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Radiomobil a.s.
■ Annual Report 2002



- We want to be your friendly guide to the mobile future.



We take a simple, human approach to bringing you all the benefits of mobility, reliably and accessibly – anytime and anywhere.



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■ Dear Ladies and Gentlemen,

■ Another year of RadioMobil's successful presence in the Czech telecommunications market is behind us. Allow me now to take a quick look back at the year 2002, which represented a major landmark in the history of our Company.

Our Company operates in one of the most dynamically developing industries. Eight out of ten people were using a mobile phone in the Czech Republic last year, and we expect this number to rise to nine out of ten in 2003. This puts the Czech Republic on a par with the countries with the highest mobile penetration around the world.

■ Clearly, the business environment of mobile telecommunications is very demanding. This is one of the reasons why I am immensely proud that in 2002, RadioMobil once again confirmed its reputation as one of the most dynamic companies in the Czech Republic. This fact is supported, above all, by the growth of the customer base; at the end of 2002, our Company passed the significant 3.5 million mark, thus acquiring around 660,000 new customers year-on-year. Further proof is the revenue and profit growth, as well as the fact that RadioMobil maintained a forty-percent market share.

■ 2002 became an important milestone in the history of RadioMobil – the Company became part of the global T-Mobile group. The challenging rebranding process started in April and I am happy to state that its results have been a unique success in Czech marketing history.

■ In the challenging telecommunications market, no operator can succeed without a clear strategy leading to the achievement of firmly set goals. In this context, RadioMobil places great emphasis on the highest possible quality of its products and services and customer satisfaction. At the same time, our Company wants to be the industry's leading innovator and bring its clients services with the highest added value.

■ Again in 2002, we introduced a number of new products and services, which were focused particularly on the development of non-voice services.

■ A large investment project was completed in 2002, namely the construction of another Regional Centre, this time in Hradec Králové, eastern Bohemia. T-Mobile thus brought a large number of job opportunities to the region, again confirming that it promotes the development of close community relations.

■ 2003 will be a year of consolidation and, at the same time, a year of sharpened competition in the mobile market. As the customer base is unlikely to grow at such a fast pace, there will be greater importance on the retention of our existing clients as well as make the mobile multimedia services happen. I believe that the persistence and team commitment of all employees and partners of the Company will further strengthen the position of T-Mobile in the national as well as the international telecommunications market.



■ Michael Günther
Chairman of the Board
RadioMobil a.s.



■ A conversation
with Managing Director
Roland Mahler ■



- RadioMobil has been operating in the Czech Republic since 1996. How would you describe the development of the Czech telecommunications market and what was different in 2002?

RadioMobil brought healthy competition to the market, which was of enormous benefit to the country. The mobile phone has become an everyday part of our lives and we are using it not only to make phone calls and send text messages but, more and more, as a source of information and fun and as a payment instrument. Despite the challenges of a third mobile operator entering the Czech market, RadioMobil maintained its

- position as a strong and dynamic partner in the world of mobile communications. The year 2002 brought another increase in mobile penetration, which now exceeds 85%. It is encouraging to know that RadioMobil participated in this process as an effective competitor, able to appeal to both the end customers and corporate clients thanks to offering high-quality services and innovations.

Perhaps the most important event of 2002 was the rebranding of the Company. How would you comment on the process and its results?

- I am certainly not exaggerating when I say that the rebranding has been the most noticeable change in the history of RadioMobil. I am very pleased that the process of integration into the T-Mobile family has been very successful, which is evidenced by an increase in unaided brand awareness during four months, from the initial 28% to 81% in September. The T-Mobile advertising campaigns were among the most visible ones in the Czech media in 2002. And perhaps the most important fact is that RadioMobil employees took to the new brand.

- The strategy of RadioMobil under the T-Mobile colours can be briefly summarized as "Get More". What do these words mean for us?

Get More is an expression of our efforts to bring customers more service, more features, more value. For us as a company, this means more customer satisfaction, more economic efficiency and, as a result, becoming the strongest operator in the Czech market.

In particular, it is numbers, customer figures, market share etc. that prove the success of a company. How would you evaluate last year in terms of these indicators?

- Already in the first half of last year, the number of T-Mobile CZ customers exceeded the three-million mark. A powerful Christmas campaign contributed, among other things, to the growth of our customer numbers, which reached 3.5 million as of 31 December. This means that in 2002, the Company welcomed 660,000 new mobile users. We maintained a forty-percent market share and our EBITDA margin exceeded 45%. **Nevertheless, numbers do not give any reflection of customer satisfaction. What were the most significant achievements in the field of customer care last year?** Last year, we were making full use of the
- IVR automated voice system on our infolines, which, in many cases, helps solve customer requests without the customer having to talk to an operator. We concentrated on shortening the waiting times on the infoline and simplifying the activation of services. We are now offering a loyalty programme, T-Mobile Bonus, and a club programme, T-Mobile Club, to our contract customers. Access to the rewards and club benefits is based solely on using our services. Customers do not need to take care of collecting points and signing contracts, our Company keeps them informed regularly. Our system of random inquiries provides us continually
- with information on customer satisfaction.

- **RadioMobil is a customer-oriented company. What emphasis is placed on internal customer satisfaction?**

We are aware that a team of satisfied employees is the most precious commodity we have. In a company as large as ours, with the number of employees exceeding 2,500, communication and shared corporate values are of enormous importance. In 2002, we focused on this area and introduced new methods for passing on strategic information within the Company, all around the country. An integral part of work in area of human resources is employee training and development. One of the advantages

- of membership in a global group is, undoubtedly, the opportunity to pursue a professional career abroad. Furthermore, a new performance appraisal system, new employee benefits and a new structure of work positions were introduced last year. We believe that these steps will contribute to employees identifying more with the Company and, as a result, to greater efficiency of T-Mobile. An important tool for obtaining feedback from employees was the employee survey, which took place for the first time last year and met with great interest. The fact that our efforts are successful
- is proven by the fact that RadioMobil was named the fourth Most Desirable Employer in 2001/2002.

- **Since its establishment, RadioMobil has been closely involved in charity and sponsoring activities. Was this the case in 2002 as well?**

RadioMobil is aware of its significant position in society, and therefore it donates a considerable amount of money to non-profit organizations every year.

As far as our sponsoring activities are concerned, we gave a significant amount to flood relief this year, and in sports we have a long-term partnership with the Czech national football team and T-Mobile Arena. There is also the Twist Extreme Tour for our younger customers. Furthermore, Olympic gold medalist and Sportsman of the Year

- Aleš Valenta became the face of T-Mobile in the Czech Republic.
- **We are on the threshold of the year 2003. What are the objectives of RadioMobil a.s. for the coming year?**

The main objectives for the next period are to strengthen the T-Mobile brand, achieve further growth through especially mobile data services, improve the overall quality of our services and use the benefits brought by our integration into the T-Mobile International group, while maintaining our innovator position.

- The satisfaction of each customer remains our focus, whether it is a large company or a prepaid card user. Nevertheless, we feel that there are some reserves in the business segment, and we will strive to acquire more contract customers. I am convinced that we have all the prerequisites for achieving our ambitious goals.

■ Top Management



Roland Mahler
managing director



Otakar Král
finance director



Miroslav Rakowski
sales director



Jiří Dvorjančanský
marketing director



Michal Urválek
human resources director



Piermaria Longo
customer operations director



Martin Klocperk
telecom relations
and strategy director



Heinz Schmid
technical director

■ Important landmarks in the development of the Company

■ 1996

RadioMobil was established in June and launched commercial operation of the Paegas GSM network in September. The number of Paegas customers exceeded 30,000 at the end of the year.

■ 1997

RadioMobil was voted the most dynamically developing company of the year in the Czech Top 100 survey. By the end of the year as many as 173,000 customers were using the new services, internet connection and the first ever prepaid cards on the Czech market.

■ 1998

RadioMobil unveiled a number of revolutionary services (Paegas Internet Call, Paegas Info, SIM Toolkit based services) and was selected as the most admired telecommunications company within the Czech Top 100 survey. Paegas was the first Czech operator to introduce GSM Banking. At year's end 373,000 customers were using Paegas services, a 115% increase compared to 1997.

■ 1999

The prize for the Best Technological Innovation in the GSM Market was awarded to RadioMobil by the GSM Association at its annual conference in Cannes, France. The Paegas network was one of the first networks in the world to enable users of prepaid cards to send and receive newly popular SMS (short text messages). A new call centre began operation in a reconstructed building in Louny (approximately 60 km north-west of Prague), giving state-of-the-art service to Paegas' 875,000 customers at the end of the year.

■ 2000

Transmitters in the 1800 MHz range went on air, making Paegas a dual-band network. Paegas, together with the D1 network of Germany's T-Mobil, was the first operator in the world to offer owners of the prepaid Twist cards the opportunity to use GSM services in direct-dial, full-featured roaming in foreign networks. A new integrated mobile portal – Paegas Click – was established, combining internet services and mobile phone capabilities. The number of Paegas users approached the 1,865,000 mark at the end of the year.

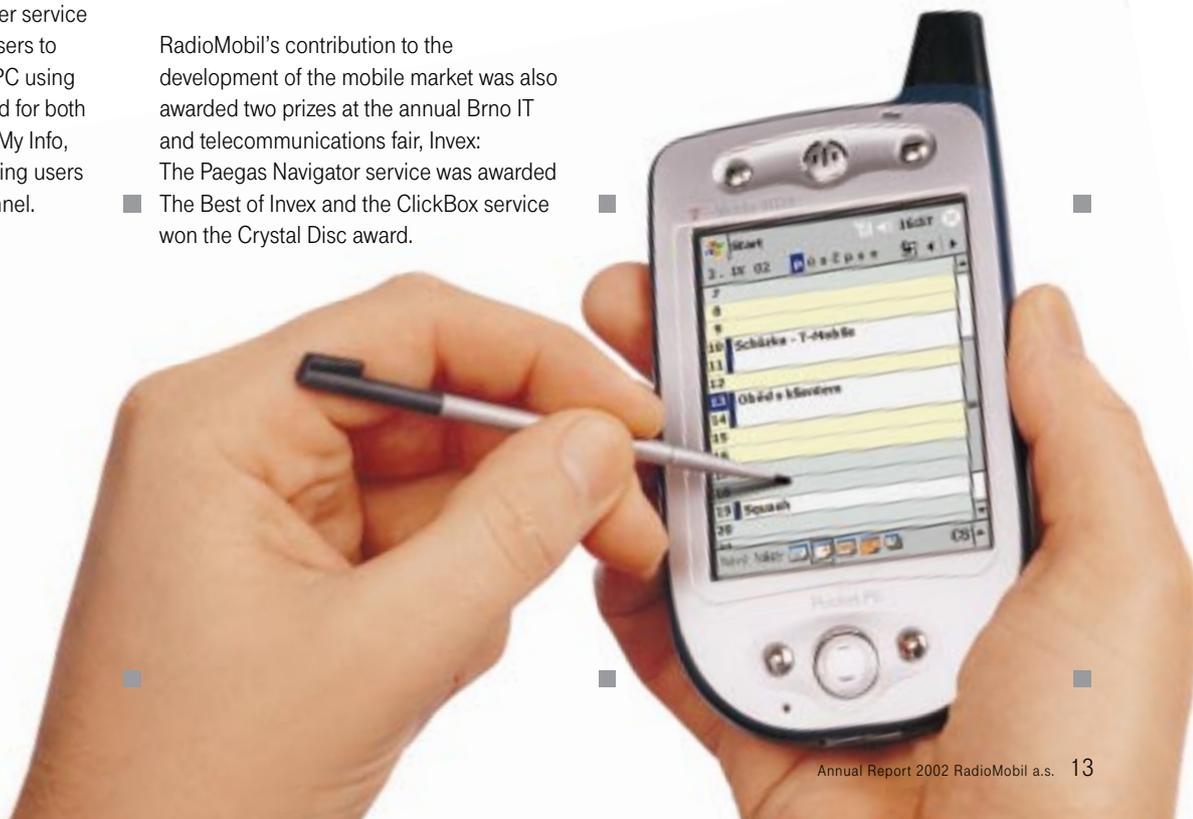
2001

The long-awaited system allowing high-speed data transfers, GPRS, was launched in August. The service is now also available for roaming in 14 countries. RadioMobil strengthened its focus on corporate clients, introducing a new sub-brand, Paegas Professional, with services such as Paegas Reception, Paegas Locator and Virtual Private Network. Another service – Paegas MobilChange – allows users to control Microsoft Outlook in their PC using a mobile phone. A service designed for both corporate clients and consumers, My Info, was also introduced in 2001, allowing users set up a self-tailored SMS infochannel.

Two thousand one was also the year when the mobile phone underwent a paradigm shift from being merely a communication tool to being an interactive source of fun and information. RadioMobil confirmed this trend by unveiling, for example, the ClickFun service (sending ringtones and pictures to a phone) and by extending the portfolio of Paegas Assistant services.

RadioMobil's contribution to the development of the mobile market was also awarded two prizes at the annual Brno IT and telecommunications fair, Invox: The Paegas Navigator service was awarded The Best of Invox and the ClickBox service won the Crystal Disc award.

In April, the CMobil B.V. consortium acquired a majority stake in RadioMobil. At the end of 2001, RadioMobil won the auction for a licence to operate a “third generation” UMTS network. By the end of the year 2.85 million customers were using RadioMobil services.





■ About the Company ■

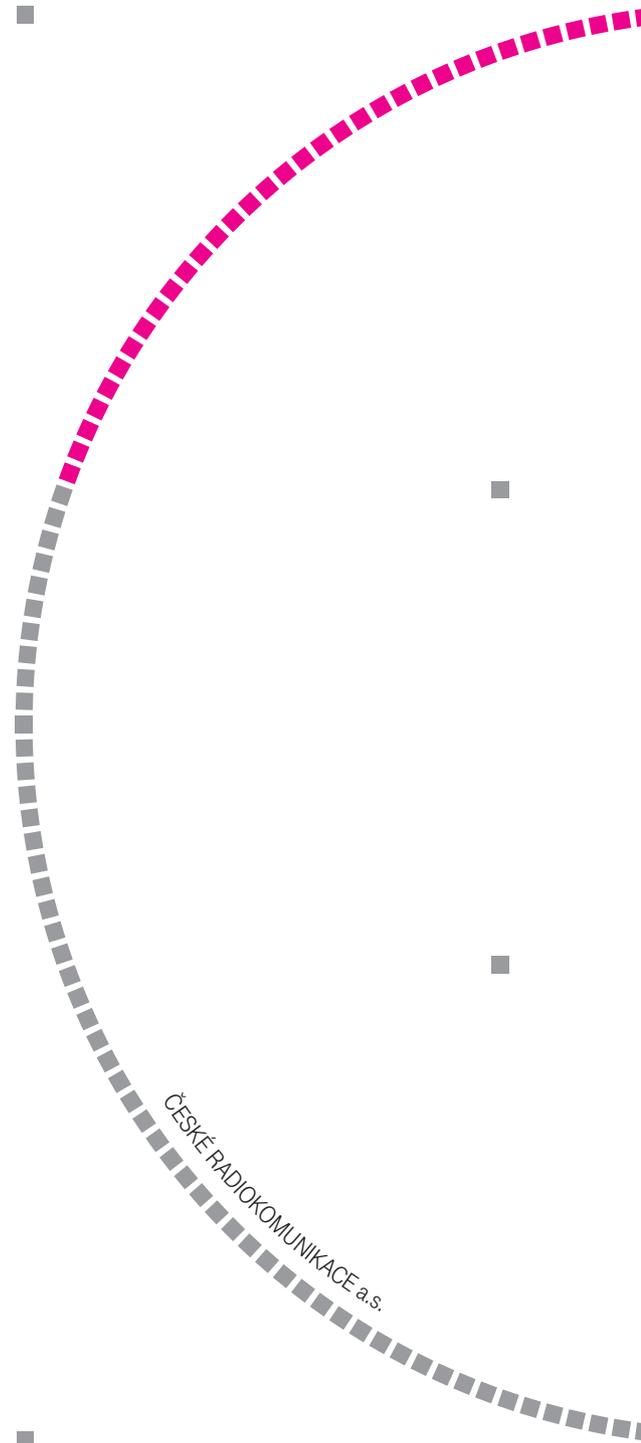
Report on the Business Activities of RadioMobil a.s.
and the Status of Its Assets for the accounting period of 2002
(in accordance with the provision of Section 192 (2) of Act No. 513/1991 Coll.,
the Commercial Code, as amended)

