

Contents



Report on business activities

Foreword from the Chairman of the Board...7 Company profile...8 Ten years of existence...11 Three questions for the Company management...12 Organizational environment and human resources...16 Competitive environment and customers...17 Products and services in 2005...18 T-Mobile as a socially responsible company...20 Supporting music and sports...21 Ownership structure and business relationships...23 Telecommunications licences...25

Financial statements 2005

Report on the relationships to the related entities for year 2005

Affirmation



Ladies and Gentlemen,

From a long-term point of view, one year in a company's history will, in the end, remain "only" one year out of many. But when reviewing the year that has just passed, one realizes how many ambitions and goals were part of it, how much effort was put into achieving those goals, what objectives were reached and what expectations were not met.

For T-Mobile, last year was very closely tied to happenings in the Czech telecommunications market, which underwent significant changes. One of the most important events was undoubtedly the change in ownership of telecommunications operators, with two international operators entering the Czech market. Also, taking into account the adoption of the new electronic communications act and the preparation of number portability, it is obvious that with respect to telecommunications, the past year definitely did not suffer from lack of dynamic development.

By the end of 2005, T-Mobile was providing its services to 4.63 million customers, which represents a year-on-year increase of more than 274,000 customers. We also strengthened our position in the contract-customer segment,



which grew to almost 1.3 million and accounted for 67% of total growth. The largest additions to the customer base in 2005 were recorded in the third and fourth quarters. Attractive new products and services introduced by T-Mobile during the year certainly played an important role in this growth, be it the successful campaign for calls to fixed lines at favourable rates, the summer offer of double the amount of free minutes, interesting incentives in the Twist Bonus loyalty programme, the autumn offer of ten times the amount of free minutes, or the traditionally successful Christmas offer. Customers interested in mobile data welcomed the significant extension of EDGE coverage and the launch of the first UMTS network in the Czech Republic. There was also a considerable increase in purchases of new mobile handsets – more than 873,000 were sold last year, which amounts to 29% more than in 2004.

Another breakthrough event over the past twelve months made its mark on T-Mobile's history when we surpassed the then largest mobile operator in terms of customer numbers. The results as of the end of the year, when the situation was reversed, showed how intense the competition in the Czech mobile market had become. Those results also indicated that the coming period would again see a tough fight for maintaining customer satisfaction. It is understandable that growth in a saturated market slows down, but our strategy to become the market leader in terms of value growth remains unchanged.

All the above-mentioned activities and many others, including the successful implementation of the Save for Growth programme, were also positively reflected in the Company's financial indicators. Revenues increased by 5% and net profit by almost 11%. This healthy growth allows us to re-invest in the development of our services so that we continue meeting customers' needs. T-Mobile's successful performance in the national 2005 Employer of the Year competition clearly indicates that we are not only experts in what we do, but we are also regarded by the public as a strong and successful company. However, when looking back at all these achievements, T-Mobile is fully aware of who the foundation of our success is in the first place. It is our employees and the hard work they put into accomplishing their tasks every day. To ensure that our employees are satisfied at work as much as possible and that they become the best "ambassadors" of our brand, we have launched a project focused on building a new corporate culture and improving our work environment. I believe this will make our company even better and support its continued growth.

One thing is certain: We must show our customers that we deserve the leading position and that they can always rely on us and turn to us for top-quality products, services and customer care. Our mission is clear: We want to become the most highly regarded service company. I believe that as a team, summoning all our strength and skills, we will succeed in this endeavour.

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

Company profile

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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 and is authorized to operate a third-generation network, UMTS. As of 31 December 2005, 4.63 million customers were using T-Mobile services. The Company has also strengthened its leading position in the business segment.

Besides tariff programmes, T-Mobile offers services for users of prepaid cards under the Twist brand and services tailored to the needs of the business segment and public sector. In addition to voice services and SMS, customers are also making increasing use of other non voice services, e.g. data transmission via GPRS, WiFi, EDGE and now also UMTS. MMS and a number of multimedia services on the t-zones mobile portal also rank among popular services. The T-Mobile network currently covers more than 99% of the Czech population and 99.98% of E-class roads in the Czech Republic. T-Mobile customers can also use their mobile phones in the networks of nearly 400 operators in 150 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 levels. Since its establishment, the Company has emphasized the quality of services offered. This approach has recently been 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 reached 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 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 availability of their favourite services even when abroad and can take advantage of unified, favourable calling rates.





Ten years of existence

1996

- On 14 March 1996, the CMobil B.V. consortium won the tender proceedings, organized by the Ministry of Economy, to become an international partner of České radiokomunikace.
- RadioMobil was registered in the Commercial Register in June, and the Paegas GSM network began operation on 30 September.
- The number of 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, the internet connection and the first ever prepaid cards on the Czech market.

1998

- RadioMobil introduced a number of groundbreaking innovations (e.g., 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 to 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 Twist prepaid cards to send and receive short text messages.
- A new call centre began operation 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, 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 Twist prepaid 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 awarded to the Company 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

- This year represented a breakthrough: Paegas became T-Mobile. The Company received the Rhodos Award for the most attractive public image.
- The Company opened the Regional Centre in Hradec Králové and laid the cornerstone of the new T-Mobile headquarters in the Prague district of Roztyly.
- The T-Mobile network came through unscathed during the August floods, renumbering of all telephones in the Czech Republic and the November NATO summit in Prague.
- The number of customers exceeded 3.5 million.

2003

- Fully in T-Mobile colours: The Company changed its name to T-Mobile Czech Republic a. s.
- T-Mobile introduced the t-zones portal and launched MMS and devices designed exclusively for T-Mobile customers.
- The Company 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 internet connection.

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 Prague district of Roztyly became the new Company headquarters.
- T-Mobile was a main sponsor of the EURO 2004 football championship.
- New tariff plans for contract customers provided the most favourable per-minute pricing of calls to all networks. The newly launched EDGE technology offered the fastest mobile internet connection, and this year also saw the launch of the T-Mobile HotSpot service.
- T-Mobile became the general partner of the t-music programme; a website of the same name was created to support it.
- 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. For the third year in a row, T-Mobile acquired the highest number of new customers. Most companies relied on T-Mobile.

2005

- On 30 June, T-Mobile recorded the largest number of customers among Czech mobile operators.
- T-Mobile launched the first UMTS network in the Czech Republic under the name Internet 4G in October, thus extending its data services portfolio.
- The T-Mobile Team placed first in the overall team classification in the Tour de France cycling race. Turning its sights on mobile music, T-Mobile became the sponsor of the Czech band Chinaski's concert tour and reached out to the world's music fans when T-Mobile International announced its exclusive partnership with Robbie Williams.
- Customer numbers climbed to 4.63 million by the end of the year. T-Mobile confirmed its leading position in the business segment.

Three questions for the Company management

- 1. In your opinion, what was T-Mobile's greatest achievement last year? What do you regard most highly for the whole company and for your division?
- 2. What do you consider to be the greatest challenge for you this year, and what are the key tasks that you are facing?
- 3. In 2006, T-Mobile is going to celebrate its 10th anniversary on the Czech market. What would you wish for the company in the next decade?



R. Challe

1. In the middle of 2005, we reached the No. 1 position among mobile operators. Although we were "dethroned" only six months later, I value this fact very much, because it proved that Eurotel is not unbeatable - after all, the difference in customer numbers amounts to just tens of thousands as compared to the millions that make the total. Furthermore, last year the greatest number of calls were made again over our network, similar to 2004. I would also like to highlight our success with the Pevna+ service. which clearly shows that the era of fixed lines is slowly but surely drawing to a close. Last but not least, we were the first operator to launch UMTS in the Czech Republic. For this third-generation network, we chose to use the TDD high-speed internet technology, which was definitely the right step in satisfying our customers' needs.

2. It is the customers who will benefit most from the competitive environment in the mobile communications market. And we are ready to wage a fair fight to prove that we are the operator with both the best services and the best customer care. All customers are – and will continue to be – important to us, including those who are using our competitors' services at the moment, those who are still using no mobile services at all and, of course, our existing customers. T-Mobile's core strategy is to become the most highly regarded service provider. Taking the lead in customer numbers as well as in financial indicators is a part of this.

3. Health, of course! I wish the Company healthy growth – this is the only way for us to retain the favour of fully satisfied customers. And this applies to all our employees as well who have done a tremendous job over the past years. I wish them healthy motivation, healthy ambitions and the healthy feeling that comes from a job well done.

Roland Mahler

Managing Director of T-Mobile Czech Republic

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 T-Mobile Czech Republic in 2000. Interests: Outdoor activities in summer such as horseback riding, sailing, skiing, biking; concerts and theatre in winter; visits to historic places in the Czech Republic. Roland Mahler speaks German, English and French.



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1. There are a number of things that I highly value, starting with the customers' demand for our services. Last year's figures give clear evidence of this – for example, almost 120,000 subscribers to Pevná+, more than 1,000,000 customers registered in the Twist Bonus loyalty programme and more than 300,000 customers using Caller Tunes. What I also highly value are the awards granted to T-Mobile for the best website and for advertising. Personally, I am also happy that the Czech national football team, which is sponsored by T-Mobile, qualified for the World Cup.

2. In my opinion, the key thing is to reinforce the T-Mobile brand in all its aspects, and particularly with respect to simplicity. In 2006, we would also

like to cover more than 80 cities with Internet 4G, to triple the number of customers using Pevná+, to launch the web'n'walk service and to use the new Cestovatel roaming tariff add-on in increasing customer awareness regarding our most favourable calling rates from abroad.

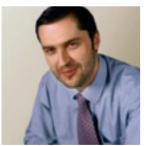
3. I wish the Company another ten years in the prestigious position of mobile-telecommunications market leader and also millions of satisfied and loyal customers. However, I don't want to forget about the employees either; I would like to thank them for their hard work and loyalty to the Company. Without them, we would surely not be where we are now.

Jiří Dvorjančanský

Executive Vice President Marketing

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 in winter and listening to classical music while enjoying a glass of red wine. Jiří Dvorjančanský speaks Czech, English and French.



1. In 2005, the Finance Division focused on satisfying internal customers' requests and thus contributed to achieving excellent results for the entire company. Regarding finance, I would like to point out our effective implementation of procedures in complying with the Sarbanes-Oxley Act.

2. In 2006, I expect very dynamic development in the Czech mobile market. Our greatest challenge, therefore, will be the pro-active implementation of all marketplace changes into our company's operation.

3. I wish that the next ten years will be at least as successful as the past ten!

Otakar Král

Executive Vice President Finance

Born: 1966, Prague, Czech Republic Education: Czech Technical University in Prague, Faculty of Economy and Management; Association of Chartered Certified Accountants (ACCA), London; Masaryk Institute of Advanced Studies at the Czech Technical University in Prague.

Career history: Škoda Diesel, Deloitte & Touche; 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. Otakar Král speaks Czech and English.

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1. Last year's figures clearly show that our effort to offer customers better and better services and comprehensive customer care has been rewarded. What do I regard most highly? The fact that virtually all people in the Sales Division adopted our long-term goal as their own and delivered an outstanding performance with excellent results.

2. Our long-term strategy to become the mobilecommunications leader in the Czech market is definitely sound, but achieving that goal in this very competitive market will definitely not be easy. But it's the best challenge our sales team could desire. **3.** In the future, only strong global operators will survive in the global market, and it is to our advantage that we can rely on a strong global brand. For the next decade, I wish the Company to have a lot of great employees, who are one of the key factors in achieving our corporate goals. I also wish us to have a lot of satisfied customers, of course, so that T-Mobile can become an even more successful and attractive operator.

Miroslav Rakowski

Executive Vice President Sales

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



1. We were the first in the T-Mobile group to introduce differentiated customer care. We are now able to tailor customer care to virtually every individual or customer group. Our effort has been rewarded by increased customer satisfaction. From an international point of view, I was very pleased with our award for the best self-service customer care. The "Self-Service Excellence" award, granted to us in Miami, underlines our success in the area of automated customer care, be it My T-Mobile on the web or services via IVR or SMS. 2. We will do our best to become a leader in customer care. We want to offer our customers pleasant and easy contact with T-Mobile and the world of mobile communications and to provide them with useful advice and support at all our touchpoints. We will provide our customers with more opportunities to shop easily, to extend their contracts, and to switch from Twist prepaid cards to contracts via a single service call.

3. I wish that every customer, upon being asked the question, "Based on your own experience, would you recommend T-Mobile to your friends?" would answer, "Yes, definitely!" And I wish us good luck over the next ten years.

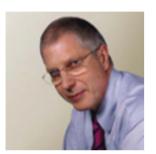
Tomáš Růžička

and Polish.

Executive Vice President Customer Service

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 city district council level. Tomáš Růžička speaks Czech and English.



1. I'd have to say that our launching of the UMTS-TDD service ahead of our competitors' broadband offerings represents our most significant achievement from last year. What I regard most highly for the Company and my division is the increasing breadth of our real-time services through the smooth and successful commercial launch of the next-generation IN platform. This is at the top of my list, though I must also mention the implementation of the international iBMD platform within T-Mobile Czech Republic. 2. We will definitely attempt to retake the No. 1 position in the number of subscribers. Also, being the leader in mobile-broadband innovation and quality is a priority. T-Mobile must come to symbolize the click-BOOM user experience: "It works, it's fast, it's simply great."

3. Over the next decade, achieving the same success in 3G that we enjoyed with 2G over the last 10 years is naturally a key goal for the Company. This, of course, is related to the successful implementation of our new company culture, which will help us retain the same motivated, success-oriented, and simply great employees that got us where we are today.

Heinz Schmid

Executive Vice President Technology

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.



1. Although I could not personally participate in its success, I kept an eye on T-Mobile's outstanding results through its sister company in Slovakia. Naturally, I am pleased by T-Mobile's double victory – becoming No. 1 in customer figures and in winning first place in the Employer of the Year competition. I can see a lot of hard work and happiness behind these successes.

2. For me, the greatest challenge in 2006 will be to continue the development in the area of leadership, which is a key part of the changes relating to our new corporate culture, while managing ever increasing competition in the telecommunications labour market.

3. What do I wish for the Company in the next decade? Perhaps the best employees, a lot of satisfied customers and weakening competition.

Barbora Stejskalová

Executive Vice President Human Resources

Born: 1971, Boskovice, Czech Republic Education: Masaryk University in Brno, Faculty of Education; Nottingham Trent University – MBA. Career history: Johnson & Johnson Praha, GE Capital Czech Republic and Slovakia, T-Mobile Slovakia; she joined TMCZ as Executive Vice President Human Resources in November 2005. Interests: Gardening, sports – skiing, biking, hiking, golf. Barbora Stejskalová speaks Czech, English and Russian.

Organizational environment and human resources

T-Mobile's values, vision and mission has developed gradually as the Company has grown. 2002 was, in all respects, the main milestone in T-Mobile's history. The Company became an integral part of the T-Mobile International Group. With its integration into the international group, T-Mobile completed aligning its main strategic elements.

Vision/Mission (2003 – present): We will be the most highly regarded service company.

Company values are defined in the so-called "Guiding Principles", which are common to the whole T-Mobile Group.

T-Mobile Guiding Principles 2003-2005

We value simplicity Customer delight drives action One Company Grow our people Be vocal about the truth, the whole truth I am T-Mobile, count on me!

Company headquarters

The Company headquarters is located in Prague – Roztyly, which is easily accessible by various means of transport. Call centres are situated in Louny and Hradec Králové.

