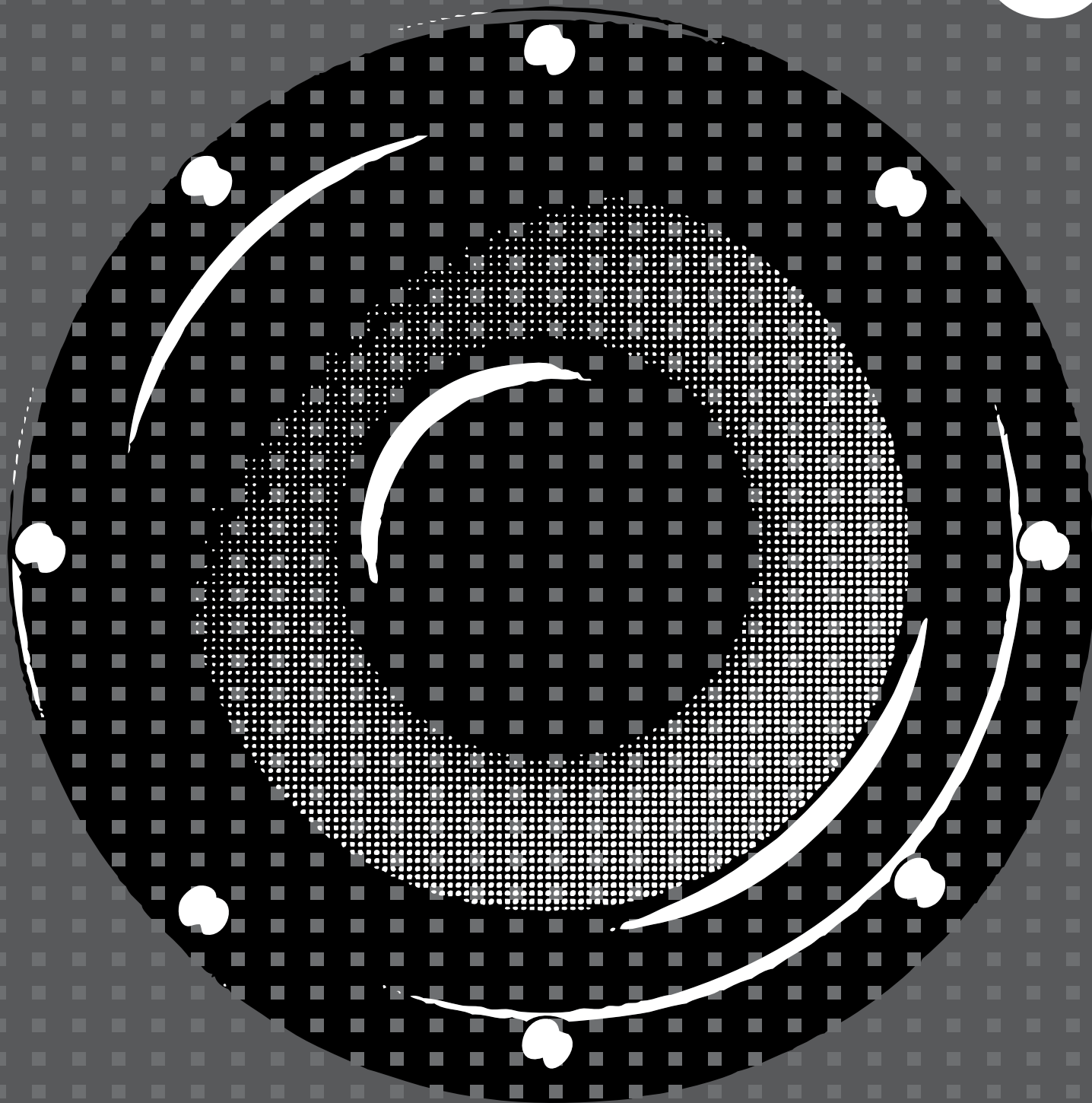


# Beat of 07



annual report

..T..Mobile..



Music, that is tones.

And tones are produced by humans. It is them who determine the way a song will impress.

Whether it will enchant or soothe.

T-Mobile is a body consisting of well coordinated teams as well as excellent soloists – our employees. Hence their name is what it is – successful and not possible to miss...

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Who we are

## Band profile

**T**-Mobile Czech Republic a. s. was established in 1996 (then called RadioMobil) and in the same year began offering mobile telecommunications services via the GSM network under the name Paegas. In 2002, the Company changed its brand and subsequently its name to T-Mobile. T-Mobile operates a 2.5G GSM/GPRS/EDGE network and a 3G UMTS network. As of 31 December 2007, T-Mobile served 5.271 million customers in the Czech Republic, which made it the largest operator in the country in terms of customer numbers.

Besides tariff plans, T-Mobile offers services for users of prepaid cards under the Twist brand. The Company's portfolio includes a wide range of services for homes and professional solutions for the business segment and public sector. In addition to voice services and SMS, customers are also making increasing use of other non-voice services such as data transmission via GPRS, WiFi, EDGE and UMTS. MMS and a number of multimedia services on the t-zones mobile portal also rank among T-Mobile's popular services. The T-Mobile network currently covers more than 99.7% of the Czech population.

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 recognised with various awards, 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" award based on the European standard of quality. 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 Czech Republic has also received a number of awards for the care it devotes to its employees and their development. During the past few years, the Company has also significantly concentrated on the area of corporate social responsibility and assisting people in need. We currently support a number of programs focused on improving the living conditions of those who need it most.

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 global brand, the opportunity to share valuable knowledge and experience and 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.

Where we came from and where we are going

## Discografie

### 1996

On 14 March 1996, the CMobil consortium won the tender proceedings for an international partner of České radiokomunikace organized by the Ministry of Economy. 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, 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 prepaid Twist 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 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 Rožtyly. 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 goal to become number one in the Czech market was set. T-Mobile launched special tariff plans for various target groups (such as students and foreigners) and the most favourable mobile internet connection.

For a 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 brought the most favourable per-minute prices of calls to all networks.

The 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 program; a website of the same name was created to support it.

The number of customers exceeded the magic four-million mark in April. Customer numbers climbed to 4.36 million by the end of the year. For a 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, thus extending its data services portfolio.

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.

## 2006

T-Mobile introduced "simply closer" as the new Company claim that expresses the Company's endeavour to be closer to its customers, deliver to them what they really need and at the same time enable them to stay closer in touch in both their private and working lives.

Mobile internet access under the name web'n'walk, the TV in Your Pocket pilot project, very favourable calls abroad for prices comparable to those for calls within the Czech Republic, the unique Bav se (Enjoy Yourself) tariff plan for young people – these are only some of the new products and services introduced in 2006.

Thanks to the fact that T-Mobile sponsored the Czech national football team, our customers were in the centre of events at the World Cup. In the area of charity, the launch of the T Mobile Employee Fund proved a huge success.

At the end of the year, the number of T-Mobile customers – in terms of active SIM cards – surpassed the five million mark. As of 31 December, 5.05 million customers were using T Mobile services.

## 2007

T-Mobile introduced new-generation tariff plans. The credit plans offered unlimited rollover of unused credit to subsequent billing periods.

2007 was a year of innovations in the field of mobile music. In February, the t-music portal was enhanced with a unique new service called t-music PLAY! Thus, customers received the opportunity to buy individual songs or complete albums using their mobile phones and play them on either a handset or PC. June saw the launch of a new music portal, t-music Stage, offering free presentation for hundreds of music artists.

The Company significantly extended its activities in the area of corporate social responsibility. In addition to the traditional grant projects of the T-Mobile Fund and support for Centrum Paraple, an organization helping people with spinal-cord injuries, the Company organized the first Mobile Etiquette Day that was held on 3 April 2007, as well as safe driving campaigns, one of which received a prize within the prestigious Golden Drum awards in Slovenia, and a campaign promoting recycling and environmental awareness. Thanks to this, T-Mobile arranged the recycling of 20,000 mobile phones, 30 times as many as in 2006.

The number of customers reached 5.27 million by 31 December 2007, which confirmed T Mobile's leading position among mobile operators in terms of customer numbers.

Over two million of them were contract customers.



# Rhythm keepers

# Foreword from the Chairman of the Board

## First part

Ladies and Gentlemen, The eleventh year of our existence in the Czech market, 2007, was a greater challenge for us than the years before. We entered it as the leading mobile operator in terms of customer numbers and customer satisfaction. Maintaining this position in a market with mobile-phone penetration exceeding 115% is certainly not an easy task. Nevertheless, I am now very pleased to inform you that the experienced team of T-Mobile employees was successful in this task and managed to maintain both of these leading positions. Furthermore, in the last quarter of 2007 we became No. 1 even in terms of the financial figures.

We are the market leaders thanks to our customer base of 5,271,187 mobile phone users, an increase of 4.4% compared to 2006. Behind these numbers stand the immense efforts of our employees in developing and introducing new services and tariff plans while continuously increasing the quality of customer care, which was supported through the transformation of the Customer Service Division. We successfully implemented our strategy focused on increasing the number of contract customers, which grew 23.1% year-on-year. There was also significant growth in the area of data services: The number of customers using the unlimited-data products rose by an incredible 40%. The growth in this area confirms that it is primarily the customer whom we have to bear in mind when designing new services and tariff plans.

The growing customer satisfaction and customer numbers were also positively reflected in the financial results. Last year, revenues exceeded CZK 31 billion, which represents an increase of 9.1% compared to 2006, and the operating result grew by approximately 34% to almost CZK 10 billion. However, we did not keep this

success for ourselves and decided to significantly extend our activities in the area of corporate social responsibility. As a result, people who needed our help could share our achievements with us. Our safe-driving and mobile-phone recycling campaigns were also extremely successful: We sent more than 20,000 mobile devices for recycling, which is 30 times more than in 2006. Yes, 2007 was a successful year for us in all respects and, at the same time, it taught us many things. It showed us that although the journey to the top can be very long, it will always guide you to your destination if you are supported by a great team and learn to listen to other people. Also, it taught us that the journey itself is the real destination – a journey of continuous change based on customer needs and wishes. We can successfully travel this path only if we learn to identify these needs and fulfil these wishes in a timely manner. And we can achieve this only by being simply closer to our customers.

Michael Günther  
Chairman of the Board  
T-Mobile Czech Republic





# Through the management's eyes

## Frontmens

We asked the main representatives of our Company two questions:

1. In your opinion, what was T-Mobile's greatest achievement last year?
2. What do you consider to be the greatest challenge in 2008?

### Roland Mahler

Managing Director of T-Mobile Czech Republic

**Born:** 1949, Worms, Germany  
**Education:** Technical University of Darmstadt  
**Career history:** at T-Mobile Czech Republic since 2000; previously: T-Mobile Germany, Federal Ministry of Post and Telecommunications, Deutsche Bundespost



1. Last year, we succeeded in achieving our second long-term goal: We became No. 1 in the Czech mobile communications market not only in terms of customer numbers but also revenues in the last quarter of 2007. This is the result of many years of excellent work on the part of all of our employees, who deserve great thanks.

2. The greatest challenge will be to achieve even better results than in 2007. As the Greek philosopher Heraclitus said: panta rhei, everything flows. For us this means that although we are already in the lead, we must keep moving forward.

### Jiří Dvorjančanský

Executive Vice President Marketing

**Born:** 1969, Karviná, Czech Republic  
**Education:** EMBA Thunderbird Prague; National Polytechnic Institute in Grenoble, France; Czech Technical University in Prague, Faculty of Electrical Engineering  
**Career history:** at T-Mobile Czech Republic since 1999; previously: COTY Czech Republic, Čokoládovny Praha



1. Practically everything. I think it is clear when you look at the fulfilment of the Company's goals. At the same time, it would not be fair to emphasize one particular achievement. There were so many of them that, first, I would not be able to list them all and, second, I would not like to leave anything out. Those who contributed to all of our successful activities deserve our thanks.

2. The greatest challenge will be to repeat the success of last year. I wish everyone the best of luck in this endeavour.

### Otakar Král

Executive Vice President Finance

**Born:** 1966, Prague, Czech Republic  
**Education:** Masaryk Institute of Advanced Studies at the Czech Technical University in Prague; ACCA, London; Czech Technical University in Prague, Faculty of Electrical Engineering  
**Career history:** at T-Mobile Czech Republic since 1996; previously: Deloitte & Touche, Škoda Diesel



1. 2007 was a very successful year for T-Mobile – we managed to strengthen our position in the Czech mobile communications market, acquire new customers and maintain the satisfaction of our existing ones. Our excellent business figures were also positively reflected in the financial results.

2. In the past few years, we set a high standard in terms of the services we provide to our customers. Therefore, I think the greatest challenge in 2008 will be to maintain this standard and focus on further improvement. I believe we have all the prerequisites for this.

### Miroslav Rakowski

Executive Vice President Sales

**Born:** 1968, Český Těšín, Czech Republic  
**Education:** University of Technology in Brno, Faculty of Mechanical Engineering  
**Career history:** at T-Mobile Czech Republic since 2002; previously: COTY Poland, COTY Czech Republic, Gillette Czech Republic



1. In my opinion, our greatest achievement of last year is the fact that we confirmed our leading position in the mobile communications market. 2007 was also the year of data services.

2. In 2008, the greatest challenge will be to concentrate on gaining maximum benefit from all important innovations that we launched in the area of sales and extension of our sales channels last year.

### Tomáš Ružička

Executive Vice President Customer Services

**Born:** 1969, Tábor, Czech Republic  
**Education:** University of Economics in Prague, Faculty of Finance; Czech Technical University in Prague, Faculty of Electrical Engineering  
**Career history:** at T-Mobile Czech Republic since 1996; previously: Traplová – Hakr – Kubát, Law and Patent Office, Prague; New Boston Associates



1. We were successful in our long-term efforts to become No. 1 not only in terms of customer numbers and customer satisfaction but also in outperforming our main competitor – Telefonica O2. We became leaders by concentrating on sales efficiency and changing the way we provide customer care.

2. In 2007, we became No. 1 in customer care, customer satisfaction, customer numbers and, in the last quarter of 2007, also in revenues. However, being the leader also means that we will have to maintain this position and not give it up to anyone else. We do not plan to be removed from our throne. Therefore, maintaining this position will be our greatest challenge in 2008.

### Heinz Schmid

Executive Vice President Technology

**Born:** 1951, Nuremberg, Germany  
**Education:** Georg-Simon-Ohm University, Faculty of Electrical Engineering, Nuremberg  
**Career history:** at T-Mobile Czech Republic since 1996; previously: T-Mobile Germany, Deutsche Telekom Consulting, Deutsche Bundespost



1. I would like to mention three major achievements of our division: We contributed to the massive development of data services and the number of their users, optimized the IS/IT infrastructure and its administration, and prepared conditions for the future technological development and cooperation across the T-Mobile International Group. All of these changes were positively reflected both in our financial results and customer satisfaction.

2. Our greatest challenge, once again, will be to recognize what innovations and technological changes we have to implement so that we can continue to be able to fulfill the future wishes of our clients.

