

• • **T** • • Mobile •

Radiomobil a.s.  
in 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-Mobile, 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.

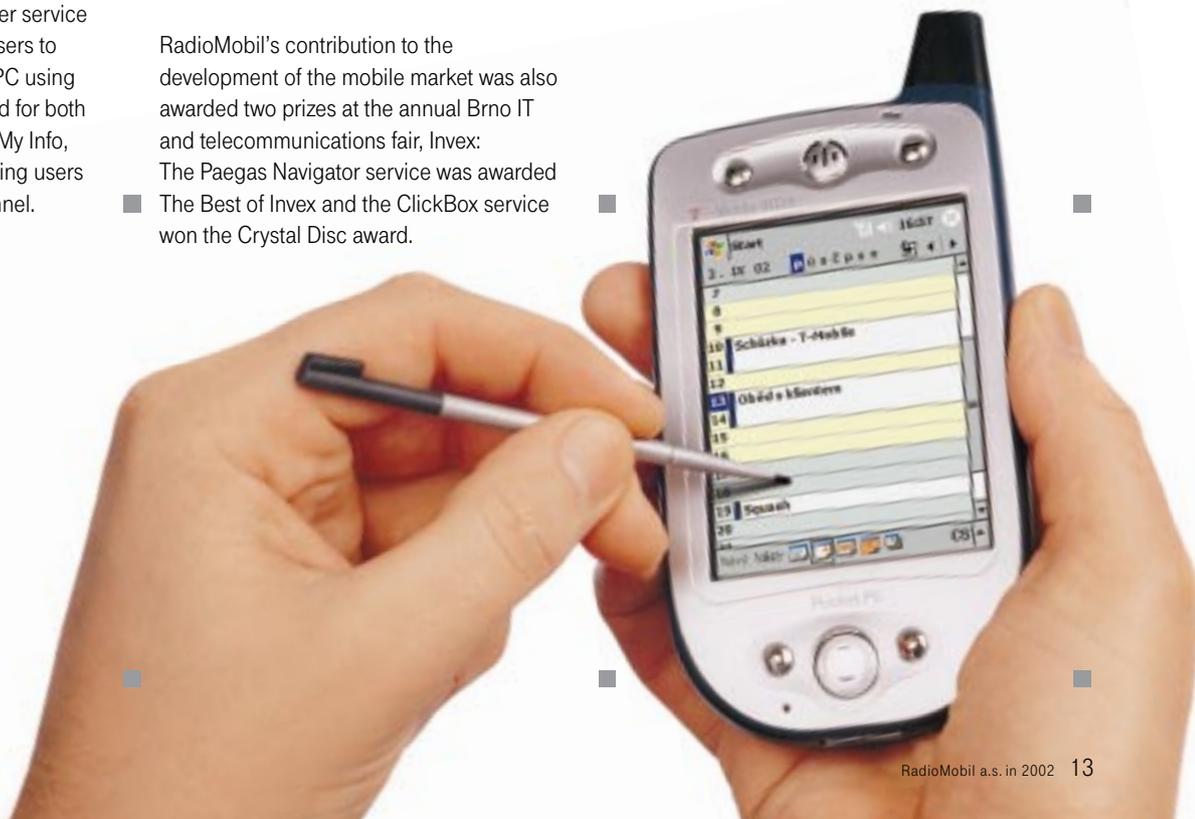
## 2001

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.