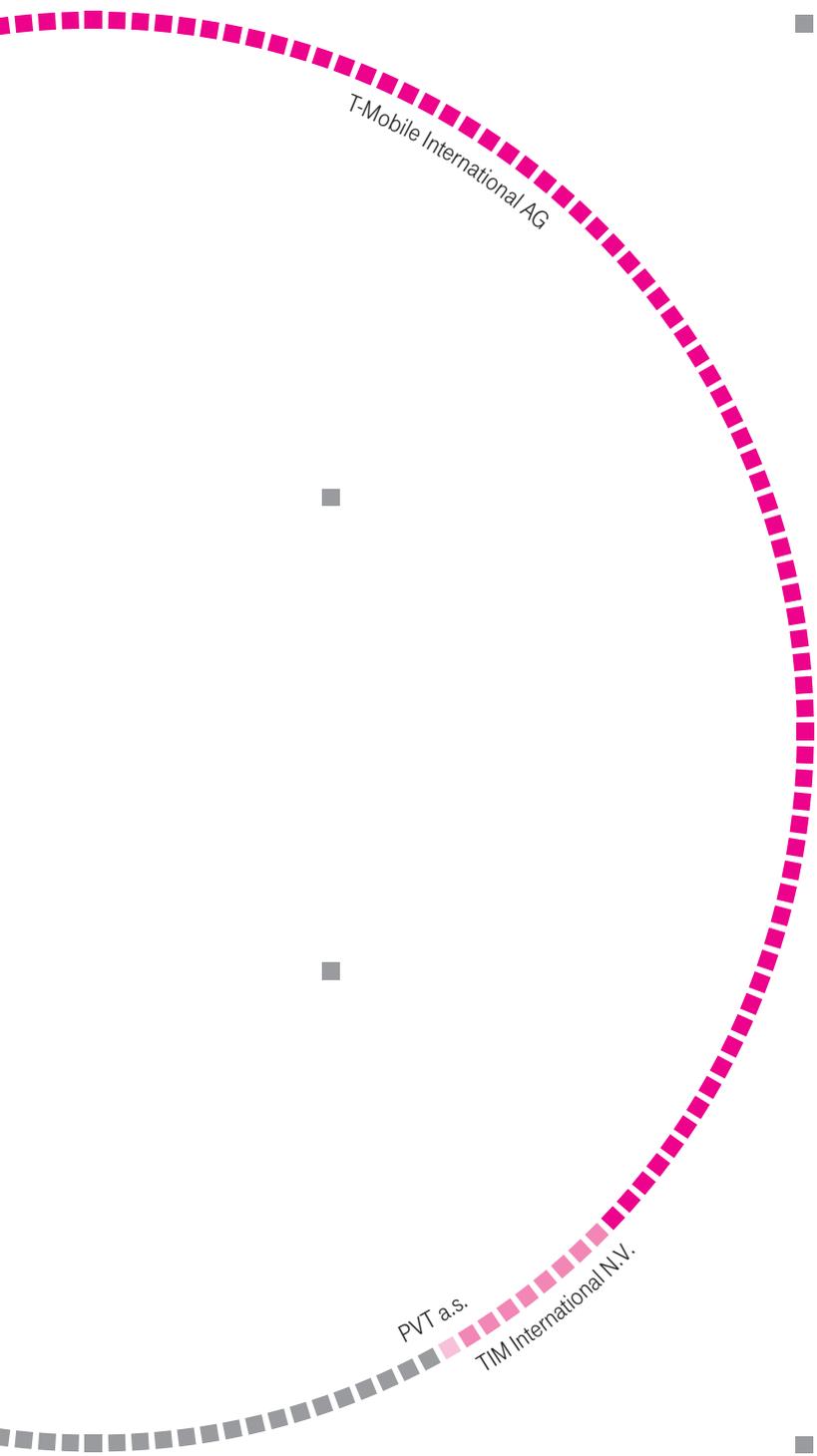
■ In 1996, RadioMobil was established and started the operation of a GSM network under the brand name Paegas. As a second operator, RadioMobil brought long-awaited competition to the mobile market, functioning up until then as a monopoly. Paegas soon became a worthwhile alternative, especially due to its emphasis on innovation and customer approach. In 2002, the Company brand name changed to T-Mobile.

■ T-Mobile is currently the second largest operator in the Czech mobile telephony market and the only Czech operator who is a member of a global mobile network. Owners of the Company are the CMobil B.V. consortium (T-Mobile International AG, TIM International N.V. and PVT, a.s.) with a 60.77% share and ČESKÉ RADIOKOMUNIKACE a.s. with a 39.23% stake.

■ **Shareholder structure**
effective from 18 April 2001

■ **CMobil B.V.** 60.77%
ČESKÉ RADIOKOMUNIKACE a.s. 39.23%





T-Mobile International AG

PVT a.s.

TIM International N.V.

■ **Services – quality, comprehensive portfolio, innovation, development**

Within the scope of its business activities to which it is authorised, RadioMobil established and operates a public mobile communication network on the GSM standard in the 900 and 1800 MHz bands and provides mobile telecommunications services pertaining to this network.

The comprehensive character of the services provided lies especially in the possibility of combining products from a wide range. RadioMobil offers services for everybody – users who use their phones solely for communication purposes, customers for

- whom the phone is a source of information and fun, as well as corporate clients with above-standard requirements. RadioMobil responds flexibly to the trends in technological development and keeps pace with the world-wide technological level and quality.

- The T-Mobile network today covers over 99% of the Czech population and 99.8% of A-class roads in the Czech Republic. RadioMobil customers can use their mobile phones in the networks of 281 operators from 112 countries of the world.

Since its establishment in 1996, RadioMobil has placed emphasis on the quality of its services. Thanks to massive investments in network rollout and innovative solutions, it defines the direction for mobile communications in the Czech Republic. Last year, RadioMobil made investments totaling nearly 5.5 billion crowns.

■ **Customers**

Every company needs a stable, large and satisfied customer base. The larger the customer base, the better the services the company can offer. In 2002, RadioMobil increased the number of its customers by almost 660,000, thus passing two historic marks during a single year – the total number of customers amounted to three million in March and reached 3.5 million in December.

As a future-oriented company, RadioMobil focuses not only on acquiring new customers but also on increasing the satisfaction of its present clients. However, with the growing customer numbers, requirements for the quality of customer care also increase.

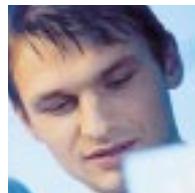
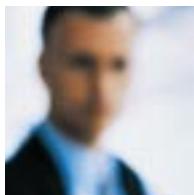
- Therefore, RadioMobil pays great attention to this area. During a single year, the Regional Centre in Hradec Králové, eastern Bohemia, was completed and opened, offering job opportunities for several hundred employees – mainly customer service representatives, a number of top IT specialists and employees of the sales department and other divisions. This investment, reaching approximately one billion crowns, also brought many work opportunities to eastern Bohemia. This is also one of the reasons RadioMobil representatives signed a partnership agreement with the University of Hradec Králové School of Information Technology and Management last year. The university and the Company committed themselves to cooperation in teaching students and organising special programmes to afford them a closer contact with the technologies and procedures used in RadioMobil.

■ **Distribution network**

- The distribution network for T-Mobile starts with a network of 49 retail shops in all the largest Czech cities and towns. Their number is constantly growing and so is the number of points of sale of our distribution partners – currently 1,839. Out of these, 191 dealers have been designated T-Mobile Profi Partners, based on strict qualitative and quantitative criteria. The T-Mobile sales and maintenance network provides the foundation for an excellent relationship between customers and the Company, and guarantees the high quality of the services offered.
- Only the latest mobile phone models and brand-name accessories are offered to customers via this network. All T-Mobile retail shops and retail partners provide customers with accurate information and expert advice.









■ 2002 – the year of T-Mobile

■ Two thousand two was a year of identity change for the Company. In April, a three-month process of change from the well-established Paegas brand to a new brand – T-Mobile – was rolled out. The extensive rebranding process was successfully completed on 2 July; integration into the global T-Mobile community, of course, continues.

In addition to the opportunity to share knowledge and experience, membership in the international group also brought a global brand known world-wide and a strong financial base. T-Mobile brings customers,

■ above all, a large portfolio of services operating in all countries on a unified basis, price harmonization and maximum customer convenience when roaming.

■ In June, a new T-Mobile Regional Centre was opened, this time in Hradec Králové. In the same month, the foundation stone of the new T-Mobile headquarters in Prague was laid in the district of Roztyly. The building, with a capacity of 1,700 employees, is scheduled to be occupied by the spring of 2004.

During the catastrophic floods that struck the Czech Republic and central Europe in August, the T-Mobile network stood the test without any great difficulties.

■ The Company offered help to the people affected by the floods and donated considerable amounts to the accounts for flood victims. A special offer was also prepared for all customers whose phones got damaged during the floods.

■ Other T-Mobile successes during year included the smooth renumbering of all telephones in the Czech Republic in a single night, 21-22 September. During the event of the year – the November NATO summit in Prague – T-Mobile also passed the test with flying colours.

■ Services in 2002

■ In 2002, many existing services were extended and upgraded and a number of new ones were introduced. One of the breakthrough services was the support of Java technology and, in particular, Multimedia Messaging (MMS). The first phones offered exclusively to T-Mobile customers – the Siemens MT50 and the T-Mobile MDA, a Pocket PC with built-in phone – were launched on the Czech market.

■ GPRS

Prepaid card users started taking advantage of GPRS connection, T-Mobile extended the number of countries in which GPRS roaming is available to nearly 20 and was the first one to introduce GPRS roaming to the US market.

■ Services for corporate clients

T-Mobile Office Management

This comprehensive mobile office solution allows users to manage their office without needing to be present. There are four different solutions for secure mobile access to corporate applications, each of them with different office management options and investment requirements.

WorldClass tariff

A tariff that brings significant telephone cost savings within the WorldClass partner networks. This gives users the opportunity to make calls at a favourable unified rate from 25 European networks and the USA.



■ Entertainment and information

SMS Chat

Combining text messaging with chatting properties known from the internet, this service allows users to chat with several people at the same time using short text messages.

Audio Postcards

This service offers entertaining audio messages, which can be sent to all mobile and fixed networks in the Czech Republic.

Matchmaker

A mobile "lonely hearts" service via SMS or WAP. The communication is based on nicknames, ensuring users absolute anonymity.

Java

Allows users to download and save games and other applications of their choice, without being limited by the mobile phone menu. RadioMobil was the first operator to introduce this service to the Czech market.

■ Twist services

New top-up options

RadioMobil introduced the option for a direct top-up of prepaid Twist cards via SMS. The cards can be topped up from anywhere, including abroad. Another option is top-up via terminals of the Sazka betting agency. In both cases, customers can top up their own or someone else's Twist cards.

MMS

In August, T-Mobile officially launched the commercial operation of the MMS service, which allows users to send and receive multimedia messages combining text, audio recordings, music, photographs, pictures and animations using an appropriate mobile phone. From the very beginning, the service is available to both contract customers and the users of prepaid Twist services. In addition, T-Mobile is the only Czech operator to offer the MobileBox and MobileBox Easy e-mail clients, allowing users to view or listen to multimedia messages sent to their e-mail. Thanks to the GPRS roaming service, it will be possible to send MMS from abroad as well. In addition to photographs, it is now possible to send short video sequences directly from the mobile phone.

■ With the MMS Downloads service, users can send and receive messages with fun content such as pictures, sounds or animations, expressing the feelings or experiences of the individual user. Customers can choose from a number of sound effects, from simple sounds to polyphonic ringtones, graphic motifs (logos, wallpaper or postcards) and animated screensavers.



■ A responsible and strong partner ■

■ RadioMobil is one of the leading companies in the Czech Republic and a strong financial partner to a number of prominent cultural, sports and social events. Its financial success and market positioning commit the company to sponsoring a wide array of charity and non-profit projects.

■ **Serving the public**

Again in 2002, RadioMobil supported children and young people – for example by giving dozens of computers and promotional materials. During the year RadioMobil gave its support to the Czech emergency rescue system. After the August floods, the Company provided financial support to the badly-stricken Prague ZOO and donated further amounts through humanitarian accounts.

We care about cultural development

Again in 2002, RadioMobil supported prestigious cultural events such as the world premiere in Prague of Miloš Forman's Amadeus – The Director's Cut and the seventh annual Prague German Language Theatre Festival. Furthermore, the Prague Writer's Festival enjoys long-term financial support from RadioMobil. RadioMobil was also a major partner of the popular Miss Czech Republic 2002 competition.

■ **Sport – a winning strategy** ■

RadioMobil is a traditional partner of the successful Czech national football team. The company continued to support modern and high-adrenaline sports such as acrobatic skiing and snowboarding, freestyle motorcross and BMX by sponsoring the winter and summer seasons of the Twist Extreme Tour. T-Mobile also became a general partner of the Prague International Marathon – one of the most famous European running events.

■ The continuation of the Report on the Business Activities of RadioMobil a.s. and the Status of Its Assets, regarding the Company's assets, can be found on pp. 55-57 in this Annual Report. ■

■ Employees – the key to success

- The present excellent results of RadioMobil have been achieved thanks to the determined work of all employees and partners. More than 2,500 people were working for RadioMobil last year.

Since the Company's establishment, human resources management in RadioMobil has been based on the concept of efficient business procedures. The Company strives to interconnect and harmonise all human resources management activities with the set objectives and corporate values, namely customer service orientation, innovation, team commitment, achievement, and mutual respect and integrity.

- RadioMobil places great emphasis on the training and development of its employees. The offer includes training programmes focused on technical and managerial skills, work with software products and dozens of other training and development programmes, including foreign language courses.

RadioMobil's efforts also include the aim to offer job opportunities to people from regions other than Prague. More than four hundred employees work in the call centre in Louny, opened in 1999. Several hundred people will work in the regional centre in Hradec Králové.

- A well-structured system of employee benefits stimulates individual efforts and motivates potential employees. The fact that RadioMobil is attractive for people of all age groups is proven by the results of surveys that rank the Company among the most sought-after employers in the Czech market.



■ We know where we're going

- The future of T-Mobile rests on four pillars – the T-Mobile brand, continuous growth, increased efficiency, and a focus on promoting mobile data services. The corporate philosophy can be summed up by the slogan “Get More” – that is, more value, more efficiency, more service, more features.

T-Mobile

RadioMobil is striving for a transformation from a local operator to a mobile telecommunications operator with global presence. During the process, it will rely on the international presence and strength of the brand, as well as on shared know-how of the global group.

In the near future, T-Mobile will focus on brand promotion with the aim of achieving the strongest brand awareness in the Czech mobile market. The T-Mobile brand will continue to be synonymous with attractive, reliable and high-quality services at reasonable prices and optimum customer care.

■ **Growth**

A clear priority for the future will remain the effort to maintain the position of a dynamic mobile operator, always bringing customers new and higher-quality services and increasing its market share. The company intends to increase its revenue share in the Czech mobile market to 40%, particularly in the business and post-paid segments. Another important factor will be the effort to retain key accounts and extend the number of services used by existing clients.

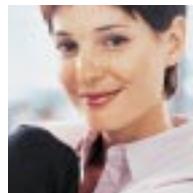
Efficiency

One of the most important indicators of the success of a company is its efficiency. T-Mobile will strive to maintain the positive trend of revenue growth and maintain an EBITDA margin well above 40%. The Company intends to achieve a permanently positive cash-flow by increasing work efficiency, process optimisation, effective investments and cost reductions.

■ **Mobile data**

Non-voice, or data transmission, is a fast developing and promising area of mobile telephony. The aim of T-Mobile is the everyday use of these services by customers. The Company will invest in attractive data services that will be useful, user-friendly, high-quality and reliable, and will focus on co-operation with established partners in offering attractive content.







■ Report of Independent Auditors

to the shareholders
of RadioMobil a.s.