### Barbora Stejskalová

Executive Vice President Human Resources

**Born:** 1971, Boskovice, Czech Republic  
**Education:** Nottingham Trent University; Masaryk University in Brno, Faculty of Education  
**Career history:** at T-Mobile Czech Republic since 2005; previously: T-Mobile Slovakia, GE Capital Czech Republic and Slovakia, Johnson & Johnson Prague



1. 2007 was undoubtedly one of the most important years in my life, as I gave birth to my son and spent five months on maternity leave with him. During that time, I managed not to lose contact with what was going on at the Company. In terms of human resources, last year was marked by updating the HR tools that had been used by the Company for some time and had to be revised, and by preparing the introduction of new or modified tools. The area of leadership, i.e. the work of superiors with their teams, continues to be one of the key activities. In connection with this, we have prepared a number of supporting activities and we will further develop this area.

2. I believe that 2008 will be as successful as 2007.

## Milestones of 2007

# Top Hits of the year

Last year began with a nice present for T-Mobile customers in the form of free incoming calls in a number of winter holiday destinations. From 15 January to 31 March, T-Mobile customers did not have to pay the call set-up fee that is charged if using the Cestovatel roaming add-on. As a result, incoming calls were free of charge in all countries neighbouring the Czech Republic, in the UK, USA and other T-Mobile countries. February saw the launch of new-generation T-Mobile tariff plans. The new credit plans brought a number of attractive changes: In addition to calls, SMS and MMS are now included in the price of the credit and unused credit can be rolled over to subsequent billing periods without any limitations. Other innovations were appreciated especially by young customers: In February, we reduced the MMS price by up to 40% for both contract customers and prepaid users. Furthermore, we introduced a brand-new service called t-music PLAY! on the t-music portal. Thus, customers now can buy individual songs or complete albums using their mobile phones and play them on either a handset or PC. The third annual T-Mobile Fund grant program was launched on 5 March. The program is organized in cooperation with the VIA foundation and the Community Foundation of Euroregion Labe to support projects focused on improvement in the area of social services, culture and the environment and activities that supplement community social services. Over CZK 6 million was donated to these activities last year. Tuesday, 3 April 2007, will go down in history as the first Mobile Etiquette Day in the Czech Republic. T Mobile decided to celebrate this day as part of an educational mobile etiquette project, jaXmobilem. The date was chosen to mark the first call ever made using a cellular mobile phone. As part of the Mobile Etiquette Day

celebrations, 1,487 people participated in the drawing of a giant cartoon on the theme of mobile etiquette whose basic layout was prepared by the cartoonist Štěpán Mareš. The result was a Czech record in collective cartoon drawing. May brought excellent news for lovers of long calls. T-Mobile introduced the Girls Talk tariff add-on, offering free on-net calls after the third minute. The service is available to both contract customers and Twist users. In June, a summer packed with music started with the launch of t-music Stage, a new community portal for amateur musicians. During the first month alone, more than 500 music artists registered at stage.cz. The summer of music continued in July, which saw the concert of the legendary rapper Snoop Dogg at Sazka Arena sponsored by t-music. July also became the month of safe driving, as T-Mobile launched several activities focused on the safe use of mobile phones while behind the wheel. In August, T-Mobile customers were the first to use the new EU-compliant roaming tariff plan. More than 30,000 of them activated it during the first month. Our customers back home could also make cheaper calls, as the T-Mobile NEJ Nonstop service gave users the opportunity to make calls and send SMS to a selected phone number without any limitations for a flat monthly fee of CZK 150. Centrum Paraple, an organization that assists people with spinal-cord injuries, could celebrate three times in September. Using points from the T-Mobile Bonus loyalty program, customers donated nearly CZK 300,000 to this organization. This amount was then matched by T-Mobile and supplemented with an additional CZK 200,000 yielded by the sale of hands-free kits as part of a safe-driving campaign titled Safely Behind the Wheel.

"Simply closer to your loved ones" is the main idea behind the unique Mých5 (MyFaves) service introduced by T-Mobile to the Czech market in October. First launched by T-Mobile in the United States, where it became extremely successful, the service combines a tariff plan offering calls and SMS to five selected numbers in any network at reduced rates with a special graphic application that makes it very easy to use. Over 220,000 clients were using the unlimited internet service from T-Mobile in November, an increase of almost 40% compared to 2006. The great popularity of the mobile internet service was supported by a continuous extension of EDGE and UMTS coverage and new, more attractive data tariff plans. In December, T-Mobile's project promoting mobile phone recycling proved to be a huge success. During just five weeks of the campaign titled Recyklistek (Recycling Voucher), 20,000 unused handsets were returned for recycling, which is 30 times more than in 2006. Another successful event was the regular Charity Auction for T-Mobile employees, which raised CZK 150,000 for non-profit organizations.





# Marketing (not only) for young people

## Band image

The T-Mobile brand stands for reliability, simplicity and innovation. Our vision is to help people to be “simply closer” to each other, i.e. to help them communicate and establish relationships, wherever they may be. In order to realize this vision, we strive to be straightforward, open, friendly and optimistic while being playful and young at heart. Our services and marketing campaigns are designed to have these same characteristics.

A number of awards received last year prove that we have been successful in these efforts. Every year, business success and innovation on the internet are recognized with the Internet Effectiveness Awards organized by the Economia publishing house. In 2007, T-Mobile received two prizes from Economia: Our microsite focused on a special tariff plan for young people, [www.bavse.cz](http://www.bavse.cz), won the Interactive Marketing and Advertising category, and the t-music portal was recognized in the Entertainment category. Another prize we received was from the Internet Publishing Section of the Czech Publishers Association, organizer of the iReklama competition. T Mobile’s viral advertising campaign, Cubeball, which was related to the World Cup in 2006, placed first in this competition. At the same time, it beat out another T-Mobile advertisement, promoting the t-music Stage portal, that made it to the finals.

When using T-Mobile services on an everyday basis and, particularly, during the successful campaign for the new credit plans, our customers could make sure that with us, the “world would flexibly adapt to their needs”, as promised by the campaign slogan. The credit plans were an important tool for the fulfilment of our vision last year. The Girls Talk add-on was another service that enjoyed great success in 2007. It was activated by tens of thousands of our customers who can now make free on-net calls after the third minute. The TV commercial

promoting this service also met with a very positive response from viewers – it involved the key elements of the T-Mobile brand personality by being straightforward, open, friendly and optimistic while being playful and young at heart.

“Simply closer” was also the central theme of the new Mých5 (MyFaves) service introduced at the end of last year. The service is combined with a tariff plan that offers special prices for calls and SMS sent to five numbers in any Czech (mobile or fixed) network. In addition, a unique graphic application with the photographs of the five selected people and simple calling and SMS functionalities is preinstalled on selected types of mobile phones. This service was promoted using every imaginable marketing tool – city lights with sound effects and animated city lights, soft toys and special sets of beer mats, which were targeted particularly at young customers.

The popularity of mobile data services also increased last year. The campaign that was conducted in late summer to support innovations in the data services portfolio for both contract and Twist customers focused on informing them that T-Mobile offers internet access anytime and anywhere. In addition to the traditional media, the campaign could be seen in untraditional places, for example in restaurant menus and on Pendolino trains. Our long-term strategy emphasising the actual service and its benefits, not the underlying technology that is often of no interest to customers, resulted in a year-on-year increase of almost 40% in the number of users of unlimited-data products.

In November 2007, an international project focused on revamping the visual style of the T-Mobile brand began. The Mých5 Christmas campaign mentioned above was the first in the new style. The change did not affect the

actual T-Mobile logo but was reflected in its use, its placement in visuals, colour scheme of the logo and the accompanying line of magenta digits. The striking magenta hue, which is immediately identifiable with our brand, continues to be the key colour and a strong factor differentiating us from our competitors. We unified and modernized the company font, started using new supporting graphic elements, shot a new image bank and began preparing new names of our services to make them more understandable to our customers. The changes are gradually being implemented and the final form of the new corporate identity should be reflected everywhere customers encounter our brand by the end of March 2008. This applies to all ATL and BTL communication, print materials, car fleet, leaflets and customer magazines, the website, internal and external company documents, business cards, letterhead paper, etc.

As a result, 2007 brought a significant shift of the T-Mobile brand to the practical, tangible impact of the philosophy behind the “simply closer” motto. Thanks to understandable and imaginative marketing campaigns, our customers had the opportunity to obtain information on new voice and data services that will bring them simply closer to their loved ones, friends, colleagues and business partners. A large number of them decided for these services, as did many other mobile-phone users who had not been our customers before.





## Simply closer

# Songs for all

When designing and developing new services, we are guided primarily by what our customers want while trying to see the world through their eyes. We strive to make sure that everything we offer is as understandable and user-friendly as possible. With this in mind, we launched a number of attractive innovations last year.

The introduction of new-generation tariff plans, called credit plans, brought significant changes in the form of a different logic of paying for services: Depending on the respective tariff plan, the customer prepays a certain amount of credit each month that can be used to make in-country calls to all networks, and send text and multimedia messages. The higher the tariff plan, the lower the calling rates. Unused credit is automatically rolled over to the next month, even repeatedly. Thus, we were the first operator in the Czech market to offer unlimited credit rollover. Credit-plan users can also purchase a new phone at a special price or activate the HIT add-on.

In addition to the credit plans, a special service called Mých5 (MyFaves) was rolled out last year. The service, which had already proved popular with customers in the United States and Germany, combines a tariff plan with special prices of calls and SMS sent to five numbers in any Czech (mobile or fixed) network, and a unique graphic application preinstalled on selected types of mobile phones. Thanks to this simple user environment, T-Mobile customers can easily get in touch with their friends and loved ones whenever they like. For lovers of long calls, we introduced the Girls Talk tariff add-on. Those who activate it can make free on-net calls after the third minute at any time day or night, every day of the week.

When innovating our tariff plan portfolio last year to allow our clients to be "simply closer" to each other, we also

paid attention to the prepaid Twist cards. We launched three new tariff plans whose names best indicate for whom they are intended. Twist Start offers low prices of calls to all networks, Twist Pro SMS is for those who prefer cheap texting, and Twist Týden (Twist Week) combines low calling and SMS rates with the lowest price for calls to the fixed and T-Mobile networks for a reasonable weekly fee.

T-Mobile customers received another attractive gift last year – reduced price of a MMS sent to any network by up to 40% both for contract and Twist users. As a result, the number of MMS sent increased by 28.8% in the period during which the offer applied. There are not just calls, SMS and MMS to keep us in touch. Electronic communication in the form of e-mail, chat or instant messaging is also becoming increasingly popular. The internet has become an important part of the personal and professional lives of many of us and that is why we have paid close attention to mobile data services.

In 2007, we increased our investments in high-speed internet by half a billion Czech crowns and extended Internet 4G coverage, offering high-speed mobile internet via UMTS TDD technology, to reach a significant part of the Czech population. We further increased the FUP limits for Internet 4G in order to meet the needs of customers who transfer large volumes of data. For Twist users, we offered unlimited internet and WAP surfing via mobile phone, a service which had become very popular among contract customers. Unlimited-data products recorded enormous growth in popularity last year; almost 250,000 customers were using them by the end of the year. Data packages also met with great success, especially those combining a notebook, an Internet 4G modem or Internet 4G Combi card and a SIM

card with any of the Internet 4G tariff plans. Within three months, more than 5,000 Acer notebooks with Internet 4G were sold.

In relation to billing, we introduced three new services to meet the needs of contract customers who wished to have more control over their telephone expenses: Můj účet (My Bill), Elektronické vyúčtování (Electronic Statement) and Moje útrata (My Spending). Those who activate these services can receive up-to-date information on their current telephone expenses at any time during the billing period.

2007 was a year in which T-Mobile made a powerful entrance to the world of music and the Czech music scene. We added a brand-new service to the t-music portal, t-music PLAY!, which allows customers to buy music on-line and pay for it directly by mobile phone. Music can be bought via a PC or mobile phone and the tracks can be played on both devices for a single fee. This was not the only innovation. For musicians, we launched t-music Stage, a new portal at [www.stage.cz](http://www.stage.cz), offering free presentation for hundreds of musicians, bands and DJs of every imaginable genre of music. And how did our customers react to our activities? The best answer to this question is a single figure: six billion. This number refers to the minutes of calls made within the T-Mobile network in 2007, 16.6% more than the year before.





# Technology: the foundation of success

## Hi-tech music apparatus

For many years, T-Mobile has been one of the leaders in technological innovation. Due to our strong focus on customer needs and requirements, we are able to correctly and sufficiently in advance estimate which technologies and technological solutions will be necessary in the coming years for us to be able to provide the services needed by our customers. Thanks to an experienced team of technology specialists, we can provide innovative and high-quality services via our GSM/GPRS/EDGE and UMTS TDD (Internet 4G) networks. These services are appreciated by both our customers and independent institutes. For example, an independent measurement of network quality organized last year under the auspices of the Swiss Federal Institute of Technology in Zurich confirmed our leading position in the area of quality in the Czech Republic.

2007 was also characterized by a huge increase in the demand for mobile data services, which was naturally reflected in the work of the entire Technology Department. Data traffic in the T-Mobile networks grew 140% year-on-year, the vast majority of traffic having been generated in the UMTS TDD network (Internet 4G). We were ready for this growth – we increased the number of base stations in the UMTS TDD network by more than 65% during the year. Also, we completed the optimization of the backbone transmission network, which brought significant savings of operating costs while creating space for further modernization and increased network capacities. For the future development of the core of the mobile data network, we signed a contract with Huawei, which will become the supplier of further SGSNs and GGSNs. Thanks to all of these changes and despite the enormous growth in user numbers and traffic in our mobile-data networks, we managed to increase the satisfaction of our customers with these services.

In 2007, the Technology Division also completed its outsourcing project launched in 2005, as part of which the administration and operation of hardware platforms and applications was transferred to T Mobile's sister company, T-Systems. This company is now fully responsible for the operation of IT technologies at T-Mobile.

We paid a great deal of attention to value-added services and, in particular, the platforms on which these services are operated. Namely, we upgraded the key middleware and billing system, which represented another step in our strategy of migration to SOA (Service Oriented Architecture) and helped us reduce the cost of operating and maintaining our systems. SOA will bring greater flexibility of IS technologies in relation to the support of business processes and services. This architecture was first applied to the successful Mých5 (My Faves) service. In 2007, we also assumed technical responsibility for videostreaming services throughout the T Mobile Group. This means that our Czech team of experts is in charge of developing and extending videostreaming services for all of the nearly 120 million T-Mobile customers worldwide. In mid-2007, we significantly upgraded the platform for the operation of the Uvítací tóny (Caller Tunes) service. This was necessary in order to implement a new interface for this service (via WAP and the internet), which was implemented by T Mobile Czech Republic before the end of the year. We also implemented a service allowing to block stolen mobile phones.

Last year, our MMS Voice Courier service was recognized with an award for innovation in the area of value-added services at an international conference organized by Comverse at Lake Como, Italy. This service offers the voice mailbox functionality in the form of a MMS with a voice message. The MMS is delivered immediately

when a user who could not be reached switches on his or her mobile phone. Two patent applications prove that the expertise and skills of our employees rank among those of top specialists even on a global scale. One of these applications concerns SMS routing, while the other is focused on automatic identification of areas in the mobile network with coverage problems.

As part of our educational activities focused on our efforts to pioneer technological innovations, we organized an exhibition called Technology Pulse presenting innovations in the area of technologies, services and mobile terminals. This event took place at T Mobile's headquarters in Prague – Roztyly and the same exhibition was also held in Bonn, Hatfield, Vienna and The Hague. There were several dozens of booths presenting various technological solutions and implementations, of which a substantial part were local projects. At the same time, presentations we held in the conference room concerning current activities of the Technology Division. As the response from employees was very positive, we will probably organize a similar event again this year. Even more effective international cooperation in handling technology issues in the T Mobile Group will be possible thanks to the new, uniform organizational structure of the Technology Division that was implemented last year. Thus, we will be able to respond to changing market conditions faster and more flexibly while using the skills and experience of both Czech specialists and those from the entire T-Mobile Group. We can thus bring the most advanced technologies in the area of voice and data services to our customers. At the same time, the new organizational structure has further improved communication between the Technology Division and our customers, which falls within the responsibility of the new Service Management Department.