Employee care

T-Mobile gives all of its 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, team efficiency, business and operational management, customer orientation and management skills. Among the Company's important motivational tools are the benefits offered to employees in addition to their salaries. These benefits include, for example, contributions to supplementary pension insurance, daily meal vouchers, contributions to leisure time activities, discount vouchers and many others.

Information on happenings at the Company is provided through an employee magazine called echo. Last year, this bimonthly magazine succeeded in the traditional Golden Semicolon (Zlatý středník) competition, where it ranked third in the category of Best Internal Magazine. Up-to-date information can also be found in the magazine's intranet version, echoPlus, as well as in the e-mail version, echoNews, which is distributed every Monday to employees' mailboxes and sums up all the important internal news and announcements.

Every year, T-Mobile organizes large meetings between management representatives and regional employees in all the regions where T-Mobile is present. Last year's Roadshow tour again included Hradec Králové, Louny, Brno, Ostrava and Prague.

Corporate culture for a better world for us

In the middle of last year, a new project focused on corporate culture and the work environment was initiated under the slogan "For a better world for you". Its goal, identified on the basis of internal workshops with management representatives and employees, was to increase employee loyalty and satisfaction. The project was divided into five areas: work environment, communication, efficiency management, practices, and leadership. Specific activities covered by these terms include, for example, Employee Forums – regular meetings between the Managing Director and employees, the new dress code, and changes in the colour scheme and decor of the Company's buildings, which made the work environment a friendlier place. Other measures related to the new corporate culture project will also be taken in the coming year.

T-Mobile as the most preferred employer

Last year, the Company was successful in the national Employer of the Year competition, which takes place under the auspices of the Minister of Labour and Social Affairs. T-Mobile placed first in a public poll on the Most Preferred Employer in the Czech Republic and was ranked second overall by the competition's expert jury. T-Mobile was also the only company to score highly in all other categories: it ranked among the top five most attractive employers among students (the AIESEC Award) and was recognized for its work in human resources.

Competitive environment and customers

Becoming successful in today's competitive environment requires T-Mobile to build its market position despite facing a well-established competitor that had a monopoly position at the time of the Company's entry into the market. While strategies based on low prices or technological quality can be successful in the short-term, excellent services with corresponding prices will be decisive for customers in the end.

Every company pays a great deal of attention to its stable base of satisfied customers. The greater the customer base is, the more advantageous services can be offered. As a company oriented towards the future, T-Mobile makes a great effort not only to attract new customers but also to ensure the satisfaction of existing ones. Increasing customer numbers brings increased demands for quality customer care. This is why T-Mobile places particular emphasis on this area.

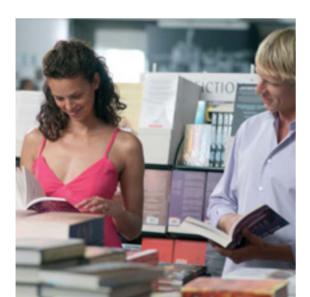
Points of sale

T-Mobile products are available to customers in 56 T-Mobile Retail Shops in all major Czech cities. Customer care comparable to that in our Retail Shops can also be obtained in our so-called Partner Shops, which started opening in 2003. At the end of last year, there were 68 Partner Shops in operation. Our distribution network further comprises almost 1,770 points of sale. The sales and service network of T-Mobile is the foundation of good relations between the Company and its customers, and it also guarantees the highest quality of services provided. The sales network offers only the latest handset models and branded accessories. Accurate information and professional assistance is available to customers at T-Mobile outlets and through our contractual partners.

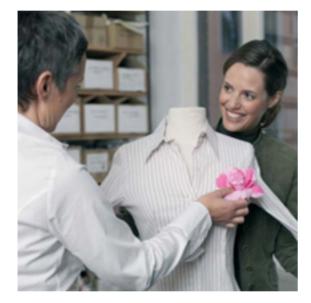
Customer care

Customer care is an integral part of doing business. Overall customer satisfaction often depends on the quality of customer service. For their service needs, T-Mobile customers most frequently contact the Customer Centre, which is prepared to handle inquiries 24 hours a day, seven days a week. The individual approach to customers is also reflected in the Data Showrooms concept. The T-Mobile showroom at Prague Roztyly offers free specialized training to customers as well as a chance to try out the latest mobile communications devices and to get information on solutions suitable for various business sectors.

Our clients and partners are provided with information on happenings at T-Mobile through several publications. These include Dialog, a monthly newsletter, Impuls, a quarterly lifestyle magazine, Professional and eProfessional, magazines for business clients, and Media Navigator, a monthly newsletter for journalists which forms a part of the special t-press website.



Products and services in 2005



Outstanding quality of services offered and excellent customer care have always been T-Mobile's priority. 2005 brought new tariff add-ons and special price offers, as well as several revolutionary new products in data services and new solutions principally designed for business customers. Activities related to entertainment and leisure complement the list of products and services.

Cheaper calls

At the very beginning of the year, T-Mobile gave its customers an opportunity to purchase a phone with a tariff programme and the HIT tariff add-on under very favourable conditions. The offer was designed for all new clients as well as for those who decided to switch from the Twist prepaid service to a contract.

Customers who subscribed to the "Pevná+" (Fixed+) tariff add-on already know that it pays to use their mobile to make calls to fixed phone lines. With this add-on introduced in February of 2005, each minute of a call to a fixed line costs only CZK 1. "Pevná+" soon found its fans and became one of T-Mobile's most successful offerings ever.

Two other new services also allowed customers to use their mobile phones more efficiently. The "Můj limit" (My Limit) service allows customers to set a limit for their expenditures for mobile services, and with the "Moji blízcí" (Loved Ones) service, a group of up to five people can call each other at very favourable prices.

Starting in May, customers could take advantage of one of our "double" offers. Contract customers received double the standard number of free minutes included in the selected tariff, and new Twist card users got double credit on their first top-up. In the autumn, customers could indulge in carefree text messaging, as every other SMS was free of charge.

At Christmas, T-Mobile gave a package of ten times the usual number of free minutes to everybody who entered into a new contract or extended an existing one, or switched from the Twist prepaid service to a tariff plan. New Twist card owners received a 100% bonus on their first top-up. The special Christmas offer was accompanied by a free gift – a stylish Puma sports bag.

Data services

On 19 October, T-Mobile became the first Czech operator to launch a third generation network, UMTS. The Internet 4G service is a mobile alternative to ADSL. The wireless broadband UMTS TDD network provides one of the fastest methods of internet access in Europe, with transmission speeds of up to 1024 kbps/256 kbps. Initially, the service was launched in Prague and surrounding areas; by mid-2006 more than 50% of the Czech Republic's population should be covered.

Data transfers using EDGE technology were launched in November 2004. As of the end of 2005, T-Mobile offered this service in more than 1,000 Czech cities and towns. Fast mobile internet access allowing connection speeds of up to 236 kbps was thus available to more than half of the population.

At the INVEX information technologies trade fair, T-Mobile started a new era in mobile communications. With the TV in Your Pocket project, visitors could watch both live and recorded programmes on the displays of mobile phones. TV in Your Pocket, which uses DVB-H technology enabling digital signal reception, received the Crystal Disk Award for Best Product in the Digital Household Technology category.

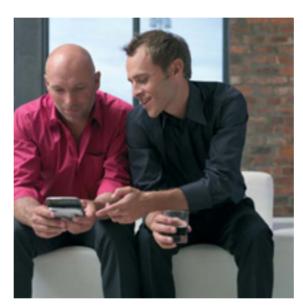
Another new application, "videozona", was also introduced at INVEX and officially launched in mid-November. This service allows its users to download videos and songs by their favourite artists to their mobile phones, and it is particularly popular with younger customers.

Solutions for business customers

In cooperation with SGS, T-Mobile launched the new CarNet system designed to monitor and manage the costs of car-fleet operation, and this system can be further extended with a navigation application. This solution combines the advantages of the GSM mobile network and GPS. T-Mobile thus became the first Czech operator to offer its customers the possibility to monitor their cars through a mobile network.

In the spring, T-Mobile began exclusively offering its customers the BlackBerry solution, which helps companies achieve more efficient communication with their own e-mail server. Users of this "office in the palm of your hand" can receive and send e-mails wherever they are, access an up-to-date calendar, a list of tasks and an address book, surf the internet, and more. The BlackBerry communicator itself can also be used as a terminal for remote control of IT systems, etc.

In 2005, T-Mobile continued to offer partnerships to companies that develop solutions whose operation requires a transfer path in the GSM network. Every "partner solution" is certified by T-Mobile so that end customers can be sure that the services they are using are fully operational. The number of our partners, many of which are well established companies successful on both the Czech and international markets, is continuously increasing.



Internet shop

T-Mobile's internet shop, which was opened at the end of 2004, extended the range of services offered in 2005. Besides purchasing a phone or a Twist set, customers can now also enter into contracts or switch from the Twist prepaid service to a tariff plan via the internet. The offer of tariff plans was extended with eTariffs, and the Lucky Day promotional events provided customers with the opportunity to take advantage of special low prices at T-Mobile. The convenient and fully-fledged internet shop attracted an increasing number of customers over the past year.

A refreshing summer and a competitive winter

T-Mobile Cafés were prepared for visitors to Czech summer music festivals. In these magenta tents, visitors could use the internet free of charge, recharge their phone batteries, print their photos taken with a mobile phone or ask for advice concerning the use of mobile communications services. In addition, they received a magenta sitting pad as a gift.

In summer, cyclists could find T-Mobile Stations on six selected cycling routes. The stations offered refreshments and relaxation, as well as expert bicycle servicing. Visitors could also win interesting prizes in a quiz on cycling topics.

Before Christmas, T-Mobile customers could win attractive prizes in three other competitions. In the Talk Without Worries competition, participants were invited to come up with an original idea for how to spend CZK 3,948, which is what a person normally saves by cancelling the fixed line phone service. Another contest called The Big Game – Tidy Up Your Pockets was organized by T-Mobile's Internet Shop. In this case, participants were asked to send creative photos of old mobile phones accompanied by witty captions. In the last competition, one hundred winners got a free trip to the Robbie Williams concert in Dublin after having correctly answered questions about the life of this pop megastar.

T-Mobile as a socially responsible company

It should go without saying that a respectable company treats its employees, business partners and the environment in the best way possible and that it uses its resources to help those in need. T-Mobile considers socially responsible behaviour to be a long-term obligation; therefore, we strive to make it an integral part of our corporate culture.

T-Mobile Fund

For the first time last year, T-Mobile – in cooperation with the VIA Foundation and the Community Foundation of Euroregion Labe – announced an open grant programme under the slogan "For a better world for you". Its aim was to support the three regions where the operator has its offices, i.e. Hradec Králové, Louny and the district of Prague 11. From 166 applications for financial aid, 46 projects were selected, which T-Mobile supported through grants totalling CZK 2.5 million. This money should help projects focused, for example, on the integration of the disabled or on leisure-time activities for children and young people.

International CSR Office in Prague

In terms of social responsibility, T-Mobile Czech Republic can also serve as an example for its sister companies abroad. Therefore, it is no wonder that Prague was chosen as the location of the international Corporate Social Responsibility Office opened last year. This office will coordinate CSR activities in all countries of the T-Mobile Group. T-Mobile Czech Republic is thus implementing new projects which are subsequently offered to other countries where T-Mobile operates. One example of such a Czech innovation later implemented abroad is the donor messages (DMS) project.

Cooperation with Centrum Paraple

In September 2005, a benefit performance was held in the Jára Cimrman Theatre and the proceeds were donated to Centrum Paraple, which helps people who have suffered spinal-cord injuries. On behalf of its customers, T-Mobile presented the organizers with a symbolic cheque in the amount of CZK 250,000. This money had been collected through the T-Mobile Bonus loyalty programme, which allows customers to donate their bonus points to charity. The operator matched every crown donated by customers and the total contribution from T-Mobile to Centrum Paraple thus amounted to half a million Czech crowns. T-Mobile customers could also contribute to Centrum Paraple by buying the Calendar for a Good Cause, which was available before Christmas at all T-Mobile Retail Shops. The calendar, containing interesting photographs taken by the Company's employees as part of a summer contest, cost a nominal 30 Czech crowns. Centrum Paraple received 100% of the proceeds from these calendar sales.

T-Mobile and Kapka naděje

In the autumn, the public showed an enormous interest in sending donor messages during the benefit week and charity concert organized for the benefit of the Kapka naděje (Drop of Hope) foundation. T-Mobile itself presented Vendula Svobodová, the Chairperson of the foundation, with a cheque in the amount of CZK 4 million and thus assisted in equipping a hospital facility for children suffering from leukaemia from all over the Czech Republic.

Days of the People of Goodwill at Velehrad

At the beginning of July 2005, the sixth annual celebrations of the Day of Slavonic Apostles took place at Velehrad. The aim of the event was to build a bridge between all people of goodwill irrespective of nationality, political belief or religion. In 2005, T-Mobile became one of the partners of this traditional event, held under the auspices of Jan Graubner, the archbishop of Olomouc. As part of the celebrations, an international conference called "Corporate Social Responsibility in Contemporary Europe" was held, at which representatives of the church and the public, private and non-profit sectors spoke on the subject of social responsibility. One of the speeches was delivered by Roland Mahler, the Managing Director of T-Mobile.

One Day for People in Need

In 2005, T-Mobile in cooperation with the Czech Donors Forum launched a pilot project called "One Day for People in Need". One hundred T-Mobile employees had an opportunity to spend one day in the year doing socially useful volunteer work while being paid by the Company. This project was very well received among the employees, and up to 300 of their colleagues will be able to take part in it in 2006.

Charity auction

The third annual charity auction, involving some 300 T-Mobile employees, yielded a sum of CZK 64,560. Similar to the previous year, T-Mobile added another CZK 100,000, and a total amount of CZK 164,560 was thus donated to the participating organizations. The employees had an opportunity to buy about 200 hand-made products made by children and adults from eleven organizations, schools, civic associations and charity institutions mainly from the Hradec Králové and Chomutov regions.

Environment

As of 1 March 2005, well in advance of the legal obligation to do so coming into effect, T-Mobile was the first operator in the market to enable its customers to hand in their old mobile phones and accessories at any T-Mobile Retail Shop for the purpose of ecological disposal. The Company's employees had already had, and continue to have, the same opportunity. At the same time, we strive to improve the recycling process within the Company by placing more clearly-marked containers for secondary raw materials at T-Mobile premises all over the Czech Republic. Furthermore, we are looking for new ways of saving resources in everyday work (printing paper on both sides, switching off lights, using air-conditioning only when necessary, using the stairs instead of the elevator, etc.).

Supporting music and sports

As one of the Czech Republic's largest corporations, T-Mobile supports a wide range of activities enriching the country's sport and cultural life. The Company has therefore prepared a long term sponsorship programme with a primary focus on music and sports.

Czech national football team

T-Mobile has been a partner of the Czech national football team for several years. In 2005, the Company stood by the team during the qualification round until success came in mid-November, when the qualification curse was finally broken and the dreams of the players and their fans came true. In summer 2006, the team coached by Karel Brückner will defend the Czech colours at the World Cup in Germany. Thanks to the partnership between T-Mobile and the Czech national team, T-Mobile customers will have the most up-to-date information on the event in their mobile phones.