We have audited the accompanying balance sheet of RadioMobil a.s. as at 31 December 2002, the related income statement and notes, including the statement of cash flows, for the year then ended presented in the annual report of the Company on pages 40-72 ("the financial statements"). The financial statements and underlying accounting records are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accompanying financial statements give a true and fair view, in all material respects, of the assets, liabilities and equity of RadioMobil a.s. as at 31 December 2002, and the results of its operations and its cash flows for the year then ended in accordance with the Act on Accounting and other relevant legislation of the Czech Republic.

We have examined whether the supplementary financial information included in the annual report of the Company on pages 5-29, which does not form part of the financial statements for the year ended 31 December 2002, is consistent with the audited financial statements of the Company. In our opinion, all other supplementary information included in the annual report is consistent with the audited financial statements in all material respects.

In addition we have also reviewed the accompanying Report on Relationships on pages 34-39 ("the Report"). The completeness and accuracy of the Report is the responsibility of the Board of Directors. Our responsibility is to review the accuracy of information included in the report. We conducted our review in accordance with the auditing standards of the Chamber of Auditors of the Czech Republic related to reviews of reports on relations. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material misstatement. Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects.

17 February 2003

A stylized, handwritten signature of the PricewaterhouseCoopers firm.

PricewaterhouseCoopers Audit, s.r.o.
represented by

A handwritten signature in black ink, appearing to read 'Thomas Linder'.

Thomas Linder
Partner

A handwritten signature in black ink, appearing to read 'Pavel Kulhavý'.

Pavel Kulhavý
Auditor, Licence No. 1538

■ Report on the Relationships of RadioMobil a.s.

having its registered office
at Londýnská 730, 120 00 Prague 2,
company registration number: 64949681,
to the Related Persons/Entities
in Respect of the Accounting Period of 2002
pursuant to Section 66a) (9) of Act No. 513/1991 Coll.,
the Commercial Code, as amended

1. Duty to elaborate the report on the relationships to the related persons/entities (Report on the Relationships)

Shares in the company of RadioMobil a.s. (hereinafter referred to as the "Company") during the accounting period of 2002 were owned by the following shareholders:

| Shareholder | Shares (%) |
|----------------------------|------------|
| CMobil B.V. | 60.77 |
| ČESKÉ RADIOKOMUNIKACE a.s. | 39.23 |

By virtue of the Shareholders Agreement dated 3 December 2002, which replaced the Shareholder Agreement dated 19 October 2000, as amended by the Amendment to the Shareholder Agreement dated 22 July 2002, the operational control of the Company was performed by CMobil B.V. The ultimate parent company of CMobil B.V. is Deutsche Telekom AG (hereinafter also referred to as "DTAG"), which controls CMobil B.V. through T-Mobile International AG (hereinafter also referred to as "TMO"). Thereupon, pursuant to Section 66a) (3) of the Commercial Code, a relationship of dependence is created between Deutsche Telekom AG as the controlling entity and the Company as the controlled entity. Pursuant to Section 66a) (9) of the Commercial Code, the Board of Directors of the Company shall have the duty to elaborate a written report on the relationships to the controlling entity and to any and all other entities controlled by the same controlling entity ("related parties").

2. Overview of the related persons/entities

Overview of the related parties is provided in Appendix No. 1. The overview contains the entities controlled by T-Mobile International AG as well as those entities controlled by Deutsche Telekom AG with which contracts were entered into within the accounting period of 2002 or, as the case may be, to which certain performances were provided or from which certain performances were accepted on the basis of the contracts concluded earlier.

3. List of contracts with the related parties entered into within the past accounting period

In 2002, the following new contracts with the related parties were entered into:

| Related party | Subject of contract | Volume of performance within the accounting period (CZK'000) | |
|---------------------------|--|---|------------|
| Deutsche Telekom AG | Agreement for Computerised International Directory Information Access | 0 | |
| Deutsche Telekom AG | Letter of Understanding | 365,909 | (revenues) |
| PRAGONET, a.s. | Dodatek č. 1 ke Smlouvě o poskytování a ochraně utajovaných informací (Amendment No. 1 to NDA) | 0 | |
| T-Mobile International AG | Sublicence Agreement | 8,271 | (costs) |
| T-Mobile International AG | License Certificate to the Sublicence Agreement | 0 | |
| T-Mobile International AG | Letter of Understanding | 0 | |
| T-Motion plc | Content Reseller Agreement | 0 | |

The Sublicence Agreement, License Certificate, and Letter of Understanding, entered into with T-Mobile International AG, regulate the change of the name and logo of Paegas to T-Mobile, including the right of RadioMobil a.s. to use the trademarks related to the new logo.

Loans from the following related persons/entities have been accepted:

| Related party | Title (subject) of contract | Volume of performance within the accounting period (CZK'000) | |
|---|--|---|--------------------|
| CMobil B.V. | Loan Facility (Shareholder's subordinated long term loan) obtained in 2001 | 1,823,077 | |
| | | 88,148 | (interest in 2002) |
| Deutsche Telekom International Finance B.V. | Loan Facility (Subordinated long term loan) obtained in 2002 | 300,000 | |
| Deutsche Telekom International Finance B.V. | Loan Facility (Long term loan) | 0 | |

Within the accounting period of 2002, the following service agreements (lease contracts, managerial contracts, interconnection agreements) were entered into with the following related parties:

| Related party | Subject of contract | Volume of performance within the accounting period (CZK'000) | |
|---------------------------|---|---|---------|
| PRAGONET, a. s. | Dodatek č. 1 ke Smlouvě o propojení telekomunikačních sítí 2001/80000/8/6947 (Amendment No. 1 to the Interconnection Agreement No. 2001/80000/8/6947) | 0 | |
| PRAGONET, a. s. | Rámcová smlouva o poskytování služeb (Frame Contract for the Provision of Services) | 0 | |
| PRAGONET, a. s. | Common Declaration about co-operation on the field of International Wholesale Carrier Services | 0 | |
| PRAGONET, a. s. | Contract for the Provision of International Telecommunication Services No. 010367-000-00 | 47,667 | (costs) |
| T-Mobile Deutschland GmbH | Interconnection Agreement 001776-000-00 | 0 | |
| T-Mobile Deutschland GmbH | Service Agreement | 0 | |
| T-Motion plc | International Download Centre Access and Managed Services Agreement | 0 | |
| T-Systems Czech s.r.o. | Smlouva o zřízení a poskytování služby T-Mobile Direct (Contract for the Establishment and Provision of the T-Mobile Direct Service) | 0 | |

The following service agreements (lease contracts, managerial contracts, interconnection agreements) that were entered into with the related parties have been maintained:

| Related party | Subject of contract | Volume of performance within the accounting period (CZK'000) | |
|--|---|---|------------|
| | | | |
| Ben Netherland Holding B.V. (PROXIMUS Nederland B.V.) | International GSM Roaming Agreement | 3,723 | (revenues) |
| | | 1,034 | (costs) |
| Croatian Telecom | International GSM Roaming Agreement | 4,001 | (revenues) |
| | | 13,733 | (costs) |
| DeTeMobil Deutsche Telekom MobilNet GmbH (T-Mobile Deutschland GmbH since October 2001) | Confidentiality and restricted usage undertaking related to the algorithm COMP128 for authentication and cipher key generation in the GSM system | 0 | |
| DeTeMobil Deutsche Telekom MobilNet GmbH (T-Mobile Deutschland GmbH since October 2001) | International GSM Roaming Agreement | 196,086 | (revenues) |
| | | 55,152 | (costs) |
| DeTeMobil Deutsche Telekom MobilNet GmbH (T-Mobile Deutschland GmbH since October 2001) | Management Service Agreement | | |
| | | 26,757 | (costs) |
| DeTeMobil Deutsche Telekom MobilNet GmbH (T-Mobile Deutschland GmbH since October 2001) | Agency Contract on Distribution of Telecommunication Services | 0 | |
| DeTeMobil Deutsche Telekom MobilNet GmbH (T-Mobile Deutschland GmbH since October 2001) | Domicile Agreement | 0 | |
| DeTeMobil Deutsche Telekom MobilNet GmbH (T-Mobile Deutschland GmbH since October 2001) | Support Agreement "IT Consistency Management of European Joint Ventures T-Mobile" | 0 | |
| DeTeMobil Deutsche Telekom MobilNet GmbH (T-Mobile Deutschland GmbH since October 2001) | Agreement on the Use of Common GSM 900 Frequencies in Border Regions | 0 | |
| DeTeMobil Deutsche Telekom MobilNet GmbH (T-Mobile Deutschland GmbH since October 2001) | Interconnect Software License Agreement | 0 | |
| Deutsche Telekom AG | Service Agreement on International Telecommunications Services via PSTN/ISDN | 35,266 | (revenues) |
| | | 87,455 | (costs) |
| EuroTel Bratislava a.s. | International GSM Roaming Agreement | 13,344 | (revenues) |
| | | 18,884 | (costs) |
| ICO Global Communications (Holdings) Ltd. (Delaware) | International GSM Roaming Agreement | 0 | |
| Kuban – GSM CJSC | International GSM Roaming Agreement | 0 | |
| max.mobil Telekomunikation Service GmbH (T-Mobile Austria GmbH since April 2002) | International GSM Roaming Agreement | 25,920 | (revenue) |
| | | 24,415 | (costs) |
| MTS, Mobile TeleSystems, Russia | International GSM Roaming Agreement | 9,704 | (revenues) |
| | | 5,302 | (costs) |
| One2One (T-Mobile (UK) Ltd. since April 2002) | International GSM Roaming Agreement | 7,580 | (revenues) |
| | | 5,071 | (costs) |
| PTC Polska Telefonía Cyfrowa Sp. z o.O. | International GSM Roaming Agreement | 22,001 | (revenues) |
| | | 10,486 | (costs) |
| Powertel, Inc. | Multilateral international GSM roaming agreement – USA and Canada | 0 | |
| PRAGONET, a.s. | Smlouva o poskytování služby přenosu dat a telekomunikačního spojení (Contract for the Provision of Data Transfer and Telecommunication Connection Services) | 15,283 | (costs) |
| PRAGONET, a.s. | Smlouva o poskytování služby přenosu dat a telekomunikačního spojení (Contract for the Provision of Data Transfer and Telecommunication Connection Services) | 2,187 | (costs) |
| PRAGONET, a.s. | Smlouva o propojení telekomunikačních sítí (Agreement on the Interconnection of Telecommunication Networks) | 13,358 | (revenues) |
| T-Mobile USA, Inc. | International GSM Roaming Agreement | 6,707 | (revenues) |
| | | 5,053 | (costs) |
| Ukraine Mobile Communication | International GSM Roaming Agreement | 2,963 | (revenues) |
| | | 2,699 | (costs) |
| Uraltel | International GSM Roaming Agreement | 0 | |
| Westel Mobil Tavközlesi Rt | International GSM Roaming Agreement | 15,129 | (revenues) |
| | | 4,311 | (costs) |

4. Other legal transactions undertaken in the interest of the related parties

In 2002, no other legal transactions in the interest or at the instigation of any related persons/entities were commenced, with the exception of the resolution by the General Meeting of 3 December 2002 concerning the change of the Company business name from RadioMobil a.s. to T-Mobile Czech Republic a.s.; the aforementioned change has not yet been registered in the Commercial Register.

The Company has been duly paying the license fees relating to the granting of the UMTS license based on the Contract between the Company and the Czech Telecommunication Office for the granting of the UMTS Licence dated 14 December 2001.

5. Other measures in the interest or at the instigation of the related parties

No other measures in the interest or at the instigation of the related parties were taken or performed within the accounting period of 2002.

6. Assessment of the reasonability of the performance and the consideration ensuing from the executed contracts, other legal transactions and other measures performed in the interest or at the instigation of the related parties

Regarding the contracts entered into between the related parties, performances and considerations were provided on the level of the standard business terms and conditions and for standard prices corresponding to the performance provided. These performances and considerations were, in each and every case, provided in accordance with the legal regulations concerning the protection of the economic competition and in no case were of such nature that might result in the distortion of the economic competition in accordance with Act No. 143/2001 Coll.

Where the Company, as a controlled entity, provided performance to a related person, the consideration was in the form of payment for the services provided on the level of prices standard on the international market of telecommunication services.

No performance was provided to or accepted from the related parties on the basis of the change of the business name of RadioMobil a.s.

Following the conclusion of the Annual Report of the Internal Audit in year 2002, which was discussed during the 35th regular meeting of the Board of Directors on 4 December 2002, no other facts ensuing from the audit concerning the contractual relationships and the transactions management, the technical operation of the network and the infrastructure of the GSM services, within the Czech Republic as well as internationally, which may indicate that detriment may occur to the Company as the controlled entity, emerged. It may be stated and it was also documented, that based on the business relationships ensuing from the contracts between the Company and the controlling person and between the related entities, no bad or risk debts nor any direct or indirect property detriments occurred. Therefore, no agreement on compensation of a potential detriment was entered into within the accounting period of 2002.

7. Final declaration

The data stated in this Report is, to the best of our knowledge and faith, complete, and contains any and all elements in accordance with Section 66a) (9) of the Commercial Code.

8. Body Preparing the Report on the Relationships

The Report on the Relationships of the Company to the Related Persons/Entities has been prepared by the Board of Directors of RadioMobil a.s. as the statutory body of the controlled entity on the basis of information known to the controlled entity and provided by the controlling entity.

Prague 17 February 2003



Michael Günther
Chairman of the Board



Roland Mahler
Member of the Board

■ Overview of the Related Entities

Deutsche Telekom AG

| | |
|---------|---|
| 100.00% | T-Mobile International AG, Bonn (Germany) |
| 100.00% | T-Mobile Deutschland GmbH, Bonn (Germany) formerly: DeTeMobil Deutsche Telekom MobilNet GmbH |
| 100.00% | Zweite DFMG Deutsche Funkturm Vermögens-GmbH & Co. KG, Munster (Germany) |
| 16.67% | DFMG Deutsche Funkturm GmbH, Munster (Germany) |
| 50.00% | DDG Gesellschaft für Verkehrsdaten mbH, Dusseldorf (Germany) |
| 22.50% | PTC Polska Telefonía Cyfrowa Sp. z o.O., Warsaw (Poland) |
| 20.00% | ICO Europe B.V. (i.L.), Den Haag (Netherlands) |
| 4.17% | ICO Global Communications (Holdings) Ltd., Wilmington (USA) |
| 92.14% | CMobil B.V., Amsterdam (Netherlands) |
| 60.77% | RadioMobil a.s., Prague (Czech Republic) |
| 100.00% | MediaOne International B.V., Amsterdam (Netherlands) |
| 22.50% | PTC Polska Telefonía Cyfrowa Sp. z o.O., Warsaw (Poland) |
| 100.00% | T-Mobile Austria GmbH, Vienna (Austria) formerly: max.mobil Telekommunikation Service GmbH |
| 100.00% | Niedermeyer GmbH, Vienna (Austria) |
| 100.00% | T-Mobile Billing & Service GmbH, Vienna (Austria) |
| 100.00% | T-Mobile International GmbH, Vienna (Austria) |
| 50.09% | UCP Mitarbeiterbeteiligungs AG, Zurich (Switzerland) |
| 47.59% | Universal Communication Platform AG, Lugano (Switzerland) |
| 49.00% | ISH Invest Sviaz-Holding Joint Stock Company, Moscow (Russia) |
| 8.04% | MTS OJSC Mobile TeleSystems, Moscow (Russia) |
| 36.20% | MTS OJSC Mobile TeleSystems, Moscow (Russia) |
| 100.00% | T-Mobile Holdings Ltd., London (United Kingdom) |
| 100.00% | T-Mobile No. 1 Ltd., Borehamwood (United Kingdom) |
| 50.00% | T-Mobile (UK) Ltd., Borehamwood (United Kingdom) |
| 100.00% | T-Motion plc (United Kingdom) |
| 100.00% | T-Mobile No. 2 Ltd., Borehamwood (United Kingdom) |
| 100.00% | T-Mobile No. 4 Ltd., Borehamwood (United Kingdom) |
| 100.00% | T-Mobile No. 5 Ltd., Borehamwood (United Kingdom) |
| 50.00% | T-Mobile (UK) Ltd., Borehamwood (United Kingdom) |
| 100.00% | T-Motion plc (United Kingdom) |
| 100.00% | T-Mobile Ltd., Hertfordshire (United Kingdom) |
| 100.00% | T-Mobile (UK) Ltd., Hertfordshire (United Kingdom) |
| 100.00% | One2One Ltd., Slough (United Kingdom) |

| | |
|---------|---|
| 100.00% | Smaragd Telekommunikationsdienste 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 Telefonía Cyfrowa Sp. z o.O., Warsaw (Poland) |
| 100.00% | T-Mobile International UK Ltd., London (United Kingdom) |
| 100.00% | T-Mobile USA, Inc., Bellevue (USA) |
| | formerly: VoiceStream Wireless, Inc. |
| 100.00% | Powertel, Inc., Bellevue (USA) |
| 100.00% | Ben Nederland Holding B.V., Den Haag (Netherlands) |
| | 100.00% Ben Nederland B.V., Den Haag (Netherlands) |
| | 50.00% RANN B.V., Rijswijk (Netherlands) |
| | 100.00% Ben Nederland Klantenservice B.V., Den Haag (Netherlands) |
| 100.00% | T-Mobile Traffic GmbH, Bonn (Germany) |
| 100.00% | MagyarCom Holding GmbH |
| | 59.00% Matav Magyar Tavközlesí Rt |
| | 59.00% Westel Mobile Tavközlesí Rt |
| 100.00% | CETEL B.V. |
| | 16.30% Ukraine Mobile Communication |
| 51.00% | Slovenske Telekomunikacie a.s. |
| | 51.00% EuroTel Bratislava a.s. |
| 51.00% | HT Hrvatske Telekomunikacije d.d. (Croatian Telecom) |
| 100.00% | T-Systems International GmbH |
| | 100.00% T-Systems Czech s.r.o. |
| | 51.00% PRAGONET, a.s. |
| | 36.00% MTS, OJSC Mobile Tele Systems |
| | 51.00% Kuban GSM |
| | 81.00% TeleCom-900 |
| | 53.00% Uraltel |
| 100.00% | T-Mobile International Finance B.V. |

The overview contains the entities controlled by T-Mobile International A.G. as well we those of the other entities controlled by Deutsche Telekom AG with which contracts were entered into within the accounting period of 2002 or, as the case may be, to which certain performances were provided or from which certain performances were accepted on the basis of the contracts concluded earlier.