## T-Mobile and its customers

# Maximum for our fan club

**C**ustomers are at the centre of our attention and we listen to them when we design, develop and provide our services. In such a highly competitive environment as the Czech market, it is very important to stay a step ahead of the competition in the quality of customer care and to anticipate the needs and wishes of customers. Therefore, all our activities are aimed at fulfilling our motto "simply closer" to the maximum extent possible. And we succeeded in doing so in 2007.

According to the CC & Shops Satisfaction Benchmark, Customer Satisfaction Tracking and Business Satisfaction Tracking surveys, customers rated T-Mobile the most highly regarded service company. Throughout 2007, T-Mobile placed first among the Czech operators in surveys focused on the quality of customer care. Customers who called our Customer Centre in 2007 waited only 43 seconds on average for their call to be answered by an assistant, even though our Customer Centre recorded nearly 18,000 calls daily. In the surveys, customers gave our assistants the average rating of 1.93 (on a scale of 1 to 5, where 1 is "excellent"). Besides requests that our assistants handled by phone and e-mail, approximately 72,000 other requests were handled through the Interactive Voice Response system, the internet or WAP, and SMS, which represents a 32% increase compared with 2006.

Based on frequent questions and demands of our customers, in 2007 we also introduced three new services for easy access to billing-related information: Můj účet (My Bill), Elektronické vyúčtování (Electronic Statement) and Moje útrata (My Spending). In 2007, the Customer Centre underwent a significant change: transformation from a channel focused on customer care into a strong sales and service tool with a 1:1 ratio of customer care to sales activities. This step,

which – among other things – required a significant shift in the way the whole division's employees approach their work, has brought excellent results. In the sales area, the Customer Centre in 2007 handled 45% of the total number of requests for contract renewals and 44% of requests for switching to T-Mobile from another mobile operator, and played an active role in 85% of sales involving additional services and bundles.

These excellent results are due to thousands of hours of hard work on the part of Customer Centre employees and a number of innovations. For example, in 2007 we launched a new intranet that provides better quality, speed and information to our employees. We also reviewed the alternative bonus system and introduced a new career management system in the Customer Service Division. In connection with the transformation process mentioned above, we modified the variable part of the remuneration system – employees are now remunerated based not only on customer satisfaction but also on individual sales results. In view of the increasing interest in data services, in April 2007 we established a specialized customer care department comprising a team of specialists to provide help to customers using data services. Our goal is to expand this team and ensure that their superior knowledge becomes the standard for all Customer Centre assistants in the future. Thanks to this specialized department, the quality of contacts in the area of data services increased from 73% to 89% over the course of last year.

2007 also saw the establishment of the International Centre for Voice and Mobile Customer Services within the Customer Services Development Department at T Mobile Czech Republic, which was important recognition for our long-term work in the area of customer care. This centre, whose core activities include

support and methodical management of technological development and know-how related to voice and mobile services in the entire T-Mobile International Group, is in charge of implementation and coordination of technologies and their development. Specialists from T-Mobile Czech Republic are now helping to build IVR and customer self-service systems in, for example, T Mobile Austria and T Mobile Netherlands. Our Company can thus share the experience and know how in the area of customer satisfaction that it has gained over more than eleven years with other countries where T-Mobile operates.





Selling is an art

## Music distribution

**A**lthough mobile-phone penetration exceeded 115% in the Czech Republic in 2007, our experienced team managed to acquire around 222,000 new customers. As a result, 5.27 million SIM cards were registered in the T-Mobile network as of 31 December 2007. These successes can be attributed primarily to the fact that we continued to increase the quality of customer care, introduced a number of new voice and data services, and extended coverage, especially in the case of the EDGE and Internet 4G networks. Of no less importance, this achievement can be attributed to our efficient sales channels.

We extended our sales network by opening six new T-Mobile Shops and relocating and enlarging another five. Ten shops underwent complete renovation, including the implementation of a new design of Internet 4G communication common for all European T-Mobile countries. In 2008, we want to build on the success of our first shop opened in the Globus shopping network. There were 64 T-Mobile Shops, 87 Partner Shops and another 1,800 dealer points of sale available to customers in 2007. At some of the shops, we began collaboration with Coffee Heaven, thus providing customers with the opportunity to arrange everything they need under one roof and, at the same time, relax over a cup of excellent coffee, sandwich or cake. We also directed considerable efforts towards modern, alternative sales and communication channels, such as the e-shop, which is gaining in popularity among customers, and a new system of selling via the T-Mobile Customer Centre.

In addition to voice services, data services – particularly unlimited-internet products – recorded a rapid increase in customer interest. In the first three quarters of 2007 alone, around 60,000 of them chose some of the

unlimited-internet tariff plans. Customers interested in high-speed mobile data services were the focus of our new solution combining an Acer notebook, data card and Internet 4G. Over 5,000 clients chose this offer during the course of three months. In 2007, we again succeeded in significantly strengthening our position in the business segment. We are very pleased that, in spite of the highly competitive nature of the Czech market, our offer managed to appeal to a number of important companies that either renewed their framework contracts or signed new framework contracts with us.

Selected new business customers

**American Express, spol. s r.o.**

**Avia Ashok Leyland Motors s.r.o.**

**CANON CZ s.r.o.**

**Česká spořitelna, a.s.**

**Dalkia Česká republika, a.s.**

**HENKEL ČR, spol. s r.o.**

**Region of South Moravia**

**KNAUF Praha, spol. s r.o.**

**Ministry of Foreign Affairs of the Czech Republic**

**Region of North Moravia**

**Czech Police, Central Bohemia Administration**

**RAVAK a.s.**

**SCHENKER spol. s r.o.**

**Charles University in Prague – HK Pharmaceutical Faculty**

**Veletrhy Brno, a.s.**

**ZETOR TRACTORS a.s.**

Selected customers that renewed their existing framework contracts

**AVIVA životní pojišťovna, a.s.**

**Czech Radio**

**FOXCONN CZ s.r.o.**

**IBM Česká republika, spol. s r.o.**

**Kaufland Česká republika v.o.s.**

**NOWACO Czech Republic s.r.o.**

**Pfizer, spol. s r.o.**

**Pražská energetika, a.s.**

**Shell Czech Republic a.s.**

**STUDENT AGENCY, s.r.o.**

**UNIPETROL, a.s.**

**Region of Ústí nad Labem**

**VALEO AUTOKLIMATIZACE, k.s.**

**XEROX CZECH REPUBLIC s.r.o.**

**ŽDB GROUP a.s.**





# The T-Mobile team

## Choir of Superstars

It is said that employees have the role of ambassadors and are the most valuable company assets. This is very true. None of the last year's achievements would have been possible without the great team of people at T-Mobile. Therefore, in 2007 we placed great emphasis on human resources development and improvement of our corporate culture and the work environment. Corporate culture was the main focus of two extensive projects introduced last year by the Human Resources Division. The first of these was aimed at reviewing more than 800 job descriptions and their subsequent evaluation and comparison. Based on the achieved results, a matrix was formed, dividing individual positions into seven employee bands. This also required a review and preparation of internal standards regarding remuneration and employee benefits, company cars, mobile phones and trainings. Upon preparation of new internal remuneration guidelines, the project continued with a review of salaries resulting in the replacement of loyalty bonuses with other forms of remuneration and a readjustment of the amount of annual bonuses. The project also involved modification of certain employment-related documents. The results of this project are now used in, for example, recruitment in line with revised or new job descriptions for the activities related to the second project, which involved creation and implementation of a competence model. Since 2007, the new competence model has been a standard part of the employee performance evaluation system. It is fully integrated in the Performance Management System used for evaluating and measuring employee performance as well as for managing their further personal growth. The competence model, or a set of behaviour patterns, which is common for all employees of T-Mobile Czech Republic (except top

management), is based on the values common for the entire T-Mobile Group and clearly describes how our employees should act towards customers, colleagues and in the areas of communication, team work and self-management. It reflects the specifications of individual positions in the Company and comprises descriptions of standards with respect to expert knowledge, skills and behaviour. The description of each competence includes specific examples of development needs. Therefore, the competence model is a tool for systematic employee development and serves as a basis for further career development, identification of talents, improvement of the recruitment process and preparation of the targeted Assessment and Development Centres, etc. Both of these changes are related to the trend of recent years in which the approach to employee performance evaluation shifted from strict orientation towards "hard" goals (i.e., quantifiable work results) to an approach that also takes into account employees' soft skills. This describes, for example, how the employee achieves his/her goals and what personality features and competences (i.e., key behaviours and skills) he/she uses to achieve such goals. Employees are thus, among other things, directly motivated and evaluated based on their approach to satisfying our customers' individual needs and requests.

### Remuneration and employee benefits

In addition to the activities and projects described above, in the first half of 2007 we implemented a new technical solution for the employee benefit system called Cafeteria, we managed to harmonize the planning and utilization of personnel costs on a uniform platform, and introduced changes related to the amendment of the Labour Code. In the second half of the year, we made preparations

particularly for the introduction of the Public Finance Reform and its implementation in 2008. We also conducted a review with respect to employee benefits and work equipment, prepared a new concept of planning and utilizing personnel costs with emphasis on increasing transparency, took part in the opening of the café in the Rožtyly headquarters, held a number of tender procedures, organized a Christmas promo during which employees could buy mobile phones at very favourable prices, and extended the number of suppliers offering discounts to our employees on their services or products.

### Learning and development

The learning and development possibilities included a wide range of trainings and activities. A new initiative, called Leadership Forums, was introduced in March 2007. The aim of this initiative is to improve the leadership culture in the Company. Leadership Forums provide managers with the opportunity to meet successful leaders from other companies and renowned specialists in the field of executive development. For their individual development, employees can use the Company's library, which offers a wide range of professional journals, magazines and learning materials, as well as fiction, including books in English. As part of our activities focused on supporting the Hradec Králové region, where our Company has operations, the Human Resources Division undertook to sponsor the Faculty of Information Technologies and Management at the University of Hradec Králové which systematically focuses on graduate education in technical and economic fields. All of the activities described above have a common purpose: satisfied employees and – thanks to them – satisfied customers.



We do not live in a vacuum

## Charitable concerts

An entire book would not be enough to describe what our motto "simply closer" expresses in two words. It is a philosophy that reflects our approach to customers while stating how we want to conduct ourselves in relation to our environment. As one of the largest companies operating in the Czech Republic, we take the issue of corporate social responsibility (CSR) very seriously. To be closer to those who need our help, we established the T-Mobile Fund several years ago. Money from this Fund is primarily used to support the regions where the Company has its offices, i.e. the Louny and Hradec Králové regions and the district of Prague 11. Since 2005, we have distributed over CZK 25 million among non-profit organizations operating in these regions. Last year alone, the Fund supported 72 projects within open grant programs, thus donating more than CZK 4 million. The range of successful projects is very wide, extending from activities focused on improvement in the area of social services, culture and the environment to activities that supplement community social services. Based on recommendations from T-Mobile employees, an additional 27 projects were selected for support and received another CZK 2 million from the Fund. The projects that received financial support in 2007 focused mainly on the building and renovation of playgrounds and sports facilities for children and young people. There were also projects aimed at the renovation of dilapidated buildings and other structures of cultural and historical significance and development of regional cultural life. Another strong area of support was the active incorporation of disabled persons, elderly people and socially disadvantaged children into mainstream life through educational, cultural and sports programs, rehabilitation, and provision of medical equipment and instruments.





The T-Mobile Fund also supports the unique Small Grants project, which provides students with an opportunity to obtain money to realise their dreams. The beginning of the project featured a series of three weekend seminars for 137 teachers from the Hradec Králové, Ústí nad Labem and North Moravia regions that were co-financed by the European Social Fund and the state budget of the Czech Republic. A team of experts then selected the ten best teachers out of the successful participants and provided them with a total of CZK 660,000 from the T-Mobile Fund. Thus, each of the selected schools received CZK 66,000 for student projects. The pilot stage of the Small Grant projects, organized by T-Mobile in cooperation with the non-profit organization AISIS, exceeded all expectations. Funds were provided to a total of 72 student projects involving more than 11,000 young people. To name just a few examples: Students founded a school magazine, restored a climbing wall, ran an information campaign on the themes of the Holocaust, racism and tolerance for minorities, and organized a 24-hour volleyball marathon. T-Mobile employees also regularly take part in the Company's charitable activities. The Company traditionally organizes an Electronic Charity Auction, during which employees can bid for items made by various non-profit organizations, special schools and civic associations primarily from the Hradec Králové region. Last year, 229 employees took part in the auction, whose proceeds reached a record CZK 76,930. The Company contributed additional money to this amount, nearly doubling it to CZK 150,000. An innovation in 2007 was the Christmas Fair of Sheltered Workshops that took place at the Company's headquarters in Prague – Roztyly. By purchasing candles, Advent wreaths, ceramics, jewellery and other hand-made products,

T-Mobile employees could support three sheltered workshops for people with special needs, mental disabilities or drug addiction. However, being simply closer to others does not only mean financial assistance but also personal contact. Therefore, T-Mobile launched One Day for People in Need, a program that allows each employee to spend one workday a year helping those who need it while being paid by the Company. Over three hundred employees participated in this volunteer work project last year. For example, T-Mobile employees helped prepare a children's camp, organize sports games in the home for the mentally disabled in Tuchořice, establish a relaxation garden in Prčice, and clean the Šárka and Daleje valleys in Prague. The employees who have participated in the program appreciate particularly the fact that they can help a good cause, take a break from their everyday work routine, and obtain a new view on life and its values from an often unexpected perspective. The Company also organizes the annual T-Mobile Charity Golf Cup, whose proceeds are donated to the Livia and Václav Klaus Charitable Fund. Last year, CZK 100,000 was raised from players and organizers. Furthermore, T-Mobile cooperates with the Livia and Václav Klaus Charitable Fund in a project titled Senior Citizens Communicate, which is aimed at helping senior citizens lose their fear of new technologies and persuading them that these technologies can be of great help to them. As part of the project, T Mobile organizes educational seminars on the use of mobile phones. T-Mobile's activities in the area of corporate social responsibility also include environmental protection. Last year, T-Mobile's project promoting mobile-phone recycling proved to be a huge success. When returning their old mobile phones, customers could

obtain a Recycling Voucher (Recyklistek) worth CZK 200 that could be used when purchasing new products at T-Mobile shops. The result was surprising. While customers brought only 372 disused handsets to T-Mobile shops in 2005 and 683 in 2006, around 20,000 handsets were returned for recycling during just a few weeks of the campaign, i.e. almost 30 times as many as in 2006. Two of T-Mobile's campaigns focused on road safety, particularly on the frequent dangerous conduct of some drivers: making phone calls or even texting while behind the wheel without using a hands-free kit. The first campaign, organized as part of the JaXmobilem project, focused on explaining risks and advising users on which hands-free kit to choose and where to buy it. The second campaign, titled Safely Behind the Wheel and organized in cooperation with the Czech Auto Club, had the form of a shocking newspaper advertisement that contained, in addition to visual information, the smell of a mixture of burnt rubber, blood, excrement and petrol. T-Mobile also promised to donate 5% of the price of each hands-free kit purchased at T-Mobile Shops during the campaign to Centrum Paraple, an organization that helps people with spinal-cord injuries. As a result, Centrum Paraple received CZK 187,000. This campaign also won the prestigious Golden Watch award at the International Advertising Festival in Portorož, Slovenia. T-Mobile customers can also support Centrum Paraple by exchanging the points received under the T-Mobile Bonus loyalty program for a contribution to charity. In 2007, customers donated CZK 300,000 which was then matched by T-Mobile, bringing the total CZK 600,000. Centrum Paraple was also supported with proceeds from the sale of the Calendar for a Good Cause, which for the third year in a row contained

photographs taken by Company employees, this time on the theme of the Beauty of Nature. The calendar is available for the nominal price of CZK 30 at T Mobile Retail Shops. T-Mobile, in cooperation with popular cartoonist Štěpán Mareš, organizes the jaXmobilem project focused on the considerate use of mobile phones. In an entertaining way, the website at [www.jaxmobilem.cz](http://www.jaxmobilem.cz) introduces the Ten Mobile Commandments and includes sections on, for example, phone recycling and safe use of mobile phones while driving. Last year, the project moved into a new dimension: On 3 April, the first Mobile Etiquette Day in Czech history was celebrated. On the same date in 1973, the first voice connection using a portable cellular phone was established in New York. The mobile etiquette celebrations took place at Náměstí Republiky in Prague and culminated in a feat entered in the Czech Book of Records thanks to a cartoon drawn by 1,487 people whose basic layout was prepared by the cartoonist Štěpán Mareš.



