



■ ■ ■ You've got one new report

T-Mobile

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# Profiles

## Company profile

T-Mobile Czech Republic a.s. was established in 1996 (then called RadioMobil) and in the same year began offering mobile communications services under the name Paegas. In 2002, the Company changed its brand and subsequently its name. T-Mobile operates a public mobile communications network on the GSM standard in the 900 and 1800 MHz bands and is a holder of a licence to operate a third-generation network, UMTS. In June 2004, the Company welcomed its millionth contract customer, thus becoming the largest Czech mobile operator in terms of the number of contract customers. The total number of customers climbed to 4.36 million at the end of the year.

T-Mobile provides its services to individuals and corporations, as well as to public authorities. Besides tariff programmes, it also offers services to users of prepaid cards under the Twist brand and services tailored to the needs of the business segment. In addition to voice services and SMS, customers are increasingly using other non-voice services, e.g. data transmission via GPRS, WiFi and now also EDGE, MMS and a number of multimedia services on the t-zones mobile portal. The T-Mobile network currently covers more than 99 percent of the Czech population and 99.98 percent of E-class roads in the Czech Republic.

T-Mobile customers may also use their mobile phones throughout 350 operator networks across 140 countries worldwide.

Over the past several years, T-Mobile's leading position as an innovator and its contribution to the development of the mobile market has been rewarded with various prizes, both on the national and international level. Since its establishment, the Company has placed emphasis on the quality of services offered. This approach has been recently rewarded several times: At the end of 2003, T-Mobile was the only Czech mobile operator to receive the "Committed to Excellence" quality award based on the European standard. At the end of 2004, T-Mobile achieved the second level called "Recognised for Excellence", after having received the National Quality Award, the most prestigious Czech award for quality management granted by the Czech Quality Council.

T-Mobile is a member of the international telecommunications group T-Mobile International. The main benefits of the Company's membership in the T-Mobile International Group are the well-known global brand, the opportunity to share valuable knowledge and experience and, last but not least, the joint procurement, development and introduction of new services. Thanks to T-Mobile's international presence, customers can count on the worldwide availability of their favourite services and take advantage of unified, favourable calling rates when abroad.

The owners of T-Mobile Czech Republic a.s. are the CMobil B.V. consortium with a 60.77 percent share and České radiokomunikace, a.s. with a 39.23 percent stake.

# Sent messages

## Nine years of achievement

### 1996

- RadioMobil was established and the Paegas GSM network began operation.
- The number of new Paegas phone owners exceeded 30,000 by the end of the year.

### 1997

- In the prestigious CZECH TOP 100 survey, RadioMobil was named the most dynamically developing company of the year.
- By the end of the year, a remarkable 173,000 customers were using the new services, Internet connection and the first-ever prepaid cards on the Czech market.

### 1998

- RadioMobil introduced a number of groundbreaking innovations (such as Paegas Internet Call, Paegas Info, GSM Banking).
- The Company was voted the most admired telecommunications company in the Czech Top 100 survey.
- 373,000 customers were using Paegas services, a 115 % increase compared with 1997.

### 1999

- At the annual conference organized by the GSM Association in Cannes, RadioMobil won the prize for Best Technological Innovation in the GSM Market.
- The Paegas network was one of the first in the world to enable users of prepaid Twist cards to send and receive short text messages.
- A new call centre began operation in a new building in Louny, providing services to 875,000 customers by year's end.

### 2000

- Transmitters in the 1800 MHz band went on the air. Combining Internet services and mobile phone capabilities and a new comprehensive portal, Paegas Click, was launched.
- Paegas (together with the German D1 network operated by T-Mobil) was the first operator in the world to offer users of prepaid Twist cards the opportunity to make direct calls in foreign networks.
- By the end of the year, the number of Paegas users had approached 1,865,000.

### 2001

- The Company launched the GPRS system, allowing high-speed data transfer, and obtained a licence to operate a third-generation network, UMTS.
- Two prizes were earned at the Invex trade fair: The Best of Invex for Paegas Navigator and the Crystal Disc for ClickBox.
- 2.85 million customers were using Paegas services.

### 2002

- Year of identity transformation: Paegas became T-Mobile. The Company received the Rhodos award for the most attractive image.
- The opening of the Regional Centre in Hradec Králové and the laying of the cornerstone of the new T-Mobile headquarters in the Roztyly district of Prague.
- The T-Mobile network came through unscathed from the August floods, the standardized renumbering of all telephones in the Czech Republic was completed and the November NATO summit was held in Prague.
- The number of customers exceeded 3.5 million.

### 2003

- Fully in T-Mobile colours: The name changed to T-Mobile Czech Republic a. s.
- Launched the t-zones portal, focused on MMS and devices designed exclusively for T-Mobile customers.
- Set the goal to become number one in the Czech market. T-Mobile launched special tariffs for various target groups (such as students and foreigners) and the most favourable mobile connection to the Internet.
- For the second year in a row, T-Mobile obtained the highest number of new clients. As of 31 December, the number of T-Mobile customers was over the 3.9 million mark.

### 2004

- A new office building in the Roztyly district of Prague became the new Company headquarters.
- The EURO 2004 football championship was sponsored by T-Mobile.
- New postpaid programmes for contract customers brought the most favourable per-minute prices of calls to all networks and an increase in the amount of free airtime in a "simpler" tariff structure.
- The fastest mobile Internet connection was released thanks to EDGE technology; launched T-Mobile HotSpot.
- The number of customers exceeded the magic 4 million mark in April. Customer numbers climbed to 4.36 million by the end of the year. Most companies relied on T-Mobile.

# Start-up greeting

## Foreword from the Chairman of the Board

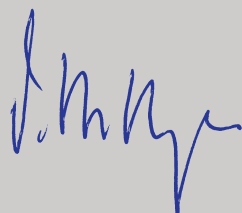
Ladies and Gentlemen,

The ninth year of our Company's existence in the Czech Republic was again closely tied to the dynamics of the telecommunications market. The first half of the year was marked by a change in the VAT rate, and the entire 12 month period was characterised by increased competitive pressure. Mobile operators today increasingly focus on customer retention and look for new sources of income both through growth in the usage of voice services and new mobile data offerings.

It is therefore no exaggeration to say that for the last year T-Mobile Czech Republic a.s. has received the highest marks, and we have our clients to thank for this. For the third year in a row, we managed to achieve the highest number of customer additions. As many as 410,000 new customers moved us a big step closer to becoming No. 1 on the market. Another, no less pleasing figure confirms that we succeeded in reducing the gap: We left our biggest competitor behind even in terms of the number of contract customers. The fact that we maintained our market share at 40.4 percent is certain proof of stability.

Last year, T-Mobile continued introducing new products and services, which led to an increase in voice usage, number of SMSs sent and the volume of data transmitted. In the area of pricing plans, the company focused particularly on creating new, more transparent tariffs for calls both in the domestic network and abroad. These and other activities were positively reflected in the business results for the last fiscal year. Compared to the year before, we also succeeded in reducing the Company's external debt, particularly thanks to the repayment of the shareholder loan and payment of the UMTS licence fee. Investments of almost 3 billion Czech crowns prove that last year was no exception, both in terms of introducing innovations that set the course of mobile communications development in the Czech Republic, and in the emphasis on the quality of our network and services.

It was quality for which T-Mobile received significant awards in 2004, and each and every employee contributed not only to this success, but to many others as well. I would like to hereby thank all employees for their efforts and extraordinary commitment and wish them maximum satisfaction in their labors. Support from our shareholders and business partners is also of immense value to us, as the development of mobile telecommunications in the Czech Republic would be unthinkable without it. Last but not least, being part of a global group and the T-Mobile brand has provided an indispensable contribution to this development. The global group and the T-Mobile brand provide us with strong backing and the opportunity for sharing knowledge and experience. In conclusion, I would like to thank our customers for their trust and to promise that we will do everything for them so they may continue rely on us in the 10th year of our existence.



Timotheus Höttges  
Chairman of the Board of T-Mobile Czech Republic a.s.





# Conference call

## An operator must be reliable

... says T-Mobile's Managing Director, Roland Mahler, in an interview. We were interested in what had pleased him most last year, how he sees our chances of becoming No. 1 on the market and what, according to him, makes a "better world" for customers.

**Common wisdom says that one shouldn't look back at the past too much. But this doesn't apply to the business world. Mr. Mahler, what is your personal evaluation of the past year of T-Mobile's existence?**

If I were asked to put it briefly, I would say I am extremely pleased with last year's results. There is no better proof of a company's success than customer and financial figures. The highest number of customer additions, along with leadership in the number of contract customers are facts that speak for themselves. Considering that there are currently more mobile numbers than residents of the Czech Republic, it is obvious that the fight for customers will only get fiercer. Naturally, our objective is to increase our market share, to the detriment of our competitors, and take up the leading position.

**Is becoming No. 1 a realistic goal? What specific steps is T-Mobile taking to win this fight?**

I dare say that we are probably already the largest operator in terms of active telephone numbers. However, every operator now uses a somewhat different methodology to calculate client numbers. If this were not the case, I am sure that our leadership in this respect would be confirmed. Be that as it may, our strategy of customer acquisition and retention is straightforward: to offer the best ratio for services provided to the price paid by customers. We definitely do not want to merely offer the lowest rates at any price. We focus on premium customer service and top quality.

**In previous years, T-Mobile has been viewed as an innovation leader, while now, in addition to innovative solutions, it places an increasingly greater emphasis on quality.**

The feedback from clients shows that this approach is not only correct but the only one possible. If we want to succeed, we have to do everything with quality in mind. We want to become the most highly regarded service company in our industry! We provide high-quality customer care around the clock. We also pay attention to the quality of sales support and thus the staff in our shops are always well trained. We also could not perform well without new, high-quality services, such as data or multimedia services. Therefore, I am very happy that we could launch EDGE in November. This technology now represents the fastest, truly mobile Internet connection using a mobile phone, that works without complicated setups and the need to buy additional equipment. EDGE has been enthusiastically adopted by customers.

All the things I have just mentioned would of course be impossible without high-quality coverage and a reliable network. To ensure this, we invest in independent network monitoring by Czech institutions such as the Czech Technical University in Prague as well as international institutions, for example the Swiss Federal Institute of Technology in Zurich. These monitoring measurements prove that the T-Mobile network is the best in the Czech Republic.





**Last year, T-Mobile introduced a new international concept of its brand that should stand for reliability, simplicity and inspiration for customers in all respects. Why are these attributes so important?**

An operator that offers T-Mobile-branded services to almost 75 million clients worldwide must be reliable. And the results achieved prove that customers on the Czech market trust us. Also, despite constant technological development, we must offer services that are beneficial for clients and easy to use. Today we are inundated with a number of abbreviations, information on technological solutions and new services; telephone features are constantly being extended and devices are getting more and more complicated. But if we think about it, we realise that people just want to communicate. It doesn't matter if it's through a call, SMS or MMS, but it has to be simple. In addition, I believe that our services must bring something more to people. That is the reason for inspiration – through services such as Caller Tunes, for example. After all, this is what our claim, “For a better world for you”, means.

**At the end of last year, the entire T-Mobile Group announced the Save for Growth programme. What are the reasons behind it, and how will it be implemented in practice?**

Most European markets are oversaturated and this necessarily changes the nature of our business. T-Mobile realised this in time and created a long-term set of conditions to ensure growing efficiency. The Save for Growth programme is based on cost savings and “smart” investments. So far, we have placed an emphasis on a wide range of phone models but we have not paid so much attention as to whether there is sufficient demand for all of them. In the future, we will shift our focus to real customer needs, and streamline the portfolio.

There is also room for savings in the area of sales. Support for Internet and telephone shopping will not only increase efficiency but will also satisfy those customers who are fond of this kind of shopping. Also, it does not make much sense for us to develop content; there are companies that can do this much better and cheaper. Further savings can also be achieved by making greater use of the synergies within the T-Mobile Group and the entire Deutsche Telekom Group. In the Czech Republic, T-Mobile already began some of these steps in 2003 when it announced its strategic goal of becoming No. 1 on the market. We expect to be able to reduce our costs by 1 billion Czech crowns within the next two years. We want to invest half of this amount into activities that will ensure our further growth in the coming years. This programme can give us further competitive advantages and make us more successful and attractive to customers.



# Directory

## Meet the management

**Roland Mahler**  
Managing Director  
of T-Mobile Czech Republic

"It is very rewarding to be part of the development of the Czech economy by helping to provide high-standard telecommunications products and services in a competitive manner."

**Born:** 1949, Worms, Germany

**Education:** Technical University of Darmstadt

**Career history:** Deutsche Bundespost, Federal Ministry of Post and Telecommunications, Deutsche Telekom, T-Mobile Germany; he has served as the Managing Director since joining TMCZ in 2000.

**Interests:** Horse back riding, sailing, skiing, biking; concerts and theatre in winter, visits to historic places in the Czech Republic and outdoor activities in summer. Roland Mahler speaks German, English and French.

*R. Mahler*



**Jiří Dvorjančanský**  
Executive Vice President  
Marketing

"I don't like stagnation – my inner drive pushes me to constantly seek change in my professional life. I always look for new areas of development and want to improve not only in terms of knowledge but, above all, as a person. Because each of my working days is different, each as hectic as the one before, I most appreciate the greatest values – family atmosphere, the love of those closest to me, and laughter. I know I still have a long way to go..."

**Born:** 1969, Karviná, Czech Republic

**Education:** Czech Technical University in Prague, Faculty of Electrical Engineering; National Polytechnic Institute in Grenoble, France

**Career history:** Čokoládovny Praha, COTY Czech Republic; he has been working at TMCZ since 1999, becoming Executive Vice President Marketing in 2002.

**Interests:** Golf, action movies, mountain biking, an occasional game of football with friends, scuba diving; playing amateur ice-hockey with the corporate team in winter and listening to classical music while enjoying a glass of red wine. Jiří Dvorjančanský speaks Czech, English and French.

*Jiří Dvorjančanský*



**Martin Klocperk**  
Executive Vice President  
Telecom Relations & Strategy

"I strive to implement strategies that represent a balance between investors' requirements and customer expectations. Mobile communications must help people, not control or put them under stress. I believe in ethics in business."

**Born:** 1961, Prague, Czech Republic

**Education:** Czech Technical University in Prague, Faculty of Civil Engineering; US Business School, Prague

**Career history:** Orgaprojekt Praha, Czech Technical University in Prague, Deloitte & Touche; he has been with TMCZ since 1996, becoming Executive Vice President Telecom Relations & Strategy in 2000.

**Interests:** Tennis, skiing, softball, windsurfing, playing musical instruments. Martin Klocperk speaks Czech and English.

*Klocperk*



**Otakar Král**  
Executive Vice President  
Finance

"I've had the opportunity to take part in the successful growth of two highly-recognised companies in different industries – from their start-up phase through their becoming international organisations. I am pleased to see that the Czech Republic as a country is following the same path."

**Born:** 1966, Prague, Czech Republic

**Education:** Czech Technical University in Prague; Association of Chartered Certified Accountants, London; Masaryk Institute of Advanced Studies at the Czech Technical University in Prague

**Career history:** A "Big Four" audit firm; he has been working at TMCZ since 1996, becoming Executive Vice President Finance in 2002.

**Interests:** Sports – road and mountain biking, downhill and cross-country skiing, all kinds of outdoor activities. Otakar Král speaks Czech and English.

*Král*



**Miroslav Rakowski**  
Executive Vice President  
Sales

"Over the course of my career, I've had the chance to become familiar with the sales profession from various angles and in many parts of Europe. Working for T-Mobile is an ideal opportunity for me to make use of my years of extensive experience and contribute to the common goal of our Company – to become the best mobile operator in the Czech Republic."