■ Financial Statements

Balance sheet – unabridged version as at 31 December 2002 (in thousand Czech crowns)

| Ref. | ASSETS | Row number | 31.12.2002 Gross | 31.12.2002 Provision | 31.12.2002 Net | 31.12.2001 Net | 31.12.2000 Net |
|---------|--|------------|---------------------|-------------------------|-------------------|-------------------|-------------------|
| a | b | c | 1 | 2 | 3 | 4 | 5 |
| | TOTAL ASSETS (row 02+03+30+57) = row 62 | 01 | 49,813,181 | (12,621,320) | 37,191,861 | 37,443,187 | 24,993,972 |
| A. | Receivables for subscribed capital | 02 | | | | | |
| B. | Fixed assets (row 04+12+22) | 03 | 42,201,961 | (11,040,373) | 31,161,588 | 30,347,748 | 19,076,794 |
| B. I. | Intangible fixed assets (row 05-11) | 04 | 7,912,336 | (2,335,858) | 5,576,478 | 5,511,597 | 1,268,514 |
| B. I. | 1. Establishment costs | 05 | | | | | |
| | 2. Research & development | 06 | 165,948 | (145,598) | 20,350 | 42,382 | 74,252 |
| | 3. Software | 07 | 2,594,738 | (1,728,217) | 866,521 | 764,265 | 653,848 |
| | 4. Royalties | 08 | 729,870 | (462,043) | 267,827 | 287,622 | 311,296 |
| | 5. Other intangible fixed assets | 09 | | | | | |
| | 6. Intangible assets in the course of construction | 10 | 4,388,037 | | 4,388,037 | 4,414,314 | 213,490 |
| | 7. Advances paid for intangible assets | 11 | 33,743 | | 33,743 | 3,014 | 15,628 |
| B. II. | Tangible fixed assets (row 13-21) | 12 | 34,289,625 | (8,704,515) | 25,585,110 | 24,836,151 | 17,808,280 |
| B. II. | 1. Land | 13 | 42,934 | | 42,934 | 42,580 | 35,240 |
| | 2. Constructions | 14 | 1,182,946 | (309,756) | 873,190 | 531,584 | 564,930 |
| | 3. Equipment | 15 | 29,144,922 | (8,234,759) | 20,910,163 | 15,909,418 | 9,677,076 |
| | 4. Cultivated areas | 16 | | | | | |
| | 5. Livestock | 17 | | | | | |
| | 6. Other tangible fixed assets | 18 | | | | | |
| | 7. Tangible assets in the course of construction | 19 | 3,864,883 | (160,000) | 3,704,883 | 7,983,402 | 7,124,094 |
| | 8. Advances paid for tangible fixed assets | 20 | 53,940 | | 53,940 | 369,167 | 406,940 |
| | 9. Adjustment to acquired fixed assets | 21 | | | | | |
| B. III. | Long-term investments (row 23-29) | 22 | | | | | |
| B. III. | 1. Investments in subsidiaries | 23 | | | | | |
| | 2. Investments in associates | 24 | | | | | |
| | 3. Other long-term investments in securities | 25 | | | | | |
| | 4. Intragroup loans | 26 | | | | | |
| | 5. Other financial investments | 27 | | | | | |
| | 6. Long-term investments in progress | 28 | | | | | |
| | 7. Advances paid for long-term investments | 29 | | | | | |

| Ref. | ASSETS | Row number | 31.12.2002 Gross | 31.12.2002 Provision | 31.12.2002 Net | 31.12.2001 Net | 31.12.2000 Net |
|---------|---|------------|---------------------|-------------------------|-------------------|-------------------|-------------------|
| a | b | c | 1 | 2 | 3 | 4 | 5 |
| C. | Current assets (row 31+38+44+52) | 30 | 7,030,210 | (1,580,947) | 5,449,263 | 5,259,565 | 4,671,220 |
| C. I. | Inventories (row 32-37) | 31 | 1,013,546 | (203,474) | 810,072 | 1,250,217 | 1,492,765 |
| C. I. | 1. Raw materials | 32 | 611,598 | (183,068) | 428,530 | 610,086 | 704,079 |
| | 2. Work in progress and semi-finished products | 33 | | | | | |
| | 3. Finished goods | 34 | | | | | |
| | 4. Livestock | 35 | | | | | |
| | 5. Goods for resale | 36 | 401,948 | (20,406) | 381,542 | 640,131 | 788,686 |
| | 6. Prepayments for inventory | 37 | | | | | |
| C. II. | Long-term receivables (row 39-43) | 38 | 7,591 | | 7,591 | 5,730 | 3,320 |
| C. II. | 1. Long-term trade receivables | 39 | 7,591 | | 7,591 | 5,730 | 3,320 |
| | 2. Long-term receivables from shareholders/owners | 40 | | | | | |
| | 3. Long-term receivables from subsidiaries | 41 | | | | | |
| | 4. Long-term receivables from associates | 42 | | | | | |
| | 5. Other long-term receivables | 43 | | | | | |
| C. III. | Short-term receivables (row 45-51) | 44 | 4,822,781 | (1,377,473) | 3,445,308 | 2,840,737 | 2,754,959 |
| C. III. | 1. Trade receivables | 45 | 4,286,262 | (1,377,473) | 2,908,789 | 2,397,021 | 2,258,224 |
| | 2. Receivables from shareholders/owners | 46 | 30,926 | | 30,926 | 18,594 | 29,998 |
| | 3. Receivables for social security | 47 | | | | | |
| | 4. Taxes and state subsidies receivable | 48 | 453,065 | | 453,065 | 423,453 | 463,132 |
| | 5. Receivables from subsidiaries | 49 | | | | | |
| | 6. Receivables from associates | 50 | | | | | |
| | 7. Other receivables | 51 | 52,528 | | 52,528 | 1,669 | 3,605 |
| C. IV. | Financial assets (row 53-56) | 52 | 1,186,292 | | 1,186,292 | 1,162,881 | 420,176 |
| C. IV. | 1. Cash in hand | 53 | 41,363 | | 41,363 | 13,095 | 106,898 |
| | 2. Cash at bank | 54 | 1,144,929 | | 1,144,929 | 145,786 | 63,278 |
| | 3. Short-term investments | 55 | | | | 1,004,000 | 250,000 |
| | 4. Short-term investments in progress | 56 | | | | | |
| D. | Other assets (row 58+61) | 57 | 581,010 | | 581,010 | 1,835,874 | 1,245,958 |
| D. I. | Accruals and deferrals (row 59-60) | 58 | 154,912 | | 154,912 | 1,365,751 | 708,576 |
| D. I. | 1. Prepaid expenses | 59 | 154,912 | | 154,912 | 1,364,380 | 708,271 |
| | 2. Accrued revenue | 60 | | | | 1,371 | 305 |
| D. II. | Anticipated assets | 61 | 426,098 | | 426,098 | 470,123 | 537,382 |

| Ref. | LIABILITIES AND EQUITY | Row number | 31.12.2002 | 31.12.2001 | 31.12.2000 |
|------------|---|------------|-------------------|-------------------|-------------------|
| a | b | c | 6 | 7 | 8 |
| | TOTAL LIABILITIES AND EQUITY (row 63+81+107) = row 01 | 62 | 37,191,861 | 37,443,187 | 24,993,972 |
| A. | Equity (row 64+68+73+77+80) | 63 | 12,970,737 | 10,726,832 | 8,601,640 |
| A. I. | Registered capital (row 65-67) | 64 | 520,000 | 520,000 | 400,000 |
| A. I. 1. | Registered capital | 65 | 520,000 | 520,000 | 400,000 |
| A. I. 2. | Own shares held | 66 | | | |
| A. I. 3. | Changes in registered capital not yet registered | 67 | | | |
| A. II. | Capital contributions (row 69-72) | 68 | 5,058,451 | 5,344,110 | 5,344,110 |
| A. II. 1. | Share premium | 69 | 5,344,110 | 5,344,110 | 5,344,110 |
| A. II. 2. | Other capital contributions | 70 | | | |
| A. II. 3. | Assets and liabilities revaluation | 71 | (285,659) | | |
| A. II. 4. | Merger revaluation reserve | 72 | | | |
| A. III. | Reserve funds (row 74+75+76) | 73 | 104,000 | 104,000 | 80,000 |
| A. III. 1. | Statutory reserve fund | 74 | 104,000 | 104,000 | 80,000 |
| A. III. 2. | Non-distributable reserves | 75 | | | |
| A. III. 3. | Statutory and other reserves | 76 | | | |
| A. IV. | Retained earnings (row 78+79) | 77 | 4,758,722 | 2,753,530 | 667,701 |
| A. IV. 1. | Retained profits | 78 | 4,758,722 | 2,753,530 | 667,701 |
| A. IV. 2. | Accumulated losses | 79 | | | |
| A. V. | Profit (loss) for the current period row 01-(64+68+73+77+81+107) = row 62 of unabridged income statement | 80 | 2,529,564 | 2,005,192 | 2,109,829 |
| B. | Liabilities (row 82+87+94+103) | 81 | 20,020,992 | 22,646,305 | 13,525,150 |
| B. I. | Provisions (row 83-86) | 82 | 2,818,766 | 3,510,367 | 1,854,126 |
| B. I. 1. | Tax-deductible provisions | 83 | | | |
| B. I. 2. | Income tax provision | 84 | | | |
| B. I. 3. | Non-deductible provisions | 85 | 547,546 | 1,905,498 | 919,615 |
| B. I. 4. | Deferred tax liability (asset) | 86 | 2,271,220 | 1,604,869 | 934,511 |
| B. II. | Long-term liabilities (row 88-93) | 87 | 9,427,624 | 10,111,054 | 3,805,727 |
| B. II. 1. | Long-term liabilities to subsidiaries | 88 | 2,123,077 | 1,823,077 | |
| B. II. 2. | Long-term liabilities to associates | 89 | | | |
| B. II. 3. | Long-term advances received | 90 | | | |
| B. II. 4. | Debentures and bonds issued | 91 | 5,000,000 | 5,000,000 | 3,000,000 |
| B. II. 5. | Long-term bills of exchange payable | 92 | 15,447 | 713,077 | 805,727 |
| B. II. 6. | Other long-term liabilities | 93 | 2,289,100 | 2,574,900 | |

| Ref. a | LIABILITIES AND EQUITY b | Row number c | 31.12.2002 6 | 31.12.2001 7 | 31.12.2000 8 |
|-----------|---|-----------------|-----------------|-----------------|-----------------|
| B. III. | Short-term liabilities (row 95-102) | 94 | 3,896,964 | 3,869,560 | 2,711,815 |
| B. III. | 1. Trade payables | 95 | 718,262 | 1,119,451 | 2,531,275 |
| | 2. Liabilities to shareholders/owners | 96 | 10,032 | 3,399 | 2,765 |
| | 3. Payroll payable and other liabilities to employees | 97 | | 57,172 | 33,466 |
| | 4. Liabilities for social insurance | 98 | | 27,473 | 21,302 |
| | 5. Taxes and state subsidies payable | 99 | 2,120 | 48,354 | 100,794 |
| | 6. Liabilities to subsidiaries | 100 | | | |
| | 7. Liabilities to associates | 101 | | | |
| | 8. Other payables | 102 | 3,166,550 | 2,613,711 | 22,213 |
| B. IV. | Bank loans & overdrafts (row 104-106) | 103 | 3,877,638 | 5,155,324 | 5,153,482 |
| B. IV. | 1. Long-term bank loans | 104 | | 5,103,344 | 4,894,558 |
| | 2. Short-term bank loans and overdrafts | 105 | 3,877,638 | 51,980 | 258,924 |
| | 3. Other short-term borrowings | 106 | | | |
| C. | Other liabilities (row 108+111) | 107 | 4,200,132 | 4,070,050 | 2,867,182 |
| C. I. | Accruals and deferrals (row 109+110) | 108 | 1,279,255 | 2,144,478 | 1,204,473 |
| C. I. | 1. Accruals | 109 | 79,496 | 80,929 | 65,818 |
| | 2. Deferred revenue | 110 | 1,199,759 | 2,063,549 | 1,138,655 |
| C. II. | Anticipated liabilities | 111 | 2,920,877 | 1,925,572 | 1,662,709 |