Cycling

The T-Mobile International Group introduced its new cycling team in 2004. In the summer of 2005, the T-Mobile Team achieved an overall victory in the team classification on the Tour de France, the world's most famous cycling race. The team's main star and captain, Jan Ullrich, ranked third overall. In the autumn, the magenta-clad team introduced a new organizational structure. The former champion Olaf Ludwig became the team's manager, and, instead of Tomáš Konečný, the Czech Republic is now represented by the 22-year-old European champion František Raboň.

A Helmet Fits Better than a Bandage

T-Mobile also supports amateur cycling events. In order to make this sport a safe activity especially for children, T-Mobile takes part in a long-term educational programme. Within the Smarter One Wins – A Helmet Fits Better than a Bandage project prepared in cooperation with the Podaná ruka (Extended Hand) foundation, T-Mobile visited 14 Czech towns last year, where it organized events promoting cycling safety awareness among children.



Music and concerts

As a general partner of the Interkoncerts agency, T-Mobile brings the best of Czech and international artists to the concert stage. Names like Anastacia, Queen, Duran Duran and Black Sabbath, all of whom performed at T-Mobile Arena in 2005, prove that there was a lot to choose from for fans of all types of music. The major event was without a doubt the Chinaski tour sponsored by T-Mobile. The band was on the road throughout the last two months of the year and closed the tour with a soldout show at T-Mobile Arena.

In the summer, T-Mobile International announced its cooperation with Robbie Williams. This 18-month partnership between the operator and the major pop star has brought customers exclusive mobile-phone content and a wide range of activities related to the Robbie Williams tour. Before Christmas, Czech fans could win tickets in a SMS competition to Robbie's concert in Dublin.

t-music

At the end of 2004, T-Mobile became the general partner of the t-music lifestyle programme on Prima TV. An internet portal of the same name was created to support the show, offering charts, videos, online voting and music news. In 2005, the portal introduced the "videozona" service, which allows customers to play their favourite videos on their mobile phones.

First Citizens' Sports Association

T-Mobile is a general partner of 1. sportovně-občanské sdružení (First Citizens' Sports Association), a volunteer charitable organization which organizes the Dětský Domov Cup for children living in children's homes. The competition consists of various tournaments in different sport disciplines and is organized under the auspices of the Czech national football team. In May 2005, the Lucie Hanušová Run for children living in children's homes took place at the Dolní Počernice children's home. Winners received prizes from the players of the Czech national football team and their coach Miroslav Beránek.

Other events

T-Mobile has also been traditionally associated with golf. Like every year, the operator sponsored the T-Mobile Golf Tour. Another golf event organized under T-Mobile's patronage was the charitable tournament at the Erpet sport centre in Prague in March 2005. The proceeds were donated to the Hanuš Goldscheider Foundation to support professional players and junior national team members, as well as beginning golfers. T-Mobile was one of the organizers of another charity tournament that took place at the Golf Resort in Karlovy Vary in August 2005. The proceeds from the tournament were donated to the Livia and Václav Klaus Charitable Fund.

In 2005, T-Mobile announced the first annual Perspectives Award for young graphic artists up to 30 years of age. The aim of this contest and exhibition was to introduce talented artists and present freestyle graphic art as an important technique characterized by its labour intensity. The president of the jury was the painter and graphic artist Joska Skalník. The winning works were exhibited in the Chodov Fortress (Chodovská tvrz) gallery in Prague and selected pictures livened up T-Mobile's office buildings.



Ownership structure and business relationships

T-Mobile Czech Republic is an integral part of the T-Mobile International Group, a strategic division of Deutsche Telekom.

Deutsche Telekom is one of the world's leading telecommunications and information technology service providers, and as such sets international standards. Globally, the 'T' is a mark of quality, efficiency and innovation. Deutsche Telekom's focus on the three main growth areas in the industry – Broadband/Fixed-network, Business Customers and Mobile Communications – further develops the four-pillar strategy pursued up to now. The goal is to become the fastest-growing integrated telecommunications company in Europe.

T-Mobile International is one of the world's leading companies in mobile communications. As one of Deutsche Telekom's four strategic business units, T-Mobile International concentrates on the most dynamic markets in Europe and the United States. By the end of December 2005, 86.6 million customers were being served.

T-Mobile International owns network operators in Germany (T-Mobile Deutschland), the United States (T-Mobile USA), Great Britain (T-Mobile UK), Austria (T-Mobile Austria), and the Netherlands (T-Mobile Netherlands). It has a majority stake in T-Mobile Czech Republic and a major holding in Poland (PTC). In addition to T-Mobile's complete and partial ownership of these firms, Deutsche Telekom is represented by mobile operators in Hungary (T-Mobile Hungary), Croatia (T-Mobile Croatia), Macedonia (Mobimak), Montenegro (Monet), Bosnia-Herzegovina (Eronet), and Slovakia (T-Mobile Slovakia). In accordance with its vision/mission T-Mobile has identified partners which can help it to gain a competitive advantage in the market (e.g. in technology, terminals, support services, content provider services, and site construction). The other group of partners, which includes, for example, universities, foundations, professional organizations and other public entities, supports the development of CSR (Corporate Social Responsibility).

T-Mobile International is a partner of FreeMove, an alliance formed by four of Europe's leading mobile companies – Orange, Telefónica Móviles, TIM (Telecom Italia Mobile) and T-Mobile International – to help their customers communicate as easily while travelling abroad as they do at home.

Building a good relationship with all of our partners is very important. Our partnership with a number of companies and other external partners helps satisfy our customers and brings mutually beneficial cooperation. As an example, our partners include technology firms (Motorola, IBM, Siemens, HP), handset suppliers (Nokia, LG, Siemens, Motorola, Sony Ericsson), providers of support services (PVT, Xerox), content and GSM banking providers, subcontractors in the construction of sites (Infotel, Lenia), universities (VUT Brno, University of Zurich), foundations and public organizations (Czech Society for Quality, EFQM). Last February, T-Mobile Czech Republic and T-Systems Czech concluded an agreement for the outsourcing of IT operations administration. On 1 March 2005, T-Systems Czech took over the central administration of the operation of 600 servers and 4,000 terminals in five localities in the Czech Republic. The agreement worth CZK 3 billion was signed for seven years. This cooperation is the largest contract that has ever been concluded in the Czech IT industry. Besides the reduction of costs related to IT operations, this step was also taken to ensure more effective use of T-Mobile's existing capacities.



Telecommunications licences

As of 1 January 2005, T-Mobile Czech Republic was a holder of the following telecommunications licences:

- Licence to provide a public telephony service via a public mobile telecommunications network;
- Licence to establish and operate a public mobile telecommunications network on the GSM standard;
- Licence to establish and operate a public mobile telecommunications network on the UMTS standard.

At the Company's request, the Czech Telecommunications Office (CTO) issued on 27 January 2005 a decision on modification no. 1 to the GSM Licence, based on which the allocation of frequencies was extended to cover the upper part of the E-GSM band with a bandwidth of 2x2 MHz. This decision came into force on 1 February 2005.

On the basis of the results of a tender, the Company was awarded, through the CTO's decision of 26 April 2005, a telecommunications licence to establish and operate a public mobile telecommunications network in the 872 MHz frequency band for the provision of a telecommunications service consisting in broadband data transmission, in particular, for the purpose of the provision of internet access. The term of validity of the licence is 10 years (until 2015). In accordance with the new legal regulation contained in Electronic Communications Act No. 127/2005 Coll., which took effect on 1 May 2005, the Company has been awarded the following radio frequency allocations:

- Allocation of radio frequencies for the provision of a public mobile electronic communications network on the GSM standard in the 900 and 1800 MHz frequency bands;
- Allocation of radio frequencies for the provision of a public mobile electronic communications network on the UMTS standard in the 2.1 and 28 MHz frequency bands;
- Allocation of radio frequencies for the provision of a public mobile electronic communications network in the 872 MHz frequency band.

These frequency allocations came into force on 27 September 2005 and contain, to the same extent, the rights and obligations related to these radio frequencies, which are specified in the telecommunications licences that ceased to be valid as of 30 September 2005 under the new legal regulation.

Furthermore, according to the provision of Section 14 (1) of Electronic Communications Act No. 127/2005 Coll., the CTO issued the Company certificate no. 310 dated 29 August 2005 authorizing the Company to conduct business in the field of electronic communications or, more precisely, to conduct communications activities consisting in the provision of public mobile networks and electronic communications services. In connection with this, the aforesaid telecommunications licence to provide a public telephony service and the certificate of registration of general licences issued as per Telecommunications Act No. 151/2000 Coll. also ceased to be valid.

Financial statements 2005



PRICEWATERHOUSE COOPERS B

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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 2005, the related income statement, cash flow statement and notes for the year then ended presented in the annual report of the Company on pages 29 - 47 ("the financial statements"). The financial statements, which include a description of the activities of the Company, and underlying accounting records 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, International Standards on Auditing and related application guidance of the Chamber of Auditors of the Czech Republic. 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 statements 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 2005, 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 - 25, which does not form part of the financial statements for the year ended 31 December 2005, 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 accompanying report on relations between the related entities in respect of the year 2005 on pages 50 - 67 ("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 International Standard on Review Engagements and related application guidance of the Chamber of Auditors of the Czech Republic. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material misstatement. A review is limited primarily to inquiries of Company personnel, analytical procedures and examination, on a test basis, of factual accuracy of data. Review therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects, in accordance with the provision of Section 66a (9) of the Commercial Code.

19 April 2006

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PricewaterhouseCoopers Audit, s.r.o. represented by

Thank Lil

Thomas Linder Partner

Pavel Kulhavý Auditor, Licence No.1538

PricewaterhouseCoopers Audit, 57.0., registered seat Katefindkä 407466, 120 00 Prague 2, Casch Republic, Identification Number: 40765521, registered with the Commercial Register Lept by the Manicipal Coart in Prague, Section C, Insent 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Crock Republic under License No 621.

Balance sheet

				2005	200
		Gross	Provision	Net	N
		CZK'000	CZK'000	CZK'000	CZK'00
SSETS					
3.	Fixed assets	45,290,721	(21,207,844)	24,082,877	26,516,82
3. I.	Intangible fixed assets	10,667,282	(4,850,527)	5,816,755	5,983,84
3. I. 1.	Research and development	283,100	(241,221)	41,879	69,26
2.	Software	4,911,608	(4,083,033)	828,575	1,226,34
3.	Valuable rights	4,495,382	(526,273)	3,969,109	237,59
4.	Intangible fixed assets in the course of construction	976,734	-	976,734	4,450,13
5.	Advances paid for intangible fixed assets	458	-	458	51
. II.	Tangible fixed assets	34,623,439	(16,357,317)	18,266,122	20,532,98
II. 1.	Land	16,721	-	16,721	16,4
2.	Buildings and constructions	6,703,268	(1,904,120)	4,799,148	4,938,7
3.	Equipment	24,536,144	(14,427,008)	10,109,136	13,124,8
4.	Other tangible fixed assets	708	-	708	7
5.	Tangible fixed assets in the course of construction	3,363,176	(26,189)	3,336,987	2,446,8
6.	Advances paid for tangible fixed assets	3,422	-	3,422	5,4
	Current assets	14,965,398	(2,724,632)	12,240,766	4,242,7
. I.	Inventories	928,111	(316,756)	611,355	622,7
. I. 1.	Raw materials	605,412	(296,504)	308,908	349,4
2.	Goods for resale	322,699	(20,252)	302,447	273,3
. II.	Long term receivables	24,582	-	24,582	12,4
II. 1.	Trade receivables	16,316	-	16,316	5,2
2.	Long term advances paid	8,266	-	8,266	7,2
. III.	Short-term receivables	5,868,584	(2,407,876)	3,460,708	3,168,3
III. 1.	Trade receivables	4,573,383	(2,407,876)	2,165,507	2,123,6
2.	Receivables from members of associations	6,076	-	6,076	18,9
3.	Taxes and state subsidies receivable	50,450	-	50,450	70,7
4.	Short-term advances paid	117,775	-	117,775	120,8
5.	Anticipated assets	1,111,640	-	1,111,640	829,9
6.	Other receivables	9,260	-	9,260	4,1
IV.	Short-term financial assets	8,144,121	-	8,144,121	439,1
IV. 1.	Cash in hand	23,865	-	23,865	13,1
2.	Cash at bank	3,329,324	-	3,329,324	155,2
3.	Short-term investments	4,790,932	-	4,790,932	270,8
. I.	Accrual and deferrals	76,809	-	76,809	69,5
. I. 1.	Prepaid expenses	74,923	-	74,923	69,5
2.	Accrued revenue	1,886	-	1,886	
OTAL ASSET	TO	60.332.928	(23.932.476)	36,400,452	30.829.14

		2005	2004
		Net	Net
		CZK'000	CZK'000
LIABILITIES A	AND EQUITY		
Α.	Equity	26,499,866	21,898,340
A. I.	Share capital	520,000	520,000
A.I. 1.	Share capital	520,000	520,000
A. II.	Capital contributions	5,344,989	5,341,343
A. II. 1.	Share premium	5,344,110	5,344,110
2.	Other capital contributions	8,020	8,020
3.	Assets and liabilities revaluation	(7,141)	(10,787)
A. III.	Reserve fund, non-distributable reserves and other reserves	104,000	104,000
A. III. 1.	Statutory reserve fund/non-distributable reserves	104,000	104,000
A. IV.	Retained earnings	15,783,996	11,646,995
A. IV. 1.	Retained profits	15,783,996	11,646,995
A. V.	Profit for the current period	4,746,881	4,286,002
В.	Liabilities	8,699,209	7,840,159
B. I.	Provisions	1,602,054	1,921,491
B. I. 1.	Tax-deductible provisions	4,295	2,940
2	Income tax provision	849,056	1,316,589
3.	Other provisions	748,703	601,962
B. II.	Long-term liabilities	1,982,894	2,169,266
B. II. 1.	Trade payables	1,625	-
2.	Long-term advances received	258,965	220,317
3.	Deferred tax liability	1,722,304	1,948,949
B. III.	Short-term liabilities	5,109,511	3,749,396
B. III. 1.	Trade payables	1,202,413	1,267,947
2.	Liabilities to shareholders	174	4,726
3.	Liabilities to employees	67,205	58,104
4.	Liabilities for social security and health insurance	49,032	43,536
5.	Taxes and state subsidies payable	24,353	19,784
6.	Short-term advances received	245,576	189,830
7.	Anticipated liabilities	3,504,086	2,151,867
8.	Other payables	16,672	13,602
B. IV.	Bank loans and overdrafts	4,750	6
B. IV. 1.	Short-term bank loans and overdrafts	4,750	6
C. I.	Accruals and deferrals	1,201,377	1,090,649
C. I. 1.	Accruals	57	125
2.	Deferred revenue	1,201,320	1,090,524
	LITIES AND EQUITY	36,400,452	30,829,148

