NIX.CZ, z.s.p.o.
IČO 65990471
Lužná 591
160 00 Prague 6

2003 Annual Report

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1. Basic Characterisation of the Association

The NIX.CZ, z.s.p.o. Association was founded in 1996 and on 1 October 1996 it was entered in the Register of Professional Associations of Legal Entities kept by the Department of Internal Affairs of the City District Office in Prague 6 under reg. no. ZS/25/5/96.

In 2003 the Register was changed and since that time NIX.CZ z.s.p.o. has been entered in the Register of Professional Associations of Legal Entities kept by the Department of civil-administration agenda of the Capital City of Prague Magistrate.

Registered address: Lužná 591, 160 00 Praha 6.
IČO (Company No.): 65990471
DIČ (Tax Reg. No.) 006-65990471
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e-mail: info@nix.cz
URL: http://www.nix.cz

Interconnection points

NIX1
České Radiokomunikace
Mahlerovy sady 1
Praha 3

NIX2
GTS Telehouse
Vinohradská 190
Praha 3

NIX3
Pragonet Telehouse
5.května 65 Praha 4

NIX4
SITEL Telehouse Nad Elektrárnou 411 Praha 10

Membership changes in 2003

New members

Name	Membership date
Eurotel Praha, spol. s r.o.	1 April 2003
MGI.CZ s.r.o.	1 May 2003
Master Internet, s.r.o.	1 June 2003
PEMAC systems, s.r.o.	1 September 2003
CentroNet, a.s.	1 October 2003
IGNUM, s.r.o.	1 October 2003
INTERNEXT 2000, s.r.o.	1 November 2003
Sloane Park Property Trust, a.s.	1 November 2003
GiTy Net, spol. s r.o.	1 November 2003

No membership was terminated in 2003.

New customers

Name
CZ.NIC, z.s.p.o.
Tele2 Sverige AB
LambdaNet Communication s.r.o.
Plus.line A

List of members as of 31 December 2003

Name	IČO (Company No.)
Aliatel a.s.	61058904
AT & T Global Network Services Czech Republic s.r.o.	25785435
BroadNet Czech, a.s.	26201224
BT Limited, organizační složka	70802025
Casablanca INT s.r.o.	25079832
CE Com Czech, s.r.o.	26147653
CentroNet, a.s.	26165473
CESNET, z.s.p.o.	63839172
CL-NET s.r.o.	25011022
Contactel, s.r.o.	25733621
Czech On Line a.s.	63080150
ČD-Telekomunikace a.s.	61459445
ČESKÉ RADIOKOMUNIKACE a.s.	60193671
Český Mobil a.s.	25788001
ČESKÝ TELECOM, a.s.	60193336
Equant Czech Republic, s.r.o.	49620037
ETEL s.r.o.	25630636
Eurotel Praha, spol. s r.o.	15268306
EuroWeb Czech Republic, spol. s r.o.	48591319
GiTy Net, spol. s r.o.	25543768
Globe Internet, s.r.o.	25115804
GTS CZECH, a.s.	63999501
ha-vel voice a.s.	26190516
IGNUM, s.r.o.	26159708
INTERNET CZ, a.s.	26043319
INTERNEXT 2000, s.r.o.	25352288
InWay, a.s.	25135198
Ipex a.s.	45021295
Master Internet, s.r.o.	26277557
MGI.CZ s.r.o.	26220318
Mopos Communications, a.s.	26222396
NEXTRA Czech Republic s.r.o.	25683691
PEMAC systems, s.r.o.	25660110
PRAGONET, a.s.	61059382
SELF servis spol. s r.o.	18826016
SkyNet, a.s.	25346687
Sloane Park Property Trust, a.s.	25036459
T-Mobile Czech Republic a.s.	64949681
TES Media, spol. s r.o.	18383891
TISCALI Telekomunikace Česká republika s.r.o.	64788610
TransgasNet, a.s.	26152436
UPC Ceska republika, a.s.	00562262
UTA Telekom, s.r.o.	26475570
UUNET Czech, s.r.o.	26174081

2. Mission of the Association

Activities of the Association

NIX.CZ, z.s.p.o. is a professional association of legal entities; it members are important ISPs active in the Czech Republic. The Association's task is to ensure operation of a Neutral Internet Exchange (peering) node which enables mutual interconnection of individual members' Internet networks (peering). Another subject of the Association's activities is protection of ISPs' common interests in the Czech Republic.

3. Statutory Bodies in 2003

The Articles of Association were amended in 2003. Statutory bodies of the Association have become more similar to a joint stock company by both their titles and character of work. The Executive Committee was renamed to a Board of Directors and a Supervisory Board was newly established.