**Born:** 1968, Český Těšín, Czech Republic  
**Education:** Brno University of Technology, Faculty of Mechanical Engineering  
**Career history:** Gillette Czech Republic, COTY Czech Republic, COTY Poland; he has held the position of Executive Vice President Sales since joining TMCZ in 2002.  
**Interests:** Sports – golf, tennis, ice-skating and skiing. Miroslav Rakowski speaks Czech, English and Polish.

**Tomáš Růžička**  
Executive Vice President  
Customer Service

"It is my everyday task to 'walk in the customers' shoes' and see the world through their eyes. I want this simple principle not only to be my professional creed but the belief of the entire T-Mobile team. Only thus are we able to recognise and constantly heal even the scars that are invisible at first glance, make customers smile and keep T-Mobile in its position as the most highly regarded service company."

**Born:** 1969, Tábor, Czech Republic  
**Education:** Czech Technical University in Prague, Faculty of Electrical Engineering; University of Economics of Prague, Faculty of Finance  
**Career history:** New Boston Associates Inc., Boston MA, USA; Traplová-Hakr-Kubát, Intellectual Property & Attorney Office, Prague; he has been with TMCZ since 1996, becoming Executive Vice President Customer Service in 2003  
**Interests:** Sport shooting, water sports and outdoor activities; electronics; participation in the administration of public affairs at the level of the city district council. Tomáš Růžička speaks Czech and English.

**Heinz Schmid**  
Executive Vice President  
Technology

"Helmut Schmidt, the former German Chancellor whom I admire very much because he was a doer and a pragmatist and always vocal about the truth, once said: 'Modern democracy is listening to people and discussion, but finally also in a democracy someone has to decide'. This idea also applies to modern management as I understand it."

**Born:** 1951, Nuremberg, Germany  
**Education:** University of Applied Sciences, Faculty of Electrical Engineering, Nuremberg  
**Career history:** Deutsche Telekom, T-Mobile Deutschland; he has been working at TMCZ since 1996, becoming Executive Vice President Technology in 1999.  
**Interests:** Family, travelling, fan of 1. FC Nuremberg and the Czech national football team. Heinz Schmid speaks German and English.

**Michal Urválek**  
Executive Vice President  
Human Resources

"'Never say never', 'Change is life and life is change', 'Never trust without verifying' – these ideas have accompanied me throughout my professional career and are behind both my successes and failures."

**Born:** 1963, Prague, Czech Republic  
**Education:** Charles University in Prague, Faculty of Law  
**Career history:** Faculty of Law at Charles University, Czech Television, BBC UK, IBM Czech Republic; he has been Executive Vice President Human Resources since joining TMCZ in 2002.  
**Interests:** Water in all of its forms and states and everything that can be done on or in it. Michal Urválek speaks Czech and English.







# Settings > Time and date

## Important milestones of 2004

The ninth year of T-Mobile's existence was marked by several events that were significant to the Company's development or positive brand image.

### Customer base development

In April, T-Mobile welcomed its 4 millionth customer. At the end of the year, the Company served a total of 4.36 million users.

- Customer numbers increased by more than 400,000 year on year and T-Mobile again – for the third year in a row – managed to attract the largest number of new clients. The highest customer additions were recorded in the second and fourth quarters.

We strengthened our leadership position in terms of the number of contract customers.

- The millionth client signed a contract with T-Mobile in June and another 100,000 contract customers were added by the end of the year.

Market share in terms of customer numbers remained at 40.4 percent, while the overall saturation of the Czech mobile market reached almost 105 percent.

### Quality award

T-Mobile successfully completed the certification process for quality management and obtained the **ISO 9001:2000 certificate** effective as of 25 February 2004.

- The certificate was awarded in the areas of “development, sale and provision of mobile telecommunications services and care for business customers”.

During an official ceremony held at the beginning of November at Prague Castle, T-Mobile became one of the two holders of the prestigious **National Quality Award**.

- The Company also received the **2004 Quality Manager of the Year** award, which was, in the face of fierce competition, received by František Havel, Vice President Quality at T-Mobile.

At the end of 2004, T-Mobile received a quality award based on European standards, **Recognised for Excellence**.

- This is the second level of this particular quality award, following **Committed to Excellence**, which T-Mobile received in 2003 as the only Czech mobile operator to be so honoured.

### New Company headquarters in Prague-Roztyly

The process of moving all employees from the Prague T-Mobile buildings to the new headquarters building in the Prague district of Roztyly was kicked off in winter.

- More than 1,500 employees and all equipment were relocated over the course of nine days.
- This was a unique event from the point of view of our Company as well as for the entire Czech Republic.
- The seamless move was evidenced, among other things, by the fact that the moving process did not have any effect on our customers.

The opening ceremony took place on 20 April; in the same month, the new headquarters building was presented to journalists and important business partners.

### Other events...

In June, T-Mobile launched a special campaign entitled **Freedom is when...**, aimed at the promotion of mobile Internet access.

- On a special website, users could find information not only on GPRS but also on the forthcoming UMTS and WiFi, which is already in operation.
- The website also included a competition for the general public. Until the end of August, participants could write an SMS-length text of what their idea of freedom was. The winners, who received attractive prizes, were selected from among more than 4,000 participants.

A new international programme called **Save for Growth** was introduced within the entire T-Mobile International Group on 2 November.

- For all national operators, this programme represents an opportunity for further improvement, particularly in terms of efficiency and cost savings. Representatives of our management had participated in its formulation from the beginning.
- With this programme, T-Mobile International aims to achieve savings of 1 billion euros (around 10 percent of its revenues) by the end of 2006. Of this sum, the company wants to invest up to 500 million euros with the aim of achieving its growth targets.

# Organiser > Calendar

## Products, services, technologies, tariffs in 2004

**Again in the past year, T-Mobile continued to further enhance its existing product offer while introducing some technically advanced innovations.**

### January

A very pleasant offer followed the VAT rate increase: Customers could make calls of up to one hour for the price of three minutes. The Long Calls offer continued for a full two months.

The fifth continent conquered. Customers could start using GPRS for data transmission in Australia. T-Mobile is the first Czech operator to offer the GPRS service on a total of five continents.

### February

Unlimited Internet access via GPRS put an end to fears of exceeding limits and having to pay extra charges. Customers can choose between an add-on to a tariff programme and a tariff on a separate SIM card. Both variants are suitable even for the most discerning users.

T-Mobile MDA II, the successor of T-Mobile MDA I combining the capabilities of a pocket PC and a phone, met with success. Following the international Europe Pocket PC Award 2003, it was named 2003 Product of the Year by Softwarové noviny magazine. The fact that T-Mobile was the only company among mobile operators and phone manufacturers to be honoured with the award makes this prize all the more valuable.

### March

Caller Tunes put an end to boredom, bringing the opportunity to express one's individuality. Instead of the standard 'ring-ring', callers hear the customer's favourite song. A new service on the market, Caller Tunes brought a wide range of choices to lovers of classical music, jazz and rock as well as fans of alternative music.

HotSpot in commercial operation. Ideal when waiting at the airport or getting ready for a meeting at a hotel. This convenient, high-speed access to the Internet is based on a wireless connection, so all the customer needs is a laptop or PDA that supports WLAN technology.

New top-up coupons with pictures of members of the Czech national football team became a treat for collectors. Coupons featured Čech, Nedvěd, Baroš, Koller, Rosický, Poborský and other stars, as well as their autographs. EURO 2004 drew closer, with T-Mobile as one of the main sponsors.

### April

The WeekStart tariff add-on made it possible for businesses to pay CZK 0.50 per minute on calls in the T-Mobile network from Monday to Wednesday. These significant savings could be further increased in combination with the Weekend+ add-on, making it possible for business customers to pay as little as CZK 0.50 per minute for up to five days a week.

T-Mobile customers could start setting up toll-free lines whose operation is paid for by the party called. These Green Calls offer very favourable prices starting at CZK 2.90/min, various types of call routing and the option to restrict annoying calls from telephone numbers the person establishing the toll-free line does not wish to receive calls from.

For lovers of real tones, there is an attractive portfolio of MP3 ringtones. The mobile can "sing" hits such as "Shut Up" by Black Eyed Peas, "Lose Yourself" by Eminem or "Láska moja" by Elán, as well as many others songs.

### May

The idea of a phone bill after a holiday abroad does not necessarily have to be a nightmare. The introduction of a new roaming programme freed customers from having to compare operator tariffs in individual countries. The Dovolená and Evropa packages offer free airtime for both incoming and outgoing calls.

Czech national football team jerseys were offered as presents with the attractively priced prepaid "EURO sets" to new contract customers. In less than two months, it would become apparent just how many Czech fans had rooted for their team while wearing the national colours. Over 120,000 jerseys had sold!

### June

All mobile phone users could experience EURO 2004 football first hand. Exclusive news coverage of the championship, important events, programmes, results, commentaries, gossip, minute-by-minute match broadcasts – all this and a lot more allowed customers to be with the Czech team even at the most exciting moments. As icing on the cake, there were MMS cards with football stars, Java games and the EURO anthem.

Although it takes just a few days for a phone to be repaired, customers do not have to be unavailable during that time. June brought the possibility of borrowing a phone of the same brand and category as the broken-down model free of charge at T-Mobile Retail Shops.



### July

Pilot operation of a high-speed mobile connection based on EDGE technology was launched. All customers had the opportunity to try it out before the end of the year. They could particularly look forward to a significantly faster connection to the Internet and WAP. Within the T-Mobile Group, EDGE also became available in Slovakia and Hungary.

### August

As has become an August tradition, T-Mobile presented a new generation of tariffs, featuring the most favourable per-minute prices for calls to all networks, a dramatic increase in free airtime included in the monthly fee, and a partial rate unification. Each customer who activated any of the new tariff programmes could make weekend calls within the T-Mobile network completely free of charge until the end of November.

### September

New MMS content flooded the t-zones portal. Popular movie actors and characters from animated Disney films such as King Arthur, Nemo, Donald Duck, Mickey Mouse or Winnie the Pooh entered the displays of film fans' mobile phones. There are now also cartoon motifs and pictures by painters Josef Lada and Josef Čapek.

Thanks to m-payment, users could finally buy goods and services from Internet vendors with a limit of CZK 700 per transaction. This mobile payment method proved to be most successful in the area of advertising, with several hundred users paying for ads using their mobile phones each month.

### October

The main theme of T-Mobile's presentation at this year's Invex trade fair in Brno was mobile solutions, offering more efficient operation particularly to business clients. In addition to the latest version of T-Mobile MDA III, the company also presented the BlackBerry pocket organiser and EDGE technology. For this purpose, a mobile base station was brought to Brno.

The T-Mobile website was completely revamped, the change being recognisable at first glance. In addition to the design, the structure, content and navigation of the website underwent significant changes. Services can now be set up simply by double-clicking. The new website also provides the freedom of movement to everyone who views it using a mobile phone or pocket PC. Completely in the spirit of simplicity, reliability and inspiration.

### November

EDGE finally arrived! The fastest data transmission in the GSM network was launched in six Czech cities: Prague, Brno, Ostrava, Plzeň, České Budějovice and Olomouc. Use is very easy. Other than a mobile phone, customers do not need any terminal, nor do they have to activate anything or change any set up. Everything works in the same way as GPRS but the transmission speed is up to three times faster. Those customers who do not own an EDGE-enabled phone can borrow one at our shops and try EDGE themselves.

### December

A Christmas offer brought the right choice for everyone: Twist sets with a phone for CZK 1 and an amount of credit that is unprecedented on the prepaid market; attractively priced new additions to the range of prepaid sets, an EDGE phone or tariff activation at half the standard price. Presents could be ordered without unnecessary stress on a toll-free line or through a newly-opened Internet shop. Furthermore, Christmas pictures, ringtones, logos, cards and caller tunes helped create the right festive atmosphere.

# Entertainment > Games

## Supporting sport, culture and the professional community

**Our stable position and financial background allows us to take part in a wide range of important events. A significant amount of space on the list of our sponsorship activities is taken up by sports, cultural and industry events.**

### Sports for fitness and victory

T-Mobile has been a partner of the successful Czech **national football team** for several years. The climax of this partnership was last year's major football event – UEFA EURO 2004, which took place in Portugal.

- As one of the official partners of the championship, T-Mobile provided exclusive services and content related to the sporting event of the year to its customers in five European markets.
- Not only Czech customers, but also more than 40 million clients of T-Mobile affiliate companies in Germany, Austria, Netherlands and the United Kingdom could enjoy these services.

T-Mobile International introduced its new **cycling team**, the **T-Mobile Team**.

- Olympic winner Jan Ullrich and the Czech professional Tomáš Konečný are among the 25 members of the team.
- The stars of the "magenta" cycling team took part in last year's Deutschland Tour, which, for the first time, also ran through Austria and the Czech Republic. Also for the first time, T-Mobile was the main sponsor of the race.

Another season of the **T-Mobile Golf Tour** opened with a golf tournament in Karlovy Vary. During the following months, another five stops awaited golf fans.

### Cultural and social activities

As the general partner of Interkoncerts, T-Mobile brings the best of Czech and world music to the **concert stage**.

- Spectacular musical performances can be viewed and heard in the T-Mobile Arena every month. Names such as David Bowie, Sting, Peter Gabriel and Diana Krall clearly show that there is a lot to choose from and that everybody will find something to their taste.

- The event of the year was the opening of T-Mobile Park, which is surprising in its capacity and acoustic properties. The new musical arena was christened with the long-awaited concert by Paul McCartney. Metallica and Lenny Kravitz shows followed and the rich summer season was closed by the author of colourful exotic music, Carlos Santana.

In November, T-Mobile became the general partner of a TV music show called **t-music**, broadcast by TV Prima.

- t-music is a TV lifestyle programme featuring a music chart, music news coverage, information from areas such as culture, film, fashion and lifestyle, interviews with interesting guests and information from the world of mobile music.
- According to what's on the t-music chart, T-Mobile customers can download ringtones, caller tunes and MMS pictures with music content on their mobile phones.
- An Internet portal of the same name was launched to support the show.

As in previous years, we supported the popular **Miss Czech Republic** pageant, which in 2004 took place in alliance with T-Mobile for the sixth time.

Autumn was the time for German, Austrian and Swiss theatre performances. T-Mobile was once again one of the main partners of the **German Language Theatre Festival**.

For a second time, T-Mobile supported the **Christmas gala concert of Eva Urbanová**, which took place in the Prague Congress Centre. This time, the opera singer was accompanied by another "golden voice", Oleg Kulko.

### Participation in conferences

Since its establishment, our Company has participated in numerous professional conferences and seminars, which were not limited to telecommunications topics.

- In addition to T-Mobile's representatives taking part in conferences both in the Czech Republic and abroad as lecturers, we also provide sponsorship for events of this type.
- In 2004, we became partners of more than 10 projects. These included, for example, the 2004 Corporate Social Responsibility conference, the 2004 Invex Forum, the 2004 Quality international conference, the second Czech-Israeli Hi-Tech Business Forum and the long-standing 2004 Teleinformatika .
- T-Mobile representatives gave lectures at more than 60 professional conferences.





# Calls > Options

## Building a socially responsible company

**Support for charity and non-profit projects forms an integral part of T-Mobile's activities in the Czech Republic. Our efforts are based on the principles of "responsible behaviour and corporate citizenship".**

### Co-operation with non-profit organisations or "A better life for everyone"

In April, a unique project of **donor messages, DMS**, which was unprecedented in the world, was launched in the Czech Republic. T-Mobile has been participating in the project from the very beginning and has significantly contributed to the establishment of this type of text message, which is intended exclusively for charitable purposes. Since then, DMSs have become the fastest and easiest way of donating money to charity.