Income statement

2005 2004 2005 1. Sales of goods sold 1,253,167 1,014,940 A. Cost of goods sold 2,535,732 2,147,631 I. Sales of production 1(1276,656) (1132,691) II. Sales of production 26,567,074 25,370,582 II. Sales of own products and services 26,069,741 25,306,489 2. Own work capitalised 466,333 33,40.84 B. Cost of sales 10,929,553 10,324,243 B. I. Raw materials and consumables 679,354 485,591 2. Services 10,250,199 9,857,052 + Added value 11,324,507 11,324,507 C. Staff costs 1,911,343 1,734,507 C. Staff costs 1,911,343 1,734,507 C. Staff costs 1,694 1,872 J. Wages and salaries 1,694 1,872 J. Wages and salaries 5,140,094 5,148,878 III. <td< th=""><th></th><th></th><th></th><th>For</th><th colspan="2">For the year ended 31 December</th></td<>				For	For the year ended 31 December	
I. Sales of goods 1,259,167 1,014,940 A. Cost of goods sold 2,533,732 2,147,631 H Gross profit (1,1276,555) (1,132,691) II. Sales of production 26,667,074 25,370,582 II. Sales of own products and services 26,069,741 25,370,582 Q. Own work capitalised 468,333 334,084 B. Cost of sales 10,929,553 10,342,443 B. Cost of sales 10,929,553 10,342,443 Z. Services 10,250,199 9,857,052 F. Added value 14,360,956 13,895,448 C. Staff costs 1,911,343 1,734,507 C. Staff costs 1,812 1,824 1,824 Q. Deprociation of fixed assets 516,552 208,191 II. Sale of fixed assets and raw materials sold 516,552 208,191 II. Sale of fixed assets and raw materials sold 512,756 200,513 D. Taxes and charges				2005	2004	
A Cost of goods sold 2.535,732 2.147,631 + Gross profit (1,122,691) (1,132,691) II. Sales of production 26,567,074 25,577,04 25,577,04 25,577,04 25,577,04 25,577,04 25,577,04 25,577,04 25,577,0582 10,829,553 10,324,443 334,084 334,096 31,384,396 31,324				CZK'000	CZK'000	
+ Gross profit (1,276,565) (1,132,691) II. Sales of production 26,567,074 25,370,582 II. Sales of wom products and services 26,098,711 25,008,498 2. Own work capitalised 468,333 334,084 B. Cost of sales 10,929,553 10,342,443 B. 1. Raw materials and consumables 679,354 485,391 2. Services 10,250,199 9,857,052 + Added value 14,360,956 13,985,448 C. Staff costs 19,11,343 1,734,507 C. I. Wages and salaries 1,894 1,872 3. Social security costs 499,355 453,162 4. Other social costs 28,895 66,672 D. Taxes and charges 21,276 28,131 E. Depreciation of fixed assets 5142,0934 5148,873 III. Sale of fixed term assets 512,756 200,513 D. Taxes and charges 5	Ι.		Sales of goods	1,259,167	1,014,940	
II. Sales of production 26,567,074 25,370,582 II. 1. Sales of own products and services 26,098,741 25,036,498 2. Own work capitalised 468,333 334,048 B. Cost of sales 10,929,553 10,342,443 B. I. Raw materials and consumables 679,354 485,391 2. Services 10,250,199 9,857,052 4 Added value 14,380,956 13,885,448 C. Staff costs 1,911,343 1,734,507 C. It wages and salaries 1,924,396 1,22,801 2. Emoluments of board members 1,694 1,872 3. Social security costs 498,358 453,162 4. Other social costs 86,895 66,672 D. Taxes and charges 223,207 287,314 E. Depreciation of fixed assets 512,756 200,513 III. Sale of fraw materials 516,552 200,513 2. Sale of raw materials sold	Α.		Cost of goods sold	2,535,732	2,147,631	
II. 1. Sales of own products and services 26,098,741 25,036,498 2. Own work capitalised 468,333 334,084 B. Cost of sales 10,929,553 10,342,443 B. 1. Raw materials and consumables 679,354 485,391 2. Services 10,250,199 9,857,052 + Added value 14,360,956 13,895,488 C. Staff costs 1,911,343 1,734,507 C. I. Wages and salaries 1,924,396 1,212,801 2. Emoluments of board members 1,894 1,872 3. Social security costs 498,358 453,162 4. Other social costs 498,358 453,162 5. Depreciation of fixed assets and raw materials 516,552 2008,191 III. Sale of fixed term assets 512,756 2005,131 2. Sale of fixed term assets 512,756 2005,131 2. Sale of fixed term assets and raw materials sold 742,114 539,483	+		Gross profit	(1,276,565)	(1,132,691)	
2. Own work capitalised 0.48,333 334,084 B. Cost of sales 10,929,553 10,342,443 B. 1. Raw materials and consumables 679,354 485,391 2. Services 10,250,199 9,857,052 + Added value 14,360,956 13,895,448 C. Staff costs 1,911,343 1,734,507 2. Emoluments of board members 1,694 1,872 3. Social security costs 489,358 453,162 2. Emoluments of board members 1,694 1,872 3. Social security costs 489,358 453,162 D. Takes and charges 223,207 287,314 E. Depreciation of fixed assets 512,756 200,513 III. Sale of fixed term assets 512,756 200,513 2. Sale of fixed term assets 512,756 200,513 2. Sale of fixed term assets 512,756 200,513 2. Sale of fixed term assets 512,756	Ш.		Sales of production	26,567,074	25,370,582	
B. Cost of sales 10,929,553 10,342,443 B. 1. Raw materials and consumables 679,354 485,391 2. Services 10,250,199 9,8657,052 + Added value 14,360,956 13,895,448 C. Staff costs 1,911,343 1,734,507 C. I. Wages and salaries 1,324,396 1,212,801 2. Encoluments of board members 1,694 1,872 3. Social security costs 498,358 453,162 4. Other social costs 86,895 66,672 D. Taxes and charges 223,207 287,314 E. Depreciation of fixed assets 5140,094 5148,878 Ill. Sale of fixed assets and raw materials 516,552 202,131 Ill. Sale of fixed assets and raw materials sold 742,114 539,483 F. Net book amount of fixed assets and raw materials sold 742,114 539,483 F. Net book amount of fixed assets and complex 742,114 539,483	П.	1.	Sales of own products and services	26,098,741	25,036,498	
B. 1. Raw materials and consumables 679,354 485,391 2. Services 10,250,1199 9,857,052 + Added value 14,360,956 13,895,448 C. Staff costs 19,11,343 1,734,507 C. 1. Wages and salaries 1,324,396 1,212,801 2. Emoluments of board members 1,694 1,872 3. Social security costs 498,358 453,162 4. Other social costs 66,895 66,672 D. Taxes and charges 223,207 287,314 E. Depreciation of fixed assets 5140,094 5,148,878 III. Sale of fixed assets and raw materials 512,756 200,513 2. Sale of raw materials 512,756 200,513 F. Net book amount of fixed assets and raw materials sold 742,114 539,483 F. Net book amount of fixed assets sold 518,522 61,574 G. Change in provisions for operating liabilities and charges and complex prepaid expenses		2.	Own work capitalised	468,333	334,084	
2. Services 10,250,199 9,857,052 + Added value 14,360,956 13,895,448 C. Staff costs 1,911,343 1,734,507 C. 1. Wages and salaries 1,324,396 1,212,801 2. Emoluments of board members 1,694 1,872 3. Social security costs 498,358 453,162 4. Other social costs 86,895 66,672 D. Taxes and charges 223,207 287,314 E. Depreciation of fixed assets 516,552 208,191 III. Sale of fixed assets and raw materials 516,552 208,191 III. Sale of fixed assets and raw materials sold 3,796 7,678 F. Net book amount of fixed assets and raw materials sold 583,592 477,909 2. Net book amount of fixed assets sold 583,592 477,909 2. Net book amount of fixed assets and charges and complex 585,522 61,574 G. Change in provisions for operating liabilities and charges and complex 5	В.		Cost of sales	10,929,553	10,342,443	
+ Added value 14,360,956 13,895,448 C. Staff costs 1,911,343 1,734,507 C. 1. Wages and salaries 1,324,396 1,212,801 2. Emoluments of board members 1,694 1,872 3. Social security costs 498,358 453,162 4. Other social costs 86,895 66,672 D. Taxes and charges 223,207 287,314 E. Depreciation of fixed assets 51,40,094 5,148,878 Ill. Sale of fixed assets and raw materials 516,552 208,191 Ill. Sale of fixed assets and raw materials 512,756 200,513 2. Sale of fixed assets and raw materials sold 742,114 539,483 F. Net book amount of fixed assets sold 583,592 477,909 2. Net book amount of fixed assets sold 583,592 477,909 2. Net book amount of fixed assets sold 583,592 61,674 G. Change in provisions for operating liabilities and charges and complex prepaid expenseses <td>В.</td> <td>1.</td> <td>Raw materials and consumables</td> <td>679,354</td> <td>485,391</td>	В.	1.	Raw materials and consumables	679,354	485,391	
C. Staff costs 1,911,343 1,734,507 C. 1. Wages and salaries 1,324,396 1,212,801 2. Emoluments of board members 1,694 1,872 3. Social security costs 498,358 4453,162 4. Other social costs 86,895 66,672 D. Taxes and charges 223,207 287,314 E. Depreciation of fixed assets 5,140,094 5,148,878 Ill. Sale of fixed assets and raw materials 516,552 208,191 Ill. Sale of fixed term assets 512,756 200,513 2. Sale of fixed mount of fixed assets and raw materials sold 742,114 539,483 F. Net book amount of fixed assets sold 583,592 477,909 2. Net book amount of fixed assets sold 583,592 61,574 G. Change in provisions for operating liabilities and charges and complex prepaid expenses 619,498 267,883 IV. Other operating in come 1,111,274 1,128,856		2.	Services	10,250,199	9,857,052	
C. 1. Wages and salaries 1,324,396 1,212,801 2. Emoluments of board members 1,694 1,872 3. Social security costs 498,358 453,162 4. Other social costs 86,895 66,672 D. Taxes and charges 223,207 287,314 E. Depreciation of fixed assets 5,140,094 5,148,878 Ill. Sale of fixed assets and raw materials 516,552 208,191 Ill. Sale of fixed assets and raw materials 512,756 200,513 2. Sale of fixed assets and raw materials sold 742,114 539,483 F. Net book amount of fixed assets sold 583,592 477,909 2. Net book amount of raw materials sold 158,522 61,574 G. Change in provisions for operating liabilities and charges and complex prepaid expenses 619,498 267,883 IV. Other operating income 1,111,274 1,128,856	+		Added value	14,360,956	13,895,448	
2. Emoluments of board members 1,694 1,872 3. Social security costs 498,358 453,162 4. Other social costs 86,895 66,672 D. Taxes and charges 223,207 287,314 E. Depreciation of fixed assets 5,140,094 5,148,878 III. Sale of fixed assets and raw materials 516,552 208,191 III. 1. Sale of fixed assets and raw materials 512,756 200,513 2. Sale of fixed term assets 3,796 7,678 F. Net book amount of fixed assets and raw materials sold 583,592 477,909 2. Net book amount of fixed assets sold 583,592 477,909 2. Net book amount of fixed assets and complex prepaid expenses 619,498 267,883 V. Other operating income 1,111,274 1,128,856	C.		Staff costs	1,911,343	1,734,507	
3. Social security costs 498,358 453,162 4. Other social costs 86,895 66,672 D. Taxes and charges 223,207 287,314 E. Depreciation of fixed assets 5,140,094 5,148,878 III. Sale of fixed assets and raw materials 516,552 208,191 III. Sale of fixed term assets 512,756 200,513 2. Sale of fixed assets and raw materials sold 3,796 7,678 F. Net book amount of fixed assets sold 583,592 477,909 2. Net book amount of fixed assets sold 158,522 61,574 G. Change in provisions for operating liabilities and charges and complex prepaid expenses 619,498 267,883 IV. Other operating income 1,112,274 1,128,856	C.	1.	Wages and salaries	1,324,396	1,212,801	
4. Other social costs 86,895 66,672 D. Taxes and charges 223,207 287,314 E. Depreciation of fixed assets 5,140,094 5,148,878 III. Sale of fixed assets and raw materials 516,552 208,191 III. Sale of fixed term assets 512,756 200,513 2. Sale of raw materials 512,756 200,513 2. Sale of raw materials sold 742,114 539,483 F. Net book amount of fixed assets sold 583,592 477,909 2. Net book amount of raw materials sold 158,522 61,574 G. Change in provisions for operating liabilities and charges and complex prepaid expenses 619,498 267,883 IV. Other operating income 1,112,856 1,112,856		2.	Emoluments of board members	1,694	1,872	
D. Taxes and charges 223,207 287,314 E. Depreciation of fixed assets 5,140,094 5,148,878 III. Sale of fixed assets and raw materials 516,552 208,191 III. 1. Sale of fixed term assets 512,756 200,513 2. Sale of raw materials 512,756 200,513 2. Sale of raw materials 3,796 7,678 F. Net book amount of fixed assets and raw materials sold 742,114 539,483 F. 1. Net book amount of fixed assets sold 583,592 477,909 2. Net book amount of raw materials sold 158,522 61,574 G. Change in provisions for operating liabilities and charges and complex prepaid expenses 619,498 267,883 IV. Other operating income 1,111,274 1,128,856		3.	Social security costs	498,358	453,162	
E.Depreciation of fixed assets5,140,0945,148,878III.Sale of fixed assets and raw materials516,552208,191III.1.Sale of fixed term assets512,756200,5132.Sale of raw materials3,7967,678F.Net book amount of fixed assets and raw materials sold742,114539,483F.1.Net book amount of fixed assets sold583,592477,9092.Net book amount of raw materials sold158,52261,574G.Change in provisions for operating liabilities and charges and complex prepaid expenses619,498267,883IV.Other operating income1,111,2741,128,856		4.	Other social costs	86,895	66,672	
III.Sale of fixed assets and raw materials516,552208,191III.1.Sale of fixed term assets512,756200,5132.Sale of raw materials3,7967,678F.Net book amount of fixed assets and raw materials sold742,114539,483F.1.Net book amount of fixed assets sold583,592477,9092.Net book amount of raw materials sold158,52261,574G.Change in provisions for operating liabilities and charges and complex prepaid expenses619,498267,883IV.Other operating income1,111,2741,128,856	D.		Taxes and charges	223,207	287,314	
III.1.Sale of fixed term assets512,756200,5132.Sale of raw materials3,7967,678F.Net book amount of fixed assets and raw materials sold742,114539,483F.1.Net book amount of fixed assets sold583,592477,9092.Net book amount of raw materials sold158,52261,574G.Change in provisions for operating liabilities and charges and complex prepaid expenses619,498267,883IV.Other operating income1,111,2741,128,856	E.		Depreciation of fixed assets	5,140,094	5,148,878	
2.Sale of raw materials3,7967,678F.Net book amount of fixed assets and raw materials sold742,114539,483F.1.Net book amount of fixed assets sold583,592477,9092.Net book amount of raw materials sold158,52261,574G.Change in provisions for operating liabilities and charges and complex prepaid expenses619,498267,883IV.Other operating income1,111,2741,128,856	III.		Sale of fixed assets and raw materials	516,552	208,191	
F.Net book amount of fixed assets and raw materials sold742,114539,483F.1.Net book amount of fixed assets sold583,592477,9092.Net book amount of raw materials sold158,52261,574G.Change in provisions for operating liabilities and charges and complex prepaid expenses619,498267,883IV.Other operating income1,111,2741,128,856	III.	1.	Sale of fixed term assets	512,756	200,513	
F.1.Net book amount of fixed assets sold583,592477,9092.Net book amount of raw materials sold158,52261,574G.Change in provisions for operating liabilities and charges and complex prepaid expenses619,498267,883IV.Other operating income1,111,2741,128,856		2.	Sale of raw materials	3,796	7,678	
2.Net book amount of raw materials sold158,52261,574G.Change in provisions for operating liabilities and charges and complex prepaid expenses619,498267,883IV.Other operating income1,111,2741,128,856	F.		Net book amount of fixed assets and raw materials sold	742,114	539,483	
G.Change in provisions for operating liabilities and charges and complex prepaid expenses619,498267,883IV.Other operating income1,111,2741,128,856	F.	1.		583,592	477,909	
prepaid expenses 619,498 267,883 IV. Other operating income 1,111,274 1,128,856		2.	Net book amount of raw materials sold	158,522	61,574	
IV. Other operating income 1,111,274 1,128,856	G.		Change in provisions for operating liabilities and charges and complex			
				619,498	267,883	
H. Other operating charges 650,954 827,865	IV.		Other operating income			
	Η.		Other operating charges	,	,	
* Operating result 6,701,572 6,426,565	*		Operating result	6,701,572	6,426,565	