# Entertaining (not only) our customers

## Show must go on

**T**-Mobile is not only a telecommunications operator. We also concentrate on a wide range of activities that are in line with our claim of being “simply closer”. Therefore, we provide sponsorship to a number of activities in order to be closer to our customers. And not only to them – thanks to our stable position on the market and sound financial background, we have been involved in a number of long-term sponsorship programs focused on sports and music for people of all ages. T-Mobile has been the general partner of the Czech national football team since 1999. Last year, our brand accompanied the team’s greatest successes both in the Czech Republic and abroad, including the triumphant victory over the world no. 2 team in Munich. Thanks to the efforts of the Czech national football team, the Czech Republic will take part in the biggest football event of the coming year, EURO 2008. Thanks to the strong partnership between T-Mobile and the Czech national team, fans can once again look forward to receiving exclusive football news and videos and thus, they will be able to be simply closer to all EURO 2008 events.

Music is another area on which we concentrate, not only in sponsoring. Unlike other activities, music is unique in many ways – it brings people together regardless of their gender, age or educational background, while offering an opportunity to relax or express emotions. It can free us of all our worries, at least for a little while. That is why T-Mobile pays so much attention to this area, which is viewed very positively particularly by young people under the age of 25. The Music Mapping survey conducted for our Company last December showed that for young people, T-Mobile is the most active company in the field of music. Our clear headstart is obvious particularly in comparison with the other mobile operators.

This perception of T-Mobile is influenced particularly by a number of the Company’s activities, which can be divided into three groups: the exclusive t music chart show broadcast on radio Evropa 2 and formerly also on Prima TV, a number of concerts and concert tours of top Czech and foreign artists, and sponsoring of the increasingly popular summer music festivals. A special phenomenon is the Company’s cooperation with T-Mobile International in the Electronic Beats project.

Last August, the t-music brand presided over its own music festival, the t-music Hip Hop Jam, which took place at the Hradčany airport near Mimon and was attended by 6,500 fans. The festival featured US hip-hop stars David Banner and The Game and a rich accompanying program including a snowboarding competition, The Flying Bulls air show and Kamil Feifer’s BMX show. The climax of the event was freestyle battle which is an inherent element of hip-hop and met with great success among the visitors.

During the summer music festivals, we were simply closer to the audience thanks to the t-music zones. Each of these consisted of five notebooks which were in constant use by visitors, as they offered high-speed internet access via Internet 4G. Also, they presented the Stage.cz internet portal and last year’s addition to our service portfolio: t-music PLAY! Other services on offer included the possibility of mobile-phone recharging, which was used by almost 2,000 people. We also offered printing of photographs (over 4,700 of them) taken with mobile phones and, last but not least, practical advice from Customer Centre representatives. Nevertheless, the most popular items – especially in the evenings – were seat cushions in T-Mobile colours, 10,858 of which were handed out to attendees.

T-Mobile and its t-music brand became synonymous with the best concerts of last year. Thanks to our support, music fans could enjoy performances by 50 Cent, Snoop Dogg and My Chemical Romance. We also supported the nationwide tours of the popular Czech bands Vypsaná fixa and United Flavour. T-Mobile also organised the opening event of the Electronic Beats project, the Electronic Beats Tower Special, at the Žižkov tower in Prague, which was followed by three club tours. The Electronic Beats project offers a unique combination of various activities, such as a specialized music magazine, website, a fashion collection, marketing partnerships with mobile-phone manufacturers and a series of music-festival and club events across Europe.





On the conference circuit in 2007

## Critics, comments, symposiums, ratings, workshops...

T-Mobile, the largest mobile operator in the Czech market in terms of customer numbers, is also among the leaders in the field of professional expertise. It employs top specialists whose knowledge enriches the Company's know-how and contributes to expert discussions in the Czech Republic. T-Mobile encourages its employees to participate in prestigious conferences, seminars and meetings. In the form of partnerships, it contributes to the organisation of a number of events that support the development of telecommunications and related fields.

Last year, T-Mobile specialists presented, for example, their know-how in the area of human-resources management at several events. In this respect, T-Mobile has been regarded as one of the market leaders for many years. Another topic that was broadly discussed in 2007 was the issue of regulation. The Company's activities in the areas of external and internal marketing communication, corporate social responsibility and sponsoring, which are all subjects of our long-term focus, also received a lot of attention. Furthermore, T-Mobile employees were popular speakers in the field of partner solutions that have been helping us for many years to introduce innovative services tailored to fit the needs of customers from various market segments. A number of discussions focused on value-added services, mobile content and mobile TV via DVB-H. The long list of activities in which our employees participated included lectures in areas such as financial management and security, which is regularly subject to extensive discussions.

We were also active in terms of partnerships with and support for various conferences and specialized forums.

In March 2007, we were partners of the prestigious Business & Information FORUM held in the New Gallery of Prague Castle. The main theme of the event was: "Does ICT matter?" Participants and visitors discussed the business advantages of ICT, quantification methods and new investment methods that have been emerging in the field of ICT in the past few years.

In April, T-Mobile took part in the Czech Broadband Communications (CACC) conference organized by the Czech Association of Electronic Communications in hotel Diplomat. The topics discussed included the shift from analogue to digital broadcasting, the shift from circuit-switching telephony to Voice over IP and third-generation mobile networks.

The first of the topics mentioned above

– TV digitalization – was the central theme of another conference that took place in spring, DIGImedia 2007, held at the Czech TV conference centre. At this conference, T-Mobile presented TV in Your Pocket, the Company's project of digital broadcasting for mobile phones via DVB-H technology.

The Brno fairgrounds traditionally host the INVEX information and communication fair. Immediately before it is officially opened to visitors each year, the fair starts with the INVEX Forum, in which around one hundred representatives of state authorities and communication technology firms participated last year. The main panel discussion on innovations in this area featured representatives of T-Mobile, the Ministry of Industry and Trade, both Czech associations of telecommunications operators (APVTS and APMS) and many others.

TELEINFORMATIKA, probably the most well-known telecommunications conference in the Czech Republic,

which regularly takes place in November, is annually visited by prominent representatives of the business sector and the academic sphere. Last year's conference, which was officially opened in the Bethlehem Chapel that serves as the assembly hall of the Czech Technical University in Prague, focused on content and electronic communications, promising communications services, and telecommunications law and regulation. T-Mobile contributed to the discussions on the last of these topics. One of the long-term projects we support is Wireless Wednesdays, regular meetings of representatives of mobile operators, application developers, content providers, handset manufacturers, consultants and other representatives of the world of mobile and wireless communications.

Every year, the Czech president, prominent Czech politicians and representatives of the leading Czech industry and business players meet to celebrate the anniversary of the weekly magazine Euro. Last year's gala celebration took place with T-Mobile's participation in the foyer of Prague's Rudolfinum.

Another prestigious meeting in which the Company regularly takes part is the Strategic Forum, which was attended by approximately one hundred renowned politicians and businesspeople last year. The eleventh edition of the event was inspired by the famous quote of Theodore Levitt: „The future belongs to those who see opportunities before they become obvious.“ Miroslav Rakowski, T-Mobile's Executive Vice President Sales, gave a speech at this event.





Being part of a big family

# Global triumphal tour

**T**-Mobile is a member of the global telecommunications group T-Mobile International, one of the leading players on the world's mobile communications market. Last year, it served nearly 120 million customers in 12 countries. T-Mobile International, a subsidiary of Deutsche Telekom, was established in December 1999, thus becoming part of the strong T-family that also includes T-Systems, which provides ICT solutions for large and medium-sized enterprises and is represented in the Czech Republic, and T-Home (T-Com), offering state-of-the-art fixed telecommunications services for homes in a number of European countries.

In addition to the Czech Republic, the T-Mobile brand is well-known to millions of customers in Austria, Croatia, Germany, Hungary, Macedonia, Montenegro, the Netherlands, Slovakia, and in the UK and the United States. T-Mobile International also holds a majority share in the Polish mobile operator PTC, operator of the ERA network. This provides T-Mobile Czech Republic with access to the know-how of the world's top specialists when implementing new technologies in the Czech Republic and gives its own specialists an opportunity to participate in the research and development of services that will be used by tens of millions of people in the countries in which T-Mobile operates.

Thanks to our membership in a strong global group, our customers can enjoy a wide range of benefits even when travelling abroad. In addition to special roaming packages, they can make use of the Virtual Home Environment, thanks to which they can use all services while roaming in the same way as in the Czech Republic. This functionality, developed by T-Mobile in cooperation with three other important global players associated in the FreeMove alliance, is highly valued by customers, as it means that when abroad, they can use everything they are used to as easily as if at home.

The emphasis on ease-of-use and availability anywhere and anytime is the common denominator in the development of new T-Mobile products and services. This also applies to the Czech Republic, as can be seen by customers on an everyday basis. Services such as Mých5 (MyFaves) and Uvitací tóny (Caller Tunes), exclusive T-Mobile MDAs and data cards for notebooks, which allow seamless switching between individual mobile data networks, are all specific benefits derived from our corporate philosophy that are appreciated by customers in many countries of the world.

Thanks to the joint efforts of all T-Mobile operators, even the most advanced technologies are understandable and easy-to-use for customers. Users do not have to know what GPRS, EDGE, UMTS, HSDPA, Wi-Fi and WAP are but they know that if they want to access the internet, read new messages on their phone or send an e-mail, they just need to press a button and everything works as it should, anywhere and anytime. When developing new technologies and services, putting ourselves in the shoes of the customer as their future user is crucial for us. At the same time, T-Mobile places great emphasis on maintaining a local perspective in addition to the global one. The needs and desires of people in individual countries differ to some extent. T-Mobile provides them with tailor-made services of global quality and reliability.





# Final cutdown

2007 final accounts



ENGLISH TRANSLATION

# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF T-MOBILE CZECH REPUBLIC A.S.

## Report on the Financial Statements

We have audited the accompanying financial statements of T-Mobile Czech Republic a.s. (the "Company"), which comprise the balance sheet as at 31 December 2007, the income statement and cash flow statement for the year then ended and notes, including a summary of significant accounting policies (the "financial statements"). Details of the Company are disclosed in note 1 to these financial statements.

### Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

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 of the Czech Republic, International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

PriceWaterhouseCoopers Audit, s.r.o., registered seat Kataňbnská 40/486, 120 00 Prague 2, Czech Republic, Identification Number: 40785521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 021.

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Shareholders of T-Mobile Czech Republic a.s.  
Independent auditor's report

### Auditor's Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2007, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

### Report on the Annual Report

In addition we have also audited the annual report of the Company for consistency with the financial statements for the year ended 31 December 2007 which are included in this annual report on pages 36 - 59. The Board of Directors is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the annual report of the Company for the year ended 31 December 2007 is consistent, in all material respects, with the financial statements referred to above.

Shareholders of T-Mobile Czech Republic a.s.  
Independent auditor's report

### Report on review of the Report on Relations

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2007 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Board of Directors of the Company. Our responsibility is to review the accuracy of information included in the Report.

We conducted our review in accordance with the International Standard on Review Engagements 2400 and related application guidance of the Chamber of Auditors of the Czech Republic for review of the report on relations. 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. A 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 requirements of Article 66a of the Commercial Code.

16 May 2008

  
PriceWaterhouseCoopers Audit, s.r.o.  
represented by

  
Alexander Šrámek  
Partner

  
Pavel Kulhavý  
Auditor, Licence No. 1538

Translation note  
This version of our report is a translation from the original, which was prepared in Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



Balance sheet

ASSETS			2007	2006
	Gross	Provision	Net	Net
	CZK'000	CZK'000	CZK'000	CZK'000
B. Fixed assets	47,943,506	(27,551,854)	20,391,652	22,344,047
B. I. Intangible fixed assets	10,359,871	(5,543,459)	4,816,412	5,046,120
B. I. 1. Research and development	287,052	(279,069)	7,983	17,575
2. Software	4,731,086	(4,292,856)	438,230	533,841
3. Valuable rights	4,875,028	(971,534)	3,903,494	3,802,749
4. Intangible fixed assets in the course of construction	466,172	0	466,172	691,422
5. Advances paid for intangible fixed assets	533	0	533	533
B. II. Tangible fixed assets	37,583,635	(22,008,395)	15,575,240	17,297,927
B. II. 1. Land	17,511	0	17,511	16,810
2. Buildings and constructions	7,784,941	(2,785,029)	4,999,912	4,862,020
3. Equipment	26,555,841	(19,184,416)	7,371,425	8,349,786
4. Other tangible fixed assets	760	0	760	760
5. Tangible fixed assets in the course of construction	3,224,582	(38,950)	3,185,632	4,056,598
6. Advances paid for tangible fixed assets	0	0	0	11,953
C. Current assets	17,444,886	(3,836,598)	13,608,288	11,232,517
C. I. Inventories	654,931	(156,756)	498,175	284,156
C. I. 1. Raw materials	149,797	(79,342)	70,455	77,434
2. Goods for resale	505,134	(77,414)	427,720	206,722
C. II. Long-term receivables	23,284	0	23,284	23,852
C. II. 1. Trade receivables	15,289	0	15,289	15,315
2. Long-term advances paid	7,995	0	7,995	8,537
C. III. Short-term receivables	8,978,104	(3,679,842)	5,298,262	4,138,644
C. III. 1. Trade receivables	7,056,134	(3,679,842)	3,376,292	2,484,902
2. Receivables from members of associations	10,548	0	10,548	13,198
3. Taxes and state subsidies receivable	1,538	0	1,538	19,866
4. Short-term advances paid	69,886	0	69,886	99,910
5. Anticipated assets	1,791,871	0	1,791,871	1,480,867
6. Other receivables	48,127	0	48,127	39,901
C. IV. Short-term financial assets	7,788,567	0	7,788,567	6,785,865
C. IV. 1. Cash in hand	43,719	0	43,719	72,825
2. Cash at bank	635,690	0	635,690	1,061,867
3. Short-term investments	7,109,158	0	7,109,158	5,651,173
D. I. Accruals and deferrals	40,690	0	40,690	49,078
D. I. 1. Prepaid expenses	39,898	0	39,898	48,772
2. Accrued revenue	792	0	792	306
TOTAL ASSETS	65,429,082	(31,388,452)	34,040,630	33,625,642