Board of Directors

The Board of Directors consisted of:

01 January 1994 – 31 December, 2003	Mgr. Josef Chomyn Bc.	Chairman
	Michal Krsek	Member
	Ondřej Filip	Member

Supervisory Board

The Supervisory Board was elected at the General Meeting held on 24 April 2003 and for the rest of the year it worked as follows:

1 May 2003 – 31 December 2003	Mgr. Karel Taft (Chairman)
	Ing. Michael Macek (Member)
	Radek Majer (Member)

4. Employees

The Association's Director was its only employee for the entire year 2003.

The Director organises and manages the Association's operational matters and coordinates internal and external communications. Further, in cooperation with the Executive Committee s/he prepares development, concepts and source information for voting by members (on the Association's intranet), specifically for purposes of acceptance of new members and of principal amendments to organisation of the NIX Association.

5.   Balance Sheet

(thousand CZK)

As of the last day of the year	2003		
TOTAL ASSETS	**4 626**	**TOTAL CAPITAL & LIABILITIES**	**4 626**
Fixed assets	3 107	Own resources	3 325
Intangible assets - gross	17	Capital	0
Adjustment to intangible assets	-17	Retained earnings	2 025
Tangible assets	6 177	Profit and loss of current accounting period	1 300
Adjustment to tangible assets	-3 070	Liabilities - outside resources	1 301
Investments in progress	0	Reserve	0
Financial investments	0	Long-term liabilities	7
Current assets	1 519	Short-term liabilities	1 294
Inventory	0	Bank loans	0
Long-term receivables	0	Other liabilities	0
Short-term receivables	430		
Financial accounts	1 089		
Other assets	0		

6.   Profit and Loss Account

(thousand CZK)

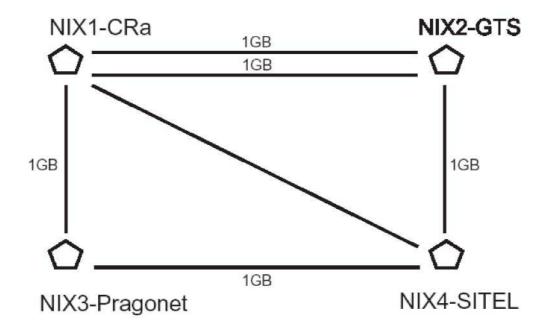| Year		2000	2001	2002	2003
Performance – sale of services		**1 835**	**1 680**	**4 357**	**6 753**
out of which: Sale of services		1 835	1 680	4 357	6 753
Change in inventory		0	0	0	0
Activation		0	0	0	0
Production consumption		**1 086**	**1 769**	**1 808**	**3 036**
out of which: materials, small-scale assets and energy supply		80	81	424	811
purchased services		1 006	1 688	1 384	2 225
Value added		**749**	**-89**	**2 549**	**3 717**
Staff costs		**360**	**360**	**1 381**	**1 493**
out of which: Employees		0	0	841	830
Remuneration of statutory body members		360	360	540	663
Taxes and fees		0	0	4	12
Depreciation of fixed assets		**214**	**272**	**727**	**1 002**
Revenues from sales of fixed assets		20	23	11	39
Net book value of fixed assets sold		0	0	0	27
Other operating revenues		0	0	0	0
Other operating expenses		12	8	9	37
Financial revenues (interest)		6	9	3	2
Membership fees		350	250	450	450
Profit (loss) before taxation		**539**	**-447**	**892**	**1 637**
Income tax		85	0	144	337
Profit (loss) after taxation		**454**	**-447**	**748**	**1 300**

7. Association Activities in 2003

Technical solutions

Total aggregated data traffic going through the interconnection nodes of the Association has been increased from approx. 600 Mb/s to more than 2.5 Gb/s, i.e., more than threefold.

On the basis of the General Meeting resolution passed at the end of 2002, the Association increased the number of interconnection nodes to four. The new nodes are installed in T-Systems and SITEL collocation centres. When connection routes to the nodes were built, the Association applied the strategy of full backup-redundancy.

The following diagram shows the infrastructure as of the end of 2003.

The CISCO 6000/6500 platform for backbone switches has been retained; the Association converted 10/100 Mb/s links to this platform (and eliminated CISCO 2950/3550 switches). The NIX3 node, which is least used, is an exception.

NIX4 was developing most quickly; its traffic got to the level of NIX1 and NIX2, which are developing more slowly. NIX3 remains a less frequently requested option.

The NIX.CZ interconnection technology remains on the link layer (Ethernet). The Association re-activated its 6881 autonomous system, in which it plans to develop new services. In the first half of the year, this AS was operated on the basis of PC routers; at the end of the year it was converted to a CISCO 7300 platform.