			F	For the year ended 31 December	
			2005	2004	
			CZK'000	CZK'000	
VI.		Income from sales of securities and shares	600,000		
J.		Securities and shares sold	600,000	-	
VIII.		Income from short term investments	17,422	-	
IX.		Gain on revaluation of securities and derivatives	3,431	979	
L.		Loss on revaluation of securities and derivatives	29,113	42,325	
Х.		Interest income	75,705	93,048	
Ν.		Interest expense	1,379	358,196	
XI.		Other financial income	117,700	101,967	
О.		Other financial expenses	110,369	115,906	
*		Financial result	73,397	(320,433)	
Q.		Tax on profit or loss on ordinary activities	2,028,088	1,820,130	
Q.	1.	– current	2,254,733	2,000,522	
	2.	- deferred	(226,645)	(180,392)	
**		Profit or loss on ordinary activities after taxation	4,746,881	4,286,002	
***		Net profit for the financial period	4,746,881	4,286,002	
***		Net profit before tax	6,774,969	6,106,132	

Cash flow statement

		2005	2004
		CZK'000	CZK'000
	Cash flows from operating activities		
	Net profit on ordinary activities before tax	6,774,969	6,106,132
A.1	Adjustments for non-cash movements:	5,466,794	5,959,304
A.1.1	Depreciation of fixed assets	5,140,094	5,148,878
A.1.2	Change in provisions	465,137	267,882
A.1.3	Loss from disposal of fixed assets	70,836	277,396
A.1.4	Net interest (income)/expense and income from short-term investments	(91,748)	265,148
A.1.5	Other non-cash movements	(117,525)	-
A *	Net cash flows from ordinary activities before tax, changes in working capital and extraordinary items	12,241,763	12,065,436
A.2	Working capital changes:	(1,962,770)	(679,291)
A.2.1	Increase in receivables and prepayments	(595,825)	(248,834)
A.2.2	Increase/(decrease) in short-term payables and accruals	1,225,626	(178,750)
A.2.3	Decrease in inventories	(294,430)	(251,707)
A.2.4	Increase in short-term investments	(2,298,141)	-
A **	Net cash flows from ordinary activities before tax and extraordinary items	10,278,993	11,386,145
A.3	Interest paid	(54,186)	(419,185)
A.4	Interest received	91,241	60,350
A.5	Income tax on ordinary activities paid	(2,722,279)	(1,656,444)
A ***	Net cash flows from ordinary activities	7,593,769	9,370,866
	Cash flows from investing activities		
B.1	Acquisition of fixed assets	(2,557,796)	(2,817,517)
B.2	Proceeds from sale of fixed assets	515,128	196,041
B ***	Net cash flows from investing activities	(2,042,668)	(2,621,476)
	Cash flows from financing activities		
C.1	Change in long and short-term liabilities	-	(9,441,079)
C.2	Dividends paid	(149,001)	-
C ***	Net cash flows from financing activities	(149,001)	(9,441,079)
	Net increase/(decrease) in cash and cash equivalents	5,402,100	(2,691,689)
	Cash and cash equivalents at the beginning of the year	439,130	3,130,819
	Cash and cash equivalents at the end of the year	5,841,230	439,130

Notes to the financial statements 2005

Company name: Registered office: Legal form: Company registration number: Registered with the Commercial Register: T-Mobile Czech Republic a.s. Tomíčkova 2144/1, Praha 4, 149 00 Joint-stock company 64949681 Municipal Court in Prague, Section B, Entry 3787

1. General information

1.1. Establishment and Details of the Company

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

The Company operates a public mobile communications network and provides mobile communication services under the terms and conditions stated in the license issued by the Czech Telecommunication Office ("CTO") on 29 August 2005, under reference number 310. The license authorises the Company to undertake business in electronic communications, to carry out the communication activities that include the establishment and the provision of a public mobile communications network and the provision of electronic communication services.

1.2. Structure of the Company's Ownership

At 31 December 2005, the ownership structure of the Company was as follows:

Shareholder	No. of shares	Paid in sha	are capital
	(thousands)	CZK'000	%
CMobil B.V.	316	316,000	60.77
RADIOKOMUNIKACE a.s.*	204	204,000	39.23
Total	520	520.000	100.00

* Assets of the wound-up company ČESKÉ RADIOKOMUNIKACE a.s. were transferred to the company JTR Management a.s. in 2005 on the basis of the Agreement on Transfer of Assets. The company JTR Management a.s. has become the legal successor of the wound-up company ČESKÉ RADIOKOMUNIKACE a.s. Subsequently, in 2005, the business name of JTR Management a.s. has been changed to RADIOKOMUNIKACE a.s. 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 the majority shareholder CMobil B.V. is Deutsche Telekom AG ("DTAG"), which controls CMobil B.V. via T-Mobile International AG&Co.KG ("TMO").

There have been no changes in the ownership structure of the Company during 2005.

1.3. Licences and trademarks

1.4. Statutory and Supervisory Bodies

The Company possessed the following frequency bands as of 31 December 2005:

- Allocation of frequency bands for provision of public mobile communication network of electronic communication under the GSM system in the frequency bands 900 MHz and 1800 MHz for the period of 20 years (until the year 2024);
- Allocation of frequency bands for provision of public mobile network of electronic communication under the UMTS system in the frequency bands 2.1 MHz and 28 MHz for the period of 20 years (until the year 2024); and
- Allocation of frequency bands for provision of public mobile network of electronic communication in the frequency bands 872 MHz for the period of 10 years (until the year 2015).

Under the new legal regulation – Act on Electronic communications No. 127/2005 Coll. that became legally enforceable on 1 May 2005, CTO allocated to the Company the above mentioned frequency bands that were legally enforceable on 27 September 2005. The frequency band allocations include the same rights and obligations that were stated in the original telecommunication licenses. Under the new regulation, the original licenses expired on 30 September 2005.

Allocation of the frequency bands are presented in the notes to the financial statements stated as "licenses".

The Company has registered 25 trademarks and duly submitted applications for the registration of 16 additional trademarks in the Industrial Property Office Register, 11 of which are in the process of going public.

Based on a sub-license agreement between the Company and TMO, the Company also has the right to use the relevant trademarks registered in the Czech Republic by DTAG. The members of the Board of Directors at 31 December 2005, were as follows:

Mr Timotheus Höttges	Chairman
Mr Mark Robert Donegan	Vice-Chairmar
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

Changes in the Board of Directors that took place during 2004 were properly entered in the Commercial Register (further "CR") by the balance sheet date. There were no changes in the structure of the Board of Directors during 2005.

The directors of the Supervisory Board at 31 December 2005 were as follows:

Mr Frank Stoffer	Chairman
Mr Tomáš Tomiczek	Vice-Chairman
Mr Pavel Keprt	Member
Mr Vítězslav Žalud	Member
Mr Thomas Konschak	Member
Mr Antonius Joseph Zijlstra	Member

On 31 January 2005, the electoral period of Mr Kai Breuer, a member of the Supervisory Board, expired. Mr Thomas Konschak was nominated a substitute member of the Supervisory Board on 12 April 2005 by the Supervisory Board. The general meeting subsequently appointed Mr Thomas Konschak to be a member of the Supervisory Board effective from 31 May 2005. Changes in the Supervisory Board were properly entered in the CR.

2. Accounting policies and general accounting principles

2.1. Basis of Accounts

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic and Czech Accounting Standards. The financial statements have been prepared under the historical cost convention. Derivates, securities and investments are shown at fair value.

Changes of classification and accounting method

Tangible and intangible fixed assets

As at 1 January 2005, the Company changed the classification of mobile network buildings from row B.II.3; Equipment to row B.II.2; Buildings and constructions in the total cost of CZK 5,658,239 thousand, and accumulated depreciation of CZK 1,275,976 thousand. Comparative data in the movements of assets table in Note 3.1.2, Tangible fixed assets are presented in accordance with the classification as at 31 December 2005. The Company believes that this classification provides a more clear view.

The following columns were merged under Note 3.1.1, Intangible fixed assets and Note 3.1.2, Tangible fixed assets:

- Intangible fixed assets in the course of construction and advances paid;
- Tangible fixed assets in the course of construction and advances paid; and
- Machinery and equipment, Transport vehicles, and Office equipment in column Equipment and other tangible fixed assets.

The change aims to make the data more transparent while at the same time ensuring that information remains unchanged.

The Company changed the presentation of fixed assets movements with the aim of contributing to a more suitable presentation of transactions in the Company's notes to financial statements. Based on the new methodology, newly acquired fixed assets are presented as additions under the Tangible and intangible fixed assets under the construction category, activation and transfers are included in transfers, disposals represent cost and accumulated depreciation of disposed or liquidated fixed assets. Comparatives for 2004 were reclassified according to the existing methodology.

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. External research and development costs are recognized as intangible assets when useful live of such an expenditure is longer than one year and purchase costs is greater than CZK 60,000 thousand. These capitalised costs are amortised using the straight-line method over the period of its expected commercial use, not exceeding five years. Other development costs are expensed as incurred. The Company does not perform research activities.
- II. Capitalised software costs include the license fees for use of software and the cost of consulting services related to the software implementation. Software costs are amortised over the expected period of the benefit of the cost, which are 2 or 3 years. Costs of consulting services, which are incurred after the relevant subsystem of the software is put into routine operation and as such do not fulfil the criteria for capitalisation, are charged to the income statement as incurred.

- III. GSM licenses, which represent the right to provide communication services in the Czech Republic and to operate GSM communication 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 based on the terms of the licenses, which is 20 years.
- IV. The UMTS license represents the right to provide communication services in the Czech Republic under the UMTS standard. The license was put into commercial use in October 2005. The license is being amortized over its useful life using the straight-line method. The useful life of the UMTS license is considered to be the period from when the license goes into commercial use, through the license expiration date in 2024.

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

Technical improvement of tangible fixed assets exceeding CZK 40 thousand 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 in 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 brokerage agencies and stock exchanges). The acquisition cost does not include interest from the acquisition of loans financing the securities and the 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, the storage cost during transportation and freight costs.

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

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

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

Asset group	Useful life (years)
Development	2-5
Software	2-3
Valuable rights – licenses	20
Buildings, construction and	10-30 years or in accordance
leaseholds improvements	with the lease period
Machinery and equipment:	
Towers, poles	10
Technology equipment of the GSM n	etwork 5–10
Technology equipment of the UMTS	network 5
Hardware	3
Office equipment	3–13
Transport vehicles	6

Tax depreciation is calculated by using the straight-line depreciation method with the exception of GSM equipment, which for tax purposes is depreciated mainly for 3 years using the accelerated depreciation method.

2.4. Method of Determining Provisions for Assets and Liabilities

2.4.1. Provisions for Assets

Provisions for tangible and intangible fixed assets

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

Provisions for receivables

The Company creates 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% to 100%. Bad debts from customers are offset by the deposits obtained from them at the beginning of the contract period.

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.

2.4.2. Provisions for Liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. In addition, the Company also recognises provisions relating to significant future repairs of property, plant and equipment as defined by the Act on Reserves. The Company creates a provision for the estimated future costs, in connection with its loyalty program for customers ("T-Mobile Bonus"), for those loyalty points, which were earned and unused as at the year end.

The Company has recognised a provision for selected Company managers and other key employees relating to certain contractual post-employment benefits. Gains and losses arising from experience adjustments, and changes in assumptions, are charged or credited to income over the expected average remaining working lives of the related employees.

2.5. Revenue Recognition

The principal part of revenues is represented by voice revenues that contain MTC – Mobile Terminated Calls (interconnection revenues) and MOC – Mobile Originated Calls (airtime).

MTC revenues are recognised on a monthly basis at the value of interconnection services provided to other operators of mobile and fixed line telecommunication network. In cases where pricing agreements are not in place, revenues are recorded on the basis of management's best estimate, with any necessary adjustment being made in the period of agreement of the pricing arrangement. Refer to Note 3.12, Commitments and contingencies, for further discussion.

MOC revenues include amounts for airtime used by prepaid and post-paid customers. Other revenues from provision of communication services involve charges for roaming calls, non voice services as SMS, MMS and GPRS, furthermore monthly subscriptions fees, activation, reactivation and disconnection fees.

Revenues from the airtime sold to post-paid customers are recorded based on the number of minutes processed, and are recorded in monthly accounting cycles. Airtime sold on prepaid cards is initially deferred and is recognised on the basis of prepaid airtime actually used.

The activation fee included in both prepaid and post-paid package revenues is recognised in the period when the card was activated by the customer.

Visitors revenues represent other significant revenues. These revenues occur when subscribers using SIM-Cards of foreign network operators generate voice-traffic within the T-Mobile network; these revenues are recognised on a monthly basis reflecting airtime actually used.

Revenue from the sale of handsets and accessories is recognised at the time when the goods are delivered to the customer or independent dealer.

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 the 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 income tax is determined based on temporary differences between the carrying amount of assets and liabilities and the tax base of those same assets and liabilities, using the expected statutory tax rates for the anticipated year of reversal. Deferred income tax charged or credited in the income statement is measured as the change in the net deferred income tax asset or liability during the year. The principal temporary differences arise from tax and accounting depreciation on tangible and intangible assets, tax non-deductible provisions and revaluation of other assets and liabilities. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available, against which deductible temporary differences can be utilised. Deferred tax charged to the income statement represents net change of deferred tax asset or net deferred tax liability related to the income tax for the period.

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 potentially adverse effects on the financial performance of the Company. The Company uses derivative financial instruments to hedge certain exposures.

Risk management is the responsibility of the Company's treasury department under policies and guidelines set by the Board of Directors of the Company.

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 a foreign currency.

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 defined in the guidelines set by the Board of Directors of the Company. 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.

Fair value estimation of financial instruments

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and availablefor-sale securities) is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market) is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently re-measured at their fair value at the balance sheet date. In assessing the fair 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 value with unrealised gains and losses reported in the income statement for the year.

The Company uses foreign currency forward contracts to hedge estimated cash flows. Further foreign exchange forward contracts are being used to hedge fair value of existing balance sheet items. Beginning 1 January 2004, the Company introduced hedge accounting under the existing legal provisions, which resulted in the change of fair value of certain derivatives being classified within "Revaluation differences" of assets and liabilities. Fair value of derivatives is released into the income statement in the same period as the underlying items to match the gains and losses of the hedged items.

The Company has not used hedge accounting for contracts hedging currency risks identified after 1 July 2005, and not exceeding the equivalent value of EUR 15,000 thousand. Such transactions are recorded as trade investments and changes in fair value are recognised in the income statement.