LIABILITIES AND EQUITY	2007	2006
	Net	Net
	CZK'000	CZK'000
A. Equity	25,680,719	24,521,101
A. I. Share capital	520,000	520,000
A. I. 1. Share capital	520,000	520,000
A. II. Capital contributions	5,364,044	5,348,787
A. II. 1. Share premium	5,344,110	5,344,110
2. Other capital contributions	8,020	8,020
3. Assets and liabilities revaluation	11,914	(3,343)
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	11,870,050	12,846,388
A. IV. 1. Retained profits	11,870,050	12,846,388
A. V. Profit for the current period	7,822,625	5,701,926
B. Liabilities	7,463,030	8,071,061
B. I. Provisions for liabilities	1,128,453	1,162,534
B. I. 1. Tax-deductible provisions	2,250	4,858
2. Income tax provision	352,368	348,491
3. Other provisions	773,835	809,185
B. II. Long-term liabilities	752,741	1,409,860
B. II. 1. Trade payables	13,353	1,325
2. Long-term advances received	11,310	237,051
3. Deferred tax liability	728,078	1,171,484
B. III. Short-term liabilities	5,581,831	5,498,667
B. III. 1. Trade payables	1,465,074	1,039,704
2. Liabilities to shareholders	88	77
3. Liabilities to members of associations	17,060	104
4. Liabilities to employees	72,287	77,751
5. Liabilities for social security and health insurance	51,578	66,749
6. Taxes and state subsidies payable	80,864	41,981
7. Short-term advances received	99,032	333,788
8. Anticipated liabilities	3,770,344	3,915,168
9. Other payables	25,504	23,345
B. IV. Bank loans and overdrafts	5	0
B. IV. 1. Short-term bank loans and overdrafts	5	0
C. Accruals and deferrals	896,881	1,033,480
C. I. 1. Accruals	83	0
2. Deferred revenue	896,798	1,033,480
TOTAL LIABILITIES AND EQUITY	34,040,630	33,625,642

Income statement

For the year ended 31 December		
	2007	2006
	CZK'000	CZK'000
I. Sales of goods	1,332,526	1,152,225
A. Cost of goods sold	2,811,005	2,417,658
+ Gross profit	(1,478,479)	(1,265,433)
II. Sales of production	30,407,999	27,941,303
II. 1. Sales of own products and services	30,353,531	27,880,412
2. Own work capitalised	54,468	60,891
B. Cost of sales	12,797,960	11,941,054
B. 1. Raw materials and consumables	599,000	581,919
2. Services	12,198,960	11,359,135
+ Added value	16,131,560	14,734,816
C. Staff costs	2,236,229	2,157,358
C. 1. Wages and salaries	1,577,585	1,499,752
2. Emoluments of board members	1,282	1,487
3. Social security and health insurance costs	585,991	558,263
4. Other social costs	71,371	97,856
D. Taxes and charges	272,569	252,138
E. Depreciation and amortisation of long-term assets	4,268,399	5,314,960
III. Sale of long-term assets and raw materials	48,865	87,549
III. 1. Sale of long-term assets	48,422	82,018
2. Sale of raw materials	443	5,531
F. Net book value of long-term assets and raw materials sold	48,307	190,759
F. 1. Net book value of long-term assets sold	44,273	170,550
2. Raw materials sold	4,034	20,209
G. Change in operating provisions	763,068	384,315
IV. Other operating income	2,069,078	1,542,153
H. Other operating charges	671,482	629,687
* Operating result	9,989,449	7,435,301
VI. Income from sales of securities and shares	3,350,000	900,000
J. Securities and shares sold	3,350,000	900,000
VIII. Gain on revaluation of securities and derivatives	83,739	80,290
IX. Gain on revaluation of securities and derivatives	17,991	3,369
L. Loss on revaluation of securities and derivatives	31,438	34,997
X. Interest income	102,894	80,543
N. Interest expense	755	1,010
XI. Other financial income	178,540	148,040
O. Other financial expense	191,858	115,760
* Financial result	159,113	160,475
Q. Tax on profit or loss on ordinary activities	2,325,937	1,893,850
Q.1. – current	2,769,343	2,444,670
2. – deferred	(443,406)	(550,820)
** Profit or loss on ordinary activities after taxation	7,822,625	5,701,926
*** Net profit for the financial period	7,822,625	5,701,926
**** Net profit before tax	10,148,562	7,595,776

Cash flow statement

	2007	2006
	CZK'000	CZK'000
Cash flows from operating activities		
Net profit on ordinary activities before tax	10,148,562	7,595,776
A. 1. Adjustments for non-cash movements:	5,346,260	5,670,324
A. 1.1. Depreciation of fixed assets	4,268,399	5,314,960
A. 1.2. Change in provisions	763,068	384,316
A. 1.3. (Profit)/Loss from disposal of fixed assets	(4,149)	88,531
A. 1.4. Net interest income and income from short-term investments	(185,878)	(159,823)
A. 1.5. Other non-cash movements	504,820	42,340
A* Net cash flow from ordinary activities before tax, changes in working capital and extraordinary items	15,494,822	13,266,100
A. 2. Working capital changes:	(7,795,352)	76,281
A. 2.1. Increase in receivables and prepayments	(2,423,259)	(1,142,199)
A. 2.2. Increase in short-term payables and accruals	129,918	435,238
A. 2.3. (Increase)/decrease in inventories	(240,439)	125,705
A. 2.4. (Increase)/decrease in short-term investments	(5,261,572)	657,537
A** Net cash flow from ordinary activities before tax and extraordinary items	7,699,470	13,342,381
A. 3. Interest paid	(755)	(1,010)
A. 4. Interest received	175,624	158,508
A. 5. Income tax on ordinary activities paid	(2,765,466)	(2,945,235)
A*** Net cash flow from ordinary activities	5,108,873	10,554,644
Cash flows from investing activities		
B. 1. Acquisition of fixed assets	(2,742,956)	(3,670,844)
B. 2. Proceeds from sale of fixed assets	30,395	100,815
B*** Net cash flow from investing activities	(2,712,561)	(3,570,029)
Cash flows from financing activities		
C. 2. Dividends paid	(6,678,264)	(7,684,489)
C*** Net cash flow from financing activities	(6,678,264)	(7,684,489)
Net decrease in cash and cash equivalents	(4,281,952)	(699,874)
Cash and cash equivalents as at the beginning of the year	5,141,356	5,841,230
Cash and cash equivalents as at the end of the year	859,404	5,141,356



# Notes to financial statements 2007

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

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1. General information

1.1 Incorporation and other information about the Company

T-Mobile Czech Republic a.s. ("the Company"), seated in Prague 4, Tomičkova 2144/1, was incorporated on 15 February 1996, as a joint-stock company in the Czech Republic. The Company operates a public mobile communication network and provides mobile communication services under the terms and conditions stated in the licence issued by the Czech Telecommunication Office ("CTO") on 29 August 2005 under reference number 310. The licence authorises the Company to undertake business in electronic communications, to carry out communication activities that include establishment and provision of a public mobile communication network and provision of electronic communication services. Based on a permit issued by CTO on 16 November 2007 under reference number 310/1, the communication services were expanded to also cover establishment and provision of public fixed electronic communication network and provision of public electronic communication services within the public fixed electronic communication network.

As at 31 December 2007 the Company is organised as follows – Managing Director division, Marketing division, Finance division, Sales division, Customer Support division, Technology division and Human Resources division.

1.2 Structure of the Company's Ownership

As at 31 December 2007, the ownership structure of the Company was as follows:

Shareholder	No. of shares	Paid in share capital	
	(thousands)	CZK'000	%
CMobil B.V.	316	316,000	60.77
TMCZ Holdco II (Lux) S.ř.r.l.	204	204,000	39.23
Total	520	520,000	100.00

The ownership structure of the Company is governed by the terms of the Shareholders Agreement between CMobil B.V. and ČESKÉ RADIOKOMUNIKACE a.s. 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. In 2005 JTR Management a.s. became a legal successor of ČESKÉ RADIOKOMUNIKACE a.s., and changed its name to RADIOKOMUNIKACE a.s. in the same year.

CESKE RADIOKOMUNIKACE S.ř.r.l.\* assumed the rights and obligations established by the Shareholders Agreement previously held by RADIOKOMUNIKACE HOLDINGS a.s. (legal successor of RADIOKOMUNIKACE a.s.\*\*\*) with effect from the registration of the transfer of the Company's shares from RADIOKOMUNIKACE HOLDINGS a.s. to CESKE

RADIOKOMUNIKACE S.ř.r.l. in the register of Securities Centre. The assumption of rights and obligations was based on an agreement referred to as Adherence Agreement dated 13 November 2006.

The ultimate parent company of T-Mobile Czech Republic a.s. is Deutsche Telekom AG ("DTAG") which controls CMobil B.V. via T-Mobile International AG (previously T-Mobile International AG&Co.KG) ("TMO").

1.3 Licences and Trademarks

As of 31 December 2007, the Company had the right to use the following frequency bands:

- Allocation of frequency bands for provision of public mobile network of electronic communication under the GSM standard in the frequency bands 900 MHz and 1800 MHz for the period of 20 years (after prolongation expires in 2024);
- Allocation of frequency bands for provision of public mobile network of electronic communication under the UMTS standard in the frequency bands 2.1 GHz and 28 GHz for the period of 20 years (expires in 2024);
- Allocation of frequency bands for provision of public mobile network of electronic communication in the frequency band 872 MHz for the period of 10 years (expires in 2015).

Allocations of the frequency bands are referred to in these financial statements as "licences".

On 23 May 2006, CTO confirmed in writing that the Company complied with the obligations stipulated by its UMTS license acquired in 2001. These obligations required the Company to commence providing mobile communication services of public network of electronic communication under the UMTS standard in Prague with initial coverage of 90% of its area by 1 January 2007.

The Company owns 61 registered trademarks and has duly submitted applications for the registration of 4 additional trademarks in the Industrial Property Office Register of the Czech Republic, out of which 3 are in the process of publication.

Based on a sub-licence agreement between the Company and TMO, the Company is also entitled to use certain trademarks registered by DTAG in the Czech Republic.

1.4 Statutory and Supervisory Bodies

The members of the Board as at 31 December 2007 were as follows:

Michael Günther	Chairman
Terrence Edward Valeski	Vice-Chairman
Murat Erkurt	Member
Craig Nimrod Butcher	Member
Katharina Elizabeth Hollender	Member
Roland Mahler	Member
Otakar Král	Member

In 2007 the appointment of Messrs Terrence Edward Valeski, Murat Erkurt, Craig Nimrod Butcher as members of the Board of Directors effective from 11 December 2006 was reflected in the Commercial Register. On 16 February 2007, Messrs Thomas Georg Winkler and Hamid Akhavan-Malayeri resigned as members of the Board of Directors and Mr Timotheus Höttges resigned from the position of Chairman of the Board of Directors. Messrs Michael Günther and Otakar Král, and Ms Katharina Elizabeth Hollender were appointed to the Board of Directors effective from 16 February 2007.

The directors of the Supervisory Board as at 31 December 2007 were as follows:

Frank Stoffer	Chairman
Barna Pápay	Vice-chairman
Monika Vobořilová	Member
Tomáš Svoboda	Member
Thomas Kanschak	Member
Antonius Joseph Zijlstra	Member

In 2007, the membership of Monika Vobořilová and Tomáš Svoboda on Supervisory Board effective from 14 November 2006 was reflected in the Commercial Register.

At a general meeting held 20 June 2007, Mr Tomáš Tomiczek was dismissed from the position of member and vice-chairman of the Supervisory Board, and Mr Barna Pápay was appointed as a member of the Supervisory Board and was elected as the vice-chairman of the Supervisory Board on 23 August 2007. All changes in the composition of the Supervisory Board made in 2007 were reflected in the Commercial Register.

## 2 Accounting policies and general accounting principles

### 2.1 Basis of Preparation

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 and securities are shown at fair value.

### 2.2 Methods of Valuation

#### 2.2.1 Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are recorded at acquisition cost less accumulated depreciation and prvisions for impairment. The acquisition cost comprises the purchase price, transportation costs, customs, installation costs and other relevant costs. Interest costs on borrowings to finance the acquisition of tangible and intangible fixed assets are capitalised until the asset is put into use.

**Intangible assets comprise the following:**

##### i) UMTS licence

The UMTS licence represents the right to operate mobile communication networks in the Czech Republic under the UMTS standard. The licence was put into commercial use in October 2005. The licence is being amortised over its useful life using the straight-line method. The useful life of the licence is considered to be the period from the start of its commercial use, through to the licence expiration date in 2024.

##### ii) GSM licence

The GSM licence which represents the right to provide communication services in the Czech Republic and to establish and operate GSM communication equipment is accounted for at the purchase price paid to the Ministry of Economy of the Czech Republic (at present Ministry of Industry and Trade). The licence is being amortised over its useful life using the straight-line method. The useful life of the licence is considered to be the period from the start of its commercial use, through to the licence expiration date in 2024.

##### iii) Software

Capitalised software costs include the licence fees for the use of software and costs of consulting services related to software implementation. Software costs are amortised over the expected period of the benefit of the cost, which is two, three years or over the length of the contract. 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.

Development costs are generally expensed when incurred. Such costs are capitalised only if they are internally generated with an intention to trade with them or if they are acquired from other parties. Development costs are amortised using the straight-line method over the period of its expected commercial use, not exceeding five years. The Company does not perform research activities.

Repairs and maintenance expenditures relating to tangible and intangible fixed assets are charged to the income statement as incurred. In accordance with the Act on Provisions, provisions are created for costs of necessary repairs, which are expected to be incurred in future periods, as estimated by the management.

Technical improvement of tangible fixed assets and intangible 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 acquisition 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 stated 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, storage costs during transportation and freight costs.

All disposals of purchased inventories are valued using the weighted-average cost method.

### 2.3 Depreciation method

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

**Estimated useful lives for the main asset categories are as follows:**

Asset group	Useful life (years)
Development	2–5
Software	2–3
Valuable rights – licences	8–20 or in accordance with the licence expiration date
Buildings, construction and leaseholds improvements	10–50 years or in accordance with the lease period
Operating equipment:	
– Network technology equipment (GSM, UMTS)	3–10
– Transport vehicles, hardware and office equipment	3–13

The Company does not depreciate land.

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

### 2.4 Method of Determining Provisions for Assets and Liabilities

#### 2.4.1 Provisions for Assets

Provisions for impairment of tangible and intangible fixed assets

If the carrying value of an asset exceeds its estimated recoverable amount, a provision for impairment is created, so that the carrying value reflects the realisable value of the asset.

#### Provisions for receivables

The Company creates a provision for receivables based on the ageing of receivables and information about the current payment discipline 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 against deposits obtained from them at the beginning of the contract period. A provision is not created for group receivables.

#### Provisions for inventories

Provisions for inventories are based on the ageing of inventories and 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 that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The Company also recognises tax deductible provisions relating to significant future repairs of property, plant and equipment as defined by the Act on Provisions.