**Income statement – unbridged version
for the year ended 31 December 2002 (in thousand Czech crowns)**

| Ref. | DESCRIPTION | Row number | Accounting period | | |
|------|---|------------|--------------------|--------------------|--------------------|
| | | | 2002 | 2001 | 2000 |
| a | b | c | 1 | 2 | 3 |
| I. | Sales of goods | 01 | 903,658 | 871,261 | 1,270,663 |
| A. | Cost of goods sold | 02 | 2,242,626 | 3,906,227 | 4,393,310 |
| + | Gross profit (row 01-02) | 03 | (1,338,968) | (3,034,966) | (3,122,647) |
| II. | Sales of production (row 05+06+07) | 04 | 20,735,672 | 20,276,369 | 16,533,720 |
| II. | 1. Sales of own products and services | 05 | 20,664,663 | 20,211,170 | 16,484,964 |
| | 2. Change in inventory of finished goods and work in progress | 06 | | | |
| | 3. Own work capitalised | 07 | 71,009 | 65,199 | 48,756 |
| B. | Cost of sales (row 09+10) | 08 | 8,400,866 | 8,252,411 | 6,573,276 |
| B. | 1. Raw materials and consumables | 09 | 537,785 | 477,309 | 488,592 |
| B. | 2. Services | 10 | 7,863,081 | 7,775,102 | 6,084,684 |
| + | Added value (row 03+04-08) | 11 | 10,995,838 | 8,988,992 | 6,837,797 |
| C. | Staff costs (row 13-16) | 12 | 1,403,628 | 1,119,563 | 840,546 |
| C. | 1. Wages and salaries | 13 | 999,697 | 805,860 | 597,940 |
| C. | 2. Emoluments of board members | 14 | 1,714 | 3,072 | 8,485 |
| C. | 3. Social security costs | 15 | 360,561 | 277,000 | 207,688 |
| C. | 4. Other social costs | 16 | 41,656 | 33,631 | 26,433 |
| D. | Taxes and charges | 17 | 192,063 | 245,204 | 132,962 |
| E. | Depreciation of long-term assets | 18 | 4,565,499 | 2,972,803 | 2,032,879 |
| III. | Sale of long-term assets and raw materials | 19 | 20,300 | 12,917 | 15,725 |
| F. | Net book amount of long-term assets and raw materials sold | 20 | 149,319 | 248,538 | 76,862 |
| IV. | Provisions written back to operating income | 21 | 68,823 | | |
| G. | Provisions for operating liabilities and charges | 22 | 384,379 | 51,725 | 117,990 |
| V. | Amounts written back to operating assets | 23 | 390,114 | 312,171 | 1,244 |
| H. | Amounts written off operating assets | 24 | 801,507 | 771,714 | 377,265 |
| VI. | Other operating income | 25 | 948,882 | 832,248 | 148,872 |
| I. | Other operating charges | 26 | 335,411 | 204,865 | 55,811 |
| VII. | Adjustments to operating income | 27 | | | |
| J. | Adjustments to operating expense | 28 | | | |
| * | Operating result [row 11-12-17-18+19-20+21-22+23-24+25-26+(-27)-(-28)] | 29 | 4,592,151 | 4,531,916 | 3,369,323 |

| Ref. | DESCRIPTION | Row number | Accounting period | | |
|--------|---|------------|-------------------|-------------|------------|
| | | | 2002 | 2001 | 2000 |
| a | b | c | 1 | 2 | 3 |
| VIII. | Income from sales of securities and shares | 30 | 14,305,000 | 17,914,460 | 53,024,165 |
| K. | Securities and shares sold | 31 | 14,305,000 | 17,914,310 | 53,020,683 |
| IX. | Income from long-term investments (row 33+34+35) | 32 | | | |
| IX. 1. | Income from investments in subsidiaries | 33 | | | |
| IX. 2. | Income from investments in other participating interests | 34 | | | |
| IX. 3. | Income from other long-term investments | 35 | | | |
| X. | Income from short-term investments | 36 | 10,323 | 23,513 | 92,023 |
| L. | Loss on investments | 37 | | | |
| XI. | Gain on revaluation of securities | 38 | | | |
| M. | Loss on revaluation of securities | 39 | | | |
| XII. | Provisions written back to financial income | 40 | 1,673,508 | 206,538 | 6,377 |
| N. | Provisions for financial liabilities and charges | 41 | | 1,140,696 | 432,373 |
| XIII. | Amounts written back on investments | 42 | | | |
| O. | Amounts written off investments | 43 | | | |
| XIV. | Interest income | 44 | 76,694 | 78,329 | 7,849 |
| P. | Interest expense | 45 | 636,127 | 561,904 | 441,840 |
| XV. | Other financial income | 46 | 1,018,367 | 189,172 | 75,203 |
| Q. | Other financial expense | 47 | 3,272,087 | 544,728 | 189,629 |
| XVI. | Adjustments to financial income | 48 | | | |
| R. | Adjustments to financial expense | 49 | | | |
| * | Financial result [row 30-31+32+36-37+38-39+40-41+42-(-45)+(-46)] | 50 | (1,129,322) | (1,749,626) | (878,908) |
| S. | Tax on profit or loss on ordinary activities (row 52+53) | 51 | 1,080,469 | 758,157 | 761,463 |
| S. 1. | - current | 52 | | 87,800 | 97,730 |
| S. 2. | - deferred | 53 | 1,080,469 | 670,357 | 663,733 |
| ** | Profit or loss on ordinary activities after taxation (row 29+50-51) | 54 | 2,382,360 | 2,024,133 | 1,728,952 |
| XVII. | Extraordinary income | 55 | 217,915 | 50,673 | 51,783 |
| T. | Extraordinary charges | 56 | 4,918 | 69,614 | 87,639 |
| U. | Tax on extraordinary profit or loss (row 58+59) | 57 | 65,793 | | (416,733) |
| U. 1. | - current | 58 | | 479,911 | |
| U. 2. | - deferred | 59 | (414,118) | | (416,733) |
| * | Profit (loss) on extraordinary items after taxation (row 55-56-57) | 60 | 147,204 | (18,941) | 380,877 |
| W. | Profit (loss) share apportioned to partners [partnership only] | 61 | | | |
| *** | Net profit (loss) for the financial period (row 54+60-61) | 62 | 2,529,564 | 2,005,192 | 2,109,829 |
| | Profit (loss) before taxation (row 29+50+55-56) | 63 | 3,675,826 | 2,763,349 | 2,454,559 |

■ Notes to the Financial Statements for 2002

Company name: RadioMobil a.s.
Registered office: Londýnská 730, Praha 2, 120 00
Legal form: Joint-stock company
Company registration number: 64949681
Registered with the Commercial Register: Municipal Court in Prague, Section B, Entry 3787

1. GENERAL INFORMATION

1.1. Establishment and Details of the Company

RadioMobil a.s. ("the Company"), with its registered office at Londýnská 730, Prague 2, was established by ČESKÉ RADIOKOMUNIKACE a.s. and was entered in the Commercial Register of the Regional Commercial Court in Prague on 15 February 1996.

The primary business activities of the Company are the establishment and operation of a public Global System for the Mobile Communications ("GSM") network and a provision of mobile telecommunication services related to this network.

The General Meeting held on 3 December 2002 approved the change of the name of the Company from RadioMobil a.s. to T-Mobile Czech Republic a.s. This change was not reflected in the Commercial Register at 31 December 2002.

1.2. Structure of the Company's Ownership

At 31 December 2002, the ownership structure was as follows:

| Shareholder | Share capital paid | |
|----------------------------|--------------------|---------------|
| | CZK'000 | % |
| CMobil B.V. | 316,000 | 60.77 |
| ČESKÉ RADIOKOMUNIKACE a.s. | 204,000 | 39.23 |
| Total | 520,000 | 100.00 |

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

There have been no changes in the ownership structure during 2002.

1.3. Compliance with Licenses

The reports on the fulfillment of the development and quality requirements of the Company's T-Mobile network presented twice a year based on Authorisation issued by the Ministry of Economy of the Czech Republic for approval to the Czech Telecommunication Authority ("CTU"), shall be presented annually, effective as of 1 January 2001.

The report for 2002 was presented to the chairman of the CTU by the specified deadline of 20 January 2003 and its approval, including the opinion that the Company fulfilled the obligations regarding the coverage of population, roads and highways and quality according to the requirements of the Authorization, is expected in February 2003.

Based on an agreement entered into with the CTU effective 14 December 2001, the Company obtained the right to provide telecommunication services under the UMTS system. In accordance with the Act on Telecommunications No. 151/2000 Coll. as amended, CTU issued new licenses for the establishment and operation of a public GSM network including the assignment of frequency bands of 2 x 10 MHz in range GSM 1800 MHz and a provision of public telecommunication services through the public telecommunication network. All three licenses have been issued through administration proceedings for a period of 20 years. These resolutions were not legally effective at 31 December 2002 because legal proceedings concerning certain terms and conditions of the license had not been completed.

The Company has registered 15 trademarks and duly submitted applications for the registration of an additional 9 trademarks in the Trademark Register.

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

In accordance with the strategy of the majority shareholder, effective 1 April 2002, the Company changed the name of its telecommunication network GSM from "Paegas" to "T-Mobile". Expenditures related to this change ("rebranding") are borne by the ultimate parent, Deutsche Telekom AG.

1.4. Statutory and Supervisory Bodies

The Directors and members of the Supervisory Board at 31 December 2002 were as follows:

The Board of Directors

| | |
|------------------------------|---------------|
| Mr Michael Günther | Chairman |
| Mr Mark Robert Donegan | Vice-Chairman |
| Mr Dominic Robert Redfern | Member |
| Mr Timothy James Lang Taylor | Member |
| Mr Fridbert Gerlach | Member |
| Mr Thomas Georg Winkler | Member |
| Mr Roland Mahler | Member |

The General Meeting held on 30 January 2002 approved the recall of Mr Miroslav Čuřín and resignation of Mr Alex Bém and Mr Gustav Hraška from the Company's Board of Directors. Mr Mark Robert Donegan, Mr Dominic Robert Redfern and Mr Timothy James Lang Taylor were elected as new members of the Board of Directors.

Effective 27 February 2002, Mr Michael Günther was appointed as Chairman of the Board of Directors. At the same date, Mr Michael Günther resigned from the position of Vice-Chairman of the Board of Directors. Mr Mark Robert Donegan was appointed as Vice-Chairman of the Board of Directors.

Mr Robert Chvátal resigned on 22 July 2002 from his position as a member of the Board of Directors. The Company's Board of Directors duly discussed and approved this resignation.

Mr Michael Günther and Mr Fridbert Gerlach were reappointed as members of the Board of Directors after the end of their three-year term of office on 18 June 2002. The General Meeting approved their reappointment on 22 July 2002. The decision became effective 23 July 2002. At that same date, the shareholders meeting appointed Mr Thomas Georg Winkler as a new member of the Board of Directors. On 16 August 2002, Mr Michael Günther was reappointed as Chairman of the Board of Directors.

The Supervisory Board

| | |
|-----------------------------|----------|
| Mr Frank Stoffer | Chairman |
| Mr Václav Hladík | Member |
| Ms Kateřina Šuvarinová | Member |
| Mr Tomáš Tomiczek | Member |
| Mr Kai Breuer | Member |
| Mr Antonius Joseph Zijlstra | Member |

The General Meeting held on 30 January 2002 also approved the recall of Mr Jan Winzberger and resignation of Mr Jan Kodr from the Supervisory Board. Mr Tomáš Tomiczek and Mr Kai Breuer were elected new members of the Supervisory Board.

Mr Frank Stoffer and Mr Antonius Joseph Zijlstra were reappointed as members of the Supervisory Board after the end of their three-year term of office on 18 June 2002. The General Meeting approved their reappointment on 22 July 2002. The decision became effective 23 July 2002. Mr Frank Stoffer was reappointed as Chairman of the Supervisory Board on Supervisory Board meeting held on 13 August 2002.

The changes in the Board of Directors and the Supervisory Board during 2002 were not reflected in the Commercial Register at 31 December 2002.

2. ACCOUNTING POLICIES AND GENERAL ACCOUNTING PRINCIPLES

2.1. Basis of Accounts

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

On 1 January 2002, changes in the Act on Accounting and supporting accounting legislation became effective. The effects of adopting these new principles have been recognized in the Company's financial results for the year 2002 and/or equity at 31 December 2002. This change caused certain information presented in the financial statements to not be comparable to prior periods.

The following is a summary of changes in comparability of the financial statements, resulting from the adoption of the new Act on Accounting and the supporting accounting legislation:

Balance Sheet

In prior periods, the balance sheet line, "Accruals and deferrals", included unrealized foreign exchange gains and losses. In 2002, the unrealized exchange rate gains and losses are recorded in the income statement. The balance sheet line "Provisions" included the provision for unrealized exchange rate losses in the prior year, but was not created in 2002. Prior year comparative figures in the financial statements at 31 December 2002 were reclassified into "Prepaid expenses", "Deferred revenue" and "Other provisions".

Throughout 2002, the fair values of derivative financial instruments are recognized as liabilities or assets.

The revaluation method of the syndicated loan, presented under "Bank loans and overdrafts", used in the previous accounting periods, is no longer used in 2002. At 31 December 2002, the syndicated loan was translated at the year-end exchange spot rate as published by the Czech National Bank, while at 31 December 2001 and 2000, the syndicated loan was translated at a rate which was increasing throughout the life of the loan starting from the rate prevailing at a time when the forward hedging contracts were entered into. The final rate of translation, which would be used at the repayment date of the loan, would be the one of the hedging contracts. By increasing the rate of translation the balance of the loan increased in balance sheet as well.

In the previous accounting periods, the Company classified low value assets, that were expensed at the purchase date, in the balance sheet under "Other tangible assets" and "Other intangible assets". Commencing in 2002, these assets are classified as "Software" (low value intangible assets) and "Equipment" (low value tangible assets) and are amortized/depreciated over period of 2 years.

The deferred tax liability is classified within "Provisions" at 31 December 2002. The comparative figures from 31 December 2001 and 2000 have been reclassified accordingly.

Income Statement

In previous accounting periods, "Extraordinary expenses and revenues" also contained shortages of, and damages to, inventories. Those items are classified within "Other operating charges" in the income statement for the year 2002.

Cash Flow Statement

The following comparable balances were reclassified according to the 2002 rules.

- Write-offs of receivables are included in the line "Change in receivables and prepayments" for the year ended 31 December 2002, while they were included in the line "Depreciation of fixed assets and write-off of receivables" for the year ended 31 December 2001 and 31 December 2000.
- Changes in other assets are included in the line Change in receivables and prepayments for the year ended 31 December 2002, while they were included in the line Change in general provisions, accruals and prepayments for the year ended 31 December 2001 and 31 December 2000.
- Changes in other liabilities are included in the line Change in short-term payables and accruals for the year ended 31 December 2002, while they were included in the line Change in general provisions, accruals and prepayments for the year ended 31 December 2001 and 31 December 2000.

2.2. Methods of Valuation

2.2.1. Tangible and Intangible Fixed Assets

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

2.2.2. Financial Investments

Beginning 1 January 2002, the Company classified securities and investments as available for sale or held-to-maturity. Prior to 1 January 2002, securities and investments were not classified as noted above and were recorded at the cost, less a provision for diminution in value.

All securities and investments are initially recorded at cost, including fees and commissions to brokerage and stock exchanges. The acquisition cost does not include interest from the acquisition of loan financing of the securities and the related administration costs.

The securities and investments are measured at the balance sheet date as follows:

| Short-term investments | Approach |
|--|--|
| Securities held-to-maturity with maturity less than 1 year | No re-measurement |
| Other securities available for sale | Fair values are recognized as a movement in equity |

2.2.3. Inventories

Purchases of inventories are recorded at acquisition cost. The acquisition cost primarily includes the purchase price of material, customs, freight costs and the storage cost during transportation.

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

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

2.3. Depreciation Plan

Tangible and intangible fixed assets of the Company are depreciated using the straight-line method with annual depreciation rates based on the estimated useful life of the assets. Depreciation begins in the same month that the asset is put into use and all fixed assets of the Company have a fixed economic useful life.

Useful lives for the main asset categories are detailed in the following table:

| Asset group | Useful life (years) |
|---|---------------------|
| Development | 8 |
| Software | 4 |
| Valuable rights | 20 |
| Buildings and constructions | 20 |
| Machinery and equipment: | |
| – Towers, poles | 20 |
| – Technology equipment of the GSM network | 8 |
| – Hardware | 3 |
| Office equipment | 5 |
| Vehicles | 3 |

The straight-line method of depreciation is used for tax purposes, except for the technology of the GSM network, which is depreciated using the accelerated method over 4 years for tax purposes.

2.4. Method of Determining Provisions to Assets and Liabilities

2.4.1. Provisions for Assets

Provisions for tangible and intangible fixed assets

If the carrying amount of an asset is greater than its estimated recoverable amount, a provision is established.

Provisions for receivables

Following internal guidelines, in 2002, the Company created a provision for receivables based on the aging of receivables and information about the actual customers' and dealers' financial condition. The provision is calculated as a percentage of total receivables, ranging from 4% to 100%. Bad debts from customers are offset with the deposit obtained from the customers at the beginning of the contract.

Provisions for inventories

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

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

2.4.2. Provisions for Liabilities

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

In accordance with changes in the Act on Accounting and supporting accounting legislation (effective 1 January 2002), the Company has created neither a provision for unrealized foreign exchange losses from payables and receivables denominated in foreign currencies nor for unrealized foreign exchange losses from forward exchange contracts.

In accordance with the transitional provisions of supporting legislation, the provision that was created for unrealized exchange losses resulting from the foreign currency forward contracts has been released into the income statement at 1 January 2002. The fair values of the foreign currency forward contracts were remeasured at 1 January 2002 and recognized in the balance sheet as a payable or receivable.

The Company created a reserve for likely future expenses in connection with its loyalty program for customers.