2.9. Finance and Operating 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 bank account balances, including overdrafts, bank deposits and their securitised equivalents. For reconciliation of Short-term financial assets and cash equivalents, refer to Note 3.4, Short-term financial assets.

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 the case that 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

(CZK'000)				
		(GSM, UMTS and	in the course of construction	
		other licences)	and advances paid	
1. 1. 2004 248,476	3,016,279	740,654	4,450,353	8,455,762
Transfers 30,117	1,626,356	(39,917)	(651,003)	965,553
Additions -	-	-	771,568	771,568
Disposals (3,098)	(4,331)	(917)	(120,284)	(128,630)
31. 12. 2004 275,495	4,638,304	699,820	4,450,634	10,064,253
Transfers 9,006	547,752	3,795,682	(4,241,303)	111,137
Additions -	-	-	794,434	794,434
Disposals (1,401)	(274,448)	(120)	(26,573)	(302,542)
31. 12. 2005 283,100	4,911,608	4,495,382	977,192	10,667,282
Accumulated Research and development	Software	Valuable Rights	Intangible fixed assets	Total
amortisation/provisions		(GSM, UMTS and	in the course of construction	
(CZK'000)		other licences)	and advances paid	
1. 1. 2004 171,467	2,245,359	486,698	42,010	2,945,534
Transfers 0	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)
31. 12. 2004 206,233	3,411,957	462,222	-	4,080,412
Transfers -	69,494	-	-	69,494
Additions 36,389	814,418	64,171	-	914,978
Disposals (1,401)	(212,836)	(120)	-	(214,357)
31. 12. 2005 241,221	4,083,033	526,273	-	4,850,527
Net book value Research and development	Software	Valuable Rights	Intangible fixed assets	Total
(CZK'000)		(GSM, UMTS and	in the course of construction	
		other licences)	and advances paid	
31. 12. 2004 69,262	1,226,347	237,598	4,450,634	5,983,841
31. 12. 2005 41,879	828,575	3,969,109	977,192	5,816,755

As at 31 December 2004, intangible assets in the course of construction primarily consisted of the value of the UMTS license. The licence was put into commercial use in October 2005 in the total amount of CZK 3,790,146 thousand (acquisition price: CZK 3,535,000 thousand, capitalised interest: CZK 255,146 thousand). Additional frequency band of 2 x 10 MHz of the range of GSM 1800 MHz, which was acquired by the Company during the UMTS licence tender on 14 December 2001, was valued at CZK 326,000 thousand. As at 31 December 2005 the additional frequency band was not capitalised.

In connection with the outsourcing of IT services since March 2005, the Company sold assets with a total net book value of CZK 485,241 thousand. The sale included both software and hardware equipment.

3.1.2. Tangible Fixed Assets

Cost	Constructions,	Equipment and other	Tangible fixed assets in	Total
(CZK'000)	buildings and land	tangible fixed assets	the course of construction	
			and advances paid	
1. 1. 2004	1,130,614	31,688,099	2,893,497	35,712,210
Transfers	5,096,239	(5,096,239)	-	-
1. 1. 2004 restated	6,226,853	26,591,860	2,893,497	35,712,210
Transfers	610,468	973,462	(2,549,483)	(965,553)
Additions	-	-	1,881,863	1,881,863
Disposals	(439,853)	(626,720)	(88,104)	(1,154,677)
Relocation*	(551)	(551,890)	337,492	(214,949)
31. 12. 2004	6,396,917	26,386,712	2,475,265	35,258,894
Transfers	376,521	1,121,966	(1,609,624)	(111,137)
Additions	2,344	1,892	2,097,422	2,101,658
Disposals	(55,015)	(2,190,144)	(58,777)	(2,303,936)
Relocation*	(778)	(783,574)	462,312	(322,040)
31. 12. 2005	6,719,989	24,536,852	3,366,598	34,623,439
Accumulated depreciation/provisions	Constructions,	Equipment and other	Tangible fixed assets in	Total
(CZK'000)	buildings and land	tangible fixed assets	the course of construction	
			and advances paid	
1. 1. 2004	386,862	11,659,022	62,751	12,108,635
Transfers	857,376	(857,376)	-	-
1. 1. 2004 restated	1,244,238	10,801,646	62,751	12,108,635
Transfers	5,296	(399,863)	-	(394,567)
Additions	478,383	3,860,936	-	4,339,319
Disposals	(165,009)	(777,830)	-	(942,839)
Provisions	(120,984)	17,942	(39,741)	(142,783)
Relocation*	(165)	(241,686)	-	(241,851)
31. 12. 2004	1,441,759	13,261,145	23,010	14,725,914
Transfers	(322)	(69,172)	-	(69,494)
Additions	492,340	3,732,776	-	4,225,116
Disposals	(29,446)	(2,052,255)	-	(2,081,701)
Provisions	-	(17,942)	3,179	(14,763)
Relocation*	(211)	(427,544)	-	(427,755)
31. 12. 2005	1,904,120	14,427,008	26,189	16,357,317

* Relates to net transfers between fixed assets and technology inventories warehouse.

Net book value	Constructions,	Equipment and other	Tangible fixed assets in	Total
(CZK'000)	buildings and land	tangible fixed assets	the course of construction	
			and advances paid	
31. 12. 2004	4,955,158	13,125,567	2,452,255	20,532,980
31. 12. 2005	4,815,869	10,109,844	3,340,409	18,266,122

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 as at 31 December 2005, would have been increased by approximately CZK 308,889 thousand (31 December 2004: CZK 374,097 thousand).

3.1.3. Finance Leases

A summary of future payments relating to finance lease contracts for cars at 31 December 2005 and 2004, is as follows:

Total	number	Matu	urity	
of co	ncluded	Up to 1 year	1 + years	Total
С	ontracts	(CZK'000)	(CZK'000)	(CZK'000)
31 December 2005	472	70,758	54,736	125,494
31 December 2004	449	62,589	53,941	116,530

In 2005, finance lease payments totalled CZK 78,956 thousand (2004: CZK 83,248 thousand).

3.2. Inventories

(CZK'000)	31. 12. 2005	31. 12. 2004
Handsets and accessories for sale	322,699	284,258
Technology inventories	590,430	429,142
Other inventories	14,982	25,995
Subtotal	928,111	739,395
Provision for inventories	(316,756)	(116,620)
Total inventories	611,355	622,775

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

(CZK'000)	2005	2004
Opening balance as at 1 January	116,620	112,903
Creation of the provision	200,136	3,717
Closing balance as at 31 December	316,756	116,620

3.3. Receivables

3.3.1. Short-term Receivables

(CZK'000)	31. 12. 2005	31. 12. 2004
Trade receivables		
current and overdue less than 180 da	ys 2,011,495	1,896,171
overdue more than 180 days	2,561,888	2,349,315
Total trade receivables - gross	4,573,383	4,245,486
Provision for receivables	(2,407,876)	(2,121,847)
Total trade receivables - net	2,165,507	2,123,639

As at 31 December 2005, the overdue receivables were CZK 3,188,674 thousand (31 December 2004: CZK 2,901,451 thousand).

Trade receivables represent receivables from users of the communication network, receivables from other communication services providers, receivables from partners of electronic recharging Twist coupons and receivables from dealers.

Overdue receivables relate primarily to unsettled interconnection fees. Refer to Note 3.12, Commitments and contingencies, for further discussion.

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

(CZK'000)	2005	2004
Opening balance as at 1 January	2,121,847	1,538,383
Creation of the provision	1,170,963	965,516
Release/utilisation of the provision	(884,934)	(382,052)
Closing balance as at 31 December	2,407,876	2,121,847

Increase of provision for doubtful debts in 2005 compared to 2004 resulted from increased number of customers and thus increased amount of receivables.

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

3.3.2. Long-term Receivables

Long-term receivables consist primarily of receivables for sold fixed assets which are offset against liabilities for services received, and advances for rent.

3.4. Short-term Financial Assets

Short-term financial assets can be analysed as follows:

(CZK'000)	31. 12. 2005	31. 12. 2004
Cash in hand, cash in transit	3,353,189	168,326
and cash at bank		
Short-term investments	4,790,932	270,810
Total short- term financial assets	8,144,121	439,136
Bank overdrafts	(4,750)	(6)
Commercial papers held to maturity	(2,298,141)	-
Total cash and cash equivalents	5,841,230	439,130

3.5. Accruals and Deferrals

3.5.1. Prepaid Expenses

Prepaid expenses in 2005 include costs related to the lease of office space and buildings needed for the installation of communication technologies, paid in advance. These costs are

recorded as expenses on an accrual basis. Their total value at 31 December 2005, was CZK 74,923 thousand (31 December 2004: CZK 69,597 thousand).

3.6. Equity

Movements in the Company's equity:

(CZK'000)	Registered	Share premium	Assets and	Statutory	Other capital	Retained	Net profit	Total
	capital	revaluation	liabilities	contributions	earnings	under approval		
			reserve fund					
1. 1. 2004	520,000	5,344,110	669	104,000	8,162	7,288,286	4,358,709	17,623,936
Distribution of 2003 profit	-	-	-	-	-	4,358,709	(4,358,709)	-
Revaluation of financial instrum	ients -	-	(11, 456)	-	-	-	-	(11,456)
Bestowed assets	-	-	-	-	(142)	-	-	(142)
Net profit for the period	-	-	-	-	-	-	4,286,002	4,286,002
31. 12. 2004	520,000	5,344,110	(10,787)	104,000	8,020	11,646,995	4,286,002	21,898,340
Distribution of 2004 profit	-	-	-	-	-	4,137,001	(4,137,001)	-
Revaluation of financial instrum	nents -	-	3,646	-	-		-	3,646
Dividend	-	-	-	-	-	-	(149,001)	(149,001)
Net profit for the period	-	-	-	-	-		4,746,881	4,746,881
31. 12. 2005	520,000	5,344,110	(7,141)	104,000	8,020	15,783,996	4,746,881	26,499,866

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.

Share premium of CZK 5,344,110 thousand was paid under the Joint Venture Agreement of the joint stock company between ČESKÉ RADIOKOMUNIKACE a.s.¹ 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.¹, dated 25 March 1996. The valuable right to provide communication 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.

Based on the resolution of the General meeting held on 31 May 2005, the Company distributed a share of net profit for 2004 to the shareholders as a dividend in the aggregate amount of CZK 149,001 thousand.

3.7. Provision for Liabilities and Charges

(CZK'000)	Provision for	Other	Total
	tax payable	provisions	
1. 1. 2004	972,491	739,408	1,711,899
Creation of provision	1,316,589	604,902	1,921,491
Clearing/utilisation	(972,491)	(739,408)	(1,711,899)
of provision			
31. 12. 2004	1,316,589	604,902	1,921,491
Creation of provision	849,056	606,888	1,455,944
Clearing/utilisation	(1,316,589)	(458,792)	(1,775,381)
of provision			
31. 12. 2005	849,056	752,998	1,602,054

As at 31 December 2005, the Company had a provision of CZK 461,830 thousand for estimated future costs related to the T-Mobile Bonus program (31 December 2004: CZK 446,228 thousand).

3.8. Short-term Liabilities

Trade Payables

(CZK'000)	31. 12. 2005	31. 12. 2004
Trade payables		
domestic payables	1,179,863	1,237,991
foreign payables	31,550	29,956
Total trade payables	1,202,413	1,267,947

As at 31 December 2005, the amount of overdue payables was CZK 43,183 thousand. (31 December 2004: CZK 96,000 thousand).

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

Upon authorisation of the Company, bank guarantees were granted to the lessors of commercial premises and real estate for a total of CZK 67,172 thousand as at 31 December 2005 (31 December 2004: CZK 65,524 thousand).

There were bank guarantees for customs duties of CZK 50,370 thousand as at 31 December 2005 (31 December 2004: CZK 50,370 thousand).

Other guarantees as at 31 December 2005, amounted to CZK 16,000 thousand (31 December 2004: CZK 2,500 thousand).

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 and the estimated capital expenditure liability.

Other Payables

Other short-term payables had the following balances at 31 December 2005, and the comparative period:

(CZK'000)	31. 12. 2005	31. 12. 2004
Forward currency contracts	6,214	6,049
Other short-term payables	10,458	7,553
Total other payables	16,672	13,602

3.9 Bank Loans and Overdrafts

The Company did not draw loans as at 31 December 2005 and 2004, except for the overdraft, which amounted to CZK 4,750 thousand as at 31 December 2005 (31 December 2004: CZK 6 thousand).

The total limit of bank overdraft and a flexible credit line available to the Company as at 31 December 2005 is EUR 3,000 thousand and CZK 1,100,000 thousand.

3.10. Financial Instruments

The Company manages its currency and interest risks 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).

Forward contracts

As at the end of 2005, the Company had open forward contracts with a total nominal value of EUR 18,532 thousand (31 December 2004: EUR 13,994 thousand). These transactions focus on managing currency risks associated with settlement of financial liabilities of the Company resulting from the customer-supplier relations and denominated in EUR. All forward contracts as at 31 December 2005, were initiated during 2005. During 2005, forward contracts with a total nominal value of EUR 178,414 thousand were settled (in 2004: EUR 164,510 thousand).

The revaluation of foreign exchange forward contracts at fair values as at 31 December 2005, and 2004 is as follows:

Open forward foreign exchange		
contracts (in CZK'000)	31. 12. 2005	31. 12. 2004
Open forward foreign exchange contract	ts	
securing other foreign exchange liabilitie	es:	
Positive fair value	525	-
Negative fair value	(6,214)	(6,049)
Total fair value of forward contracts	(5,689)	(6,049)

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 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 court proceedings. The results of these negotiations might influence 2001 interconnection revenues and costs and any necessary adjustment will be accounted for in the period of final resolution.

The tax authorities are authorized to inspect the books and records at any time within 4 years subsequent to the reported tax year, and consequently may additionally impose income tax and penalties. The Company's management is not aware of any circumstances which may in the future give rise to a potential material liability in this respect.

The Company is not aware of any major litigation that would require adjustment or disclosure in the financial statements as at 31 December 2005, other than that which has already been adjusted or disclosed as at 31 December 2005.

As of 31 December 2005, the Company's future capital commitments with respect to technologies totalled CZK 844,415 thousand (31 December 2004: CZK 400,980 thousand).