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

### 2.5 Revenue recognition

Voice revenues constitute the principal part of total revenues, consisting primarily of domestic and foreign (roaming) airtime revenues and interconnection revenues from termination of traffic originating from other operators' networks.

Interconnection revenues are recognised based on valid agreements. In cases where there are no valid contracts or written price agreements concluded, revenues are recognised based on the best estimate of the Company's management. Any necessary adjustments are recorded in the period when price settlement is agreed.

Monthly subscription fees, revenues from non-voice services such as SMS, data transmissions and MMS, and revenues from the sale of handsets and accessories represent another significant part of total revenues.

Revenues from post-paid customers are recognised on the basis of airtime used and are recorded in monthly accounting cycles.

Revenues from the sale of pre-paid cards are deferred and are recognised in the period when the service is actually provided.

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

Revenues from the sale of handsets and accessories are recognised at the time of the customer's or independent dealer's purchase.

Interest income is recorded on an accrual and deferral basis using effective interest rates method.

2.6 Foreign Currency Translation

Foreign currency transactions are translated and recorded at the exchange rate published by the Czech National Bank as at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies using the exchange rate published by the Czech National Bank as at the balance sheet date are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2.7 Deferred Taxation

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, using the statutory tax rates that are expected to apply when the related deferred tax asset is realised or the related deferred tax liability is settled. Deferred tax charged or credited to the income statement is measured as the change in the net deferred tax asset or liability during the year. The principal temporary differences arise from tax and accounting depreciation on fixed assets, tax non-deductible adjustments, changes in non-taxable provisions and revaluation of other assets and liabilities.

2.8 Finance Risk Management

Finance Risk Management Principles

The Company's activities expose it to a variety of financial risks, primarily currency risk, interest rate risk and price risk influencing the Company's assets, liabilities and planned transactions. The Company's overall risk management strategy focuses on the unpredictability of financial markets. The Company seeks to minimise potentially adverse effects on the Company's financial performance through its operating and financial procedures. Based on its risk assessment, the Company uses selected derivative and non-derivative hedging instruments to manage exposures. The derivatives are used solely for hedging purposes not for trading or speculations. In order to manage credit risk, the hedging transactions are generally entered into with institutions that meet the requirements of the Company's Investment and Hedging strategy for required credit rating. Financial risk management procedures are carried out by the Company's Treasury Department under policies and directions set by the Board of Directors of the Company, except for credit risk arising from sales activities which is managed by the Credit Risk Department.

Market Risk

a) Currency Risk

The Company operates internationally and is exposed to currency risk primarily with respect to EUR. Currency risk arises from future commercial transactions and assets and liabilities denominated in foreign currencies. The Company uses financial instruments, primarily currency forward contracts, in its management of the currency risk associated with its foreign currency denominated sales and purchases.

b) Interest Rate Risk

The Company has no significant financial liabilities sensitive to changes in interest rates. The interest income from the short-term financial assets with fixed interest rates held by the Company is not sensitive to the interest rate changes. The Company expects reasonable short-term growth of the short end of the CZK yield curve. For this reason the Company does not feel exposed to any significant interest rate risk and therefore does not hedge against interest rate risk. Hedging against interest rate risk on the Company's portfolio of financial assets and cash equivalents would be considered only if the current trend changed significantly.

Credit Risk

The Company does not have any significant concentrations of credit risk. The counterparties for financial transactions settled in cash are limited to high credit quality financial institutions as defined in the policies and directions set by the Board of Directors of the Company and included in its Investment strategy. The Company carries out financial transactions with financial institutions with the credit rating from an independent rating agency at the level of at least A - / A 3. If the counterparty does not have rating from a global rating agency the credit quality is assured by other conventional methods or assessed in the context of credit risk management on the DTAG level. The Company manages credit risk associated with its trading operations by using various instruments such as insurance, bank guarantees, credit limits, deposit policy, differentiated debt collecting process, etc.

Liquidity Risk

Prudent liquidity risk management implies maintaining 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. The aim of the Treasury Department is to maintain flexibility in funding by maintaining availability under committed credit facilities.

The Company maintains a liquidity reserve in the form of an overdraft and credit line (see Note 3.9 Bank Loans and Overdrafts) to support its ability to meet its liabilities and to provide financial flexibility. Historically, the Company generates sufficient cash to ensure its solvency and financial flexibility. The Company does not feel significantly exposed to the liquidity risk.

Fair Value Estimation of Financial Instruments

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices as at the balance sheet date. If the market price is not available for the financial asset or liability the Company determines its fair value by using estimated discounted cash flows. The discount rate used is an interest rate quoted for similar deposits with similar credit risk and maturity.

Accounting for derivate financial instruments

Derivative financial instruments are initially recognised on the balance sheet at fair value as at the date of contract conclusion and are subsequently re-measured at their fair value as 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 estimated future cash flows and future value of cash flows under assumptions that are based on market conditions existing as at the 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 changes in fair value being recorded in the income statement. The Company uses currency forward contracts to hedge estimated cash flows and the 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 "Assets and liabilities revaluation" of assets and liabilities. Fair value of the derivatives is released into the income statement in the same period as the underlying items. Starting 1 July 2005 the Company does not apply hedge accounting for contracts hedging currency risks and not exceeding the equivalent value of EUR 15,000 thousand. Such transactions are recorded as trade derivatives 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, bank deposits and their securitised equivalents, and overdrafts. For reconciliation of Short-term financial assets and cash equivalents, refer to Note 3.4 Short-term Financial Assets.

2.11 Subsequent Events

The effects of events which occurred between the balance sheet date and the date of signing the financial statements are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date. Where significant events occur subsequent to the balance sheet date but prior to the signing of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves recognised in the financial statements.

3 Additional information on the balance sheet and the income statement

3.1 Fixed Assets

3.1.1 Intangible Fixed Assets

Cost (CZK'000)	Research and development	Software	Valuable rights – GSM, UMTS and other licences	Intangible fixed assets in the	Total
1. 1. 2006	283,100	4,911,608	4,495,382	977,192	10,667,282
Transfers	2,584	828,360	49,350	(858,056)	22,238
Additions	0	0	120	581,878	581,998
Disposals	(3,521)	(1,482,914)	0	(9,059)	(1,495,494)
31. 12. 2006	282,163	4,257,054	4,544,852	691,955	9,776,024
Transfers	7,817	552,997	330 176	(889,033)	1,957
Additions	0	0	0	667,772	667,772
Disposals	(2,928)	(78,965)	0	(3,989)	(85,882)
31. 12. 2007	287,052	4,731,086	4,875,028	466,705	10,359,871

Accumulated amortisation/ provisions (CZK'000)	Research and development	Software	Valuable rights – GSM, UMTS and other licences	Intangible fixed assets in the course of construction and advances paid	Total
1. 1. 2006	241,221	4,083,033	526,273	0	4,850,527
Transfers	(827)	1,167	(340)	0	0
Additions	27,715	1,121,900	216,170	0	1,365,785
Disposals	(3,521)	(1,482,887)	0	0	(1,486,408)
31. 12. 2006	264,588	3,723,213	742,103	0	4,729,904
Transfers	0	540	0	0	540
Additions	17,409	648,020	229,431	0	894,860
Disposals	(2,928)	(78,917)	0	0	(81,845)
31. 12. 2007	279,069	4,292,856	971,534	0	5,543,459

Net book value (CZK'000)	Research and development	Software	Valuable rights – GSM, UMTS and other licences	Intangible fixed assets in the course of construction and advances paid	Total
31. 12. 2006	17,575	533,841	3,802,749	691,955	5,046,120
31. 12. 2007	7,983	438,230	3,903,494	466,705	4,816,412

3.1.2 Tangible Fixed Assets

Cost (CZK'000)	Buildings, constructions and land	Equipment and other tangible fixed assets	Tangible fixed assets in the course of construction and advances paid	Total
1. 1. 2006	6,719,989	24,536,852	3,366,598	34,623,439
Reclassification *	0	0	419,971	419,971
Transfers	520,891	1,785,119	(2,328,248)	(22,238)
Additions	0	2,351	2,869,636	2,871,987
Disposals	(37,336)	(1,285,456)	(206,715)	(1,529,507)
31. 12. 2006	7,203,544	25,038,866	4,121,242	36,363,652
Transfers	623,300	1,911,323	(2,536,580)	(1,957)
Additions	3,282	6,290	1,688,756	1,698,328
Disposals	(27,674)	(399,878)	(48,836)	(476,388)
31. 12. 2007	7,802,452	26,556,601	3,224,582	37,583,635

\* Purchased GSM/UMTS assets of CZK 419,971 thousand at cost and related provision of CZK 128,873 thousand were reclassified from technology inventories to tangible fixed assets as at 1 January 2006.

Accumulated depreciation/provisions (CZK'000)	Buildings, constructions and land	Equipment and other tangible fixed assets	Tangible fixed assets in the course of construction and advances paid	Total
1. 1. 2006	1,904,120	14,427,008	26,189	16,357,317
Reclassification *	0	0	128,873	128,873
Transfers	1,541	(1,541)	0	0
Additions	447,695	3,501,480	0	3,949,175
Disposals	(28,642)	(1,238,627)	0	(1,267,269)
Provisions	0	0	(102,371)	(102,371)
31. 12. 2006	2,324,714	16,688,320	52,691	19,065,725
Transfers	524	(1,064)	0	(540)
Additions	486,712	2,886,828	0	3,373,540
Disposals	(26,921)	(389,668)	0	(416,589)
Provisions	0	0	(13,741)	(13,741)
31. 12. 2007	2,785,029	19,184,416	38,950	22,008,395

\* Purchased GSM/UMTS assets of CZK 419,971 thousand at cost and related provision of CZK 128,873 thousand were reclassified from technology inventories to tangible fixed assets as at 1 January 2006.

Net book value (CZK'000)	Buildings, constructions and land	Equipment and other tangible fixed assets	Tangible fixed assets in the course of construction and advances paid	Total
31. 12. 2006	4,878,830	8,350,546	4,068,551	17,297,927
31. 12. 2007	5,017,423	7,372,185	3,185,632	15,575,240



### 3.1.3 Finance Leases

A summary of future payments relating to finance lease contracts for cars as at 31 December 2007 and 31 December 2006 is as follows:

		Maturity		
	Total number of Concluded contracts	Up to 1 year (CZK'000)	1 + years (CZK'000)	Total (CZK'000)
31 December 2007	495	71,799	54,486	126,285
31 December 2006	516	74,005	63,275	137,280

In 2007, finance lease payments totalled CZK 83,833 thousand (2006: 88,094 thousand).

### 3.2 Inventories

(CZK'000)	31. 12. 2007	31. 12. 2006
Handsets and accessories	505,134	240,500
Technology inventories	138,973	153,180
Other inventories	10,824	20,804
Total inventories – gross	654,931	414,484
Provision for inventories	(156,756)	(130,328)
Total inventories – net	498,175	284,156

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

(CZK'000)	2007	2006
Opening balance as at 1 January	130,328	316,756
Reclassification	0	(128,873)
Creation of the provision	52,837	15,808
Release / utilisation of the provision	(26,409)	(73,363)
Closing balance as at 31 December	156,756	130,328

### 3.3 Receivables

#### 3.3.1 Short-term Receivables

(CZK'000)	31. 12. 2007	31. 12. 2006
Trade receivables		
– current and overdue less than 180 days	3,809,831	2,502,527
– overdue more than 180 days	3,246,303	2,873,447
Total trade receivables – gross	7,056,134	5,375,974
Provision for receivables	(3,679,842)	(2,891,072)
Total trade receivables – net *	3,376,292	2,484,902

As at 31 December 2007, the overdue receivables were CZK 4,366,083 thousand (31 December 2006: CZK 3,847,603 thousand).

Trade receivables represent mainly receivables from users of the communication network, receivables from other communication services providers, receivables from partners for electronic recharging of Twist prepaid cards and receivables from independent dealers. Overdue receivables relate primarily to unsettled interconnection fees and overdue receivables from customers of electronic communication services.

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

(CZK'000)	2007	2006
Opening balance as at 1 January	2,891,072	2,407,876
Creation of the provision	2,505,386	1,633,766
Release / utilisation of the provision	(1,716,616)	(1,150,570)
Closing balance as at 31 December	3,679,842	2,891,072

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

#### 3.3.2 Long-term Receivables

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

### 3.4 Short-term Financial Assets

Short-term financial assets can be analysed as follows:

(CZK'000)	31. 12. 2007	31. 12. 2006
Cash in hand, cash in transit and cash at bank	679,409	1,134,692
Short-term investments	7,109,158	5,651,173
Total short-term financial assets	7,788,567	6,785,865
Bank overdrafts	(5)	0
Mortgage-backed securities	(5,416,605)	0
Specialised investment fund	(1,512,553)	0
Commercial papers	0	(1,644,509)
Total cash and cash equivalents	859,404	5,141,356

### 3.5 Accruals and Deferrals

#### 3.5.1 Prepaid Expenses

Prepaid expenses in 2007 include primarily 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 as at 31 December 2007 was CZK 39,898 thousand (31 December 2006: CZK 48,772 thousand).

### 3.6 Equity

#### Movements in the Company's equity:

(CZK'000)	Registered capital	Share premium	Other capital contributions	Assets and liabilities revaluation	Statutory reserve fund	Retained earnings	Net profit under approval	Total
1. 1. 2006	520,000	5,344,110	8,020	(7,141)	104,000	15,783,996	4,746,881	26,499,866
Revaluation of financial instruments	0	0	0	3,798	0	0	0	3,798
Dividends paid	0	0	0	0	0	(2,937,608)	(4,746,881)	(7,684,489)
Net profit for the period	0	0	0	0	0	0	5,701,926	5,701,926
31. 12. 2006	520,000	5,344,110	8,020	(3,343)	104,000	12,846,388	5,701,926	24,521,101
Revaluation of financial instruments	0	0	0	15,257	0	0	0	15,257
Dividends paid	0	0	0	0	0	(976,338)	(5,701,926)	(6,678,264)
Net profit for the period	0	0	0	0	0	0	7,822,625	7,822,625
31. 12. 2007	520,000	5,344,110	8,020	11,914	104,000	11,870,050	7,822,625	25,680,719

\* The net trade receivables balance – net as of 31 December 2007 and 2006 also comprises amounts relating to a dispute with ČESKÝ TELECOM, a.s., at present Telefónica O2 Czech Republic, a.s. regarding interconnection fees settlement for mutually-provided services in 2001. The related amount includes trade receivables of CZK 512,499 thousand, less provision for impairment of CZK 433,932 thousand, i.e. net receivable of CZK 78,567 thousand. The Company also recognises liability related to this case amounting to the same amount.

3.6.1 Share Capital and Capital Contributions

The Company's shares have a nominal value of CZK 1,000 each and are book-entered, registered and not publicly traded. Approved and subscribed share capital is fully paid off. Share premium of CZK 5,344,110 thousand was settled by the Company's shareholders under the Joint Venture Agreement of the joint-stock company between ČESKÉ RADI-OKOMUNIKACE a.s. and CMobil B.V., dated 25 March 1996, and the Agreement between the Ministry of Economy of the Czech Republic (at present the Ministry of Industry and Trade), CMobil B.V. and ČESKÉ RADIOKOMUNIKACE a.s.\*, dated 25 March 1996. The valuable right to provide communication services under the GSM standard forms a part of the share premium.