- An example was the amount of money donated to help the Slovak High Tatras, which were hit by destructive gale-force winds. During the first five minutes after the DMS fund-raising campaign was announced on the main news on Czech TV, 22,000 DMSs were sent to the Tatras account, yielding a total of more than CZK 8 million. An incredible 2 million donor messages, which yielded more than CZK 60 million in total, were sent to the Asia account (DMS ASIA, DMS SRILANKA, DMS INDONESIA), collecting funds to help Southeast Asian nations struck by the catastrophic tsunami at the end of the year.
- The umbrella organisation for the project is the Donors' Forum. Organisations that use this form of aid throughout the year include, for example, (the centre for people with spinal-cord injuries) Centrum Paraple, Project Chance (helping homeless people), the Světluška fund-raising campaign, the Prague Zoo and many others.

Cooperation with **Centrum Paraple**, which helps people who have suffered spinal-cord injuries, was initiated last year and involved our customers in a charitable activity.

- Since autumn, customers have been able to donate points obtained within the T-Mobile Bonus loyalty programme to the Paraple account.
- In less than two months, 170,000 CZK have been collected this way.

Last year, T-Mobile became the partner of the **First Citizens' Sports Association** (1. Sportovně-občanské sdružení),

- This charitable organisation for the support and development of sports wants to improve the living conditions of children and youth.
- It focuses on helping mentally and physically handicapped children, the sick, lonely people and those living in children's homes and social care institutions.

"Protect your head, you've got only one," says the internationally renowned cyclist Erik Zabel. And this is the theme of T-Mobile's long-term programme providing safety instructions to children cyclists called **The smarter one wins – A helmet fits better than a bandage**.

- T-Mobile thus builds on its previous cooperation with the Extended Hand (Podaná ruka) association and the helmet plays a central role here in injury prevention.
- The programme also includes a wide range of educational activities not only for children but also for families, schools and recreational organisations.

### Regional responsibility

The Regional Centre, opened in mid-2002 in **Hradec Králové**, has made T-Mobile one of the main employers in the area. Various activities prove that the Company has a strong interest in being part of local life and contributing to its development.

- T-Mobile again supported one of the area's major cultural events, the Jazz Goes to Town international festival.
- Magenta was also the colour of the Wheels in Nature cycling competition and City on Wheels entertainment event, intended for all cycling enthusiasts. A young golfers' club and a youth football club in Hradec Králové also received support from T-Mobile.
- Funds were donated to the Klídek centre, providing modern social services to children and young people.

Further regional activities took place in **Louny**, the site of a T-Mobile call centre.

- T-Mobile's close ties to this region are evidenced by its support for the Vrchlický Theatre. In summer, the Louny Fair took place with our support on the local Exhibition Grounds. As in the previous year, we were the main partner in the Christmas tree lighting ceremony in the centre of Louny.
- We also connected our name with a mountain biking competition and took part in the international stage race for children BMX racers. Another of our regional partners is Golf Club Most and our cooperation here is also focused on young people.
- The Children's Psychiatric Sanatorium in Louny was also selected as a recipient of a sponsorship donation.

**City District Prague 11**, where the T-Mobile headquarters have been located since last year, also enjoys our support.

- The first event supported by T-Mobile in its new home district was the Representation Ball of the citizens of Prague's South City area. In June, T-Mobile representatives attended the Businessmen's Evening and a balloon event called BalloonStory took place with T-Mobile's support for the first time.
- T-Mobile supports youth football in this part of Prague as well (FC Háje and South City Chodov sports clubs); we also donated funds to the table tennis club and, based on the example of Hradec Králové, the first annual City on Wheels sporting and social event took place in Prague's South City.
- The Petýrkova club for the disabled and the Centre of Social Services in South City also received charitable contributions from T-Mobile.

**Employee charity auction**

Last summer, each of the two and a half thousand employees of T-Mobile had the opportunity to take part in a charity e-auction and to buy products made by children and adults from 10 special schools and various social centres and institutions from the Hradec Králové and Chomutov regions.

- Eighty hand made products were offered in the auction.
- The total sum yielded was double the proceeds of the previous auction, which took place at T-Mobile for the first time the previous year.
- As in 2003, the proceeds of the auction were donated to help the participating organisations.



# Optimised charging

## Human resources are the most valuable investment

**T-Mobile fully supports its employees in achieving excellence. The Company strives to create a corporate culture where determined, committed and intelligent people are the greatest asset.**

### Important employer

In terms of employee numbers, T-Mobile is one of the major employers in the Czech Republic.

- At the end of last year, the Company recorded almost two and a half thousand employees.
- More than 1,400 people occupied offices at the new address in Prague-Roztyly.
- Another several hundred employees were working in the Louny and Hradec Králové Regional Centres.

During open-house days regularly organised by the Company's regional centres, visitors can get an idea of what it means to work at T-Mobile. The Company also presents itself as a sought-after employer at job fairs and T-Mobile Days.

### Employee care

T-Mobile gives all employees the opportunity to develop their talents and skills. Therefore, it places great emphasis on **learning and development**, which can be divided into five areas.

- Personal efficiency includes time management, stress resistance, problem solving and creativity.
- Team efficiency is focused on communication and conflict resolution, presentation and persuasion skills as well as team cooperation.
- Business and operational management teaches understanding of financial and business issues, process and change management, and task and project management.
- Customer orientation concentrates on the knowledge of business customers and their industry and on the knowledge of internal customers.
- Management skills focus on managing people and teams, coaching and leadership.

Our professional development programme also includes software courses and foreign language studies. Last year, the standard types of education were enriched with multimedia interactive e-learning courses, accessible to all employees through the corporate intranet.

Among the important motivational tools of the Company are **employee benefits**, offered to employees in addition to their salary. The below-mentioned benefits are among the most typical.

- Daily meal vouchers in the amount of CZK 85; contribution to pension insurance; premium healthcare.
- Discounts on purchases made at T-Mobile Retail Shops, business partners and selected suppliers; possibility of becoming a Diners Club American Express, or HVB credit cardholder.
- A flexible Cafeteria-plan system of employee benefits was launched in mid-2004. The system allows employees to choose leisure and entertainment activities from a range of cultural events and services provided by sports institutions. The system also includes holiday contributions.

### Meeting the employees

Every year, T-Mobile organises large meetings between management representatives and regional employees. Last year's **Roadshow** tour again included Hradec Králové, Louny, Brno and Prague.

- The main goal of the Roadshow is to present the Company's strategy and current projects to all employees.
- Last year's presentation presented information on our involvement in the One Company concept. The programme also focused on the local No. 1 – Our Future strategy and various groups of goals; the new slogan of all T-Mobile Group members "For a better world for you" was introduced here for the first time and the brand attributes of simplicity, reliability and inspiration were explained.
- The presentation was enlivened by videos featuring customers and employees of the Company commenting on their relationship with the brand and their satisfaction with T-Mobile.

In addition to the Roadshow, a number of **Lighthouse Meetings** with management representatives traditionally took place in connection with the current issues concerning the Company. Last year, employees could discuss, for example, the activities related to UEFA EURO 2004 or non-voice services, the latest one being EDGE.

### Employee magazine

In February last year, employees were presented with the first issue of the new employee magazine called echo. As opposed to its predecessor PIN, echo is designed for all European employees of the individual T-Mobile companies. The “global” content is balanced with a local section, providing information on happenings at T-Mobile Czech Republic. In addition to the printed magazine, which is published six times a year, its intranet version echoPlus brings up-to-date information every day.

### I am T-Mobile workshops

A series of I am T-Mobile workshops took place as part of the One Company concept with the participation of almost four hundred employees selected depending on their jobs and requirements for the understanding of the Guiding Principles.

- The trainers, called facilitators, were selected from the individual local T-Mobile companies and underwent a challenging two-week training in Bonn.
- During 15 two-day seminars, six Czech facilitators then made the participants familiar with the One Company topics in a non-traditional way.
- Through practical examples and games, the facilitators presented important aspects of the international presence of our Company.

### Supporting young talent

Over the course of the last year, T-Mobile further deepened the partnership it had established in previous years with technical universities. This mutually beneficial cooperation provides a great investment and top-notch equipment to the academic sphere as well as the opportunity for talented students to work on real projects under the supervision of professionals. For the Company, this connection is, among other things, a guarantee of potential employees with a high level of professional knowledge.

- T-Mobile is in contact with, for example, the Brno University of Technology, the Prague Czech Technical University and Ostrava Technical University.
- In addition to specific projects, we participate in teaching students utilising professional lectures, organising excursions and open-house days, suggesting topics for theses and supporting the preparation of textbooks. Three mobile communications laboratories have opened with T-Mobile's support.

# Connectivity

## Relationships with customers and partners

**Customer care is a necessary and important part of doing business. We listen to clients and try to satisfy their individual needs with the aim of always offering them something more.**

### Points of sale

Last year, customers interested in our services could visit any of the 50 T-Mobile Retail Shops in all the larger cities of the Czech Republic. Over 30 Partner Shops offer a level of care comparable with T-Mobile Retail Shops. Almost 200 T-Mobile Profi Partners make up the rest of the distribution network.

- A new T-Mobile Retail Shop was opened in mid-November in Prague-Zličín – the first shop in the Czech Republic based on a new international concept. It is characterised by a large central counter where visitors can find all of our products and services, an Experience Wall with multimedia devices, offering customers the chance to try everything out, and a mobile solutions zone.
- All new shops have the same arrangement, providing customers with an immediate orientation no matter which T-Mobile country they may be in.

T-Mobile also offers its customers other shopping options. At the end of last year, a new Internet shop was launched, offering, in addition to the complete portfolio of mobile phones and Twist sets, the possibility of extending Subscriber Contracts or activating services. In addition to this alternative sales channel, there was also the Christmas toll-free line, in which customers could order goods from our Christmas special from the comfort of their own homes.

### Customer centres

Overall customer satisfaction often depends on the quality of customer service. Most frequently, customers come into contact with the T-Mobile Infoline, located in the customer centres in Louny and Hradec Králové, which is prepared to handle queries 24 hours a day, seven days a week.

- Last year alone, the T-Mobile Infoline handled almost 25 million calls. Of this, approximately a quarter of the customers needed operators' help; the remaining requests were handled by an automated voice response system.
- Based on our surveys, customers are very positive about the automated voice response system. They appreciate its clear arrangement and functionality, quick access to information and the ease of setting up services.

Since last year, customers who do not want or cannot wait for a connection with an Infoline operator have been able to order a call using a simple Internet form. The operator then calls them at the specified time.

### Management Closer to Customers

The aim of the programme called Management Closer to Customers is to get familiar with customer behaviour in practice and gain first-hand experience with the job of the employees who deal with customers on an everyday basis. The programme was launched at the beginning of last year and almost 50 managers, including top management, of the Company took part.

- Not behind the director's desk but behind the counter of a Retail Shop, that's where the Managing Director of the Company, Roland Mahler, spent a part of his working day as one of the first participants of the programme. Besides actually selling products to customers, he tried out other activities such as stock checking, selection of promotional materials and data entry.
- Management representatives could also try working in other departments of the Company. They accompanied members of the sales unit for the SME segment at meetings and had the chance to persuade clients themselves that T-Mobile services really pay off.
- Most participants of the programme also worked a shift on the Infoline. After their initial training and listening to several phone calls, they put on headsets and answered clients' questions themselves.

### Showrooms

Comprehensive care, flexibility and an individual customer approach are also reflected in the concept of specialized showrooms. T-Mobile was the first Czech operator to launch showrooms as early as 2003 in Prague and Ostrava.

- To all customers, showrooms offer a chance to get an overview of new products, the advantages and benefits for their businesses, to get familiar with case studies describing the use of new technologies in selected companies and to try out services based on practical examples, all free of charge.
- In addition to business customers, residential customers also had, to an increasing degree, the opportunity to check out the functionality of the practical services offered.

### Partner programme

Maximum care is provided not only to residential and business customers but also to partners using T-Mobile products and services to develop their own solutions that they subsequently offer to their end users.

- In addition to specialised services, T-Mobile provides its partners with comprehensive information, as well as technological and marketing support.
- The fact that cooperation was established with 35 companies offering 65 applications on tens of thousands of SIM cards by the end of last year confirms the mutually beneficial nature of the partner programme.
- Solutions offered by our partners can be divided into approximately five areas: location-finding services, mobile office and mobile data collection, mobile data reading, SMS applications and m-payment.

### Corporate publications

We provide our clients and partners with information on the happenings at T-Mobile and in the telecommunications industry through several publications.

- Dialog, a monthly newsletter for customers, provides an overview of the current selection of phones, information on new services and a lot more.
- Impuls, a quarterly magazine for members of the T-Mobile Club, is a lifestyle magazine, offering articles on mobile communications as well as interviews with interesting people and a lot of information on culture, sports and travelling.
- Professional, also a quarterly magazine, is designed particularly for business clients and partners and offers information on mobile services, products and solutions suitable for various fields of business. An Internet version of Professional, published on a monthly basis, was launched last year.
- Media Navigator is a monthly overview of the latest information for journalists. It was established last year as part of a special website called t-press, which is designed for the media and offers extensive press information.







## 2004 Financial Statements



## Report of Independent Auditors to the Shareholders of T-Mobile Czech Republic a.s.

We have audited the accompanying balance sheet of T-Mobile Czech Republic a.s. ("the Company") as at 31 December 2004, the related income statement, cash flow statement and notes for the year then ended presented in the annual report of the Company on pages 27 – 45 ("the financial statements"). The financial statements, which include a description of the activities of the Company, and the underlying accounting records, which are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and the International Standards on Auditing. Those auditing 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 accompanying financial statements give a true and fair view, in all material respects, of the assets, liabilities and equity of the Company as at 31 December 2004, and the results of its operations and its cash flows for the year then ended in accordance with the Act on Accounting and other relevant legislation of the Czech Republic.

We have examined whether the supplementary financial information included in the annual report of the Company on pages 1 – 23, which does not form part of the financial statements for the year ended 31 December 2004, is consistent with the audited financial statements of the Company. In our opinion, all other supplementary information included in the annual report is consistent with the audited financial statements in all material respects.

In addition we have also reviewed the Report on the Relationships to the Related Entities in respect of the year 2004 on pages 48 – 61 ("the Report"). The completeness and accuracy of the Report is the responsibility of the Board of Directors. 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 parties. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material misstatement. 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.