2.5. Revenue Recognition

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

In instances when the Company sells mobile telephone handsets at a discount, the resulting losses are recognized at the date of sale.

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

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

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

Interconnection revenues are recognized as earned, generally based on the invoiced amount. In cases where pricing agreements are not in place, revenues are recorded on the basis of management's best estimate, with any necessary adjustment being made in the period of settlement. See Note 6, Post balance sheet events.

2.6. Foreign Currency Translation

During the accounting period, transactions denominated in a foreign currency are translated and recorded at the rate of exchange ruling at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies have been translated at the year-end exchange rate as published by the Czech National Bank. Beginning 1 January 2002, all exchange gains and losses on monetary assets and liabilities are recorded in the income statement.

2.7. Deferred Taxation

Deferred tax is determined based on the differences between the carrying amount of assets and liabilities and the tax base of those assets and liabilities using the tax rate applicable for the following accounting period. Deferred income tax charged or credited in the income statement is measured as the change in the net deferred tax asset or liability during the year.

2.8. Hedging of Currency and Interest Rates Risks

The Company uses forward exchange contracts in its management of the currency risks associated with its foreign supplier-customer transactions in foreign currency. At 31 December 2002, the fair value of the derivatives was recognized in the balance sheet as a liability or asset. Prior to 31 December 2001, the Company accounted for unrealized gains and losses from foreign exchange forwards as described in Note 2.4.2., Provisions.

The Company uses forward exchange contracts in its management of the currency risks associated with the foreign exchange syndicated loan. Beginning in 2002, the Company applied hedge accounting in accordance with the criteria of supporting accounting legislation. Based on the requirements of supporting accounting legislation for entrepreneurs, the Company periodically measures and documents the effectiveness of the hedging.

Changes in the fair value of the hedging currency derivative are recognized in the income statement up to an amount equal to the opposite change in the fair value of the hedged item and the remaining amount is recognized in equity on account Assets and liabilities revaluation. Regarding the hedged foreign exchange syndicated loan, in which the hedging forward exchange contracts will be settled by the end of the following accounting period at the latest, changes in the fair value of hedging derivatives are fully recognized in the income statement.

The Company does not apply hedge accounting on forward exchange contracts in its management of the currency risks associated with its foreign supplier-customers relations in foreign currency. Those forward exchange contracts are accounted for as trading derivatives. The fair values are remeasured in equity on account "Assets and liabilities revaluation". Realized gains and losses are recognized in the income statement.

Upon settlement of the forward exchange contracts, the revaluation is reversed and the realized gains or losses are recognized in the income statement.

The Company uses interest rate swaps to hedge part of its interest rate risk arising from its foreign exchange syndicated loan. The interest rate swaps are recognized at their fair values and are accounted for in accordance with supporting accounting legislation as trading derivatives.

2.9. Cash Flow Statement

The Company prepared the cash flow statement using the indirect method. The cash equivalents represent short-term liquid financial instruments immediately convertible into cash.

2.10. Subsequent Events

The effects of events that occurred between the balance sheet date and the date of signing the financial statements are reflected in the financial statements in the case that these events provide further evidence of conditions which may have existed at the balance sheet date.

Subsequent to the balance sheet date but prior to the signing of the financial statements, when significant events occur which are indicative of conditions which arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves reflected in the financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND PRINCIPLES

Changes in Accounting Policies

The change in the accounting policy related to unrealized foreign exchange differences increased the current year profit before taxation by CZK 585,629 thousand, see note 2.6.

The change in the accounting policy related to the fair values of financial instruments decreased the current year profit before taxation by CZK 1,531,648 thousand and the related change in the accounting policy for provisions for foreign exchange losses arising from financial instruments increased the current year profit before taxation by CZK 1,661,956 thousand, see notes 2.1., 2.4.2. and 2.8.

The change in the classification of low value tangible and intangible assets and subsequent change of their economic useful lives increased the current year profit before taxation by CZK 37,314 thousand.

No other changes in the accounting policies occurred during the period reviewed. Certain reclassifications have been made to prior year accounts to ensure consistency with the current year. These reclassifications have no impact on equity or net income.

4. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

4.1. Fixed Assets

4.1.1. Intangible Fixed Assets¹

| Cost or valuation (CZK'000) | Development | Software | Valuable rights | Intangible assets in the course of construction* | Advances paid for intangible assets | Total |
|--|-------------|-----------|-----------------|--|---|-----------|
| 1.1.2000 | 122,934 | 902,059 | 430,247 | 327,666 | 2,974 | 1,785,880 |
| Additions* | 14,301 | 395,516 | 279,632 | - | 12,654 | 702,103 |
| Disposals | - | 11,903 | - | 114,176 | - | 126,079 |
| 31.12.2000 | 137,235 | 1,285,672 | 709,879 | 213,490 | 15,628 | 2,361,904 |
| Additions* | 6,268 | 511,940 | 11,200 | 4,200,824 | (12,614) | 4,717,618 |
| Disposals | - | 1,276 | - | - | - | 1,276 |
| 31.12.2001 | 143,503 | 1,796,336 | 721,079 | 4,414,314 | 3,014 | 7,078,246 |
| Reclassification (Low value intangible assets) | - | 22,316 | - | - | - | 22,316 |
| Additions* | 25,543 | 781,984 | 8,791 | - | 30,729 | 847,047 |
| Disposals | 3,098 | 5,898 | - | 26,277 | - | 35,273 |
| 31.12.2002 | 165,948 | 2,594,738 | 729,870 | 4,388,037 | 33,743 | 7,912,336 |

* Additions and transfers between the "Intangible assets in the course of construction" and "Advances paid for intangible assets" are recorded as net additions.

| Accumulated amortisation (CZK'000) | Development | Software | Valuable rights | Intangible assets in the course of construction | Advances paid for intangible assets | Total |
|--|-------------|-----------|-----------------|---|---|-----------|
| 1.1.2000 | 29,300 | 265,252 | 282,736 | - | - | 577,288 |
| Additions | 33,683 | 374,356 | 115,847 | - | - | 523,886 |
| Disposals | - | 7,784 | - | - | - | 7,784 |
| 31.12.2000 | 62,983 | 631,824 | 398,583 | - | - | 1,093,390 |
| Additions | 38,138 | 400,247 | 34,874 | - | - | 473,259 |
| Disposals | - | - | - | - | - | - |
| 31.12.2001 | 101,121 | 1,032,071 | 433,457 | - | - | 1,566,649 |
| Reclassification (Low value intangible assets) | - | 22,316 | - | - | - | 22,316 |
| Additions | 46,112 | 678,445 | 28,586 | - | - | 753,143 |
| Disposals | 1,635 | 4,615 | - | - | - | 6,250 |
| 31.12.2002 | 145,598 | 1,728,217 | 462,043 | - | - | 2,335,858 |

| Net book value (CZK'000) | Development | Software | Valuable rights | Intangible assets in the course of construction | Advances paid for intangible assets | Total |
|-----------------------------|-------------|----------|-----------------|---|---|-----------|
| 31.12.2000 | 74,252 | 653,848 | 311,296 | 213,490 | 15,628 | 1,268,514 |
| 31.12.2001 | 42,382 | 764,265 | 287,622 | 4,414,314 | 3,014 | 5,511,597 |
| 31.12.2002 | 20,350 | 866,521 | 267,827 | 4,388,037 | 33,743 | 5,576,478 |

Additions of software in 2002 relate primarily to purchases of products enabling the enhancement and optimization of the Company's information systems, products allowing for provision of additional services to customers and the improvement of the existing services rendered to the clients.

Royalties mainly represent the right to provide telecommunication services in the Czech Republic and to operate the GSM telecommunication network in 900 and 1,800 MHz bands.

Intangible assets in the course of construction are primarily represented by the value of the UMTS license obtained in a December 2001 tender. The UMTS license has been valued at CZK 3,535 million (offer of the competitor in the tender). Capitalized interest represents CZK 225,646 thousand as at 31 December 2002.

4.1.2. Tangible Fixed Assets¹

| Cost or valuation (CZK'000) | Buildings and land | Machinery and equipment | Transport vehicles | Office equipment | Tangible assets in the course of construction* | Advances paid for tangible fixed assets | Total |
|--|-----------------------|----------------------------|-----------------------|---------------------|--|---|------------|
| 1.1.2000 | 650,095 | 7,778,685 | 40,871 | 11,276 | 4,105,646 | 566,743 | 13,153,316 |
| Additions | 83,491 | 5,118,199 | 6,611 | 5,619 | 3,018,448 | - | 8,232,368 |
| Disposals | 1,380 | 698,490 | 14,920 | 140 | - | 159,803 | 874,733 |
| 31.12.2000 | 732,206 | 12,198,394 | 32,562 | 16,755 | 7,124,094 | 406,940 | 20,510,951 |
| Additions* | 32,676 | 9,335,666 | 1,876 | 4,470 | 859,308 | (37,773) | 10,196,223 |
| Disposals | 5,736 | 1,052,941 | 6,442 | 616 | - | - | 1,065,735 |
| 31.12.2001 | 759,146 | 20,481,119 | 27,996 | 20,609 | 7,983,402 | 369,167 | 29,641,439 |
| Reclassification (Low value tangible assets) | - | 184,236 | - | - | - | - | 184,236 |
| Additions | 478,395 | 9,330,579 | 842 | 398 | - | - | 9,810,214 |
| Disposals | 11,661 | 891,828 | 5,074 | 3,955 | 4,118,519 | 315,227 | 5,346,264 |
| 31.12.2002 | 1,225,880 | 29,104,106 | 23,764 | 17,052 | 3,864,883 | 53,940 | 34,289,625 |

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

| Accumulated depreciation (CZK'000) | Buildings and land | Machinery and equipment | Transport vehicles | Office equipment | Tangible assets in the course of construction | Advances paid for tangible fixed assets | Total |
|--|-----------------------|----------------------------|-----------------------|---------------------|---|---|-----------|
| 1.1.2000 | 89,526 | 1,396,842 | 23,550 | 2,822 | - | - | 1,512,740 |
| Additions | 42,675 | 1,395,323 | 7,674 | 2,682 | - | - | 1,448,354 |
| Disposals | 165 | 243,498 | 14,664 | 96 | - | - | 258,423 |
| 31.12.2000 | 132,036 | 2,548,667 | 16,560 | 5,408 | - | - | 2,702,671 |
| Additions | 53,862 | 2,391,110 | 7,921 | 3,584 | - | - | 2,456,477 |
| Disposals | 916 | 346,203 | 6,346 | 395 | - | - | 353,860 |
| 31.12.2001 | 184,982 | 4,593,574 | 18,135 | 8,597 | - | - | 4,805,288 |
| Reclassification (Low value tangible assets) | - | 184,253 | - | - | - | - | 184,253 |
| Additions | 73,797 | 3,701,718 | 6,914 | 3,111 | - | - | 3,785,540 |
| Disposals | 3,756 | 273,460 | 5,074 | 3,009 | - | - | 285,299 |
| Provision to fixed assets | 54,733 | - | - | - | 160,000 | - | 214,733 |
| 31.12.2002 | 309,756 | 8,206,085 | 19,975 | 8,699 | 160,000 | - | 8,704,515 |

| Net book value (CZK'000) | Buildings and land | Machinery and equipment | Transport vehicles | Office equipment | Tangible assets in the course of construction | Advances paid for tangible fixed assets | Total |
|-----------------------------|-----------------------|----------------------------|-----------------------|---------------------|---|---|------------|
| 31.12.2000 | 600,170 | 9,649,727 | 16,002 | 11,347 | 7,124,094 | 406,940 | 17,808,280 |
| 31.12.2001 | 574,164 | 15,887,545 | 9,861 | 12,012 | 7,983,402 | 369,167 | 24,836,151 |
| 31.12.2002 | 916,124 | 20,898,021 | 3,789 | 8,353 | 3,704,883 | 53,940 | 25,585,110 |

Additions in "Buildings and land" relate primarily to the reconstruction and property enhancements of owned and leased property.

A provision of CZK 54,733 thousand has been created in relation to applicable to the relocation to the new office building in 2003 and represents the outstanding net book value of the technical enhancement of the Koospol building.

Additions in the category "Machinery and Equipment" relate primarily to the extension of the GSM network.

The major portion of disposals consists of removed network equipment reused in other locations or recognized as inventory until reused in a subsequent accounting period.

Part of the assets recorded as "Tangible Assets in the Course of Construction" relates to the base stations of the GSM network.

The Company classified fixed assets as "in use" and commenced depreciation only after all statutory and technical requirements were met, in line with Czech accounting and similar regulation.

Had depreciation been charged in accordance with the economic useful life and had the economic useful life of fixed assets been extended in case of its technical improvement, the positive impact on 2002 results would be CZK 275,662 thousand with a cumulative impact on accumulated depreciation at 31 December 2002 of CZK 567,592 thousand (31 December 2001: CZK 921,727 thousand; 31 December 2000: CZK 778,016 thousand).

For the portion of the assets related to the base station of the GSM network classified as "Tangible assets in the course of construction" that are not utilized, the provision in an amount of CZK 160,000 thousand is created at 31 December 2002. The provision represents an estimated decrease in the value of tangible assets classified as Tangible assets in the course of construction that were not in use at 31 December 2002 and that are older than one year. The provision is based on management's estimate.

The original cost of CZK 211,604 thousand (at 31 December 2001: CZK 184,253 thousand, at 31 December 2000: CZK 168,362 thousand) represents low value tangible assets at 31 December 2002. The accumulated depreciation for those assets at 31 December 2002 totaled CZK 175,584 thousand (31 December 2001: CZK 184,253 thousand, 31 December 2000: CZK 168,362 thousand).

No property of the Company is pledged.

¹⁾ Continuation of the Report on the Business Activities of RadioMobil a.s. and the Status of Its Assets, regarding the Company's assets.

4.1.3. Finance Leases

A summary of future payments relating to 517 finance lease contracts at 31 December 2002 is as follows:

| Payments (CZK'000) | Total value of the contracts | 2003 | 2004 | 2005 | Total |
|--------------------|------------------------------|--------|--------|--------|---------|
| Cars and vans | 239,942 | 70,780 | 45,819 | 14,805 | 131,404 |

In 2002 the finance lease payments amounted to CZK 87,944 thousand.

The summary of future payments relating to 495 finance lease contracts at 31 December 2001 is as follows:

| Payments (CZK'000) | Total value of the contracts | 2002 | 2003 | 2004 | Total |
|--------------------|------------------------------|--------|--------|--------|---------|
| Cars and vans | 210,667 | 71,030 | 42,338 | 12,976 | 126,344 |

In 2001 the finance lease payments amounted to CZK 73,602 thousand.

The summary of future payments relating to 405 finance lease contracts at 31 December 2000 is as follows:

| Payments (CZK'000) | Total value of the contracts | 2001 | 2002 | 2003 | Total |
|------------------------|------------------------------|--------|--------|--------|--------|
| Cars and vans | 162,352 | 45,120 | 33,310 | 12,284 | 90,714 |
| Information technology | 7,359 | 1,431 | - | - | 1,431 |

In 2000 the finance lease payments amounted to CZK 52,491 thousand.

4.2. Inventories

Inventories mainly consist of handsets for resale, equipment removed from base stations and spare parts. At 31 December 2002, the Company created a provision for inventories of CZK 203,474 thousand (31 December 2001: CZK 297,862 thousand, 31 December 2000: CZK 197,609 thousand).

| (CZK'000) | 31.12.2002 | 31.12.2001 | 31.12.2000 |
|--------------------------------|------------------|------------------|------------------|
| Handsets and related equipment | 401,948 | 646,441 | 798,637 |
| Technology inventories | 568,005 | 813,983 | 741,964 |
| Other inventories | 43,593 | 87,655 | 149,773 |
| Subtotal | 1,013,546 | 1 548,079 | 1,690,374 |
| Provision for inventories | (203,474) | (297,862) | (197,609) |
| Total inventories | 810,072 | 1,250,217 | 1,492,765 |

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

| (CZK'000) | 2002 | 2001 | 2000 |
|--|----------------|----------------|----------------|
| Opening balance as at 1 January | 297,862 | 197,609 | 32,551 |
| Creation of the provision | (94,388) | 100,253 | 165,058 |
| Closing balance as at 31 December | 203,474 | 297,862 | 197,609 |

4.3. Receivables

4.3.1. Short-term Receivables

| (CZK'000) | 31.12.2002 | 31.12.2001 | 31.12.2000 |
|--|------------------|------------------|------------------|
| Trade receivables | | | |
| – current and overdue less than 180 days | 1,757,601 | 2,111,099 | 2,134,094 |
| – overdue more than 180 days | 2,384,568 | 1,217,453 | 569,434 |
| – advances paid | 144,093 | 154,894 | 281,831 |
| Total trade receivables | 4,286,262 | 3,483,446 | 2,985,359 |
| Provision for doubtful debts | (1,377,473) | (1,086,425) | (727,135) |
| Subtotal | 2,908,789 | 2,397,021 | 2,258,224 |
| Tax receivables | 453,065 | 423,453 | 463,132 |
| Other receivables | 83,454 | 20,263 | 33,603 |
| Total receivables | 3,445,308 | 2,840,737 | 2,754,959 |

Trade receivables represent, in particular, receivables from users of the GSM network, receivables from other telecommunication services providers and receivables from dealers.