The statutory reserve fund comprises funds that the Company is required to retain accord- ing to the current legislation. Use of the statutory reserve fund is limited by legislation and Statutes of the Company.

3.6.2 Dividends

Based on a resolution of the General meeting held on 20 June 2007, the Company distrib- uted the profit for 2006 and a share of retained earnings to the shareholders as a dividend in the aggregate amount of CZK 6,678,264 thousand (CMobil B.V.: CZK 4,058,330 thousand, TMCZ Holdco II (Lux) S.ř.r.l.: CZK 2,619,934 thousand).

3.7 Provision for Liabilities

(CZK'000)	Provision for tax payable	Other provisions	Total
1. 1. 2006	849,056	752,998	1,602,054
Charge for the year	348,491	571,133	919,624
Released / used in the year	(849,056)	(510,088)	(1,359,144)
31. 12. 2006	348,491	814,043	1,162,534
Charge for the year	352,368	562,352	914,720
Released / used in the year	(348,491)	(600,310)	(948,801)
31. 12. 2007	352,368	776,085	1,128,453

As at 31 December 2007, the Company recorded a provision of CZK 519,758 thousand for estimated future costs related to the T-Mobile bonus for allocated loyalty points unused as at year-end (31 December 2006: CZK 459,322 thousand).

3.8 Short-term Liabilities

Trade payables

(CZK'000)	31. 12. 2007	31. 12. 2006
Trade payables		
– domestic payables	1,429,277	1,009,215
– foreign payables	35,797	30,489
Total trade payables	1,465,074	1,039,704

As at 31 December 2007, the amount of overdue payables was CZK 31,631 thousand (31 December 2006: CZK 109,862 thousand).

Overdue payables did not include liabilities for social insurance or contributions to the state employment policy, nor did they include liabilities for health insurance.

Liabilities to members of associations represent advances received from members of the associations which were established for the purpose of building up telecommunications infrastructure. Liabilities to the members of associations as at 31 December 2007 amounted to CZK 17,060 thousand (as at 31 December 2006: CZK 104 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.

Overview of anticipated payables by category as at 31 December 2007 and 31 December 2006:

(CZK'000)	31. 12. 2007	31. 12. 2006
Estimated liability for interconnection costs	1,646,027	1,532,660
Estimated liability for operational expenditure	1,277,802	1,310,386
Estimated liability for capital expenditure	387,498	671,314
Estimates liability for staff costs	459,017	400,808
Total anticipated payables	3,770,344	3,915,168

Other payables

Other short-term payables had the following balances as at 31 December 2007 and 31 December 2006:

(CZK'000)	31. 12. 2007	31. 12. 2006
Currency forward contracts	1,357	6,354
Other short-term payables	24,147	16,991
Total other payables	25,504	23,345

3.9 Bank Loans and Overdrafts

The total limit of bank overdrafts and flexible credit lines available to the Company is EUR 3 000 thousand (CZK 79,860 thousand) and CZK 800,000 thousand respectively. As at 31 December 2007 overdrafts amounting to CZK 5 thousand were drawn. The Company did not draw loans as at 31 December 2006.

3.10 Financial Instruments

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

Forward contracts

As at the end of 2007, the Company had open currency forward contracts with a total nominal value of CZK 315,680 thousand (31 December 2006: CZK 170,534 thousand). These transactions focus on managing currency risks associated with the settlement of liabilities of the Company resulting from the customer-supplier relations and denominated in EUR. All currency forward contracts as at 31 December 2007 were initiated during 2007. During 2007, forward contracts in a total nominal value of CZK 5,929,218 thousand were settled (in 2006: CZK 6,328,989 thousand).

Open currency forward contracts (CZK'000)	31. 12. 2007	31. 12. 2006
Open currency forward contracts securing other foreign exchange liabilities:		
Positive fair value	4,549	5,739
Negative fair value	(1,357)	(6,354)
Total fair value of forward contracts	3,192	(615)

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 revenue related to TWIST prepaid services.

3.12 Commitments and Contingencies

Tax authorities are authorised to inspect 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 last income tax inspection took place in 2006 and 2007 for the period 2003. The Company's management are not aware of any circumstances which may in the future give rise to a potential material liability in this respect. The Company's future capital commitments to major technology suppliers as at 31 December 2007 and 2006 are as follows:

(CZK'000)	31. 12. 2007	31. 12. 2006
Up to 1 year	1,350,933	1,689,907
1–3 years	1,056,698	884,900
3–5 years	938,535	772,645
Over 5 years	432,899	59,397
Total	3,779,065	3,406,849

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

(CZK'000)	31. 12. 2007	31. 12. 2006
Up to 1 year	445,271	438,954
1–3 years	610,688	637,727
3–5 years	535,370	577,462
Over 5 years	1,415,920	1,716,450
Total	3,007,249	3,370,593

3.13 Guarantees

As at 31 December 2007, bank guarantees totalling CZK 70,680 thousand were issued to lessors of commercial space and real estate at the Company's request (as at 31 December 2006: CZK 67,887 thousand).

As at 31 December 2007, the Company's liabilities from import duties were covered by bank guarantees totalling CZK 50,370 thousand (as at 31 December 2006: CZK 50,370 thousand).

Other guarantees as at 31 December 2007 totalled CZK 40 thousand (31 December 2006: CZK 5,500 thousand).

3.14 Revenues and Expenses from Operating Activities

3.14.1 Operating Revenues according to Main Activities

Sales based on activities (CZK'000)	2007	2006
Sales of handsets and accessories	1,332,526	1,152,225
Communication network services	30,353,531	27,880,412
Total	31,686,057	29,032,637

In order to ensure comparability with the current period, the Company reclassified part of its revenues classified in the prior year under Sales of own products and services to Other operating income. The reclassification amounted to CZK 61,758 thousand and had no impact on the operating result or equity of the Company.

3.14.2 Operating Revenues and Expenses

(CZK'000)	2007	2006
Operating revenues	31,686,057	29,032,637
Other revenues	2,172,411	1,690,593
Total revenues	33,858,468	30,723,230
Cost of goods sold	2,811,005	2,417,658
Consumption of material and energy	599,000	581,919
Services	12,198,960	11,359,135
Staff costs	2,236,229	2,157,358
Depreciation of intangible and tangible fixed assets	4,268,399	5,314,960
Other operating charges	1,755,426	1,456,899
Total operating expenses	23,869,019	23,287,929
Operating results	9,989,449	7,435,301

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

3.15 Revenues and Expenses from Financial Activities

(CZK'000)	2007	2006
Revenues from financial operations and interest income	3,473,199	990,886
Financial revenues – other	259,965	221,356
Cost of financial operations and interest expense	(3,350,755)	(901,010)
Financial expenses – other	(223,296)	(150,757)
Financial result	159,113	160,475

3.16 Related Party Transactions and Balances

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

(CZK'000)	2007	2006
České Radiokomunikace a.s. <sup>1</sup> :		
Purchase of services (leased lines, rent and other services)	272,110	277,392
DTAG group:		
Roaming interconnect and related purchased services	469,714	388,327
Other purchased goods and services	219,797	246,788
Cross charges	505,010	514,147
IT services	548,030	466,984
Purchased foreign currency – hedging	884,148	1,367,879
Total related party purchases	2,898,809	3,261,517

České Radiokomunikace a.s. <sup>1</sup> :		
GSM and interconnection services sold	81,359	64,811
DTAG group:		
Roaming, interconnection and related sold services	439,174	424,462
Re-branding – reimbursement	16,019	16,019
Income from sale of PP&E and intangibles	14,716	13,007
Cross charges	315,515	364,253
Total related party sales	866,783	882,552

Related party receivables:

(CZK'000)	31. 12. 2007	31. 2. 2006
České Radiokomunikace a.s. <sup>1</sup> :		
Receivables from GSM and other services	21,862	14,840
DTAG group:		
Receivables from roaming, interconnection and related sold services	423,056	497,454
Receivables and prepayments from other services and discounts	242,276	166,888
Receivables from derivatives (change in fair value)	1,387	5,739
Total related party receivables	688,581	684,921

Related party payables:

(CZK'000)	31. 12. 2007	31. 12. 2006
České Radiokomunikace a.s. <sup>1</sup> :		
Payables from leased lines and other rentals	21,053	24,969
DTAG group:		
Payables from roaming, interconnection and related purchased services	649,615	797,456
Payables from other services and discounts	393,816	405,449
Payables from derivatives (change in fair value)	440	6,196
Total related party payables	1,064,924	1,234,070

The Company had no borrowings within the DTAG group as at 31 December 2007 and 2006. The long-term loan in 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 at 31 December 2007 and 31 December 2006.

3.17 Taxation

3.17.1 Current Corporate Income Tax

The Company estimates the following current income tax results:

(CZK'000)	2007	2006
Accounting profit before tax	10,148,562	7,595,776
Tax non-deductible costs	1,356,969	1,502,448
Non-taxable revenues	(1,282,495)	(516,965)
Difference between accounting and tax depreciation	1,136,240	1,674,284
Tax base before deductions	11,359,276	10,255,543
Gifts allowed as tax deductible	(21,913)	(13,988)
Returned 10% reinvestment relief	13,000	20,000
Tax base after adjustment	11,350,363	10,261,555
Income tax expense	2,724,087	2,462,773
Supplementary increase/(decrease) in tax expense related to prior periods	45,256	(18,103)
Current period income tax expense	2,769,343	2,444,670
Advances paid	(2,371,719)	(2,114,282)
Income tax payable	352,368	348,491

3.17.2 Deferred Tax

(CZK'000)	31. 12. 2007	31. 12. 2006
Difference between net book value and net tax value of fixed assets	(5,276,597)	(6,449,512)
Difference between net book value and net tax value of inventories	156,756	130,328
Difference between net book value and net tax value of receivables	601,788	630,372
Other provisions	770,750	807,630
Total temporary differences	(3,747,303)	(4,881,182)
Net deferred tax liability	(728,078)	(1,171,484)

Net deferred tax liability as at 31 December 2007 was calculated using the corporate income tax rates, shown in the table below, enacted for the period of expected realisation of deferred tax:

Period	Tax rate
2008	21%
2009	20%
2010 and onwards	19%

Deferred tax liability as at 31 December 2006 was calculated at the 24% corporate income tax rate.

<sup>1</sup> The company České Radiokomunikace a.s. is a related party of the company TMCZ Holdco II (Lux) S.ř.r.l.

<sup>1</sup> The company České Radiokomunikace a.s. is a related party of the company TMCZ Holdco II (Lux) S.ř.r.l.



4 Employees and management

Development of staff costs (amounts in CZK thousand unless stated otherwise) are as follows:

	Total		Management only	
	2007	2006	2007	2006
Average number of employees	2,503	2,532	45	44
Wages and salaries	1,577,585	1,499,752	127,006	130,775
Board emoluments	1,282	1,487	0	0
Social security and health insurance costs	585,991	558,263	48,262	45,771
Other social costs	71,371	97,856	1,561	8,023
Total staff costs	2,236,229	2,157,358	176,829	184,569

Emoluments for the members of statutory bodies and the Supervisory Board for 2007 were as follows:

(CZK'000)	Total income	Monetary income	Benefit in kind
Board of Directors	708	708	0
Supervisory Board	574	574	0

Emoluments for the members of statutory bodies and the Supervisory Board for 2006 were as follows:

(CZK'000)	Total income	Monetary income	Benefit in kind
Board of Directors	908	908	0
Supervisory Board	579	579	0

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

Since 2002, the Company has been providing its employees with a contribution to supplementary pension insurance. In 2007, the total contribution provided was CZK 33,806 thousand (in 2006: CZK 33,567 thousand).

In 2007 and 2006, 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 2007 was CZK 48,001 thousand (31 December 2006: CZK 45,320 thousand). Since 2004, the Company has provided top management with compensation for fuel used for private purposes. In 2007, the compensation totalled CZK 1,178 thousand (2006: CZK 1,152 thousand).

5 Post balance sheet events

On 18 April 2008 the Company received a payment from Telefónica O2 Czech Republic, a.s. (hereinafter referred to as Telefónica) in the amount of CZK 2,003 million. The amount relates to the dispute in the litigation concerning the interconnection charges for the period 1 January to 26 November 2001, including the related late payment interest. The legal proceedings about the settlement of interconnection fees are still in process and the final result is highly uncertain.

Approval of the statutory financial statements

These financial statements have been approved by the Board of Directors of the Company on 16 May 2008.



Michael Günther  
Chairman of the Board of Directors



Roland Mahler  
Member of the Board of Directors

# Royalty, fees and others

Report on the relationships between the related parties  
for the year 2007



In accordance with the provision of Section 66a (9) of Act No. 513/1991, the Commercial Code, the Board of Directors of T-Mobile Czech Republic a.s., having its registered office at Tomíčková 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 2007, 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

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 AG <sup>1</sup> , Bonn	(Germany)
100.00% T-Mobile Deutschland GmbH, Bonn	(Germany)
70.50% PTC Polska Telefonia Cyfrowa Sp. z o.o., Warsaw	(Poland)
100.00% T-Mobile Poland Holding Nr. 1 B.V. Amsterdam	(Netherlands)
22.50% PTC Polska Telefonia Cyfrowa Sp. z o.o., Warsaw	(Poland)
100.00% T-Mobile Global Holding Nr. 2 GmbH Bonn	(Germany)
100.00% CMobil B.V., Amsterdam	(Netherlands)
<b>60.77% T-Mobile Czech Republic, a. s., Prague</b>	<b>(Czech Rep.)</b>
100.00% T-Mobile Austria Holding GmbH, Vienna	(Austria)
100.00% T-Mobile Austria GmbH, Vienna	(Austria)
100.00% T-Mobile Global Holding GmbH Bonn	(Germany)
100.00% T-Mobile Holdings Ltd., London	(Great Britain)
100.00% T-Mobile United Kingdom Limited Hertfordshire	(Great Britain)
100.00% T-Mobile (UK) Ltd. Hertfordshire	(Great Britain)
100.00% T-Mobile USA, Inc., Bellevue	(USA)
100.00% T-Mobile Netherlands Holding B.V., Den Haag	(Netherlands)
100.00% T-Mobile Netherlands B.V., Den Haag	(Netherlands)
100.00% Orange Nederland N.V.	(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)
100.00% T-Mobile International UK Ltd., London	(Great Britain)
100.00% MagyarCom Holding GmbH Bonn	(Germany)
59.21% Magyar Telekom Rt. Budapest	(Hungary)

its registered office at Friedrich-Ebert-Allee 140, 53113 Bonn, Germany (hereinafter referred to as “DTAG”).

In 2007, the party controlling TMCZ was CMobil B.V. (60.77% share). The party controlling CMobil B.V. was T-Mobile Global Holding Nr. 2 GmbH (100% share). The party controlling the aforementioned company was T-Mobile International AG (100% share). T-Mobile International AG was controlled by DTAG (100% share) in 2007. The company which had the most significant influence on the management and operation of TMCZ in 2007 was T-Mobile International AG<sup>\*</sup>, having its registered office at Landgrabenweg 151, 53227 Bonn, Germany.

Throughout the accounting period, TMCZ did not control any business entity, nor any other entity.