17 March 2005



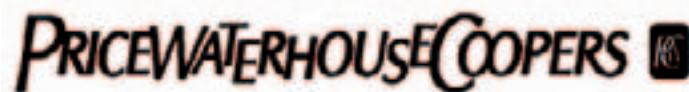
PricewaterhouseCoopers Audit, s.r.o.  
represented by



Thomas Linder  
Partner



Pavel Kulhavy  
Auditor, Licence No. 1538



## Balance Sheet

				2004	2003
				Net	Net
				(CZK'000)	(CZK'000)
ASSETS					
<b>B.</b>	<b>Fixed assets</b>	<b>45,323,147</b>	<b>(18,806,326)</b>	<b>26,516,821</b>	<b>29,113,803</b>
<b>B. I.</b>	<b>Intangible fixed assets</b>	<b>10,064,253</b>	<b>(4,080,412)</b>	<b>5,983,841</b>	<b>5,510,228</b>
B. I.	1. Research and development	275,495	(206,233)	69,262	77,009
	2. Software	4,638,304	(3,411,957)	1,226,347	770,920
	3. Valuable rights	699,820	(462,222)	237,598	253,956
	4. Intangible fixed assets in the course of construction	4,450,130	–	4,450,130	4,407,810
	5. Advances paid for intangible fixed assets	504	–	504	533
<b>B. II.</b>	<b>Tangible fixed assets</b>	<b>35,258,894</b>	<b>(14,725,914)</b>	<b>20,532,980</b>	<b>23,603,575</b>
B. II.	1. Land	16,451	–	16,451	44,425
	2. Buildings and construction	722,227	(165,782)	556,445	699,327
	3. Equipment	32,044,243	(14,537,122)	17,507,121	20,028,665
	4. Other tangible fixed assets	708	–	708	412
	5. Tangible fixed assets in the course of construction	2,469,844	(23,010)	2,446,834	2,811,041
	6. Advances paid for tangible fixed assets	5,421	–	5,421	19,705
<b>C.</b>	<b>Current assets</b>	<b>6,481,197</b>	<b>(2,238,467)</b>	<b>4,242,730</b>	<b>7,187,559</b>
<b>C. I.</b>	<b>Inventories</b>	<b>739,395</b>	<b>(116,620)</b>	<b>622,775</b>	<b>594,097</b>
C. I.	1. Raw materials	455,137	(105,683)	349,454	339,103
	2. Goods for resale	284,258	(10,937)	273,321	254,994
<b>C. II.</b>	<b>Long-term receivables</b>	<b>12,458</b>	<b>–</b>	<b>12,458</b>	<b>9,189</b>
C. II.	1. Trade receivables	5,246	–	5,246	3,554
	2. Long term advances paid	7,212	–	7,212	5,644
<b>C. III.</b>	<b>Short-term receivables</b>	<b>5,290,208</b>	<b>(2,121,847)</b>	<b>3,168,361</b>	<b>3,448,740</b>
C. III.	1. Trade receivables	4,245,486	(2,121,847)	2,123,639	2,426,940
	2. Receivables from members of associations	18,985	–	18,985	16,270
	3. Taxes and state subsidies receivable	70,734	–	70,734	266,266
	4. Short-term advances paid	120,887	–	120,887	182,580
	5. Anticipated assets	829,921	–	829,921	548,523
	6. Other receivables	4,195	–	4,195	8,161
<b>C. IV.</b>	<b>Short-term financial assets</b>	<b>439,136</b>	<b>–</b>	<b>439,136</b>	<b>3,135,524</b>
C. IV.	1. Cash in hand	13,112	–	13,112	16,022
	2. Cash at bank	155,214	–	155,214	138,362
	3. Short-term investments	270,810	–	270,810	2,981,140
<b>D. I.</b>	<b>Accrual and deferrals</b>	<b>69,597</b>	<b>–</b>	<b>69,597</b>	<b>118,956</b>
D. I.	1. Prepaid expenses	69,597	–	69,597	118,956
<b>TOTAL ASSETS</b>		<b>51,873,941</b>	<b>(21,044,793)</b>	<b>30,829,148</b>	<b>36,420,318</b>

			2004	2003
			Net	Net
			(CZK'000)	(CZK'000)
<b>LIABILITIES AND EQUITY</b>				
<b>A.</b>	<b>Equity</b>		<b>21,898,340</b>	<b>17,623,936</b>
<b>A. I.</b>	<b>Share capital</b>		<b>520,000</b>	<b>520,000</b>
A. I.	1.	Share capital	520,000	520,000
<b>A. II.</b>	<b>Capital contributions</b>		<b>5,341,343</b>	<b>5,352,941</b>
A. II.	1.	Share premium	5,344,110	5,344,110
	2.	Other capital contributions	8,020	8,162
	3.	Assets and liabilities revaluation	(10,787)	669
<b>A. III.</b>	<b>Reserve fund, non-distributable reserves and other reserves</b>		<b>104,000</b>	<b>104,000</b>
A. III.	1.	Statutory reserve fund/non-distributable reserves	104,000	104,000
<b>A. IV.</b>	<b>Retained earnings</b>		<b>11,646,995</b>	<b>7,288,286</b>
A. IV.	1.	Retained profits	11,646,995	7,288,286
<b>A. V.</b>	<b>Profit for the current period</b>		<b>4,286,002</b>	<b>4,358,709</b>
<b>B.</b>	<b>Liabilities</b>		<b>7,840,159</b>	<b>17,559,461</b>
<b>B. I.</b>	<b>Provisions</b>		<b>1,921,491</b>	<b>1,711,899</b>
B. I.	1.	Tax-deductible provisions	2,940	2,540
	2.	Income tax provisions	1,316,589	972,491
	3.	Other provisions	601,962	736,868
<b>B. II.</b>	<b>Long-term liabilities</b>		<b>2,169,266</b>	<b>2,320,465</b>
B. II.	1.	Trade payables	–	10,081
	2.	Long-term advances received	220,317	181,043
	3.	Deferred tax liability	1,948,949	2,129,341
<b>B. III.</b>	<b>Short-term liabilities</b>		<b>3,749,396</b>	<b>13,490,631</b>
B. III.	1.	Trade payables	1,009,182	1,330,839
	2.	Liabilities to shareholders	–	1,823,077
	3.	Liabilities to members of associations	4,726	15,358
	4.	Liabilities to employees	58,104	54,298
	5.	Liabilities for social security and health insurance	43,536	37,998
	6.	Taxes and state subsidies payable	19,784	15,823
	7.	Short-term advances received	189,830	166,093
	8.	Debentures and bonds issued	–	5,000,000
	9.	Anticipated liabilities	2,151,867	2,343,042
	10.	Other payables	272,367	2,704,103
<b>B. IV.</b>	<b>Bank loans and overdrafts</b>		<b>6</b>	<b>36,466</b>
B. IV.	1.	Short-term bank loans and overdrafts	6	36,466
<b>C. I.</b>	<b>Accruals and deferrals</b>		<b>1,090,649</b>	<b>1,236,921</b>
C. I.	1.	Accruals	125	69,966
	2.	Deferred revenue	1,090,524	1,166,955
<b>TOTAL LAIBILITIES AND EQUITY</b>			<b>30,829,148</b>	<b>36,420,318</b>

## Income Statement

		For the year ended 31 December	
		2004	2003
		(CZK'000)	(CZK'000)
I.	Sales of goods	1,014,940	930,830
A.	Cost of goods sold	2,147,631	2,054,684
+	<b>Gross profit</b>	<b>(1,132,691)</b>	<b>(1,123,854)</b>
II.	Sales of production	25,370,582	23,772,997
II.	1. Sales of own products and services	25,036,498	23,292,235
	2. Own work capitalised	334,084	480,762
B.	Cost of sales	10,342,443	9,615,424
B.	1. Raw materials and consumables	485,391	514,909
	2. Services	9,857,052	9,100,515
+	<b>Added value</b>	<b>13,895,448</b>	<b>13,033,719</b>
C.	Staff costs	1,734,507	1,611,320
C.	1. Wages and salaries	1,212,801	1,131,469
	2. Emoluments of board members	1,872	1,821
	3. Social security costs	453,162	418,595
	4. Other social costs	66,672	59,435
D.	Taxes and charges	287,314	220,652
E.	Depreciation of fixed assets	5,148,878	4,887,205
III.	Sale of fixed assets and raw materials	208,191	50,203
III.	1. Sale of fixed term assets	200,513	38,959
	2. Sale of raw materials	7,678	11,244
F.	Net book amount of fixed assets and raw materials sold	539,483	260,610
F.	1. Net book amount of fixed assets sold	477,909	92,045
	2. Net book amount of raw materials sold	61,574	168,565
G.	Change in provisions for operating liabilities and charges and complex prepaid expenses	267,883	273,213
IV.	Other operating income	1,128,856	965,570
H.	Other operating charges	827,865	641,227
*	<b>Operating result</b>	<b>6,426,565</b>	<b>6,155,265</b>
VI.	Income from sales of securities and shares	-	38,130,000
J.	Securities and shares sold	-	38,130,000
VIII.	Income from short-term investments	-	14,479
IX.	Gain on revaluation of securities and derivatives	979	51,396
L.	Loss on revaluation of securities and derivatives	42,325	351,701
X.	Interest income	93,048	53,688
N.	Interest expense	358,196	514,163
XI.	Other financial income	101,967	96,064
O.	Other financial expenses	115,906	128,029
*	<b>Financial result</b>	<b>(320,433)</b>	<b>(778,266)</b>
Q.	Tax on profit or loss on ordinary activities	1,820,130	1,018,290
Q.	1. current	2,000,522	1,160,169
	2. deferred	(180,392)	(141,879)
**	<b>Profit or loss on ordinary activities after taxation</b>	<b>4,286,002</b>	<b>4,358,709</b>
***	<b>Net profit for the financial period</b>	<b>4,286,002</b>	<b>4,358,709</b>



## Cash Flow Statement

		2004	2003
		(CZK'000)	(CZK'000)
<b>Cash flows from operating activities</b>			
<b>Net profit on ordinary activities before tax</b>		<b>6,106,132</b>	<b>5,376,999</b>
A.1	Adjustments for non-cash movements:	5,959,304	5,647,145
A.1.1	Depreciation of fixed assets	5,148,878	4,887,205
A.1.2	Change in provisions	267,882	260,858
A.1.3	Profit/(loss) from disposal of fixed assets	277,396	53,086
A.1.4	Net interest expense and similar items	265,148	445,996
<b>A *</b>	<b>Net cash flows from ordinary activities before tax, changes in working capital and extraordinary items</b>	<b>12,065,436</b>	<b>11,024,144</b>
A.2	Working capital changes:	(679,291)	740,190
A.2.1	(Increase)/decrease in receivables and prepayments	(248,834)	32,853
A.2.2	Increase in short term payables and accruals	(178,750)	474,936
A.2.3	Decrease in inventories	(251,707)	232,401
<b>A **</b>	<b>Net cash flows from ordinary activities before tax and extraordinary items</b>	<b>11,386,145</b>	<b>11,764,334</b>
A.3	Interest paid	(419,185)	(478,549)
A.4	Interest received	60,350	68,167
A.5	Income tax on ordinary activities received / (paid)	(1,656,444)	76,917
<b>A ***</b>	<b>Net cash flows from ordinary activities</b>	<b>9,370,866</b>	<b>11,430,869</b>
<b>Cash flows from investing activities</b>			
B.1	Acquisition of fixed assets	(2,817,517)	(2,823,495)
B.2	Proceeds from sale of fixed assets	196,041	38,959
<b>B ***</b>	<b>Net cash flows from investing activities</b>	<b>(2,621,476)</b>	<b>(2,784,536)</b>
<b>Cash flows from financing activities</b>			
C.1	Change in long and short-term liabilities	(9,441,079)	(6,701,806)
<b>C ***</b>	<b>Net cash flows from financing activities</b>	<b>(9,441,079)</b>	<b>(6,701,806)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(2,691,689)</b>	<b>1,944,527</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>3,130,819</b>	<b>1,186,292</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>439,130</b>	<b>3,130,819</b>

## Notes to 2004 Financial Statements

Company name:	<b>T-Mobile Czech Republic a.s.</b>
Registered office:	<b>Tomíčková 2144/1, Prague, 149 00</b>
Legal form:	<b>Joint-stock company</b>
Company registration No.	<b>64949681</b>
Registered with the Commercial Register:	<b>Municipal Court in Prague, Section B, Entry 3787</b>

### 1. General Information

#### 1.1. Establishment and Details of the Company

T-Mobile Czech Republic a.s. ("the Company"), located in Prague 4, Tomíčková 2144/1, was incorporated on 15 February 1996 as a joint-stock company in the Czech Republic.

The Company operates a public Global System for Mobile Communications ("GSM") network and provides mobile telecommunications services under the terms and conditions stated in the Authorisation issued by the Ministry of Economy of the Czech Republic on 25 March 1996, under the reference number of 7660/96-611. The Authorisation has been transformed into licences for the establishment and provision of the public GSM network and as well as the provision of mobile telecommunications services, in accordance with the new legislative amendment according to section 107 of the Act on Telecommunications No. 151/2000 Coll. as amended, via this network (refer to Note 1.3, Licences and trademarks).

#### 1.2. Structure of the Company's Ownership

At 31 December 2004, the ownership structure of the Company was as follows:

Shareholder	No. of shares (thousands)	Paid in share capital (CZK '000)	%
CMobil B.V.	316	316,000	60.77
ČESKÉ RADIOKOMUNIKACE a.s.	204	204,000	39.23
Total	520	520,000	100.00

The ownership structure of the Company is governed by the terms of the Shareholders Agreement dated 3 December 2002, which replaced the Shareholders Agreement dated 19 October 2000, as amended by the Amendment to the Shareholders Agreement, dated 22 July 2002. The ultimate parent company of CMobil B.V. is Deutsche Telekom AG ("DTAG"), which controls CMobil B.V. via T-Mobile International AG ("TMO").

There have been no changes in the ownership structure of the Company during 2004.

#### 1.3. Licences and Trademarks

Based on an agreement concluded with the Czech Telecommunications Office ("CTO") on 14 December 2001, the Company obtained the licence to provide telecommunications services under the UMTS system. In accordance with the Act on Telecommunications No. 151/2000 Coll. as amended, CTO issued new licences for the establishment and operation of a public GSM network, including the assignment of frequency bands of 2 x 10 MHz in the range of GSM 1800 MHz and the provision of public telecommunications services through the public telecommunication network.

Based on the results of administrative proceedings, CTO has issued the following new licences:

- Licence to provide public telecommunications services using the public mobile network, issued on 1 September 2004;
- Licence to establish and provide telecommunications services under the GSM system, issued on 1 October 2004;
- Licence to establish and provide telecommunications services under the UMTS system, issued on 1 October 2004.

All three telecommunications licences are legally enforceable and will be valid for 20 years (they expire in 2024). Some articles were removed from the licences compared to the original licences. The Authorisation issued to RadioMobil a.s. (25 March 1996) to establish and operate a public telecommunications network in the GSM standard and to provide telecommunications services connected with this network, expired on the date when the three new licences became legally enforceable.

Based on the Company's requirement, the CTO issued Amendment no. 2 on 13 July 2004. This amendment has changed the allocation of frequencies in the range of GSM 1800 MHz, including frequency bands of 2 x 10 MHz, obtained with the UMTS licence, which allowed frequencies to create an integrated block of 90 channels (2 x 18 MHz). This change is included in the new GSM licence, issued on 1 October 2004.

According to the amendment to the agreement entered into on 14 December 2001 with the CTO, signed 5 December 2003, the settlement of the remaining obligation to the CTO resulting from the purchase of the UMTS licence was made in two equal installments in the amount of CZK 1,287,450,000 on 14 April 2004 and 16 August 2004 (refer to Note Other Payables). Subsequent to preparation of the financial statements the UMTS telecommunications licence changed (refer to Note 5, Post Balance Sheet Events).

Based on the Company's request, the CTO issued the registration certificate based on the general licence GL – 29/S/2000 to the Company on 16 July 2004 in order to provide telecommunications services and the lease of frequency bands.

The Company has 22 registered trademarks and has duly submitted applications for the registration of nine additional trademarks in the Industrial Property Office Register, one of which is in the process of going public.

Based on a sublicense agreement between the Company and TMO, the Company also has the right to use the relevant trademarks registered in the Czech Republic by DTAG.

#### 1.4. Statutory and Supervisory Bodies

The members of the Board of Directors at 31 December 2004 were as follows:

Mr. Timotheus Höttges	Chairman
Mr. Mark Robert Donegan	Vice-Chairman
Mr. Dominic Robert Nicholas Redfern	Member
Mr. Timothy James Lang Taylor	Member
Mr. Thomas Georg Winkler	Member
Mr. Roland Mahler	Member
Mr. Hamid Akhavan – Malayeri	Member

Mr. Michael Günther resigned on 2 February 2004, both as a chairman and member of the Board of Directors. The Company's Board of Directors duly discussed this resignation, followed by the General Meeting, which approved it. The resignation from the position of member and chairman of the Board of Directors became effective on 1 March 2004. The deletion from the Commercial Register ("the CR") is legally enforceable.

The General Meeting, held on 24 February 2004, elected Mr. Nikesh Arora to be a new member of the Board of Directors, effective 1 March 2004. Mr Nikesh Arora resigned from his position as a member of the Board of Directors, effective 30 September 2004. The Company's Board of Directors duly discussed, and the General Meeting acknowledged, this resignation on 12 October 2004. The change was not reflected in the CR as at 31 December 2004.

The Company's Board of Directors meeting held on 5 March 2004 elected Mr. Timotheus Höttges the new chairman of the Board of Directors. This change is legally effective.