Overdue receivables relate primarily to unsettled interconnection fee.

Other receivables mainly consist of interest rate swaps of CZK 39,843 thousand, foreign exchange forward contracts of CZK 11,727 thousand and receivables from members of the association, employees and other non-trade receivables.

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

| (CZK'000) | 2002 | 2001 | 2000 |
|--|------------------|------------------|----------------|
| Opening balance as at 1 January | 1,086,425 | 727,135 | 516,173 |
| Creation of the provision | 502,154 | 459,194 | 562,530 |
| Release of the provision | (211,106) | (99,904) | (351,568) |
| Closing balance as at 31 December | 1,377,473 | 1,086,425 | 727,135 |

4.3.2. Long-term Receivables

Long-term receivables consist primarily of advances for rent.

4.3.3. Related Party Receivables

At 31 December 2001, as described in point 4.3.1., Short-term receivables include the following related party receivables:

| (CZK'000) | 31.12.2002 | 31.12.2001 | 31.12.2000 |
|--|----------------|---------------|---------------|
| ČESKÉ RADIOKOMUNIKACE a.s.: | | | |
| GSM services | 672 | 1,319 | 1,307 |
| Short term advances | 23 | 17,111 | – |
| Subtotal ČESKÉ RADIOKOMUNIKACE a.s. | 695 | 18,430 | 1,307 |
| DTAG Group: | | | |
| Un-invoiced rebranding receivables | 42,155 | – | – |
| Roaming and other services sold | 64,262 | 29,772 | 12,957 |
| Subtotal DTAG Group | 106,417 | 29,772 | 12,957 |
| Total related party receivables | 107,112 | 48,202 | 14,264 |

4.4. Other Assets

4.4.1. Prepaid Expenses

Prepaid expenses include management and compensation charges related to payments by way of bills of exchange, costs of arranger fees and interest on the issued bonds and costs related to the lease of office spaces and buildings needed for the installation of GSM technologies. These costs are recorded as expenses evenly over the life of the lease. Their total value at 31 December 2002 amounted to CZK 154,912 thousand (31 December 2001: CZK 173,364 thousand, 31 December 2000: CZK 102,253 thousand).

4.4.2. Accrued Revenue

Accrued revenue relates to accrued interest income from the purchased bills of exchange and deposits used for management of short-term liquidity.

4.4.3. Anticipated Assets

Anticipated assets include rendered services relating to the GSM network, that were provided but not invoiced to customers, interconnection fees that were provided but not invoiced to other providers and interconnection capacity, that was provided but not invoiced to other providers of telecommunication services by the year-end.

4.5. Equity

Movements in the Company's equity:

| (CZK'000) | Registered capital | Share premium | Differences from revaluation of assets and liabilities | Statutory reserve fund | (Accumulated losses)/retained earnings | Net profit under approval | Total |
|--------------------------------------|--------------------|---------------|--|------------------------|--|---------------------------|------------|
| 1.1.2000 | 400,000 | 5,344,110 | - | 40,000 | (582,551) | 1,290,252 | 6,491,811 |
| Distribution of profit | - | - | - | 40,000 | 1,250,252 | (1,290,252) | - |
| Net profit for the period | - | - | - | - | - | 2,109,829 | 2,109,829 |
| 31.12.2000 | 400,000 | 5,344,110 | - | 80,000 | 667 701 | 2,109,829 | 8,601,640 |
| Increase of the Registered capital | 120,000 | - | - | - | - | - | 120,000 |
| Distribution of profit | - | - | - | 24,000 | 2,085,829 | (2,109,829) | - |
| Net profit for the period | - | - | - | - | - | 2,005,192 | 2,005,192 |
| 31.12.2001 | 520,000 | 5,344,110 | - | 104,000 | 2,753,530 | 2,005,192 | 10,726,832 |
| Distribution of profit | - | - | - | - | 2,005,192 | (2,005,192) | - |
| Revaluation of financial instruments | - | - | (285,659) | - | - | - | (285,659) |
| Net profit for the period | - | - | - | - | - | 2,529,564 | 2,529,564 |
| 31.12.2002 | 520,000 | 5,344,110 | (285,659) | 104,000 | 4,758,722 | 2,529,564 | 12,970,737 |

4.5.1. Registered Capital and Capital Contributions

The Company's registered capital and its increase to CZK 520,000 thousand were recorded in the Commercial Register. The Company's shares, in the nominal value of CZK 1,000, are uncertified, registered and not publicly traded.

Share premiums were paid in the amount of CZK 5,344,110 thousand under the Joint Venture Agreement of the joint stock company between ČESKÉ RADIOKOMUNIKACE a.s. and CMobil B.V., dated 25 March 1996, and the Agreement between the Ministry of Economy of the Czech Republic, CMobil B.V. and ČESKÉ RADIOKOMUNIKACE a.s., dated 25 March 1996. The valuable right to provide telecommunication services forms a part of the share premium.

4.5.2. Dividends

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

4.6. Provision for Liabilities and Charges

| Other provisions (CZK'000) | Provisions for foreign exchange losses | Other | Total |
|--|---|-----------|-------------|
| 1.1.2000 | 313,353 | 62,275 | 375,628 |
| Charge for the year | 487,670 | 180,265 | 667,935 |
| Written off during the year | (61,673) | (62,275) | (123,948) |
| 31.12.2000 | 739,350 | 180,265 | 919,615 |
| Charge for the year | 1,210,000 | 231,990 | 1,441,990 |
| Written off during the year | (275,842) | (180,265) | (456,107) |
| 31.12.2001 | 1,673,508 | 231,990 | 1,905,498 |
| Charge for the year | - | 547,546 | 547,546 |
| Written back/written off during the year | (1,673,508) | (231,990) | (1,905,498) |
| 31.12.2002 | - | 547,546 | 547,546 |

At 31 December 2001, the Company had a provision for foreign exchange losses on a forward contract of CZK 1,661,596 thousand. In 2002, it was released into the income statement.

At 31 December 2002, the Company has created a provision of CZK 321,414 thousand for probable future costs related to the client loyalty program (31 December 2001: CZK 231,900 thousand; 31 December 2000: CZK 180 265).

4.7. Payables

4.7.1. Long-term Payables

Long-term Promissory Notes Payable

The Company settles selected payables by long-term promissory notes. The total value of these notes at 31 December 2002 was CZK 15,447 thousand (31 December 2001: CZK 713,077 thousand, 31 December 2000: CZK 805,727 thousand).

Other Long-term Liabilities

RadioMobil has an obligation to the Czech state under the conditions of the granted UMTS license.

The original balance of CZK 2,861,000 thousand is payable in installments over a period of 10 years from the date of the issuance of the license.

The outstanding balance as of 31 December 2002 represents 8 installments payable from 2004 to 2011. The short-term portion of this obligation is payable in 2003 and is included in Note 4.10., Other payables. The interest rate charged on the outstanding amount is 4.06% as at 31 December 2002.

4.7.2. Trade Payables

| (CZK'000) | 31.12.2002 | 31.12.2001 | 31.12.2000 |
|--|----------------|------------------|------------------|
| Trade payables | | | |
| – domestic payables | 259,196 | 895,607 | 1,763,660 |
| – foreign payables | 36,188 | 16,552 | 545,204 |
| Subtotal | 295,384 | 912,159 | 2,308,864 |
| Advances for activation and fixed fees | 278,764 | 205,945 | 221,576 |
| Other payables | 144,114 | 1,347 | 835 |
| Total trade payables | 718,262 | 1,119,451 | 2,531,275 |

Other payables represent mostly short-term promissory notes.

The bank guarantees granted to the lessors of commercial premises and real estates by Credit Lyonnais Bank Praha, a.s. and bank guarantees granted by Komerční banka, a.s. ("KB") to developer Roztyly Centrum a.s., the developer of the Company's new administrative office center, amount to CZK 59,522 thousand. There were bank guarantees for customs duties of CZK 42,370 thousand as at 31 December 2002 (31 December 2001 and 31 December 2000: CZK 12,000 thousand).

4.7.3. Related Party Payables

At 31 December 2002, trade payables, as described in point 4.7.2., contain the following related party payables:

| (CZK'000) | 31.12.2002 | 31.12.2001 | 31.12.2000 |
|--------------------------------------|--------------|--------------|---------------|
| ČESKÉ RADIOKOMUNIKACE a.s.: | | | |
| Leased lines and other rentals | – | 2,468 | 1,458 |
| DTAG group: | | | |
| Roaming and other services purchased | 9,074 | 5,022 | 18,748 |
| Total related party payables | 9,074 | 7,490 | 20,206 |

4.7.4. Related Party Loans

At 31 December 2002, the Company had the following related party loans:

| | Maturity | Total financing line (CZK'000) | Balance outstanding 31.12.2002 (CZK'000) | Balance outstanding 31.12.2001 (CZK'000) | Balance outstanding 31.12.2000 (CZK'000) |
|---|------------|-----------------------------------|--|--|--|
| CMobil B.V.: | | | | | |
| Shareholder's subordinated long term loan | 20.5.2008 | 1,823,077 | 1,823,077 | 1,823,077 | – |
| Deutsche Telekom International Finance BV: | | | | | |
| Subordinated long term loan | 31.12.2004 | 1,176,923 | 300,000 | – | – |
| Long term loan | 31.12.2011 | 3,823,077 | – | – | – |
| Total related party loans | | 6,823,077 | 2,123,077 | 1,823,077 | – |

The Company did not have any related party loans at 31 December 2000.

4.8. Bank Loans

The Company has the following bank loans at 31 December 2002:

| Loan description | Maturity | Total limit (DEM'000) | Balance | Balance | Balance | Balance |
|---------------------------|-----------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | | 31.12.2002 (DEM'000) | 31.12.2002 (CZK'000) | 31.12.2001 (CZK'000) | 31.12.2000 (CZK'000) |
| Long-term syndicated loan | June 2003 | 250,000 | | | | |
| Tranche A | | | 100,000 | 1,615,682 | 2,126,393 | 2,039,399 |
| Tranche B | | | 140,000 | 2,261,956 | 2,976,951 | 2,855,159 |
| Total | | 250,000 | 240,000 | 3,877,638 | 5,103,344 | 4,894,558 |

A syndicate of 17 banks provided the syndicated loan. The joint arrangers of the syndicated loan are as follows: ABN AMRO Bank N.V.; Bayerische Landesbank Girozentrale; Commerzbank Aktiengesellschaft; Credit Lyonnais Group; Deutsche Bank AG and Midland Bank plc.

The interest for tranche A is based on 6M EURO LIBOR interest, which at 31 December 2002 for current interest period stood at 2.88% p.a. (as at 31 December 2001, it was 3.256% p.a.).

The interest for tranche B is based on 3M EURO LIBOR interest, which at 31 December 2002 for current interest period stood at 3.09% p.a. (as at 31 December 2001, it was 3.284% p.a.).

As the outstanding balance of the syndicated loan will be repaid in June 2003 the loan is classified as short term as at 31 December 2002. There is a loan facility entered into with Deutsche Telekom International Finance B.V. that is available for the purpose of refinancing the Syndicated Loan (see Note 4.7.4).

The syndicated loan is translated to CZK using spot foreign exchange rate as published by the Czech National Bank at 31 December 2002. In 2001 and 2000, the syndicated loan was translated to CZK using an increasing exchange rate in accordance with forward contracts hedging the currency risk on the loan. See Note 2.1., Basis of Accounts.

The Company did not have any other bank loans at 31 December 2002. There was an outstanding overdraft balance at 31 December 2001 of CZK 51,980 thousand, 31 December 2000: CZK 258,924 thousand.

Loans of the Company are secured against financial risks in accordance with an agreed hedging strategy.

There is no collateral imposed on the Company's property with respect to the loans.

4.9. Bonds

On 8 November 1999, the Company issued bonds on the local market with an interest rate of 8.20% p.a. (standard 30E/360), due on 8 November 2004. The aggregate nominal value of the bonds was CZK 3,000,000 thousand at the issue date with the option to issue further additional bonds up to the aggregate nominal value of CZK 5,000,000 thousand during the 18 month period after the issue date. The bonds are registered, uncertified and are publicly marketable. The nominal value of each bond is CZK 1,000,000. The issue rate of all of the bonds issued at the issue date was 99.85% of their nominal value.

On 30 April 2001, the Company issued additional bonds of CZK 2,000,000 thousand due on 8 November 2004, reaching the aggregate nominal value of CZK 5,000,000 thousand. The bonds were also issued in the book-entry form and are publicly marketable. The nominal value of each bond is CZK 1,000 thousand. The issue rate of all additionally issued bonds was 106.42% of their nominal value.

The following banks were primary co-managers of the issue: ABN AMRO Bank N.V., Commerzbank Capital Markets (Eastern Europe) a.s. and Česká spořitelna, a.s.

Bonds issued:

| | |
|---|--|
| A. Type: | Bond RadioMobil 8.20/04 – I. tranche |
| Form: | bearer |
| Substance: | book-entry |
| Number: | 3,000 |
| Nominal value: | CZK 1,000,000 |
| Total volume of issue: | CZK 3,000,000,000 |
| ISIN: | CZ0003501140 |
| In 2001/2002 the bonds were traded on public markets: | Burza cenných papírů Praha, a.s. (Free market) |
| B. Type: | Bond RadioMobil 8.20/04 – II. tranche |
| Form: | bearer |
| Substance: | book-entry |
| Number: | 2,000 |
| Nominal value: | CZK 1,000,000 |
| Total volume of issue: | CZK 2,000,000,000 |
| ISIN: | CZ0003501140 |
| In 2001/2002 the bonds were traded on public markets: | Burza cenných papírů Praha, a.s. (Free market) |

4.10. Other Payables

Other short-term payables had following balances at 31 December 2002 and comparative periods:

| (CZK'000) | 31.12.2002 | 31.12.2001 | 31.12.2000 |
|--------------------------------------|------------------|------------------|---------------|
| Short-term bills of exchange payable | 994,690 | 2,316,403 | - |
| UMTS installment (short-term) | 286,100 | 286,100 | - |
| Interest rate swaps | 18,905 | - | - |
| Foreign exchange forward contracts | 1,849,972 | - | - |
| Other short-term payables | 16,883 | 11,208 | 22,213 |
| Total other payables | 3,166,550 | 2,613,711 | 22,213 |

4.11. Financial Instruments

The Company manages its currency and interest risk in accordance with the hedging strategy of the Company, approved by the Board of Directors.

In 1998, the Company entered into four five-year swap agreements in the total amount of DEM 100 million to hedge a part of its interest risk resulting from the syndicated facility in the value of DEM 250 million. The floating rate 6M LIBOR was changed to a fixed rate at the average rate of 4.22% p.a. Two swap agreements were settled at 30 December 2002 and remaining two swap agreements are due in 2003.

In 2000, two interest swaps totaling CZK 400,000 thousand were commenced to change the fixed rate 8.20% (standard 30E/360) of part of the issued bonds into a 6M PRIBOR floating rate, which was 2.55% at 31 December 2002. These instruments are due in 2004.