In the first half of the year, the Association enabled its members and customers to be interconnected using the IPv9 protocol. IPv6 connection makes use of the same VLAN as IP; this fact enables the members and customers to operate routers and interfaces in a double protocol buffer mode. By the end of 2003, seven providers interconnected their IPv6 networks via the NIX.CZ infrastructure.

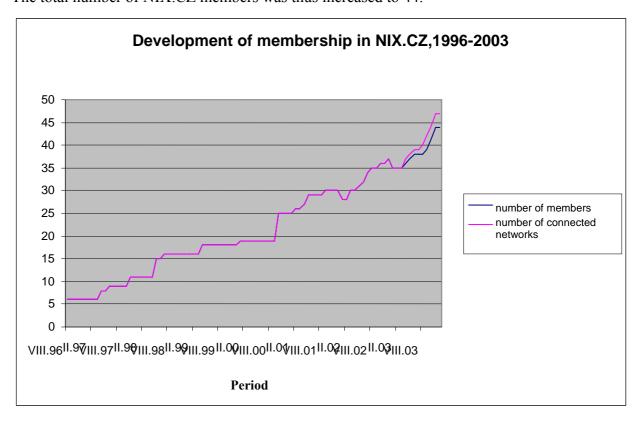In the second half of 2003, the Association developed its own system for infrastructure

monitoring; it should be predominantly used for diagnostics in interconnection problems, and for monitoring of operational discipline. Since there were some doubts about legality of such a system to be operated, the Association had a legal analysis executed, which confirmed that it is legal to use it. The Association intends, on the basis of the analysis, to activate the system in the first quarter of 2004.

The Association won its first four customers in 2003. Having in mind equality of operators and technical neutrality, requirements on customers are the same as on members; the only difference is that customers cannot vote about issues connected with the future of the Association.

Members

In 2003, nine companies became members of NIX.CZ (Eurotel Praha, spol. s r.o.; MGI.CZ s.r.o.; Master Internet, s.r.o.,; PEMAC systems, s.r.o.; CentroNet, a.s.; IGNUM, s.r.o.; INTERNEXT 2000, s.r.o.; Sloane Park Property Trust, a.s.; and GiTy Net, spol. s r.o.).

The total number of NIX.CZ members was thus increased to 44.

Development of membership in NIX.CZ,1996-2003

The 2003 annual membership fee for services was 144,000 CZK. For 2004, the annual fee will be calculated according to the Pricelist in order to better reflect the services that each member subscribes to.

Organisational structure

The General Meeting in April 2003 amended the Articles of Association with the intention to make the Association structure closer to joint-stock companies. In addition to other changes, the Executive Committee was renamed to the Board of Directors; the Supervisory Board was newly established, with a three-year term in office; the first Supervisory Board consists of: Mgr. Karel Taft (Chairman), Ing. Michael Macek,

Radek Majer.

The Board of Directors consists of: Ondřej Filip, Mgr. Josef Chomyn (Chairman) and Bc. Michal Krsek.

<u>Association's Public Relations</u>

In 2003, the Association focused on two areas in public relations: The first area is concerned with informing the professional public about the Association's activities on the Czech market. The main communication channels for that purpose were the Association's website and press releases.

The second area was aimed at informing foreign ISPs about the Association's activities and persuading such subjects to use the Association's services. The main communication channel for that purpose was also the Association's website, with additional updated presentations at RIPE conferences in the EIX-WG workgroup and at Euro-IX meetings.

8. Strategic Goals for 2004

NIX.CZ will maintain at least two independent backbone interconnection nodes that will be under a full contractual control and administration of the NIX Association. Such nodes shall always ensure mutual substitutability in case the services have short-term defects, and shall also ensure elementary competition between the data circuit operators.

NIX will also offer its services to foreign subjects and/or subjects that cannot or do not wish to become the Association members. The services will be provided for a fee; this applies to connection within a NIX node or access point to a NIX shared segment. Technical and organisational requirements on such subjects will be the same as those applicable to members.

The Association will continue to follow the most recent trends in collocation technology and services and adjust to them its price-to-performance ratio, development strategy, modifications and extensions of its activities and services provided to its members and customers. With respect to the growing demand for capacity, it is expected that at the end of 2004 at least one data circuit will have to be upgraded to 10-gigabit Ethernet.

The Association will identify services that will bring more added value to its members (and subsequently to the entire community). Upon approval by the General Meeting, the Association will implement such modifications in normal operation. A local mirror of the root nameserver is among projects that are currently considered.