The General meeting held on 12 October 2004 elected Mr. Hamid Akhavan – Malayeri a new member of the Board of Directors effective 12 October 2004. The change was not reflected in the CR at the financial statements issuance date.

The directors of the Supervisory Board at 31 December 2004 were as follows:

Mr. Frank Stoffer	Chairman
Mr. Pavel Keprt	Member
Mr. Vítězslav Žalud	Member
Mr. Tomáš Tomiczek	Member
Mr. Kai Breuer	Member
Mr. Antonius Joseph Zijlstra	Member

In 2004, the electoral period of two members of the Supervisory Board, elected by the Company's employees, Mrs. Kateřina Šuvarinová and Mr. Václav Hladík, expired. Mr. Pavel Keprt and Mr. Vítězslav Žalud were elected by employees as new members of the Supervisory Board on 8 December 2004.

The changes in the Supervisory Board in 2003 and 2004 were not reflected in the CR at the financial statements issuance date.

## 2. Accounting Policies and General Accounting Principles

### 2.1. Basis of Accounts

The Company's records are maintained, and the financial statements are prepared, in compliance with the Act on Accounting No. 563/1991 Coll., as amended, and the relevant legislation.

In accordance with relevant changes in executive regulation regarding the Act on Accounting effective 1 January 2004, the Company discloses short-term and long-term advances paid, and short-term and long-term advances received on separate lines of financial statements, whereas the advances were disclosed under trade receivables and payables in prior financial statements. Comparative data are disclosed in financial statements in accordance with their classification as at 31 December 2004.

Effective 1 January 2004 the Company started mutual netting-off income tax provision with advances paid for income tax in the financial statements. Comparative data in the balance sheet are disclosed in accordance with their classification as at 31 December 2004. Advances paid for income taxes have been reclassified from the line Taxes and state subsidies receivable to the line Income tax provision amounted as at 1 January 2004 to CZK 186,996,000.

### 2.2. Methods of Valuation

#### 2.2.1. Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are valued at acquisition cost. The acquisition cost comprises the purchase price, transportation cost, customs, installation costs and other relevant costs, including directly related internal costs. Interest and other financial expenses incurred in connection with the acquisition of tangible and intangible fixed assets are capitalised until the asset is put into use.

Intangible assets comprise the following:

I. GSM licences, which represent the right to provide telecommunication services in the Czech Republic and to 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 its useful life using the straight-line method. The useful life is considered to be 20 years from the date the licences become legally effective.

II. The UMTS licence, acquired by the Company in December 2001, represents the right to provide telecommunication services in the Czech Republic under the UMTS system. As at 31 December 2004, the UMTS licence is not yet in use, as the system is in the process of preparation for the commercial launch. Once in use, the licence will be amortised over its useful life. The useful life of the UMTS licence is considered to be the period from when the licence goes into commercial use, through the licence expiration date in 2024.

III. Software costs are amortized over the expected period of the benefit of the cost, which is two or three years. The costs include the cost of the licence for use of software and the 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.

IV. Development costs are recognised as intangible assets to the extent that such an expenditure is expected to generate future economic benefits. Development costs are amortised using the straight-line method over the period of time for which the effort is expected to contribute to revenues, i.e. 2-5 years. The Company does not perform research.

Costs for repair and maintenance of tangible fixed assets are recorded as expenses.

Technical improvement of tangible fixed assets exceeding CZK 40,000 per year is capitalised. Technical improvement below the stated amount is charged directly to the income statement.

#### 2.2.2. Financial Investments

The Company classifies securities and investments, other than investments in subsidiaries and associated undertakings into the following categories: trading, available-for-sale or held-to-maturity.

All securities and investments are initially recorded at cost, including fees and commissions to brokerages and stock exchanges. The acquisition cost does not include interest from the acquisition of loans financing securities purchases nor related administration costs.

2.2.3. Inventories

Purchased inventories are recorded at acquisition cost. The acquisition cost primarily includes the purchase price of materials and other costs incurred to bring inventory to its present state and location. These costs include customs tax, storage costs during transportation and freight costs.

Inventories are valued according to the weighted-average cost method.

Technical equipment that is dismantled from base transmission stations and stored in the Company's technology warehouses is valued at the equipment's net book value upon dismantling.

Mobile handsets are generally stated at acquisition price, although the actual selling price might be lower than cost. Such below-cost sales are made in an effort to gain new customers and thereby increase future revenues. Management estimates that the discounted future profit generated by such handsets will exceed the loss incurred upon the sale of that handset.

2.3. Depreciation Plan

The Company's tangible and intangible fixed assets are depreciated using the straight-line method with annual depreciation rates based on the estimated useful life of the assets. Depreciation begins in the month when all statutory and technical requirements are met, consistent with Czech accounting and similar regulations.

The amended estimated useful life for the main asset categories are as follows:

Asset group	Useful life (years)
Development	2 – 5
Software	2 – 3
Valuable rights – licences	20
Buildings and construction	20
Machinery and equipment	
Towers, poles	10
Technology equipment of the GSM network	8
Hardware	3
Office equipment	5 – 7
Transport vehicles	6

Effective 1 January 2003, the Company decided to no longer create sets of tangible assets with common technical and/or economical functions, but rather to record new items individually. Existing groups/sets were preserved.

Tax depreciation is calculated by using the straight-line depreciation method with the exception of GSM equipment, which for tax purposes is depreciated for four years using the accelerated depreciation method.

2.4. Method of Determining Provisions for Assets and Liabilities

2.4.1. Provisions for Assets

a) Provisions for tangible and intangible fixed assets

If the carrying amount of an asset exceeds its estimated recoverable amount, a provision is created.

b) Provisions for receivables

In 2004, following internal guidelines, the Company created a provision for receivables based on the ageing of receivables and information about the current financial situations of customers and dealers. The provision is calculated as a percentage of total receivables, ranging from 2 percent to 100 percent. Bad debts from customers are offset by the deposits obtained from them at the beginning of the contract period.

c) Provisions for inventories

Provisions for inventories are based on stock-take results and are created as a percentage of the respective types of inventories, taking into account the possibility that certain items of inventories will not be used or will be sold at a price lower than cost.

Mobile handsets are generally valued at acquisition cost, as management estimates that the discounted future profits generated by each handset will exceed the loss upon the subsidized sale of that handset.

2.4.2. Provisions for Liabilities

Provisions are recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The Company created a provision for estimated future costs, in connection with its loyalty program for customers ("T-Mobile Bonus"), for those loyalty points that were earned and unused as at the year end.



## 2.5. Revenue Recognition

Revenues include amounts invoiced for airtime, monthly subscription fees, service activation fees, charges for roaming calls and related services such as SMS, MMS and the sale of handsets and other accessories. It excludes prepaid airtime and value-added tax.

In cases where the Company sells mobile telephone handsets at a discount, the resulting losses are recognised at the date of sale.

Monthly subscription fees, charges on roaming calls and handset sales are recognised as revenue at the time they are earned (at the time the service or product is provided).

Activation fees for prepaid card customers are deferred until the first use of the card by the customer. At the moment of the customer's first use, the activation fee is recognised as revenue. Airtime sold on prepaid cards is initially deferred and is recognised on the basis of prepaid airtime actually used.

Activation fees for postpaid customers are recognised at the time the customer is technically activated within the network. Revenues from the airtime of postpaid customers are recorded based on the number of minutes processed and are recorded when the traffic is processed and the communication services are rendered.

Interconnection revenues are recognised as earned, on a monthly basis, at the value of interconnection services provided to other operators of mobile and fixed-line telecommunication networks. In cases where pricing agreements are not in place, revenues are recorded on the basis of management's best estimate, with any necessary adjustments being made in the period of settlement. Refer to Note 3.12, Commitments and contingent liabilities.

Interest income is accrued based on unpaid principal and the interest rate used.

## 2.6. Foreign Currency Translation

Transactions denominated in a foreign currency are translated and recorded at the exchange rate published by the Czech National Bank at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies have been translated at balance sheet date using the year-end exchange rate as published by the Czech National Bank. 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, except for transactions treated under hedge accounting (hedging of forecasted cash flows), which are included in equity.

## 2.7. Deferred Taxation

Deferred tax is determined based on all temporary differences between the carrying amount of assets and liabilities and the tax base of those assets and liabilities, using the tax rate applicable for the accounting period in which the item is expected to reverse. Deferred tax assets are recognised if it is probable that sufficient future taxable profit will be available against which the assets can be utilised. Deferred income tax charged or credited to the income statement is measured as the change in the net deferred tax asset or liability during the year.

## 2.8. Hedging of Currency and Interest Rate Risks

### Currency and interest risk management

The Company's activities expose it to a variety of financial risks, including the effects of variations in foreign currency exchange rates and interest rates. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses derivative financial instruments such as forward foreign exchange contracts, options and interest rate swaps to hedge certain exposures.

Risk management is the responsibility of the Company's Treasury Department under the policies and guidelines set by the Board of Directors of T-Mobile Czech Republic a.s.

The Company uses forward foreign exchange contracts and zero-cost option structures in its management of the currency risks associated with its foreign currency supplier-customer relations and loans obtained in foreign currencies.

The Company uses interest rate swaps to hedge a portion of the interest rate risks arising from its borrowings. The interest rate swaps are recognised at their fair market value and, in accordance with supporting accounting legislation, are classified as trading derivatives.

The Company does not undertake any speculative transactions.

### Concentrations of credit risk

The Company has no significant concentrations of credit risk. Derivative and cash transactions counterparties are limited to high credit quality financial institutions. The Company has policies that limit the amount of credit exposure to any one financial institution.

**Liquidity risk management**

Prudent liquidity risk management implies the maintenance of sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company's Treasury Department aims at maintaining flexibility in funding by keeping committed credit lines available.

**Accounting for derivative financial instruments and hedging activities**

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently re-measured at their fair market value. In assessing the fair market value of derivatives, the Company uses a variety of methods, including techniques such as the present value of the estimated future cash flows and assumptions that are based on market conditions existing at balance sheet date.

All derivative financial instruments held by the Company are recognised using settlement-date accounting.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair market value with unrealized gains and losses reported in the income statement for the year.

Changes in the fair market value of derivatives held for trading are included in net profit or loss from financial transactions.

The Company uses foreign currency forward contracts to hedge estimated cash flows (related to purchases of fixed assets, inventory and services). Further, foreign exchange forward contracts are being used to hedge the fair market value of existing balance sheet items (promissory notes). Beginning 1 January 2004, the Company has introduced hedge accounting under the existing provisions of law, which resulted in the change of the fair market value of certain derivatives being classified within Revaluation differences of assets and liabilities. The fair market value of derivatives is included in the income statement in the same period as the underlying items to match the gains and losses of the hedged items.

**2.9. Leases**

The costs of assets held under both finance and operating leases are not capitalised into fixed assets and are recorded as expenses evenly over the life of the lease. Amounts payable in future periods but not yet due are disclosed in the notes but not recognised in the balance sheet.

**2.10. Cash flow Statement**

The Company has prepared a cash flow statement following the indirect method. Cash equivalents represent short-term liquid investments, deposits and bank overdraft.

**2.11. Subsequent Events**

The effect of events that occurred between the balance sheet date and the date of signing the financial statements is reflected in the financial statements only if further evidence of situations that arose as a result of such events at the balance sheet date was available.

In case significant events subsequent to the balance sheet date but preceding the signing of the financial statements occur, and they are indicative of conditions after the balance sheet date, the effect of these events is disclosed but is not reflected in the financial statements.

### 3. Additional Information on the Balance Sheet and the Profit and Loss Account

#### 3.1. Fixed Assets

##### 3.1.1. Intangible Fixed Assets

Cost (CZK'000)	Research and development	Software	Valuable rights	Intangible fixed assets in the course of construction *	Advances paid for intangible fixed assets *	Total
<b>1. 1. 2003</b>	<b>165,948</b>	<b>2,594,738</b>	<b>729,870</b>	<b>4,388,037</b>	<b>33,743</b>	<b>7,912,336</b>
Additions	82,528	440,183	10,784	61,783	–	595,278
Disposals	–	(18,642)	–	–	(33,210)	(51,852)
<b>31. 12. 2003</b>	<b>248,476</b>	<b>3,016,279</b>	<b>740,654</b>	<b>4,449,820</b>	<b>533</b>	<b>8,455,762</b>
Transfers	–	777,883	(41,802)	–	–	736,081
Additions	30,117	848,473	1,885	310	–	880,785
Disposals	(3,098)	(4,331)	(917)	–	(29)	(8,375)
<b>31. 12. 2004</b>	<b>275,495</b>	<b>4,638,304</b>	<b>699,820</b>	<b>4,450,130</b>	<b>504</b>	<b>10,064,253</b>

\*) Additions and transfers between the Intangible fixed assets in the course of construction and Advances paid for fixed intangible assets are recorded as net additions or net disposals.

Accumulated amortisation/provisions (CZK'000)	Research and development	Software	Valuable rights	Intangible fixed assets in the course of construction	Advances paid for intangible fixed assets	Total
<b>1. 1. 2003</b>	<b>145,598</b>	<b>1,728,217</b>	<b>462,043</b>	<b>–</b>	<b>–</b>	<b>2,335,858</b>
Additions	25,869	535,784	24,655	–	–	586,308
Disposals	–	(18,642)	–	–	–	(18,642)
Provisions	–	–	–	42,010	–	42,010
<b>31. 12. 2003</b>	<b>171,467</b>	<b>2,245,359</b>	<b>486,698</b>	<b>42,010</b>	<b>–</b>	<b>2,945,534</b>
Transfers	–	430,499	(35,932)	–	–	394,567
Additions	37,864	740,415	12,373	–	–	790,652
Disposals	(3,098)	(4,316)	(917)	–	–	(8,331)
Provisions	–	–	–	(42,010)	–	(42,010)
<b>31. 12. 2004</b>	<b>206,233</b>	<b>3,411,957</b>	<b>462,222</b>	<b>–</b>	<b>–</b>	<b>4,080,412</b>

Net book value (CZK'000)	Research and development	Software	Valuable rights	Intangible fixed assets in the course of construction	Advances paid for intangible fixed assets	Total
<b>31. 12. 2003</b>	<b>77,009</b>	<b>770,920</b>	<b>253,956</b>	<b>4,407,810</b>	<b>533</b>	<b>5,510,228</b>
<b>31. 12. 2004</b>	<b>69,262</b>	<b>1,226,347</b>	<b>237,598</b>	<b>4,450,130</b>	<b>504</b>	<b>5,983,841</b>

Intangible fixed assets in the course of construction primarily consist of the value of the UMTS licence obtained on 14 December 2001 in a public tender. As the highest bidder, the Company also obtained frequency bands of 2 x 10 MHz in the range of GSM 1800 MHz, included in the agreed price. The UMTS licence has been valued at CZK 3,535 million (the offer of the competitor in the tender) and the additional frequency of GSM 1800 MHz has been valued at CZK 326 million. Capitalized interest totalled CZK 255,146,000 as at 31 December 2004 (31 December 2003: CZK 251,309,000).

## 3.1.2. Tangible Fixed Assets

	Construction, buildings and land	Machinery and equipment	Transport vehicles	Office equipment	Tangible fixed assets in the course of construction *	Advances paid for tangible fixed assets *	Total
Cost (CZK'000)							
<b>1. 1. 2003</b>	<b>1,225,880</b>	<b>29,104,106</b>	<b>23,764</b>	<b>17,052</b>	<b>3,864,883</b>	<b>53,940</b>	<b>34,289,625</b>
Transfers	–	4,205	8,036	(12,241)	–	–	–
Additions	35,493	3,289,758	6,036	–	–	–	3,331,287
Disposals	(130,759)	(744,642)	(7,975)	–	(991,091)	(34,235)	(1,908,702)
<b>31. 12. 2003</b>	<b>1,130,614</b>	<b>31,653,427</b>	<b>29,861</b>	<b>4,811</b>	<b>2,873,792</b>	<b>19,705</b>	<b>35,712,210</b>
Transfers	–	(736,081)	–	–	–	–	(736,081)
Additions	38,220	2,340,882	360	1,515	–	–	2,380,977
Disposals	(430,156)	(1,247,776)	(1,997)	(51)	(403,948)	(14,284)	(2,098,212)
<b>31. 12. 2004</b>	<b>738,678</b>	<b>32,010,452</b>	<b>28,224</b>	<b>6,275</b>	<b>2,469,844</b>	<b>5,421</b>	<b>35,258,894</b>

\*) Additions and transfers between Tangible fixed assets in the course of construction and Advances paid for tangible fixed assets are recorded as net disposals.