In 2001, the Company initiated two interest swaps totaling DEM 60,000,000 to hedge part of its interest risk resulting from the syndicate credit facility of DEM 250,000,000 (at 31 December 2002, the Company had DEM 240,000,000 outstanding). The floating rate of 3M EUROLIBOR was changed to a fixed rate at the average rate of 5.01% p.a. These instruments are due in 2003.

In 2002, the Company began two interest swaps totaling EUR 40,903 thousand (DEM 80,000 thousand) to complete the hedging of interest risk resulting from the syndicate credit facility. The floating rate of 3M EUROLIBOR was swapped to a fixed rate equal to the average rate of 4.10% p.a. Together with the previously commenced swaps, the interest rate from the syndicate credit facility of DEM 240,000,000 is fixed at the average rate of 4.38% p.a.

At 31 December 2002, the Company has open forward contracts in nominal value of EUR 155,237 thousand/DEM 303.616 thousand (as at 31 December 2001: EUR 281,211 thousand/DEM 550,000 thousand). These transactions are focused on managing currency risks with customer-supplier relations paid in EUR (DEM) and repayment of the syndicated bank loan due in June 2003. Of the total nominal value of forward contracts at 31 December 2002, EUR 8,612 thousand (DEM 16,844 thousand) was initiated during the fiscal year ended 31 December 2002. During 2002, forward contracts in nominal value of EUR 134,586 thousand (DEM 263,227 thousand) were settled.

A provision for the unrealized exchange rate losses described in Note 4.6. was made for exchange losses from forward contracts that secure payments of foreign currency loans and other foreign currency payables at 31 December 2001. In 2002, this provision was released into the income statement. During 2002, no such provision has been created.

Revaluation of foreign exchange forward contracts at fair values as at 31 December 2002, 2001 and 2000 is as follows:

| Foreign exchange forward contracts at fair values | | 31.12.2002 | 31.12.2001 | 31.12.2000 |
|--|-------------|------------|------------|------------|
| Forward contracts for foreign exchange loan: | | | | |
| Nominal value | DEM million | 240 | 240 | 240 |
| Provision for unrealized losses created, see Note 4.6. | CZK million | - | (672) | (464) |
| Fair value | CZK million | (1,532) | (1,407) | - |
| of which: negative fair value | | (1,532) | (1,407) | |
| Forward contracts to other FX payables:* | | | | |
| Nominal value | DEM million | 64 | 310 | 540 |
| Provision for unrealized losses created, see Note 4.6. | CZK million | - | (989) | (259) |
| Fair value | CZK million | (307) | (1,724) | - |
| of which: negative fair value | | (318) | (1,724) | |
| positive fair value | | 11 | - | |
| Total forward contracts:* | | | | |
| Nominal value | DEM million | 304 | 550 | 780 |
| Provision for unrealized losses created, see Note 4.6. | CZK million | - | (1,661) | (723) |
| Fair value | CZK million | (1,838) | (3,130) | - |
| of which: negative fair value | | (1,849) | (3,130) | |
| positive fair value | | 11 | - | |

* Contracts of DEM 16.8 million (EUR 8.6 million) were commenced in 2002 and are denominated in EUR. The contracts were translated into DEM to be comparable.

4.12. Other Liabilities

4.12.1. Accrued Expenses

The Company's accrual balance primarily consists of expenses connected with the payment of bond coupons, loan interest and interest from the shareholders' borrowing.

4.12.2. Deferred Revenue

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

4.12.3. Anticipated Liabilities

Anticipated liabilities include the value of goods and services that were delivered in the accounting period but were not invoiced as at the balance sheet date. The most important item is the estimated liability for interconnection costs with the network of other operators.

4.13. Commitments and Contingent Liabilities

At 31 December 2002, the Company is not aware of any significant legal claims that would require disclosure in the financial statements of the Company and in the Notes to the financial statements except of those for which provisions have already been created. See Note 4.6.

At the end of 2000, the Financial Office of the City of Prague commenced a financial inspection of the corporate income tax, road tax and value added tax. At the balance sheet date, only the inspection of the income tax was completed. The findings of the inspection does not have a significant impact on the results of the Company.

In June 2002, construction of new administrative building in Roztyly was commenced. The construction of the building is managed by SEKYRA Group, a.s., developer. Construction of the new building is expected to be completed in December 2003. Contractual commitments to Roztyly Centrum a.s., the lessor, consist of annual rental fees exceeding CZK 200,000 thousand.

At 31 December 2002, the Company's future capital commitments in respect to the GSM network development totaled CZK 154,107 thousand.

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

| (CZK'000) | 31.12.2002 | 31.12.2001 |
|--|------------------|------------------|
| Not later than 1 year | 934,817 | 369,475 |
| Later than 1 year and not later than 5 years | 2,990,227 | 1,083,389 |
| Total | 3,925,044 | 1,452,864 |

4.14. Revenues and Expenses from Operating Activities

4.14.1. Segment Information

| Sales based on activity (CZK'000) | 2002 | 2001 | 2000 |
|-----------------------------------|-------------------|-------------------|-------------------|
| Sales of handsets and accessories | 903,658 | 871,261 | 1,270,663 |
| GSM network services | 20,664,663 | 20,211,170 | 16,484,964 |
| Total | 21,568,321 | 21,082,431 | 17,755,627 |

The Company sells handsets at a discounted price to its customers who enter into a contract to use the T-Mobile network services for a period of at least 2 years. The discounted price is substantially lower than the acquisition cost of the handsets. Each such loss is recorded at the moment of the sale of the handset to the customer.

4.14.2. Operating Revenues and Expenses

| (CZK'000) | 2002 | 2001 | 2000 |
|------------------------------------|-------------------|-------------------|-------------------|
| Operating revenues | 21,568,321 | 21,082,431 | 17,755,627 |
| Other revenues | 1,499,128 | 1,222,535 | 214,597 |
| Total revenues | 23,067,449 | 22,304,966 | 17,970,224 |
| Cost of sales | 2,242,626 | 3,906,227 | 4,393,310 |
| Consumption of material and energy | 537,785 | 477,309 | 488,592 |
| Services | 7,863,081 | 7,775,102 | 6,084,684 |
| Personnel costs | 1,403,628 | 1,119,563 | 840,546 |
| Depreciation | 4,565,499 | 2,972,803 | 2,032,879 |
| Other costs | 1,862,679 | 1,522,046 | 760,890 |
| Total operating costs | 18,475,289 | 17,773,050 | 14,600,901 |
| Operating profit | 4,592,151 | 4,531,916 | 3,369,323 |

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

4.15. Revenues and Expenses from Financing Activities

| (CZK'000) | 2002 | 2001 | 2000 |
|--|--------------------|--------------------|------------------|
| Revenues from financial operations and interest | 14,392,017 | 18,016,302 | 53,124,037 |
| Other financial revenues | 2,691,875 | 395,710 | 81,580 |
| Costs of financial operations and interest expense | (14,941,127) | (18,476,214) | (53,462,523) |
| Other financial costs | (3,272,087) | (1,685,424) | (622,002) |
| Loss from financial activity | (1,129,322) | (1,749,626) | (878,908) |

4.16. Extraordinary Revenues and Expenses

| (CZK'000) | 2002 | 2001 | 2000 |
|---|----------------|-----------------|----------------|
| Extraordinary revenues | 217,915 | 50,673 | 51,783 |
| Extraordinary costs | (4,918) | (69,614) | (87,639) |
| Deferred tax income from extraordinary activity | 414,118 | - | 416,733 |
| Current tax expense from extraordinary activities | (479,911) | - | - |
| Extraordinary income/(loss) | 147,204 | (18,941) | 380,877 |

Extraordinary revenues include revenues related to prior periods.

Extraordinary costs include expenses related to prior periods and extraordinary costs in 2001 and 2000 include shortages identified during the annual stock count of tangible fixed assets and inventories.

Deferred tax income and current tax expense from extraordinary activity in 2002 mainly results from an amended corporate income tax return for the period from 1998 through 2001, which the Company submitted in 2002 to correct tax depreciation.

4.17. Related Party Transactions

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

| (CZK'000) | 2002 | 2001 | 2000 |
|--|----------------|----------------|----------------|
| ČESKÉ RADIOKOMUNIKACE a.s.: | | | |
| Purchase of services (leased lines) | 370,704 | 507,872 | 403,298 |
| GSM services sold | 8,617 | 10,579 | 5,503 |
| DTAG group: | | | |
| Roaming, interconnection and other related services purchased | 336,036 | 208,717 | 354,397 |
| Other services purchased | 8,271 | - | - |
| Roaming and other services sold | 383,073 | 193,279 | 189,861 |
| Rebranding | 365,909 | - | - |
| Total related party purchases | 715,011 | 716,589 | 757,695 |
| Total related party sales | 757,599 | 203,858 | 195,364 |

The prices for the services are based on an arm's length basis.

4.18. Taxation

4.18.1. Current Corporate Income Tax

The Company expects the following current income tax results in the current year:

| (CZK'000) | 2002 | 2001 | 2000 |
|--|----------------|----------------|----------------|
| Profit before tax | 3,675,826 | 2,763,349 | 2,454,559 |
| Tax non deductible costs | 1,471,021 | 2,537,601 | 1,262,387 |
| Non taxable revenues | (2,435,113) | (837,961) | (121,136) |
| Difference between accounting and tax depreciation | (2,342,347) | (3,686,416) | (2,596,719) |
| Tax base before deductions | 369,387 | 776,573 | 999,091 |
| Gifts allowed as tax deductible | - | (4,300) | (3,000) |
| 10% reinvestment relief | (369,387) | (490,412) | (147,032) |
| Tax loss carried forward from previous period | - | - | (533,801) |
| Adjusted tax base for the year | - | 281,861 | 315,258 |
| Current tax | - | 87,377 | 97,730 |

During 2002, the amount of CZK 479,911 thousand was recorded which represents an adjustment of additional current tax for 2001. It was disclosed as Current tax on extraordinary profit.

During 2001, the amount of CZK 423 thousand was recorded representing an increase for current tax for 2000. Total current tax expense for period 2001 including this prior period increase totals CZK 87,800 thousand.

4.18.2. Deferred Tax

| Deferred tax – balance sheet method of calculation | 31.12.2002 | 31.12.2001 | 31.12.2000 |
|--|--------------------|--------------------|--------------------|
| Difference between net book value and net tax book value of fixed assets | (8,461,702) | (7,801,908) | (4,613,891) |
| Difference between net book value and net tax book value of inventories | 203,475 | 297,862 | 197,609 |
| Difference between net book value and net tax book value of receivables | 351,714 | 421,553 | 482,111 |
| Provision for foreign exchange losses | - | 1,673,508 | 739,350 |
| Other provisions | 479,999 | 231,990 | 180,265 |
| Other temporary differences | 100,000 | - | - |
| Total temporary differences | (7,326,514) | (5,176,995) | (3,014,556) |
| Corporate income tax rate for the following year | 31% | 31% | 31% |
| Deferred tax liability as at 31 December | 2,271,220 | 1,604,869 | 934,512 |

5. EMPLOYEES AND MANAGEMENT

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

| | 2002 | Total 2001 | 2000 | 2002 | Management 2001 | 2000 |
|-----------------------------|------------------|------------------|----------------|--------|--------------------|--------|
| Average employees number | 2,522 | 2,276 | 1,854 | 46 | 38 | 33 |
| Wages and salaries | 999,697 | 805,860 | 597,940 | 94,584 | 92,851 | 67,798 |
| Emoluments of board members | 1,714 | 3,072 | 8,485 | | | |
| Social security costs | 360,561 | 277,000 | 207,688 | 31,833 | 28,278 | 24,152 |
| Other social costs | 41,656 | 33,631 | 26,433 | | | |
| Total staff costs | 1,403,628 | 1,119,563 | 840,546 | | | |

Remuneration for the members of statutory bodies and the supervisory board for 2002 is as follows:

| (CZK'000) | Total income | Monetary income | Benefits in kind |
|--------------------|--------------|-----------------|------------------|
| Board of Directors | 1,090 | 1,090 | - |
| Supervisory Board | 624 | 624 | - |

Remuneration for the members of statutory bodies and the supervisory board for 2001 is as follows:

| (CZK'000) | Total income | Monetary income | Benefits in kind |
|--------------------|--------------|-----------------|------------------|
| Board of Directors | 2,349 | 2,151 | 198 |
| Supervisory Board | 723 | 723 | - |

Since 2002 the Company provides its employees with the contribution to supplementary pension insurance.

The number of employees is based on the average full time employees. The management classification includes executive members of the Board of Directors, other directors and managers directly subordinated to them.

In 2002, the Company did not provide any loans to members of statutory bodies or the management. Company cars are made available for use by management for business and personal purposes (acquisition cost at 31 December 2002: CZK 40,541 thousand).

No Company shares are owned by board members, the supervisory board members or employees.

6. POST BALANCE SHEET EVENTS

Simultaneously with the respective administrative proceedings at the Czech Telecommunication Authority, the negotiation of interconnection fees with ČESKÝ TELECOM, a.s. and Český Mobil, a.s. for 2001 is still in process. The results of the negotiation may have effect on interconnection revenues and costs recorded for 2001, and will be recorded in the period of final settlement.

From 1 January 2003, the Company will maintain parallel accounting records in accordance with German accounting principles (GGAAP).

Prague 17 February 2003



Michael Günther
Chairman of the Board



Roland Mahler
Member of the Board

CASH FLOW STATEMENT

year ended 31 December 2002 (in thousand Czech crowns)

| | 2002 | 2001 | 2000 |
|---|--------------------|---------------------|--------------------|
| Cash flows from operating activities | | | |
| | 3,462,829 | 2,782,291 | 2,490,414 |
| Net profit on ordinary activities before tax | | | |
| A.1 Adjustments for non-cash movements: | 4,920,441 | 6,555,307 | 4,745,277 |
| A.1.1 Depreciation of fixed assets, write-off of receivables | 4,647,014 | 3,023,731 | 2,046,363 |
| A.1.2 Change in general provisions, accruals and prepayments | (280,207) | 3,053,823 | 2,280,925 |
| A.1.3 Profit from disposal of fixed assets | (5,799) | (5,822) | (16,002) |
| A.1.5 Net interest expense | 559,433 | 483,575 | 433,991 |
| A * Net cash flows from ordinary activities before tax, changes in working capital and extraordinary items | 8,383,270 | 9,337,598 | 7,235,691 |
| A.2 Working capital changes: | 1,839,726 | 2,057,382 | (2,970,419) |
| A.2.1 Decrease/ (increase) in receivables | 535,825 | (493,400) | (1,584,768) |
| A.2.2 Increase in short term payables | 1,083,158 | 2,408,487 | 61,698 |
| A.2.3 Decrease / (increase) in inventories | 220,743 | 142,295 | (1,447,349) |
| A ** Net cash flows from ordinary activities before tax and extraordinary items | 10,222,996 | 11,394,980 | 4,265,272 |
| A.3 Interest paid | (636,127) | (561,904) | (439,474) |
| A.4 Interest received | 76,694 | 78,479 | 11,331 |
| A.5 Income tax on ordinary activities paid | (298,481) | (146,300) | (50) |
| A.6 Extraordinary profits / (losses) | (262,035) | 10,147 | (34,682) |
| A *** Net cash flows from ordinary activities | 9,103,047 | 10,775,402 | 3,802,397 |
| Cash flows from investing activities | | | |
| B.1 Acquisition of fixed assets | (5,294,934) | (11,178,043) | (7,422,520) |
| B.2 Proceeds from sale of fixed assets | 19,526 | 11,716 | 15,430 |
| B *** Net cash flows from investing activities | (5,275,408) | (11,166,327) | (7,407,090) |
| Cash flows from financing activities | | | |
| C.1 Change in long and short-term liabilities | (3,804,228) | 1,013,630 | 1,241,207 |
| C.2 Changes in equity | | | |
| C.2.1 Cash inflow from the increase of share capital | - | 120,000 | - |
| C *** Net cash flows from financing activities | (3,804,228) | 1,133,630 | 1,241,207 |
| Net increase/(decrease) in cash and cash equivalents | 23,411 | 742,705 | (2,363,486) |
| Cash and cash equivalents at the beginning of the year | 1,162,881 | 420,176 | 2,783,662 |
| Cash and cash equivalents at the end of the year | 1,186,292 | 1,162,881 | 420,176 |

■ **RadioMobil a.s.**

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