.12.2000	31.12.1999
Purchase costs of handsets and accessories	4 514 096	2 685 207
Interconnection charges and roaming	3 482 050	1 855 361
Leased lines	376 693	351 221
Dealers provisions and bonuses	101 420	331 848
Other	447 427	149 443
Cost of Sales	8 921 686	5 373 080

20. Staff Cost

'000 CZK	2000	1999
Board emoluments	8 485	7 621
Wages and salaries	597 940	369 603
Social security costs	207 688	127 647
Other staff costs	26 433	16 232
Total	840 546	521 103
Number of employees	1 854	1 227

The number of employees in 2000 and 1999 corresponds to the average number of employees during the year.

21. Depreciation and Amortization

'000 CZK	2000	1999
Amortization of valuable rights	115 847	86 498
Depreciation of other intangible fixed assets	408 039	220 495
Depreciation of tangible fixed assets	1 757 458	1 148 830
Total	2 281 344	1 455 823

Depreciation includes charge of tangible and intangible fixed assets less than CZK 40 000 and CZK 60 000, respectively.

22. Other Operating Expenses

'000 CZK	2000	1999
Marketing and selling expenses	1 217 452	844 651
External management, consulting, seconded experts and other services	166 783	194 162
Provision for bad debts	212 206	256 170
Rent expenses	343 117	200 697
Repair and maintenance	197 212	86 414
Administrative and other operating expenses	565 814	259 058
Total	2 702 584	1 841 152

23. Finance Income and Expenses

'000 CZK

	2000	1999
Income from short-term investments	95 505	18 342
Interest income	7 849	12 318
Total financial income	103 354	30 660
Interest expenses	(441 840)	(185 907)
Foreign exchange losses	(543 420)	(305 434)
Total	(881 905)	(460 681)

No interest was capitalised during 1999 and 2000.

24. Income Tax

The Income Tax comprise of the following:

'000 CZK

	2000	1999
Current tax	(97 732)	0
Change in deferred tax	(593 413)	(458 990)
Adjustments to previous years	159 213	0
Income tax expense	(531 932)	(458 990)

The charge for the year can be reconciled to the profit per the income statement as follows:

'000 CZK

	2000	1999
Accounting profit before tax	2 244 404	1 324 150
Tax by applying the statutory tax rate of 31%	(695 765)	(410 486)
Non deductible expenses	56 035	(24 647)
Non taxed revenues	35 505	0
10 % investment relief on investment in fixed assets in the current year, net	24 150	0
Adjustments to previous years	159 213	0
Effect of change in tax rate	0	(23 857)
Income tax expense	(531 932)	(458 990)

25. Related party transactions

Following transactions are related to the shareholders and their affiliates:

'000 CZK

	2000	1999
Services and goods purchased	757 695	677 358
Services and goods sold	195 364	157 850
Trade payables	25 071	26 799
Trade receivables	21 109	25 946

26. Liabilities and contingencies not recorded in the accounting books

The Company is not aware of any major litigation that would require adjustment or disclosure in the financial statements as at 31 December 2000.

As of 31 December 2000 the Company's capital commitments for 2001 amounted to CZK 8 835 mil.

The Company has insurance contracts against natural disasters, accidents and disruptions of the Company's operations. No unpaid penalties are included in the Company's accounting records.

The negotiation of interconnection fees with Český Telecom, a.s. (former SPT TELECOM, a.s.) is on-going. The results of the negotiation is uncertain and the final outcome may result in actual interconnection revenues and costs for 2000 which differ from the recorded amounts in the financial statements.