	Construction, buildings and land	Machinery and equipment	Transport vehicles	Office equipment	Tangible fixed assets in the course of construction	Advances paid for tangible fixed assets	Total
Accumulated depreciation/ provisions (CZK'000)							
<b>1. 1. 2003</b>	<b>309,756</b>	<b>8,206,085</b>	<b>19,975</b>	<b>8,699</b>	<b>160,000</b>	<b>–</b>	<b>8,704,515</b>
Transfers	–	2,423	3,665	(6,088)	–	–	–
Additions	75,603	3,768,625	4,844	140	–	–	3,849,212
Disposals	(64,748)	(344,827)	(4,519)	–	–	–	(414,094)
Provisions	66,251	–	–	–	(97,249)	–	(30,998)
<b>31. 12. 2003</b>	<b>386,862</b>	<b>11,632,306</b>	<b>23,965</b>	<b>2,751</b>	<b>62,751</b>	<b>–</b>	<b>12,108,635</b>
Transfers	–	(394,567)	–	–	–	–	(394,567)
Additions	61,688	4,201,805	3,675	1,570	–	–	4,268,738
Disposals	(161,784)	(950,327)	(1,998)	–	–	–	(1,114,109)
Provisions	(120,984)	17,942	–	–	(39,741)	–	(142,783)
<b>31. 12. 2004</b>	<b>165,782</b>	<b>14,507,159</b>	<b>25,642</b>	<b>4,321</b>	<b>23,010</b>	<b>–</b>	<b>14,725,914</b>

	Construction, buildings and land	Machinery and equipment	Transport vehicles	Office equipment	Tangible fixed assets in the course of construction *	Advances paid for tangible fixed assets *	Total
Net book value (CZK'000)							
<b>31. 12. 2003</b>	<b>743,752</b>	<b>20,021,121</b>	<b>5,896</b>	<b>2,060</b>	<b>2,811,041</b>	<b>19,705</b>	<b>23,603,575</b>
<b>31. 12. 2004</b>	<b>572,896</b>	<b>17,503,293</b>	<b>2,582</b>	<b>1,954</b>	<b>2,446,834</b>	<b>5,421</b>	<b>20,532,980</b>

The Company classified fixed assets as “in use” and commenced depreciation only after all statutory and technical requirements were met, consistent with Czech accounting and similar regulations. Had depreciation been charged in accordance with the date the asset was actually put into use, the accumulated depreciation at 31 December 2004 would have been increased by approximately CZK 288,370,000 (31 December 2003: CZK 426,014,000).

### 3.1.3. Finance Leases

A summary of future payments relating to finance lease contracts at 31 December 2004 and 2003 is as follows:

	Total number of concluded contracts	Maturity			Total
		Up to 1 year (CZK'000)	1 - 2 years (CZK'000)	2 + years (CZK'000)	
<b>31 December 2003</b>	457	84,591	30,153	16,687	<b>131,431</b>
<b>31 December 2004</b>	449	62,589	43,858	10,083	<b>116,530</b>

In 2004, finance lease payments totalled CZK 83,248,000 (2003: CZK 82,791,000).

### 3.2. Inventories

(CZK'000)	31. 12. 2004	31. 12. 2003
Handsets and related equipment	284,258	266,086
Technology inventories	429,142	405,726
Other inventories	25,995	35,188
<b>Subtotal</b>	<b>739,395</b>	<b>707,000</b>
Provision for inventories	(116,620)	(112,903)
<b>Total inventories</b>	<b>622,775</b>	<b>594,097</b>

The change in the provision for obsolete and slow moving inventory is analyzed as follows:

(CZK'000)	2004	2003
Opening balance as at 1 January	112,903	203,474
Creation of the provision	3,717	-
Release / utilisation of the provision	-	(90,571)
<b>Closing balance as at 31 December</b>	<b>116,620</b>	<b>112,903</b>

### 3.3. Receivables

#### 3.3.1. Short-term Receivables

(CZK'000)	31. 12. 2004	31. 12. 2003
Trade receivables		
current and overdue less than 180 days	1,896,171	1,599,526
overdue more than 180 days	2,349,315	2,365,797
<b>Total trade receivables</b>	<b>4,245,486</b>	<b>3,965,323</b>
Provision for doubtful debts	(2,121,847)	(1,538,383)
<b>Subtotal</b>	<b>2,123,639</b>	<b>2,426,940</b>
Taxes and state subsidies receivables	70,734	266,266
Short-term advances paid	120,887	182,580
Anticipated assets	829,921	548,523
Other receivables	23,180	24,431
<b>Total short-term receivables</b>	<b>3,168,361</b>	<b>3,448,740</b>

At 31 December 2004 the overdue receivables were CZK 2,901,451,000 (at 31 December 2003: CZK 2,735,758,000).

Trade receivables represent, in particular, receivables from users of the GSM network, receivables from other telecommunications services providers, receivables from partners of electronically recharged Twist coupons and receivables from dealers.

Overdue receivables relate primarily to unsettled interconnection fees.

Anticipated assets mainly represent services of the GSM network provided to customers of the Company that were not invoiced at the balance sheet date, uninvoiced interconnection fees and uninvoiced interconnection capacity provided to other providers of telecommunications services.

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

(CZK'000)	2004	2003
Opening balance as at 1 January	1,538,383	1,377,473
Creation of the provision	965,516	336,434
Release / utilisation of the provision	(382,052)	(175,524)
<b>Closing balance as at 31 December</b>	<b>2,121,847</b>	<b>1,538,383</b>

The increase of provision for doubtful debts in 2004 compared to 2003 resulted from an increased number of customers and thus increased the amount of receivables and also from the creation of a provision for interconnection receivables.

3.3.2. Long-Term Receivables

Long-term receivables consist primarily of advances for rent.

3.4. Short-Term Financial Assets

Short-term financial assets, including bank overdrafts, are considered to represent cash and cash equivalents and can be analysed as follows:

(CZK'000)	31. 12. 2004	31. 12. 2003
Cash in hand, cash in transit and cash at bank	168,326	154,384
Short-term investments	270,810	2,981,140
<b>Total short-term financial assets</b>	<b>439,136</b>	<b>3,135,524</b>
Bank overdrafts	(6)	(4,705)
<b>Total cash and cash equivalents</b>	<b>439,130</b>	<b>3,130,819</b>

3.5. Accruals and Deferrals

3.5.1. Prepaid Expenses

Prepaid expenses in 2004 include costs related to the lease of office space and buildings needed for the installation of GSM technologies, paid in advance. These costs are recorded as expenses on an accrual basis. Their total value at 31. December 2004 was CZK 69,597,000 (31. December 2003: CZK 118,956,000).



### 3.6. Equity

Movements in the Company's equity:

(CZK'000)	Registered capital	Share premium	Assets and liabilities revaluation	Statutory reserve fund	Other capital contributions	Retained earnings	Net profit under approval	Total
<b>1. 1. 2003</b>	<b>520,000</b>	<b>5,344,110</b>	<b>(285,659)</b>	<b>104,000</b>	<b>–</b>	<b>4,758,722</b>	<b>2,529,564</b>	<b>12, 970,737</b>
Distribution of 2002 profit	–	–	–	–	–	2,529,564	(2,529,564)	–
Revaluation of financial instruments	–	–	286,328	–	–	–	–	286,328
Bestowed assets	–	–	–	–	8,162	–	–	8,162
Net profit for the period	–	–	–	–	–	–	4,358,709	4,358,709
<b>31. 12. 2003</b>	<b>520,000</b>	<b>5,344,110</b>	<b>669</b>	<b>104,000</b>	<b>8,162</b>	<b>7,288,286</b>	<b>4,358,709</b>	<b>17,623,936</b>
Distribution of 2003 profit	–	–	–	–	–	4,358,709	(4,358,709)	–
Revaluation of financial instruments	–	–	(11,456)	–	–	–	–	(11,456)
Bestowed assets	–	–	–	–	(142)	–	–	(142)
Net profit for the period	–	–	–	–	–	–	4,286,002	4,286,002
<b>31. 12. 2004</b>	<b>520,000</b>	<b>5,344,110</b>	<b>(10,787)</b>	<b>104,000</b>	<b>8,020</b>	<b>11,646,995</b>	<b>4,286,002</b>	<b>21,898,340</b>

#### 3.6.1. Share Capital and Capital Contributions

The Company's shares have a nominal value of CZK 1,000 each and are uncertified, registered and not publicly traded.

A share premium of CZK 5,344,110,000 was paid under the Joint Venture Agreement of the joint-stock company between ČESKÉ RADIOKOMUNIKACE a.s. and CMobil B.V., dated 25 March 1996, and the Agreement between the Ministry of Economy of the Czech Republic, CMobil B.V. and ČESKÉ RADIOKOMUNIKACE a.s., dated 25 March 1996. The valuable right to provide telecommunications services under GSM forms a part of the share premium.

The statutory reserve fund comprises funds that the Company is required to retain according to current legislation. Use of the statutory reserve fund is limited by legislation and the statutes of the Company and it is not available for distribution to the shareholders.

#### 3.6.2. Dividends

Since the Company's incorporation, no dividends have been paid.

#### 3.7. Provision for Liabilities and Charges

(CZK'000)	Provision for tax payable	Other provisions	Total
<b>1. 1. 2003</b>	<b>–</b>	<b>547,546</b>	<b>547,546</b>
Creation of provision	972,491	739,408	1,711,899
Clearing / utilisation of provision	–	(547,546)	(547,546)
<b>31. 12. 2003</b>	<b>972,491</b>	<b>739,408</b>	<b>1,711,899</b>
Creation of provision	1,316,589	604,902	1,921,491
Clearing / utilisation of provision	(972,491)	(739,408)	(1,711,899)
<b>31. 12. 2004</b>	<b>1,316,589</b>	<b>604,902</b>	<b>1,921,491</b>

At 31 December 2004, the Company created a provision of CZK 446,228,000 for estimated future costs related to the T-Mobile Bonus program (31 December 2003: CZK 407,849,000).

### 3.8. Short-term Liabilities

#### Trade Payables

(CZK'000)	31. 12. 2004	31. 12. 2003
Trade payables		
domestic payables	979,226	1,272,010
foreign payables	29,956	58,829
<b>Total trade payables</b>	<b>1,009,182</b>	<b>1,330,839</b>

At 31 December 2004 the amount of overdue payables was CZK 96,000,000. (As at 31 December 2003, they were less than CZK 21,000,000).

Overdue payables did not include any due social security payable or contribution to the state unemployment policy, nor did they include a due public health insurance contribution.

Upon authorisation of the Company bank guarantees were granted to the lessors of commercial premises and real estate (including the renter of the new administrative building of the Company, Rožtyly Centrum a.s.), for a total of CZK 65,524,000 as at 31 December 2004 (31 December 2003: CZK 146,444,000).

There were bank guarantees for customs duties of CZK 50,370,000 as at 31 December 2004 (31 December 2003: CZK 54,370,000).

Other guarantees at 31 December 2004 amounted to CZK 2,500,000 (31 December 2003: CZK 1,680,000).

#### Anticipated Liabilities

Anticipated liabilities include the cost of goods and services that were received during the year, but for which no invoice was received as at the balance sheet date. The most significant item is the estimated liability for interconnection costs with the network of other operators.

#### Debentures and Bonds Issued

The Company has settled its liability arising from bonds issued in the total nominal amount of CZK 5,000,000,000, together with related interest amounting to CZK 410,000,000 on 8 November 2004.

#### Other Payables

Other short-term payables had the following balances at 31 December 2004 and the comparative period:

(CZK'000)	31. 12. 2004	31. 12. 2003
Short-term promissory notes	258,765	112,110
Payable to CTO (UMTS licence)	–	2,574,900
Forward currency contracts	6,049	50
Other short-term payables	7,553	17,043
<b>Total other payables</b>	<b>272,367</b>	<b>2,704,103</b>

The Company settled its remaining obligation for the granted UMTS licence in two equal instalments of CZK 1,287,450,000 each, on 14 April and 16 August 2004 to the CTO.

### 3.9. Bank Loans and Overdrafts

Loan description	31. 12. 2004 (CZK'000)	31. 12. 2003 (CZK'000)
Discounted loan	–	31,761
Bank overdrafts	6	4,705
<b>Total</b>	<b>6</b>	<b>36,466</b>

The total limit of bank overdrafts and flexible credit line provided to the Company is EUR 3 million and CZK 1,100 million.

### 3.10. Financial Instruments

The Company manages its currency and interest risk in accordance with the hedging strategy of the Company, approved by the Board of Directors (refer to Note 2.8, Hedging of currency and interest rate risks).

#### Interest rate swaps

As at 31 December 2004 and 2003 the Company did not have any interest rate swaps.

#### Forward swaps

At the end of 2004, the Company had open forward currency contracts with a total nominal value of EUR 13,994,000 (as at 31 December 2003: EUR 1,013,000). These transactions are focused on managing the currency risks associated with settlement of the financial liabilities of the Company resulting from the customer-supplier relations and are denominated in EUR. All forward contracts at 31 December 2004 were initiated during the fiscal year ended 31 December 2004. During 2004, contracts with a total nominal value of EUR 164,510,000 were settled (during 2003: EUR 155,237,000).

The revaluation of foreign exchange forward contracts at fair market values as at 31 December 2004 and 2003 is as follows:

Forward contracts (in CZK'000)	31. 12. 2004	31. 12. 2003
Open forward foreign exchange contracts securing other foreign exchange liabilities		
Positive fair value	–	719
Negative fair value	(6,049)	(50)
<b>Total fair value of forward contracts</b>	<b>(6,049)</b>	<b>669</b>

### 3.11. Accruals and Deferrals

#### 3.11.1. Accruals

The Company's accrual balance primarily consists of rents payable in arrears.

#### 3.11.2. Deferred Revenue

Deferred revenue includes deferred airtime and activation fees related to Twist prepaid services.

### 3.12. Commitments and Contingencies

Negotiations concerning the settlement of interconnection fees from 2001 with ČESKÝ TELECOM, a.s. are going on concurrently with the administrative actions of the CTO. The results of these negotiations might influence 2001 interconnection revenues and cost and any necessary adjustment to previously estimated figures will be accounted for in the period of final resolution.

The value-added tax audit carried out by the Financial Office for the years 1997 through 2003 was finalized during 2004. Findings of the audit did not have a material impact on the financial statements of the Company.

In 2004 the Company became a defendant in a lawsuit in which Oskar Mobil a.s. ("OM"), a mobile operator in the Czech market, sued the Company for compensation of damages resulting from the alleged abuse of the dominant position by the Company. Based on existing facts, the Company believes that it is highly unlikely that the lawsuit will result in a significant cash outflow. For this reason, no provision has been recognised in the Company's financial statements at the year end.

The Company is not aware of any major litigation that would require adjustment or disclosure in the financial statements at 31 December 2004, other than that which has already been provided at 31 December 2004.

At 31 December 2004, the Company's future capital commitments with respect to technologies totalled CZK 400,980,000 (at 31 December 2003: CZK 411,133,000).