The future minimum lease payment commitments under operating leases arising from the rental of microwave connections, other buildings, offices and communication base stations are as follows:

CZK'000	31. 12. 2005	31. 12. 2004
Up to 1 year	713,151	883,303
1-5 years	2,321,754	2,614,619
Over 5 years	3,100,343	2,967,400
Total	6,135,248	6,465,322

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. 2005	31. 12. 2004
Sales of handsets and accessories	1,259,167	1,014,940
Communication network services	26,098,741	25,036,498
Total	27,357,908	26,051,438

3.13.2. Operating Revenues and Expenses

(CZK'000)	31. 12. 2005	31. 12. 2004
Operating revenues	27,357,908	26,051,438
Other revenues	2,070,629	1,671,131
Total revenues	29,428,537	27,722,569
Cost of goods sold	2,535,732	2,147,631
Consumption of material and energy	679,354	485,391
Services	10,250,199	9,857,052
Staff costs	1,911,343	1,734,507
Depreciation of tangible and intangible	5,140,094	5,148,878
fixed assets		
Other operating charges	2,210,243	1,922,545
Total operating costs	22,726,965	21,296,004
Operating profit	6,701,572	6,426,565

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

3.14. Revenues and Expenses from Financing Activities

(CZK'000)	31. 12. 2005	31. 12. 2004
Revenues from financial operations	687,926	93,048
and interest		
Financial revenues - other	126,332	102,946
Costs of financial operations	(601,379)	(358,196)
and interest expense		
Financial expenses – other	(139,482)	(158,231)
Profit/(Loss) from financial activity	73,397	(320,433)

3.15. Related Party Transactions and Balances

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

31. 12. 2005	31. 12. 2004
293,635	359,757
407,293	373,048
117,168	130,116
450,409	480,382
357,170	-
932,429	-
2,558,104	1,343,303
	293,635 407,293 117,168 450,409 357,170 932,429

Total related party sales	1,188,242	617,507
Cross charges	138,788	75,215
Income from sale of PP&E and Intangibles	445,442	-
Re-branding reimbursement	16,019	14,369
services sold		
Roaming, interconnection and related	562,516	517,312
DTAG group:		
GSM and interconnection services sold	25,477	10,611
RADIOKOMUNIKACE a.s.:		

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

CZK'000	31. 12. 2005	31. 12. 2004
RADIOKOMUNIKACE a.s.:		
GSM and other services	3,826	1,386
DTAG group:		
Roaming, interconnection and related	227,093	112,929
services sold		
Other services and discounts	123,529	1,240
Total related party receivables	354,448	115,555

Trade liabilities, as described in Note 3.8, Short-term liabilities, consisted of the following inter-company liabilities as at 31 December 2005:

CZK'000	31. 12. 2005	31. 12. 2004
RADIOKOMUNIKACE a.s.:		
Leased lines and other rentals	23,852	153
DTAG group:		
Roaming, interconnection and related	439,583	21,517
services purchased		
Other services and discounts	304,903	3,707
Total related party payables	768,338	25,377

The Company had no borrowings within the group as at 31 December 2005. The long-term loan with a total limit of CZK 3,823,077 thousand, provided by Deutsche Telekom International Finance B.V., and with maturity on 31 December 2011, was not drawn as of 31 December 2005.

3.16. Taxation

3.16.1. Current Corporate Income Tax

The Company estimates the following current income tax results

(CZK'000)	31. 12. 2005	31. 12. 2004
Accounting profit before tax	6,774,969	6,106,132
Tax non-deductible costs	1,776,670	1,450,068
Non-taxable revenues	(391,623)	(563,265)
Difference between accounting	483,048	4,870
and tax depreciation		
Tax base before deductions	8,643,064	6,997,805
Gifts allowed as tax deductible	(17,348)	(4,555)
10% reinvestment relief	82,114	(103,328)
Tax based after adjustment	8,707,830	6,889,922
Income tax expense	2,264,036	1,929,178
Advances paid	(1,414,980)	(612,589)
Income tax payable	849,056	1,316,589

During 2005, CZK 9,303 thousand of additional current tax expense was recorded. This represents an adjustment increasing current tax for 2004 of CZK 55,286 thousand and an adjustment decreasing current tax for the period 2001–2003 of CZK 64,589 thousand. The total current income tax expense for 2005, including the correction of prior years, is CZK 2,254,733 thousand.

3.16.2. Deferred Tax

Deferred tax	31. 12. 2005	31. 12. 2004
Difference between net book value	(8,689,101)	(9,733,276)
and net tax value of fixed assets		
Difference between net book value	316,756	116,620
and net tax value of inventories		
Difference between net book value	500,393	683,536
and net tax value of receivables		
Other provisions	692,027	770,870
Total temporary differences	(7,179,925)	(8,162,250)
Deferred tax liability	(1,722,304)	(1,948,949)

The statutory tax rates for 2005–2006 are as follows:

Period	Tax rate
2005	26 %
2006 and onwards	24 %

4. Employees and management

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

	Total			Management only		
	2005	2004	2005	2004		
Average number of employees	2,449	2,477	48	47		
Wages and salaries	1,324,396	1,212,801	186,280	118,016		
Remuneration for board members	1,694	1,872	-	-		
Social security costs	498,358	453,162	66,320	44,610		
Other social costs	86,895	66,672	3,109	7,810		
Total staff costs	1,911,343	1,734,507				

Remuneration for the members of statutory bodies and the supervisory board for 2005 is as follows:

(CZK'000)	Total	Monetary	Benefits
	income	income	in kind
Board of Directors	1,082	1,082	-
Supervisory Board	612	612	-

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

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

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 2005, the total contribution provided to the Company's employees was CZK 31,712 thousand (in 2004: CZK 29,068 thousand).

In 2005 and 2004, 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 as at 31 December 2005, was CZK 57,115 thousand (31 December 2004: CZK 44,543 thousand). Since 2004, the Company provides top management with compensation for fuel used for private purposes. As at 31 December 2005, the compensation totalled CZK 1,566 thousand (31 December 2004: CZK 966 thousand).

5. Post balance sheet events

No events which would have a significant impact on the financial statements as at 31 December 2005, occurred subsequent to the preparation of the financial statements.

These financial statements have been approved by the Board of Directors on 19 April 2006.

Annexes required by the laws of the Czech Republic







Report on the relationships to the related entities for year 2005

In accordance with the 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 Tomíčkova 2144/1, 149 00 Praha 4, Company Registration Number 64949681, which is registered in the Commercial Register administered by the Municipal Court in Prague, Section B, File No. 3787 (hereinafter referred to as "TMCZ"), prepared, in respect of the accounting period of the year 2005, 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 2005, the party controlling TMCZ was CMobil B.V. (by 60.77%). The party controlling CMobil B.V. was T-Mobile Global Holding Nr. 2 GmbH (by 100%, effective from 26 October 2005). The party controlling the aforementioned company was T-Mobile International AG & Co. KG (by 100%), whose major shareholder was T-Mobile International Holding GmbH (by 99.99%). The aforesaid company was controlled by DTAG (by 100%) in 2005. The company which had the most substantial influence on the management and operation of TMCZ in 2005 was T-Mobile International AG & Co. KG, having its registered office at Landgrabenweg 151, 53227 Bonn.

Throughout the accounting period, TMCZ did not control 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	
100.00% 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)
100.00% T-Mobile Poland Holding Nr. 1 B.V.	(Poland)
22.50% PTC Polska Telefonia Cyfrowa Sp. Z o.O., Warsaw	(Poland)
100.00% T-Mobile Global Holding Nr. 2 GmbH	(Germany)
100.00% 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% T-Mobile International Austria GmbH, Vienna	(Austria)
100.00% T-Mobile Billing und Service GmbH, Vienna (as of 8 December 2005 T-Mobile Service GmbH)	(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.	(Great Britain)
50.00% T-Mobile (UK) Ltd.	(Great Britain)

DTAG	
100.00% T-Mobile No. 2 Ltd.	(Great Britain)
100.00% One2One Ltd.	(Great Britain)
100.00% T-Mobile No. 4 Ltd.	(Great Britain)
100.00% T-Mobile No. 5 Ltd.	(Great Britain)
50.00% T-Mobile (UK) Ltd.	(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 Telefonia Cyfrowa Sp. Z o.O., Warsaw	(Poland)
10.05% MTS Mobile TeleSystems OJSC, Moscow (part of the Group until 13 September 2005)	(Russia)
83.67% Ukrainian Mobile Communication J.V. (part of the Group until 13 September 2005)	(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)
59.21% Matav Magyar Tavközlesi Rt	(Hungary)
100.00% Stonebridge Communication A.D.	(Macedonia)
51.00% Makedonski Telekominikacii 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% T-Mobile Slovensko 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 (as of 14 December 2005 T-Systems Enterprise Services GmbH)	(Germany)
100.00% T-Systems Czech s.r.o.	(Czech Rep.)
100.00% T-Systems PragoNet, a.s.	(Czech Rep.)
100.00% Detecon International GmbH	(Germany)
100.00% T-Systems GEI 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 2005

Deutsche Telekom AG

Name of Contract	Payment (in CZK '000)	Services, Goods	
	Provided by TMCZ	Received by TMCZ Provided by TMCZ	Received by TMCZ
Master Agreement for Derivates Contracts + Sideletter	932,429		Foreign-currency purchase – hedging
(No. 016323-000-00)			

In 2005, TMCZ performed foreign currency hedging with DTAG by closing fixed-term foreign currency purchases in the value of EUR 27,024,573 at the price of CZK 814,151 thousand. TMCZ transferred the remaining fixed-term foreign currency purchases with DTAG in the amount of EUR 3,895,000 to another entity at the original value (i.e., CZK 118,278 thousand) for final realisation under more favourable financial conditions. The total amount of financial settlement with DTAG thus equalled CZK 932,429 thousand.

T-Mobile International AG & Co. KG

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 1 to T-zones Agreement No. 012876-000-00				
(No. 012876-101-00)				
Inbound (update to Annex 2 – Service Agreement 2005				
No. 013243-000-00) (No. 013243-101-00)				
Outbound (alteration of Annex 2 – Service Agreement 2005				
No. 013244-000-00) (No. 013244-102-00)				
Sideletter on Chordiant Project – Terms of Use of CMD Software				
(No. 013956-000-00)				
Amendment No. 1 to the Service Agreement – ("IOT")				
Services No. 014585-000-00 (No. 014585-101-00)				
Agreement on the Unification of Payment Terms				
(No. 015941-000-00)				
Service Agreement (auditing services – x-charge)		1,968	Internal audit	
(No. 016189-000-00)				
Service Agreement (x-charge – internal auditing tasks)	2,387			Internal audit
(No. 016190-000-00)				
International Frame Agreement for the Licensing and Support				
of Standard Software (No. 990011-000-00)				
Global Framework Agreement for the Supply of Equipment				
and Services (No. 990017-000-00)				
Amendment No. 1 to Global Framework Agreement – PROJECT				
"AAA" (No. 990017-101-00)				
Agreement for Optimisation and Dimensioning Projects				
(No. 990018-000-00)				

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Framework Agreement for the Supply, Licensing and				
Maintenance of Computer Software (No. 990020-000-00)				
Agreement on the Provision of Tickets	1,661			Tickets
Agreement on Participation in Global Insurance	3,961			Participation in global insurance
Remote Device Management	1,995			Remote Device Management
Agreement on Provision of Tickets – Tour de France	1,112			Tickets
Agreement on Financial Settlement Within the IHC System	1,002			Costs of financial settlement within the IHC
				system

T-Mobile Deutschland GmbH

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Service Agreement Concerning the Performance		5,480	Re-invoicing of costs related to the common	
of Melody Services (No. 014973-000-00)			platform for the Melody project	
Agreement on Cooperation in Providing Roaming Services	-21,612	-102,439	Services provided within cooperation with	Services provided within cooperation with
(No. 015878-000-00)			individual operators	individual operators
Modification No. 7 of Interconnection Agreement				
No. 001776-000-00 (No. 001776-107-00)				
Modification No. 8 of Interconnection Agreement				
No. 001776-000-00 (No. 001776-108-00)				
Sub-licence Agreement on Cashback Software (No. 012763-000-00)				
Agreement on the Provision of Software Licenses for Operating				
HLR (No. 014327-000-00)				
Service Agreement – TCS Hosting & OLA (No. 014468-000-00)				
Service Agreement – SWS Maintenance (No. 015684-000-00)				
Project Service Agreement for Subscription Server				
(No. 016046-000-00)	3,234			Subscription server
Agreement for the Processing of Data (Federal Data Protection				
ACT (BDSG)) (No. 016138-000-00)				
International Roaming Agreement (No. 016485-000-00)	112,178	313,966	Roaming + sms interworking	Roaming + sms interworking
Agreement on the Provision of GSM Services, Sale of Phones		16,884	GSM services	
Agreement on the IBMD Project		24,954	IBMD project	
Agreement on the Common XTC Platform	3,558			XTC platform

PTC Polska Telefonia Cyfrowa Sp. Z o.O.

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Agreement on Cooperation in Providing Roaming	-6,013	-17,273	Services provided within cooperation with	Services provided within cooperation with
Services (No. 015878-000-00)			individual operators	individual operators

T-Mobile (UK) Ltd.

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Service Agreement Concerning the Performance		1,609	Re-invoicing of costs related to the common	
of Melody Services (No. 014973-000-00)			platform for the Melody project	
Agreement on Cooperation in Providing Roaming Services	-5,701	-18,237	Services provided within cooperation with	Services provided within cooperation with
(No. 015878-000-00)			individual operators	individual operators

T-Mobile International UK Ltd.

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 28 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – Warner Music Content				
(No. 001406-128-00)				
Amendment No. 29 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – iFone Content				
(No. 001406-129-00)				
Amendment No. 30 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – Arvato Content				
(No. 001406-130-00)				
Amendment No. 31 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – Blue Sphere Content				
(No. 001406-131-00)				
Amendment No. 32 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – mForma Content				
(No. 001406-132-00)				
Amendment No. 33 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – Jamdat Content				
(No. 001406-133-00)				

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 34 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – Gameloft Content				
(No. 001406-134-00)				
Amendment No. 35 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – Living Mobile Content				
(No. 001406-135-00)				
Amendment No. 36 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – Mobile Scope Content				
(No. 001406-136-00)				
Amendment No. 37 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – Sumea Content				
(No. 001406-137-00)				
Amendment No. 38 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – Handy Games Content				
(No. 001406-138-00)				
Amendment No. 39 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – Digital Bridges Content				
(No. 001406-139-00)				
Amendment No. 40 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – India Games Content				
(No. 001406-140-00)				
Amendment No. 41 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – Advanced Mobile				
Applications (No. 001406-141-00)				
Amendment No. 42 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – Eurofon (Madagascar)				
Content (No. 001406-142-00)				
Amendment No. 43 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – I-pay/Digital Bridges				
- Non-EA Titles (content) (No. 001406-143-00)				
Amendment No. 44 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – Eurofun (Madagascar)				
Content (No. 001406-144-00)				
Amendment No. 45 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – wait4u				
(No. 001406-145-00)				
Amendment No. 46 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – Sony Pictures				
(No. 001406-146-00)				

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 47 to Agreement No. 001406-000-00 (Content				
Reseller Agreement) – Engagement Form – Glu Mobile Content				
(No. 001406-147-00)				
Agreement on the Provision of Tickets (No. C014442-000-00)	6,218			Tickets
Agreement on the Provision of the ITN Management Program		703	ITN Management Program	
Agreement on the Provision of Consultancy Services – IP Design		823	Consultation	

T-Systems Czech s.r.o.