100.00% Stonebridge A.D. Skopje	(Macedonia)
51.00% Makedonski Telekomunikacii A.D. Skopje	(Macedonia)
100.00% T- Mobile Macedonia A.D., Skopje	(Macedonia)
76.50% Crnogorski Telekom A.D. Podgorica	(Montenegro)
100.00% T-Mobile Crna Gora D.O.O. Podgorica	(Montenegro)
51.00% Slovak Telecom, a. s., Bratislava	(Slovakia)
100.00% T-Mobile Slovensko, a. s., Bratislava	(Slovakia)
51.00% HT Hrvatske Telekomunikacije d.d. Zagreb	(Croatia)
100.00% T-Mobile Hrvatska d.o.o. Zagreb	(Croatia)
100.00% T-Systems Enterprise Services GmbH Frankfurt am Main	(Germany)
100.00% T-Systems PragoNet, a. s. <sup>2</sup> , Prague (On 8 August 2007, it merged with Gedas ČR, s. r. o., and T-System PragoNet, a. s.* became the legal successor.)	(Czech Rep.)
100.00% T-Systems Czech, s. r. o., Prague	(Czech Rep.)
100.00% T-Systems GEI GmbH Aachen	(Germany)
49.00% CTDI Nethouse Services GmbH Malsch	(Germany)
100.00% Deutsche Telekom Training GmbH Bonn	(Germany)

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

2. Contracts concluded with the Related Parties in 2007

Deutsche Telekom AG

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Agreement to Ensure Cooperation with Foreign Experts	625			Costs in relation to cooperation with foreign experts

T-Mobile International AG<sup>1</sup>

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Non-Disclosure Agreement (No. 018965-000-00)				
Non-Disclosure Agreement (No. 019043-000-00)				
Non-Disclosure Agreement (No. 019044-000-00)				
Non-Disclosure Agreement (No. 019045-000-00)				
Non-Disclosure Agreement (No. 019046-000-00)				
Non-Disclosure Agreement (No. 019052-000-00)				
Amendment No. 1 to the Service Agreement - Service Description, Cost Allocation Scheme (No. 016889-101-00)				
Non-Disclosure Agreement (No. 017808-000-00)				

<sup>1</sup> Former T-Mobile International AG&Co.KG  
<sup>2</sup> Now T-Systems Czech Republic, a. s.



Framework Agreement for the Supply and Maintenance of Equipment (No. 990024-000-00)				
Business Trip Agreement	33	649	Business trip	Business trip
Amendment No. 3 - Addendum to T-Zones Agreement (No. 012876-103-00)				
Inbound Service Arrangement 2007 (No. 013243-103-00)				
Outbound Service Arrangement 2007 (No. 013244-104-00)				

T-Mobile UK Ltd.

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Sub-licence Agreement (No. 014442-000-00)				
Project Service Agreement for International eSales Solution (IneSS) (No. 018008-000-00)	7 804			Purchase and maintenance of the e-shop platform
Contract for the Purchase of Software	1 773			SW SAP APO system

T-Mobile International UK Ltd.

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 53 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – video download – Mobix Content (No. 001406-153-00)				

T-Systems PragoNet, a.s.<sup>2</sup>

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 1 to Final Consolidation Agreement No. 014626-000-00 (No. 014626 101-00)				
Amendment No. 1 to Lease Agreement No. 014781-000-00 (No. 014781-101-00)				
General Agreement – project deliveries (implementation of TEE projects) No. 017167-000-00				
Contract for Hardware Supply	20 760			Small hardware
Amendment No. 3 to Agreement No. 010109-000-00 Global Roaming eXchange (GRX) (No. 010109-103-00)				
Amendment No. 9 to the Interconnection Agreement (No. 010530-109-00)				
Amendment No. 2 to the Sub-lease Agreement (No. 014779-102-00)				
Amendment No. 1 to the National Agreement (č. 016480-101-00)				
Amendment No. 1 to the Contract for Work (No. 017107-101-00)				
Non-Disclosure Agreement (No. 018044-000-00)				

<sup>2</sup> Now T-Systems Czech Republic, a. s.

Data Room Instructions (No. 018254-000-00)				
Agreement on Cooperation in Carrying out a Public Contract (No. 018280-000-00)				
Non-Disclosure Agreement (No. 018292-000-00)				
Agreement on the Assignment of Rights and Assumption of Obligations (No. 018325-000-00)				
Agreement on the Assignment of Rights and Assumption of Obligations (No. 018336-000-00)				
Confidentiality Agreement (No. 018411-000-00)				
Agreement on the Assignment of Rights and Assumption of Obligations (No. 018413-000-00)				
Agreement to Grant Authorization in respect of Contract No. 001237-000-00 (No. 018454-000-00)				
Authorization Agreement (No. 018455-000-00)				
Authorization Agreement (No. 018543-000-00)				
Authorization Agreement (No. 018603-000-00)				
Authorization Agreement – grant of authorization in relation to Contract No. 001429-000-00 (No. 018624-000-00)				
Authorization Agreement (Service Agreement No. 012764-000-00) (No. 018625-000-00)				
Authorization Agreement – grant of authorization under Contract No. 001027-000-00 (No. 018637-000-00)				
Agreement on the Assignment of Rights and Assumption of Obligations Related to SW (No. 018653-000-00)				
Agreement on Cooperation in Providing Certain Electronic Communications Services (No. 018800-000-00)				
Final Consolidation Agreement II (No. 018835-000-00)	548 030	14 716	Sale of tangible and intangible assets	IT outsourcing services
Amendment No. 2 to the Framework Contract for Telecommunications Connection Services (No. 010300-102-00)				
Dodatek č. 2 k Rámcové smlouvě o poskytování služeb telekomuni-kačního spojení (č. 010300-102-00)				
Contract for DSL Services (No. 019266-000-00)	1 106			DSL services
IT Outsourcing Agreement	6 271			Outsourcing services
Contract for the Purchase of Hardware and Software	10 810			Hardware and software

T-Systems Enterprise Services GmbH

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Contract for Software Services	2 328			Software services

Magyar Telekom R.t.

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Roaming Agreement for Public Wireless Lan Services (Hungary) (No. 018026-000-00)				

CTDI Nethouse Services GmbH

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Framework Purchase Contract (No. 018498-000-00)	5 397			GSM equipment

T-Mobile Austria GmbH

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Addendum to the International GSM Roaming Agreement - SMS Interworking Agreement (Austria) (No. 000551-101-00)				
Addendum to the International GSM Roaming Agreement (GPRS and/or 3GSM Roaming Addendum) (No. 000551-102-00)				

Slovak Telecom, a.s.

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Contract for VAS Service (No. 010198-000-00)				

3. Contracts with the Related Parties lasting during 2007 based on which payment, services or goods were provided

Deutsche Telekom AG

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Letter of Understanding (No. 010003-000-00)		16 019	Rebranding	
Master Agreement for Derivate Contracts (No. 016323-000-00)	884 148			Foreign-currency purchase – hedging
Agreement on Bilateral MMS eXchange (No. 016451-000-00)	864	31	MMS interworking	MMS interworking
Agreement on Benchmarking of Prices of IT Equipment and Services on the Market	3 372			Benchmarking of prices of IT equipment and services on the market

T-Mobile International AG<sup>1</sup>

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Sublicence Agreement (No. 010091-000-00)	49 986			Licence
Sublicence of TIBCO Software Licence Agreement (No. 011269-000-00)	2 769			TIBCO Enterprise licence
T-Zones Agreement (No. 012876-000-00)	50 036			Use of the t-zones brand
Framework Cooperation and Service Agreement (Inbound) (No. 013243-000-00)		1 575	Corporate social responsibility (CSR) services (support provided in connection with the management and organization of CSR activities, and with the development, assessment and implementation of the related strategy)	
Framework Cooperation and Service Agreement (Inbound) (No. 013243-000-00)		1 951	Customer care services (preparation of a roadmap in connection with the development of customer care technologies and trade, integration of strategic directions of customer care development and trade in individual companies of the T Mobile International Group)	
Framework Cooperation and Service Agreement (Inbound) (No. 013243-000-00)		3 816	Human resources services (coordination and management of the “One Company” program within the T Mobile International Group)	
Framework Cooperation and Service Agreement (Inbound) (No. 013243-000-00)		1 070	Marketing services (consultancy services related to the standardization, definition and creation of data models, and to data collection for T Mobile International; support and consultancy services in connection with the development of databases for marketing purposes, support in ad hoc marketing analyses)	
Framework Cooperation and Service Agreement (Inbound) (No. 013243-000-00)		84 971	Technology services (preparation and planning for the development of IS technologies and the network, development of the existing and new functionalities for IS technologies, the network and network components)	

<sup>1</sup> Former T-Mobile International AG&Co.KG



Framework Cooperation and Service Agreement (Outbound/Allocation) (No. 013244-000-00)	36 272			Customer care and trade services (consultancy 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 the customer service efficiency)
Framework Cooperation and Service Agreement (Outbound/Allocation) (No. 013244-000-00)	87 606			Marketing services (provision of marketing 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 (Outbound/Allocation) (No. 013244-000-00)	248 262			Technology services (consultancy services 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)
Agreement on Cooperation in Providing Roaming Services (No. 014585-000-00)*	166 907	(247 348)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators
Service Agreement (No. 016189-000-00)		571	Internal audit	
Service Agreement (No. 016190-000-00)	683			Internal audit
Agreement on the Provision of Services in the Area of TMO (No. 017472-000-00)	6 794			Allocation of insurance premium

T-Mobile Deutschland GmbH

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Interconnection Agreement (No. 001776-000-00)	52 040	70 963	Interconnection	Interconnection
Project Service Agreement for Subscription Server (No. 016046-000-00)	9 017			Subscription Server

\* Note: The above payments (both received and provided) differ from the data used for the Notes to the Financial Statements 2007, because they also include cases, where T-Mobile International AG is only a mediator of payment transactions with third parties

<sup>1</sup> Former T-Mobile International AG&Co.KG

International Roaming Agreement (No. 016485-000-00)	143 591	296 600	Roaming + sms interworking	Roaming + sms interworking
Service Agreement Concerning the Performance of Melody Services (No. 014973-000-00)		20 757	Re-invoicing of costs related to the common platform for the Melody project	
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	(68 533)	(195 110)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators
Project Service Agreement for Troja: Prevention Solution (No. 016592-000-00)	2 465			Maintenance fee Troja Project
Roaming Agreement for Public Wireless LAN Services (WLAN - Germany) (No. 016882 000-00)	688	376	WLAN roaming	WLAN roaming
Project Service Agreement (Remote Device Management) Release 1A (No. 016886-000-00)	7 664			RDM services
Project Service Agreement (WLAN Central Service Area (CSA) - HotSpot) (No. 016928 000-00)	1 807			WLAN services
Agreement on Development, Maintenance and Support of IBMD		192 408	Development, maintenance and support of iBMD	
Sublicense Agreement for Micro Payment Platform XTC (No. 016434-000-00)	6 791			XTC platform

PTC Polska Telefonia Cyfrowa Sp. z o.o.

Contract title	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)	27 181	63 161	Roaming + sms interworking	Roaming + sms interworking
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	(14 690)	(44 091)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

T-Mobile Austria GmbH

Contract title	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)	71 222	51 170	Roaming + sms interworking	Roaming + sms interworking
Interconnection Agreement (No. 013609-000-00)	9 314	17 488	Interconnection	Interconnection
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	(39 450)	(34 384)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators
Service Agreement Concerning the Performance of Melody Services (No. 014973-000-00)		3 471	Re-invoicing of costs related to the common platform for the Melody project	

T-Mobile UK Ltd.

Contract title	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 Services (No. 014973-000-00)		2 680	Re-invoicing of costs related to the common platform for the Melody project	
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	(18 282)	(32 861)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators
International GSM Roaming Agreement (No. 000338-000-00)	36 996	46 652	Roaming + sms interworking	Roaming + sms interworking

T-Mobile International UK Ltd.

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Content Reseller Agreement (No. 01406-000-00)	17 505			VAS services

T-Mobile Netherlands B.V.

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 000537-000-00)	16 636	18 353	Roaming + sms interworking	Roaming + sms interworking
Service Agreement Concerning the Performance of Melody Services (No. 014973-000-00)		1 355	Re-invoicing of costs related to the common platform for the Melody project	
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	(8 371)	(13 273)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

Magyar Telekom R.t.

Contract title	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 (No. 015878-000-00)	(7 529)	(31 797)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators
International GSM Roaming Agreement (No. 011437-000-00)	15 815	44 583	Roaming + sms interworking	Roaming + sms interworking

T-Mobile Slovensko a.s.

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 000178-000-00)	124 530	99 829	Roaming + sms interworking	Roaming + sms interworking
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	(61 886)	(50 474)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators
Interconnection Agreement (No. 016452-000-00)	53 756	31 768	Interconnection	Interconnection

T-Mobile Hrvatska d.o.o.

Contract title	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)	81 211	10 325	Roaming + sms interworking	Roaming + sms interworking
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	(21 374)	(5 434)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

T-Mobile USA

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 016180-000-00)	21 054	36 747	Roaming + sms interworking	Roaming + sms interworking
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	(5 429)	(20 766)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

T-Systems PragoNet, a.s.

Contract title	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)	11 473			Lease of lines + services related to interconnection
Global Intranet GPRS Roaming eXchange (GRX) (No. 010109-000-00)	1 398			GRX service
Framework Contract for Telecommunications Connection Services (No. 010300-000-00)	9 287			Lease of fibre optics and lines
Agreement on the Interconnection of Telecommunications Networks (No. 010530-000-00)	97	6 337	Interconnection	Interconnection



Agreement on International Telecommunications Services (No. 012866-000-00)	55 157	44 813	Interconnection	Interconnection
Data Transmission and Telecommunication Connection Agreement (No. 001356-000-00)	2 373			Data transmission and telecommunication connection services
Data Transmission and Telecommunication Connection Agreement (No. 011189-000-00)	3 235			Data transmission and telecommunication connection services
Sublease Agreement (No. 014776-000-00)		2 838	Sublease + services	
Sublease Agreement (No. 014778-000-00)		1 327	Sublease + services	
Sublease Agreement (No. 014779-000-00)		8 768	Sublease + services	
Lease Agreement (No. 014781-000-00)		3 616	Lease + services	
Contract for Work – printing, enveloping and mailing services (No. 017107-000-00)		500	Contractual penalty	
Contract for GSM Services and Sale of Handsets		7 122	GSM services and handsets	

T-Mobile Macedonia A.D. Skopje

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 000362-000-00)	643	1 124	Roaming + sms interworking	Roaming + sms interworking

T-Mobile Crna Gora D.O.O.

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 011470-000-00)	2 174	148	Roaming + sms interworking	Roaming + sms interworking

T-Systems GEI GmbH

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Software Maintenance Agreement (No. 017408-000-00)	91 889			Software maintenance

T-Systems Enterprise Services GmbH

Contract title	Payment (in CZK '000)		Services/goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Pegabase - Software Maintenance and Evolution Agreement (No. 990005-000-00)	6 629			Pegabase – software maintenance
Software Maintenance Agreement	6 892			Software maintenance

The Report on the Relationships does not contain contracts between the Related Parties performed in 2007, in the case of which the total value of payment/goods/services related to a single contract did not exceed CZK 500 thousand. For 2007, there are 50 such contracts in total. The overall value of payments/goods/services received by TMCZ based on these contracts amounts to CZK 2,970 thousand; the overall value of payments/goods/services provided by TMCZ based on these contracts amounts to CZK 5,979 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 2007, 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 2007, 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 laws and regulations governing business 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 Business Competition Act No. 143/2001.

In 2007, 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.