The future minimum lease payment commitments under operating leases arising from the rental of microwave connections, other buildings, offices (including an administrative building in Rožtyly) and GSM base stations are as follows:

(CZK'000)	31. 12. 2004
Up to 1 year	883,303
1 – 5 years	2,614,619
Over 5 year	2,967,400
<b>Total</b>	<b>6,465,322</b>

### 3.13. Revenues and Expenses from Operating Activities

#### 3.13.1. Operating Revenues according to Main Activities

Sales based on activity (CZK'000)	31. 12. 2004	31. 12. 2003
Sales of handsets and accessories	1,014,940	930,830
GSM network services	25,036,498	23,292,235
<b>Total</b>	<b>26,051,438</b>	<b>24,223,065</b>

#### 3.13.2. Operating Revenues and Expenses

(CZK'000)	31. 12. 2004	31. 12. 2003
Operating revenues	26,051,438	24,223,065
Other revenues	1,671,131	1,928,067
<b>Total revenues</b>	<b>27,722,569</b>	<b>26,151,132</b>
Cost of goods sold	2,147,631	2,054,684
Consumption of material and energy	485,391	514,909
Services	9,857,052	9,100,515
Staff costs	1,734,507	1,611,320
Depreciation of tangible and intangible fixed assets	5,148,878	4,887,205
Other operating charges	1,922,545	1,827,234
<b>Total operating costs</b>	<b>21,296,004</b>	<b>19,995,867</b>
<b>Operating profit</b>	<b>6,426,565</b>	<b>6,155,265</b>

Services include leased line cost, interconnection costs, marketing services and rental expenses.

### 3.14. Revenues and Expenses from Financing Activities

(CZK'000)	31. 12. 2004	31. 12. 2003
Revenues from financial operations and interest	93,048	38,198,167
Financial revenues – other	102,946	147,460
Costs of financial operations and interest expense	(358,196)	(38,644,163)
Financial expenses – other	(158,231)	(479,730)
<b>Loss from financial activity</b>	<b>(320,433)</b>	<b>(778,266)</b>

### 3.15. Related Party Transactions and Balances

The following transactions are related to the shareholders and their affiliates:

(CZK'000)	31. 12. 2004	31. 12. 2003
<b>ČESKÉ RADIOKOMUNIKACE a.s.</b>		
Purchase of services (leased lines)	359,757	425,768
GSM services sold	10,611	8,296
<b>DTAG group</b>		
Roaming, interconnection and other related services purchased	373,048	383,670
Other services purchased	610,498	320,240
Roaming and other services sold	592,527	485,971
Rebranding – reimbursements	14,369	107,569
<b>Total related party purchases</b>	<b>1,343,303</b>	<b>1,129,678</b>
<b>Total related party sales</b>	<b>617,507</b>	<b>601,836</b>

Short-term receivables consist of the following receivables from related parties:

(CZK'000)	31. 12. 2004	31. 12. 2003
<b>ČESKÉ RADIOKOMUNIKACE a.s.</b>		
GSM services and other	1,386	3,255
<b>DTAG group</b>		
Rebranding	–	12,358
Uninvoiced receivables from rebranding	–	23,769
Roaming and other services sold	114,169	101,823
<b>Subtotal DTAG group</b>	<b>114,169</b>	<b>137,950</b>
<b>Total related party receivables</b>	<b>115,555</b>	<b>141,205</b>

Trade liabilities, as described in Note Trade liabilities, consisted of the following inter-company liabilities as at 31 December 2004:

(CZK'000)	31. 12. 2004	31. 12. 2003
<b>ČESKÉ RADIOKOMUNIKACE a.s.</b>		
Purchased leased lines, rent	153	47,368
<b>DTAG group</b>		
Roaming and other purchased services	25,224	286,463
<b>Total related party liabilities</b>	<b>25,377</b>	<b>333,831</b>

The Company had no borrowings within the group as at 31 December 2004. The long-term loan with a total limit of CZK 3,823,077,000, provided by Deutsche Telekom International Finance BV, and with maturity on 31 December 2011, had not been drawn as of 31 December 2004.

Shareholders' subordinated loan, used by the Company as at 31 December 2003 in the amount of CZK 1,823,077,000, was fully repaid by the Company in 2004. The interest rate applied to the loan up until the repayment day was 3.07 percent.

### 3.16. Taxation

#### 3.16.1. Current Corporate Income Tax

The Company estimates the following current income tax results:

(CZK'000)	31. 12. 2004	31. 12. 2003
Accounting profit before tax	6,106,132	5,376,999
Tax non-deductible costs	1,450,068	1,049,212
Non-taxable revenues	(563,265)	(469,127)
Difference between accounting and tax depreciation	4,870	(1,867,286)
<b>Tax base before deductions</b>	<b>6,997,805</b>	<b>4,089,798</b>
Gifts allowed as tax deductible	(4,555)	(7,102)
10% reinvestment relief	(103,328)	(342,416)
<b>Tax base after adjustment</b>	<b>6,889,922</b>	<b>3,740,280</b>
<b>Income tax expense</b>	<b>1,929,178</b>	<b>1,159,487</b>
Advances paid	(612,589)	(186,996)
<b>Income tax payable</b>	<b>1,316,589</b>	<b>972,491</b>

During 2004, CZK 71,344,000 of additional current tax expense was recorded. This represents an additional adjustment of current tax for 2003 of CZK 65,666,000 and an additional adjustment of current tax for the period 2000 – 2002 of CZK 5,678,000. The total current income tax expense for 2004, including corrections to prior years, is CZK 2,000,522,000.

#### 3.16.2. Deferred Tax

Deferred tax	31. 12. 2004	31. 12. 2003
Difference between net book value and net tax value of fixed assets	(9,733,276)	(10,036,750)
Difference between net book value and net tax value of inventories	116,620	112,903
Difference between net book value and net tax value of receivables	683,536	342,119
Other provisions	770,870	704,668
<b>Total temporary differences</b>	<b>(8,162,250)</b>	<b>(8,877,060)</b>
<b>Deferred tax liability</b>	<b>1,948,949</b>	<b>2,129,341</b>

The statutory tax rates for 2003 – 2006 are as follows:

Period	Tax rate
2003	31 %
2004	28 %
2005	26 %
2006	24 %

## 4. Employees and Management

Development of staff expenses (amount in CZK'000 unless stated otherwise) is as follows:

	Total		Management only	
	2004	2003	2004	2003
Average number of employees	2,477	2,524	47	54
Wages and salaries	1,212,801	1,131,469	118,016	122,300
Remuneration for board members	1,872	1,821		
Social security costs	453,162	418,595	44,610	43,175
Other social costs	66,672	59,435	7,810	7,586
<b>Total staff costs</b>	<b>1,734,507</b>	<b>1,611,320</b>		

Remuneration for the members of statutory bodies and the supervisory board for 2004 is as follows:

(CZK'000)	Total income	Monetary income	Benefits in kind
Board of Directors	1,199	1,199	–
Supervisory Board	673	673	–

Remuneration for the members of statutory bodies and the supervisory board for 2003 is as follows:

(CZK'000)	Total income	Monetary income	Benefits in kind
Board of Directors	1,166	1,166	–
Supervisory Board	655	655	–

The number of employees presented is based on the average number of annual full-time employees. The management classification includes executive directors and other directors of the Company.

Since 2002, the Company provides its employees with a contribution to pension insurance. In 2004, the total contribution provided to the Company's employees was CZK 29,068,000 (in 2003: CZK 24,413,000).

In 2004 and 2003, the Company did not provide any loans to members of statutory bodies. Company cars are made available for use by management for business and personal purposes. The total acquisition cost of cars used by the Company's management at 31 December 2004 was CZK 44,543,000 (at 31 December 2003: CZK 48,623,000). Since 2004 the Company provides top management with a compensation for fuel used for private purposes. As at 31 December 2004 the compensation totalled CZK 966,000.

No Company shares are owned by Board members, Supervisory Board members or employees.

## 5. Post-Balance Sheet Events

Subsequent to the preparation of financial statements the CTO issued a new decision that changes the UMTS telecommunication licence. The decision becomes effective on 4 March 2005. Based on this change the Company has an obligation to launch the UMTS network within 90 percent of the urban area of the City of Prague by 1 January 2007.

No further events that would have a significant impact on the financial statements as at 31 December 2004 occurred subsequent to the preparation of the financial statements.

These financial statements have been approved by the Board of Directors on 17 March 2005.

■ ■ ■ Annexes required  
by the laws of the  
Czech Republic ■ ■







Report on the Relationships to the Related Entities in 2004

In accordance with provision of Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code, the Board of Directors of T-Mobile Czech Republic a.s., having its registered office at Tomíčková 2144/1, 149 00 Prague, company registration No. 64949681, which is registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 3787 (hereinafter referred to as "TMCZ"), prepared, in respect of the accounting period of the year 2004, the Report on the Relationships between the Controlling Party and the Controlled Party and on the Relationships between the Controlled Party and Other Parties Controlled by the Same Controlling Party.

During the accounting period, TMCZ formed part of the Group of Deutsche Telekom AG, having its registered office at Friedrich-Ebert-Allee 140, 53113 Bonn (hereinafter referred to as "DTAG").

In 2004, the party controlling TMCZ was CMobil B.V. (60.77 percent). The party controlling CMobil B.V. was T-Mobile Global Holding Nr. 2 GmbH (92.14 percent). The party controlling the aforementioned company was T-Mobile International AG & Co. KG (100 percent), whose only shareholder was T-Mobile International Holding GmbH. The aforementioned company was controlled by DTAG (100 percent) in 2004. The company that had the most substantial influence on the management and operation of TMCZ in 2004 was T-Mobile International AG & Co. KG, having its registered office at Landgrabenweg 151, 53227 Bonn.

Throughout the accounting period, TMCZ controlled neither any business entity nor any other entity.

1. Overview of the Related Parties

The overview contains the entities controlled by DTAG with which TMCZ had business relationships during the accounting period, as well as some entities which stand, in the structure of the group companies, either above or below the aforementioned entities.

DTAG

100.00 % T-Mobile International Holding GmbH	(Germany)
99.99 % T-Mobile International AG & Co.KG, Bonn	(Germany)
100.00 % T-Mobile Deutschland GmbH, Bonn	(Germany)
100.00 % Zweite DFMG Deutsche Funkturm Vermögens GmbH & Co.KG, Münster	(Germany)
16.67 % DFMG Deutsche Funkturm GmbH, Münster	(Germany)
22.50 % PTC Polska Telefonia Cyfrowa Sp. Z o.O., Warsaw	(Poland)
4.17 % ICO Europe B.V. (i.L.), The Hague	(Netherlands)
100.00 % T-Mobile Traffic GmbH, Bonn	(Germany)
100.00 % DDG Gesellschaft für Verkehrsdaten GmbH, Düsseldorf	(Germany)
100.00 % MediaOne International B.V., Amsterdam (as of 1 December 2004 T-Mobile Poland Holding Nr. 1 B.V.)	(Netherlands)
22.50 % PTC Polska Telefonia Cyfrowa Sp. Z o.O., Warsaw	(Poland)
100.00 % T-Mobile Global Holding Nr. 2 GmbH	(Germany)
92.14 % CMobil B.V., Amsterdam	(Netherlands)
60.77 % T-Mobile Czech Republic a.s., Prague	(Czech Rep.)
100.00 % T-Mobile Austria GmbH, Vienna	(Austria)
100.00 % Niedermeyer GmbH, Vienna (until 8 March 2004)	(Austria)
100.00 % T-Mobile International GmbH, Vienna	(Austria)
100.00 % T-Mobile Billing und Service GmbH, Vienna	(Austria)
100.00 % T-Mobile Global Holding GmbH	(Germany)

100.00 % T-Mobile Holdings Ltd., London	(Great Britain)
100.00 % T-Mobile No. 1 Ltd., Borehamwood	(Great Britain)
50.00 % T-Mobile (UK) Ltd., Borehamwood	(Great Britain)
100.00 % T-Mobile No. 2 Ltd., Borehamwood	(Great Britain)
100.00 % One2One Ltd., Slough	(Great Britain)
100.00 % T-Mobile No. 4 Ltd., Borehamwood	(Great Britain)
100.00 % T-Mobile No. 5 Ltd., Borehamwood	(Great Britain)
50.00 % T-Mobile (UK) Ltd., Borehamwood	(Great Britain)
100.00 % T-Mobile Ltd., Hertfordshire	(Great Britain)
100.00 % T-Mobile USA, Inc., Bellevue	(USA)
100.00 % Powertel Inc.	(USA)
100.00 % T-Mobile Netherlands Holding B.V., Den Haag	(Netherlands)
100.00 % T-Mobile Netherlands B.V., Den Haag	(Netherlands)
50.00 % RANN B.V., Rijswijk	(Netherlands)
100.00 % T-Mobile Netherlands Klantenservice B.V., Den Haag	(Netherlands)
100.00 % T-Mobile Netherlands Retail Service B.V., Den Haag	(Netherlands)
100.00 % T-Mobile Worldwide Holding GmbH, Bonn	(Germany)
100.00 % Holdco Sp. Z o.O., Warsaw	(Poland)
100.00 % Polpager Sp. Z o.O., Warsaw	(Poland)
4.00 % PTC Polska Telefonii Cyfrowa Sp. Z o.O., Warsaw	(Poland)
10.05 % MTS Mobile TeleSystems OJSC, Moscow	(Russia)
83.667 % Ukrainian Mobile Communication J.V.	(Ukraine)
100.00 % T-Mobile International UK Ltd., London	(Great Britain)
99.00 % T-Mobile Venture Fund GmbH & Co. KG	(Germany)
100.00 % MagyarCom Holding GmbH	(Germany)
59.213 % Matav Magyar Tavközles Rt	(Hungary)
100.00 % Stonebridge Communication A.D.	(Macedonia)
51.00 % Makedonski Telekomunikacii A.D.	(Macedonia)
100.00 % Mobimak A.D.	(Macedonia)
100.00 % T-Mobile Hungary Rt	(Hungary)
51.00 % Slovak Telecom, a.s.	(Slovakia)
100.00 % EuroTel Bratislava a.s.	(Slovakia)
51.00 % HT Hrvatske Telekomunikacije d.d.	(Croatia)
100.00 % T-Mobile Hrvatska d.o.o.	(Croatia)
100.00 % T-Systems International GmbH	(Germany)
100.00 % T-Systems CDS GmbH	(Germany)
100.00 % T-Systems CSM GmbH	(Germany)
100.00 % T-Systems Nova GmbH	(Germany)
100.00 % T-Systems Czech s.r.o.	(Czech Rep.)
51.00 % T-Systems PragoNet, a.s.	(Czech Rep.)
100.00 % Detecon International GmbH	(Germany)

The entities listed in the overview shall be hereinafter referred to as the “Related Parties”.