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 1 to the First Lease Agreement				
No. 010960-000-00 (No. 010960-222-01)				
Final Consolidation Agreement (No. 014626-000-00)	357,335	445,442	Sale of tangible and intangible assets	Outsourcing of IT services
			(outsourcing of IT services)	
Final Consolidation Agreement (No. 014626-000-00)		38,090	Re-invoicing of services (IT outsourcing)	
Agreement on the Assignment of Rights and Assumption				
of Obligations (AEC) (No. 014704-000-00)				
Agreement on the Assignment of Rights and Assumption				
of Obligations (AutoCont CZ) (No. 014706-000-00)				
Agreement on the Assignment of Rights and Assumption				
of Obligations (CATEX SOFTWARE) (No. 014707-000-00)				
Agreement on the Assignment of Rights and Assumption				
of Obligations (CAC Leasing) (No. 014708-000-00)				
Agreement on the Assignment of Rights and Assumption				
of Obligations (GAPP System) (No. 014710-000-00)				
Agreement on the Assignment of Rights and Assumption				
of Obligations (Grall) (No. 014711-000-00)				
Agreement on the Assignment of Rights and Assumption				
of Obligations (HP) (No. 014712-000-00)				
Agreement on the Assignment of Rights and Assumption				
of Obligations (IBM) (No. 014713-000-00)				
Amendment No. 1 to the Agreement of Assignment (IBM)				
(No. 014713-101-00)				
Agreement on the Assignment of Rights and Assumption				
of Obligations (PCS Software) (No. 014715-000-00)				
Agreement on the Assignment of Rights and Assumption				
of Obligations (PER4MANCE) (No. 014716-000-00)				

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Agreement on the Assignment of Rights and Assumption				
of Obligations (Sun Microsystems) (No. 014717-000-00)				
Agreement on the Assignment of Rights and Assumption				
of Obligations (J. Zouhar) (No. 014718-000-00)				
Assignment and Certification of Non-Possession (Oracle)				
(No. 014751-000-00)				
Declaration of Surety (No. 014768-000-00)				
Agreement on the Assignment of Rights and Assumption				
of Certain Obligations (HP) (No. 014771-000-00)				
Sublease Agreement (Centrotex) (No. 014776-000-00)		2,327	Sublease	
Sublease Agreement (Brno) (No. 014777-000-00)				
Sublease Agreement (Koospol) (No. 014778-000-00)		1,092	Sublease	
Sublease Agreement (Roztyly) (No. 014779-000-00)		6,084	Sublease	
Sublease Agreement (Ostrava) (No. 014780-000-00)				
Lease Contract (Hradec Králové) (No. 014781-000-00)		882	Lease	
Lease Contract (Louny) (No. 014782-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (IXOS) (No. 015332-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (J. Zouhar) (No. 015333-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (CPS System) (No. 015334-000-00)				
Transfer Agreement (No. 015335-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (DICOM Data) (No. 015340-000-00)				
Transfer Agreement to Licence Agreement 1217127 (Computer				
Associates) (No. 015341-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (HP) (No. 015464-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (Getronics) (No. 015689-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (Sun Microsystems) (No. 015690-000-00)				
Transfer of Software Licenses Agreement (Quest Software)				
(No. 015710-000-00)				
Agreement on the Transfer of Rights and Obligations (AEC)				
(No. 015711-000-00)				
Service Agreement – Guarantee and Post-Guarantee Services				

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (PJSOFT) (No. 015759-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (HP) (No. 015782-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (No. 015818-000-00)				
Agreement on the Assignment of Rights and Assumption				
of Obligations (CATEX SOFTWARE) (No. 015856-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (No. 015857-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (No. 015889-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (No. 015890-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (PER4MANCE) (No. 015898-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (K2) (No. 015915-000-00)				
Agreement on the Assignment of Rights and Assumption				
of Obligations (No. 015953-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (No. 015996-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (No. 016000-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (No. 016001-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (No. 016011-000-00)				
Agreement on the Assignment of Certain Rights and Assumption				
of Certain Obligations (No. 016017-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (No. 016045-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (No. 016049-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (No. 016050-000-00)				
Agreement on the Transfer of Rights and Obligations Relating				
to the SW (No. 016051-000-00)				

	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
nent on the Transfer of Licenses (No. 016052-000-00)				
nent on the Transfer of Rights and Obligations Relating				
W (No.016053-000-00)				
nent on the Transfer of Rights and Obligations Relating				
W (No. 016054-000-00)				
nent on the Transfer of Rights and Obligations Relating				
W (No. 016055-000-00)				
nent on the Transfer of Rights and Obligations Relating				
W (No. 016056-000-00)				
nent on the Transfer of Rights and Obligations Relating				
W (No. 016067-000-00)				
nent on the Transfer of Rights and Obligations Relating				
W (No. 016068-000-00)				
nent on the Transfer of Rights and Obligations Relating				
W (No. 016069-000-00)				
nent on the Transfer of Rights and Obligations Relating				
Files (No. 016159-000-00)				
nent on the Transfer of Rights and Obligations Relating				
W (No. 016217-000-00)				
I Contract for the Provision of GSM Services (No. 1075262)		3,331	GSM services	
nent on Licence Usage	3,300			Licence
nent on the Lease of Notebook Computers	2,443			Lease of notebook computers
ct for Software Maintenance	511			Software maintenance

T-Systems PragoNet, a.s.

Name of Contract	Payment (in CZK '000)	Services, Goods	
	Provided by TMCZ	Received by TMCZ Provided by TMCZ	Received by TMCZ
Amendment No. 4 to Interconnection Agreement			
No. 010530-000-00 (No. 010530-104-00)			
Agreement on the Provision of GSM Services, Sale of Phones		835 GSM services	
Agreement on the Lease of Lines	9,097		Lease of lines

T-Systems GEI GmbH

Name of Contract	Payment (in CZK '000)	Services, Goods	
	Provided by TMCZ	Received by TMCZ Provided by TMCZ	Received by TMCZ
Agreement on the Provision of iBMD Training	551		iBMD training

T-Systems Enterprise Services GmbH

Name of Contract	Payment (in CZK '000)	Services, Goods	
	Provided by TMCZ	Received by TMCZ Provided by TMCZ	Received by TMCZ
Contract for Software Maintenance	1,497		Software maintenance

T-Mobile Austria GmbH

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Service Agreement Concerning the Performance of Melody		746	Re-invoicing of costs related to the common	
Services (No. 014973-000-00)			platform for the Melody project	
Agreement on Cooperation in Providing Roaming Services	-3,695	-18,007	Services provided within cooperation with	Services provided within cooperation with
(No. 015878-000-00)			individual operators	individual operators

T-Mobile Netherlands B.V.

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Service Agreement Concerning the Performance of Melody		663	Re-invoicing of costs related to the common	
Services (No. 014973-000-00)			platform for the Melody project	
Agreement on Cooperation in Providing Roaming Services	-961	-7,892	Services provided within cooperation with	Services provided within cooperation with
(No. 015878-000-00)			individual operators	individual operators
Roaming Agreement for Public Wireless LAN Services				
(No. 016486-000-00)				

T-Mobile Hungary Rt.

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Agreement on Cooperation in Providing Roaming Services	-3,852	-20,610	Services provided within cooperation with	Services provided within cooperation with
(No. 015878-000-00)			individual operators	individual operators
Addendum 2 to the International GSM Roaming Agreement				
(No. 011437-102-00)				
WLAN Agreement				

T-Mobile Slovensko a.s.

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Agreement on Cooperation in Providing Roaming Services	-25,026	-6,264	Services provided within cooperation with	Services provided within cooperation with
(No. 015878-000-00)			individual operators	individual operators
Amendment to the Addendum to the International Roaming				
Agreement (No. 000178-101-01)				

T-Mobile USA, Inc.

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Agreement on Cooperation in Providing Roaming Services	-4,225	-14,274	Services provided within cooperation with	Services provided within cooperation with
(No. 015878-000-00)			individual operators	individual operators
International Roaming Agreement – USA (No. 016180-000-00)	11,738	33,046	Roaming	Roaming

3. Contracts with the Related Parties Lasting During 2005 Based on Which Payment, Services or Goods Were Provided

Deutsche Telekom AG

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Agreement on Rebranding (No. 010003-000-00)		16,019	Rebranding	

T-Mobile International AG & Co. KG

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Sub-licence Agreement (No. 010091-000-00)	39,399			Licence
Sub-licence of the TIBCO Software Licence Agreement	1,302			TIBCO Enterprise licence
(No. 011269-000-00)				
T-Zones Agreement (No. 012876-000-00)	44,775			t-zones
Framework Cooperation and Service Agreement (Inbound)		6,865	Corporate social responsibility (C	SR) services
(No. 013243-000-00)			(support provided in connection	with the
			management and organization of	f CSR activities,
			and with the development, assess	sment and
			implementation of related strateg	у)
Framework Cooperation and Service Agreement (Inbound)		2,330	Customer care services (preparat	tion of a roadmap
(No. 013243-000-00)	in connection with the development of customer		ent of customer	
			care technologies and trade, inte	gration of
			strategic directions of customer c	care development
			and trade in individual companie	s of the T-Mobile
			International Group)	
Framework Cooperation and Service Agreement (Inbound)		5,794	Human resources services (coord	dination and
(No. 013243-000-00)			management of the "One Compa	any" programme
			within the T-Mobile International	Group)
Framework Cooperation and Service Agreement (Inbound)		2,432	Marketing services (consultancy	services related
(No. 013243-000-00)			to the standardization, definition	and creation of
			data models, and to data collection	on for T-Mobile
			International; support and consul	Itancy services
			in connection with the developme	ent of databases
			for marketing purposes, support	in ad hoc
			marketing analyses)	

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Framework Cooperation and Service Agreement (Inbound)		47,732	Technology services (preparation and planning	
(No. 013243-000-00)			for the development of IS technologies and the	
			network, development of existing and new	
			functionalities for IS technologies, the network	
			and network components)	
Framework Cooperation and Service Agreement	31,632			Customer care and trade services (consultancy
(Outbound/Allocation) (No. 013244-000-00)				and support related to international purchase
				tenders, preparation and management of
				contracts with other operators, support and
				consultancy services involving local sales staff,
				support and consultancy services related to
				increasing customer service efficiency)
Framework Cooperation and Service Agreement	109,062			Marketing services (provision of marketing
Outbound/Allocation) (No. 013244-000-00)				survey results, consultancy services for building
				the corporate brand, sharing of costs related to
				joint marketing campaigns within the T-Mobile
				International Group, support in negotiations with
				other operators concerning roaming development)
Framework Cooperation and Service Agreement	213,426			Technology services (consultancy services
(Outbound/Allocation) (No. 013244-000-00)				regarding the optimisation of information system
				architectures, mobile devices and value added
				services; consultancy services regarding the
				implementation, development and maintenance
				of a mobile network with a focus on cost and
				functional effectiveness)
Pegabase – Software Maintenance and Evolution Agreement (No. 990005-000-00)	7,003			Pegabase software maintenance
Agreement on Cooperation in Providing Roaming Services	-66,184	-177,167	Services provided within cooperation with	Services provided within cooperation with
(No. 014585-000-00)			individual operators	individual operators

T-Mobile Deutschland GmbH

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Management Service Agreement (No. 001366-000-00)	46,084	4,218	Re-invoicing of additional costs related to	Management services
			foreign experts	
Interconnection Agreement (No. 001776-000-00)	55,829	65,386	Interconnection	Interconnection

PTC Polska Telefonia Cyfrowa Sp. Z o.O.

Name of Contract	Payment (in CZK '000)	Services, Goods	
	Provided by TMCZ	Received by TMCZ Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 011455-000-00)	19,512	47,256 Roaming + SMS interworking	Roaming + SMS interworking

T-Mobile Austria GmbH

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 011417-000-00)	37,763	48,565	Roaming + SMS interworking	Roaming + SMS interworking
Interconnection Agreement (No. 013609-000-00)	11,960	12,952	Interconnection	Interconnection

T-Mobile (UK) Ltd.

Name of Contract	Payment (in CZK '000)	Services, Goods	
	Provided by TMCZ	Received by TMCZ Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 000338-000-00)	23,473	47,256 Roaming + SMS interworking	Roaming + SMS interworking

T-Mobile International UK Ltd.

Name of Contract	Payment (in CZK '000)	Services, Goods	
	Provided by TMCZ	Received by TMCZ Provided by TMCZ	Received by TMCZ
Content Reseller Agreement (No. 001406-000-00)	11,150		VAS services

T-Mobile Netherlands Holding B.V.

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 00537-000-00)	10,906	17,925	Roaming + SMS interworking	Roaming + SMS interworking

T-Mobile Hungary Rt.

Name of Contract	Payment (in CZK '000)	Services, Goods	
	Provided by TMCZ	Received by TMCZ Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 011437-000-00)	11,296	46,077 Roaming + SMS interworking	Roaming + SMS interworking

T-Mobile Slovensko a.s.

Name of Contract	Payment (in CZK '000)	Services	es, Goods	
	Provided by TMCZ	Received by TMCZ Provide	ed by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 000178-000-00)	98,102	56,616 Roaming	ng + SMS interworking	Roaming + SMS interworking

T-Mobile Hrvatska

Name of Contract	Payment (in CZK '000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 011422-000-00)	30,041	4,864	Roaming + SMS interworking	Roaming + SMS interworking

Ukrainian Mobile Communication

Name of Contract	Payment (in CZK '000)	Services, Goods	
	Provided by TMCZ	Received by TMCZ Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 00370-000-00)	881	6,168 Roaming	Roaming

MTS Mobile TeleSystems

Name of Contract	Payment (in CZK '000)	Services, Goods	
	Provided by TMCZ	Received by TMCZ Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 00948-000-00)	4,015	10,174 Roaming	Roaming

T-Systems PragoNet, a.s.

Name of Contract	Payment (in CZK '000)	Services, Goods	
	Provided by TMCZ	Received by TMCZ Provided by TMCZ	Received by TMCZ
Framework Interconnection Agreement (No. 001111-000-00)	1,755		Services related to interconnection
Global Internet GPRS Roaming eXchange (GRX)	1,189		GRX service
(No. 010109-000-00)			
Framework Contract for the Provision of Telecommunications	9,483		Lease of fibre optics and lines
Connection Services (No. 010300-000-00)			
Agreement on the Interconnection of Telecommunications	51	4,045 Interconnection	Interconnection
Networks (No. 010530-000-00)			
Contract for the Provision of International Services Related to	4,004		Lease of lines
the Lease of CIT Digital Circuits (No. 012432-000-00)			
Data Transmission and Telecommunication Connection	782		Back-up internet connectivity
Agreement (No. 012633-000-00)			
Contract for the Provision of International Telecommunications	51,625	14,556 Interconnection	Interconnection
Services (No. 012866-000-00)			

The Report on the Relationships does not contain contracts between the Related Parties performed in 2005, in the case of which the total value of payment/services/goods related to a single contract did not exceed CZK 500 thousand. For 2005, there are 34 such contracts in total. The overall value of payments received by TMCZ based on these contracts amounts to CZK 2,846 thousand; the overall value of payments provided by TMCZ based on these contracts amounts to CZK 1,608 thousand. These contracts did not result in any detriment to TMCZ's property.

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

In 2005, 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 the Related Parties

In 2005, TMCZ did not 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 Payments/Services/Goods and Related Considerations Ensuing from the Contracts with the Related Parties, Other Legal Transactions and Other Measures Performed in the Interest or at the Instigation of the Related Parties

During the accounting period, payments/services/goods and related considerations were provided based on the contracts with the Related Parties under the standard business terms and conditions and at customary prices corresponding to the payments/services/goods provided. These payments/services/goods and related 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 competition in terms of the Protection of Economic Competition Act No. 143/2001 Coll.

In 2005, 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.



Affirmation

The Board of Directors of T-Mobile Czech Republic a.s., having its registered office at Tomíčkova 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 2005 Annual Report (including the data stated in the Report on the Relationships to the Related Entities in 2005 and the financial statements) are true and complete and that no material facts which might affect the precise and correct evaluation of the Company have been omitted or distorted.

Bonn, 19 April 2006

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Timotheus Höttges Chairman of the Board of Directors

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Roland Mahler Member of the Board of Directors

T-Mobile Czech Republic a.s. Tomíčkova 2144/1 149 00 Praha 4

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