## 2. Contracts Concluded with the Related Parties in 2004

### DTAG

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Agreement on the Arrangement of Conference Calls	29			Conference call
Agreement on the Provision of POS Materials	52			POS Materials

### T-Mobile International AG & Co.KG

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Letter of Affirmation – Licence Chordiant Marketing Director (012761-000-00)				
t-zones Agreement (012876-000-00)	31,679			t-zones
Agreement – Suretyship (Bürgschaft) Nortel GPRS (012958-000-00)				
Framework Cooperation and Service Agreement (Inbound) (013243-000-00)		2,483	Services related to customer care (preparation of a roadmap concerning the development of customer care technologies and trade, integration of strategic directions of customer care development and trade in individual companies of the T-Mobile International Group)	
Framework Cooperation and Service Agreement (Outbound) (013244-000-00)	24,417			Services in the area of customer care and trade (consultancy and support concerning international purchase tenders, preparation and management of contracts with other operators, support and consultancy services concerning the local sales staff, support and consultancy concerning increase in efficiency when providing customer services)
Amendment No. 1 to Framework Cooperation and Service Agreement No. 013244-000-00 (Outbound/Allocation) – Sideletter				
Agreement on the Provision of Services (013308-000-00)				
Framework Cooperation and Service Agreement (Inbound) (013243-000-00)		9,373	Services in the area of marketing (consultancy concerning the preparation of new voice and non-voice products, project management)	
Software Licencing Agreement (990002-000-00)				
DataMobilService Workshop Agreement		51	Arrangement of the workshop	
Framework Cooperation and Service Agreement (Inbound) (013243-000-00)		61,297	Technology services (preparation and planning of the development of IS technologies and the network, development of both existing and new functionality of IS technologies, the network and network components)	

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Agreement on Provision of Licences (013956-000-00)	10,642			Chordiant marketing director licence
Framework Cooperation and Service Agreement (Outbound) (013244-000-00)	152,981			Services in the area of marketing (provisioning for the results of marketing surveys, consultancy regarding building of the corporate brand, sharing of costs related to the joint marketing campaigns within the T-Mobile International Group, support during negotiations with other operators concerning roaming development).
Agreement on Sale of Phones		221	Sale of phones	
ITN Program Agreement		145	ITN program	
Agreement on the Arrangement of Audit	411			Audit
Framework Cooperation and Service Agreement (Inbound) (013243-000-00)		2,062	Services in the area of human resources (coordination and management of the "One Company" programme within the T-Mobile International Group)	
Agreement on the Provision of Tickets	10,252			Tickets
Agreement on the Arrangement of a Workshop	182			Workshop
Framework Cooperation and Service Agreement (Outbound) (013244-000-00)	252,945			Technology services (consultancy regarding the optimization of information system architectures, mobile devices, value added services; consultancy regarding the set-up, development and maintenance of a mobile network with a focus on cost and functional effectiveness)

**T-Mobile Deutschland GmbH**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Modification of the Interconnection Agreement – Amendment No. 1 to Interconnection Agreement No. 001776-000-00 – addition of annexes				
Modification of the Interconnection Agreement – Amendment No. 3 to Interconnection Agreement No. 001776-000-00				
Modification of the Interconnection Agreement – Amendment No. 4 to Interconnection Agreement No. 001776-000-00				
Modification of the Interconnection Agreement – Amendment No. 5 to Interconnection Agreement No. 001776-000-00 – Termination in the Czech Republic				
Agreement on the Provision of Licences (transfer of HLR licences) (012630-000-00)				
Agreement on the Provision of Licences (transfer of VLR licences) (012805-000-00)				

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Agreement on the Provision of Licences (transfer of HLR licences from TMD) (013664-000-00)	4,111			SW licences for HLR
Agreement on the Transfer of SW Licences (013959-000-00)	3,047			SW licence unlimited
Agreement on the Transfer of HLR Licences (014327-000-00)	3,298			HLR SW HLR/AC licences
Agreement on Sale of Phones		12,749	Sale of phones	
Agreement on Sale of Phones		12,963	Sale of phones	
Agreement on Sale of Phones		30,370	Sale of phones	
Agreement on the Maintenance of Pagasos SW	1,594			Maintenance
Agreement on the Provision of POS Materials	42			POS materials
Agreement on Smart Mobility Project	470			Project assurance
Contract for the Provision of Telecommunications Services	6			Telecommunications services
Agreement on the Provision of Training	44			Training
Agreement on the Arrangement of a Workshop	70			Workshop
Partial Agreement No. 1 to Agreement No. 011435-000-00 (Roaming Agreement)				
Partial Agreement No. 2 to Agreement No. 011435-000-00 (Roaming Agreement)				
Amendment No. 1 to Agreement No. 011435-000-00 (Roaming Agreement)				

PTC Polska Telefonía Cyfrowa Sp. Z o.O.

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Amendment No. 1 to the International GSM Roaming Agreement (011455-000-00)	245			SMS interworking
		214	SMS interworking	
Partial Agreement No. 2 to the International GSM Roaming Agreement (011455-000-00)				

CMobil B.V.

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Amendment to the Loan Facility Agreement				

Based on this Amendment, TMCZ paid fees in the amount of CZK 9,850 in 2004.



**T-Mobile International UK Ltd.**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Amendment No. 4 to Content Reseller Agreement No. 001406-000-00 – Engagement Form – Mobile Entertainment Content				
Amendment No. 5 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form (Video Downloads)				
Amendment No. 14 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – content				
Amendment No. 15 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Java games (content)				
Amendment No. 16 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Universal-Melody				
Amendment No. 17 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Universal – Mono and Poly Marketing				
Amendment No. 18 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Handy Games (content)				
Amendment No. 19 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Mobile Scope (content)				
Amendment No. 20 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Mr. Goodliving Ltd. (content)				
Amendment No. 21 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – WAP3 GmbH (content)				
Amendment No. 22 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Sony content				
Amendment No. 23 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Fox Studios Content – MMS content				
Amendment No. 24 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Disney Content – MMS content				
Amendment No. 25 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Java from the Turner company – content				
Amendment No. 26 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Chippendale's – content				
Amendment No. 27 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Penthouse – content				

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Agreement on Conduct of an International Survey		- 264*	Conduct of an international survey	
Competition Layouts Agreement	255			Competition layouts
Agreement on Conduct of an International Marketing Survey		5,165	Marketing survey	
Partial Agreement No. 1 to Agreement No. 000338-000-00 (Roaming Agreement)				
Amendment No. 1 to Agreement No. 000338-000-00 (Roaming Agreement)				

**T-Systems International GmbH**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Memorandum of Understanding (990008-000-00)				
Agreement on the Lease of Lines (0077531-000-00)	442			TMO leased lines

**T-Systems Czech s.r.o.**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Framework Contract for Work (CCTV for BSC/SHD) (013426-000)	125			Software to ensure the functionality of camera systems
Agreement on the Provision of Tickets		6	Tickets	

**T-Systems PragoNet, a.s.**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Amendment No. 1 to the Contract for the Provision of the Global Intranet GPRS Roaming eXchange Service (010109-000-00)	1,297			GRX service
Framework Contract for the Provision of Telecommunications Connection Services (010300-000-00)	1,168			Lease of fibre optic and lines
Amendment No. 3 to the Agreement on Interconnection of Telecommunications Networks (010530-000-00)				
Contract for the Provision of International Services Concerning the Lease of CIT Digital Circuits (012432-000-00)	2,502			Interconnect
Service Agreement on IPTransit (012632-000-00)				
Amendment No. 1 to Agreement No. 012632-000-00 (Service Agreement on IPTransit) – increase in capacity + change in the price	472			Lease of GSM lines
Data Transmission and Telecommunication Connection Agreement (012633-000-00)	771			Back-up internet connectivity

\* CZK 264,000 – the performance was effected in 2003, and it was also billed in the same year; however, a credit note in the amount of CZK 264,000 was issued in 2004, corresponding to the exchange rate difference.

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Contract for the Provision of International Telecommunications Services (012866-000-00)	72,957*			International interconnection
Non-Disclosure Agreement – Project IT Outsourcing (014011-000-00)				
Contract for the Provision of UMTS Optics	1,033			Optics for UMTS
Agreement on the Lease of Lines	42			Lease of lines

**T-Systems Nova GmbH**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Framework Contract (990010-000-00)				

**T-Mobile Austria GmbH**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Interconnection Agreement (013609-000-00)	3,934			Interconnection
	6,895		Interconnection	
Announcement of Price Decrease for Termination into the Network of Tele.ring (013609-501-00)				
Partial Agreement No. 1 to Agreement No. 0011417-000-00 (Roaming Agreement)				
Partial Agreement No. 2 to Agreement No. 0011417-000-00 (Roaming Agreement)				

**T-Mobile Netherlands B.V.**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Travel Arrangement Agreement	1,016		Travel	
Travel Arrangement Agreement	1,301		Travel	
Partial Agreement No. 1 to Agreement No. 000537-000-00 (Roaming Agreement)				
Partial Agreement No. 2 to Agreement No. 000537-000-00 (Roaming Agreement)				

**Detecon International GmbH**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Delivery of Consulting Services (012668-000-00)				

\* The amount of CZK 72,957,000 also includes payments related to year 2003; because the relevant contract was concluded in 2004 and the Report on the Relationships for 2003 did not include the payments related to 2003, they are included in this year's Report.

Ukrainian Mobile Communication J.V.

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Amendment No. 1 to Agreement No. 000370-000-00 (International Roaming Agreement)		37	GPRS	
	22		GPRS	

HT Hrvatske Telekomunikacije d.d.

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Partial Agreement No. 1 to Agreement No. 011422-000-00 (Roaming Agreement)				
Partial Agreement No. 2 to Agreement No. 011422-000-00 (Roaming Agreement)				
Partial Agreement No. 3 to Agreement No. 011422-000-00 (Roaming Agreement)				

T-Mobile Hungary

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Partial Agreement No. 1 to Agreement No. 011437-000-00 (Roaming Agreement)				
Partial Agreement No. 2 to Agreement No. 011437-000-00 (Roaming Agreement)				
Amendment No. 1 to Agreement No. 011437-000-00 (Roaming Agreement)				

EuroTel Bratislava a.s.

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Partial Agreement No. 1 to Agreement No. 000178-000-00 (Roaming Agreement)				
Amendment No. 1 to Agreement No. 000178-000-00 (Roaming Agreement)				
Amendment No. 1 to Amendment No. 1 to Agreement No. 000178-000-00 (Roaming Agreement)				

T-Mobile USA

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Partial Agreement No. 1 to Agreement No. 000323-000-00 (Roaming Agreement)				

### 3. Contracts with Related Parties over the course of 2004, Based on Which Performance Was Provided

#### DTAG

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Agreement for Computerised International Directory Information Access		249		VAS-services

#### T-Mobile International AG & Co.KG

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Sublicence of TIBCO Software Licence Agreement		2,189		TIBCO Enterprise licence
Agreement on Cooperation in Ensuring Roaming Services		- 89,058	Performances provided cooperation with individual operators	
		- 43,500		Performances provided within cooperation with individual operators
Sublicence Agreement		18,361		Licence
		14,369	Rebranding	
Framework Agreement (Inbound)		1,615		SAP classic maintenance fee

#### T-Mobile Deutschland GmbH

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Management Service Agreement		32,819		Management services
		4,897	Re-invoicing of additional costs related to professional services	
Interconnection Agreement		39,047		Interconnection
		66,010	Interconnection	
Domicile Agreement		74	Correspondence address for T-Mobile Deutschland GmbH	
International GSM Roaming Agreement		83,172		Roaming services + SMS interworking
		209,163	Roaming services + SMS interworking	
CAgreement		2,174		Pegabase Software

#### PTC Polska Telefonia Cyfrowa Sp. Z o.O.

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
International GSM Roaming Agreement		12,973		Roaming services
		32,411	Roaming services	

#### T-Mobile Austria

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
International GSM Roaming Agreement		45,778		Roaming services
		43,362	Roaming services	

**Powertel Inc.**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Multilateral International GSM Roaming Agreement – USA and Canada	674			Roaming services
	728		Roaming services	

**T-Mobile International UK Ltd.**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
International GSM Roaming Agreement	14,541			Roaming services + SMS networking
	25,004		Roaming services + SMS networking	

**T-Motion PLC**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Content Reseller Agreement	8,505			Content

**T-Mobile USA, Inc.**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
International GSM Roaming Agreement	8,172			Roaming services
International GSM Roaming Agreement	26,612		Roaming services	

**T-Mobile Netherlands Holding B.V.**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
International GSM Roaming Agreement	9,705			Roaming services
	14,886		Roaming services	

**MTS Mobile TeleSystems OJSC**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
International GSM Roaming Agreement	10,036			Roaming services
	23,524		Roaming services	

**T-Mobile Hungary Rt**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
International GSM Roaming Agreement	9,937			Roaming services + SMS interworking
	28,393		Roaming services + SMS interworking	



**EuroTel Bratislava a.s.**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
International GSM Roaming Agreement	71,980		Roaming services + SMS networking	
	32,807		Roaming services + SMS networking	

**HT Hrvatske Telekomunikacije d.d.**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
International GSM Roaming Agreement	29,340		Roaming services + SMS networking	
	5,912		Roaming services + SMS networking	

**T-Systems CSM GmbH**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Agreement on the Use of the Licence Under the Microsoft Enterprise Agreement	10,870		Provision of Microsoft product licences	

**T-Systems Czech s.r.o.**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
General Contract for the Provision of Services	5,336		Sale of phones	

**T-Systems PragoNet, a.s.**

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Framework Interconnection Agreement	3,025		Services related to interconnection	
Agreement on Signalling for International Roaming (SPR Service)	259		Roaming signalling	
Agreement on the Provision of Synchronizing Channel	48		Synchronizing Channel	
Data Transmission and Telecommunication Connection Agreement	3,658		Lease of optical circuits	
Amendment No. 1 to the Data Transmission and Telecommunication Connection Agreement	2,847		Lease of optical circuits	
Agreement on the Interconnection of Telecommunications Networks	72		Interconnection	
	3,618		Interconnection	
Contract for the Provision of International Telecommunications Services	6,070		Interconnection	
Data Transmission and Telecommunication Connection Agreement	1,646		Interconnection	
Contract for the Provision of Services	813		Sale of phones	
Lease Agreement	540		Lambda	

Ukrainian Mobile Communications

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
International GSM Roaming Agreement	3,392		Roaming services	
	5,667		Roaming services	

Mobimak A.D.

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Roaming Agreement	310		Roaming services	
	166		Roaming services	

CMobil B.V.

Name of Contract	Monetary performance (in CZK '000)		Non-monetary performance (services, goods)	
	Provided by TMCZ	Accepted by TMCZ	Provided by TMCZ	Accepted by TMCZ
Loan Facility Agreement (Subordinated Long-Term Shareholder Loan) obtained in 2001				

Based on this Agreement, TMCZ paid interest in the amount of CZK 7,773,000 in 2004.

#### 4. Other Legal Transactions Undertaken in the Interest or at the Instigation of Related Parties

In 2004, TMCZ did not perform any other legal transactions that would be in the interest or at the instigation of the Related Parties.

#### 5. Other Measures Taken in the Interest or at the Instigation of Related Parties

In 2004, TMCZ did not adopt or take any other measures in the interest or at the instigation of the Related Parties in terms of the provisions of the Commercial Code which regulate the Report on the Relationships.

#### 6. Assessment of Reasonability of the Performance and Consideration Ensuing from the Contracts with the Related Parties, Other Legal Transactions and Other Measures Performed in the Interest or at the Instigation of Related Parties

During the accounting period, performances and considerations were provided based on the contracts with the Related Parties under the standard business terms and conditions and for customary prices corresponding to the performances provided. These performances and considerations were in each and every case provided in compliance with the legal regulations concerning the protection of economic competition and in no case were of the nature of agreements which might result in the distortion of economic competition in terms of the Protection of Economic Competition Act No. 143/2001 Coll.

In 2004, no detriment in connection with the relationships with the Related Parties was incurred by TMCZ.

#### 7. Final Declaration

The data stated in this Report has been processed with due managerial care and is true and complete.

## Report on the Business Activities of T-Mobile Czech Republic a.s. and the Status of Its Assets for the 2004 Accounting Period

The required information is contained on pages  
4–47 of this Annual Report.



## Affirmation

The Board of Directors of T-Mobile Czech Republic a.s., having its registered office at Tomíčková 2144/1, 149 00 Prague 4, company registration No. 64949681, registered in the Commercial Register administered by the Municipal Court in Prague under section B, entry 3787, hereby affirms that any and all data stated in the 2004 Annual Report (including the data stated in the Report on the Relationships to the Related Entities in 2004 and the financial statements) are true and complete and that no material facts which might affect the precise and correct evaluation of the Company and the securities issued by the Company have been omitted or distorted.

Bonn, 17 March 2005



Timotheus Höttges  
Chairman of the Board of Directors



Roland Mahler  
Member of the Board of Directors








Thank you for your attention...







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T-Mobile Customer Centre

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