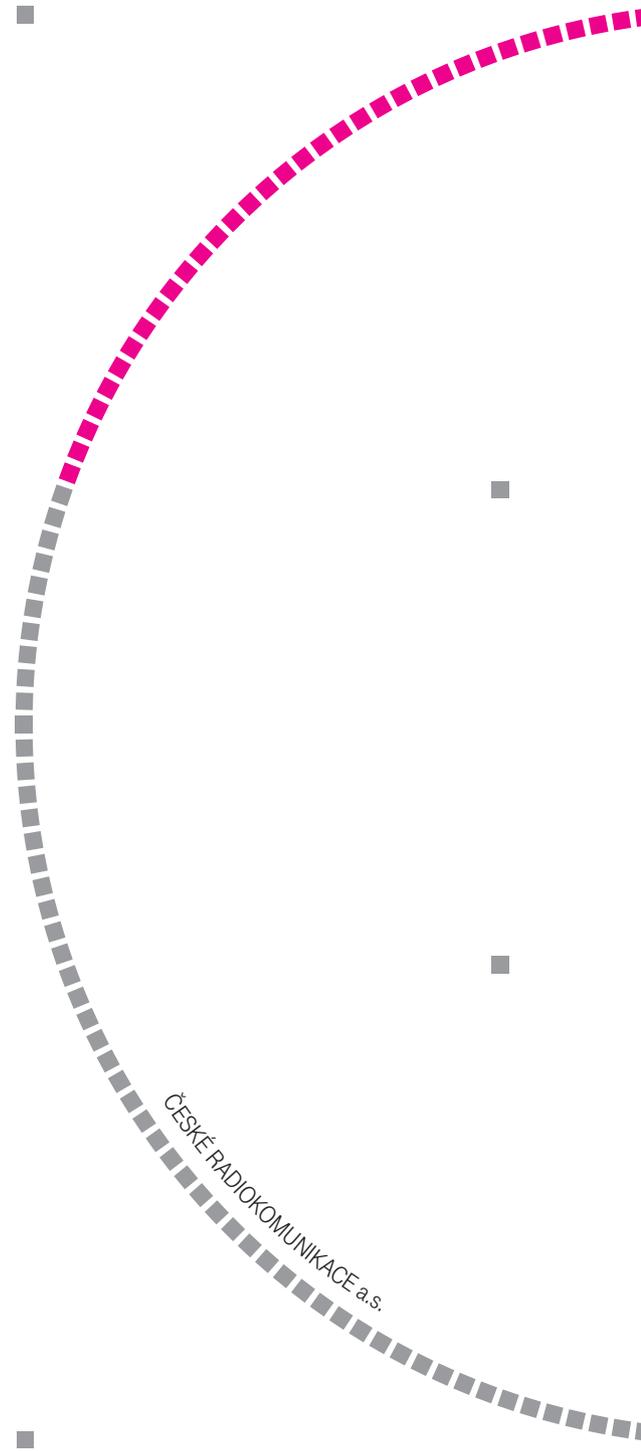
## ■ About the Company ■

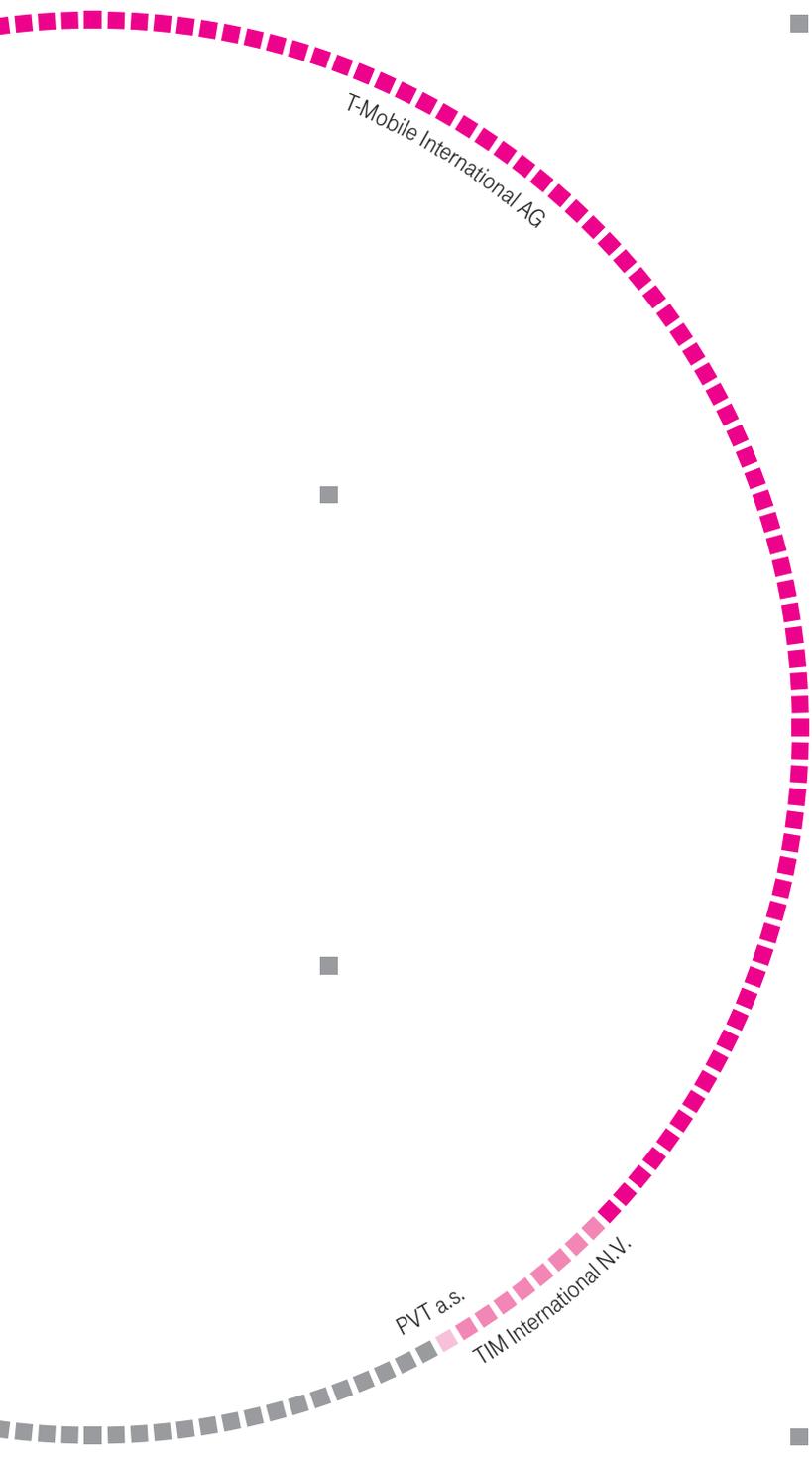
■ In 1996, RadioMobil was established and started the operation of a GSM network under the brand name Paegas. As a second operator, RadioMobil brought long-awaited competition to the mobile market, functioning up until then as a monopoly. Paegas soon became a worthwhile alternative, especially due to 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.

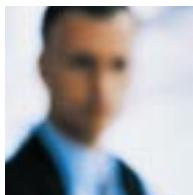
- Therefore, RadioMobil pays great attention to this area. During a single year, the Regional Centre in Hradec Králové, eastern Bohemia, was completed and opened, offering job opportunities for several hundred employees – mainly customer service representatives, a number of top IT specialists and employees 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.

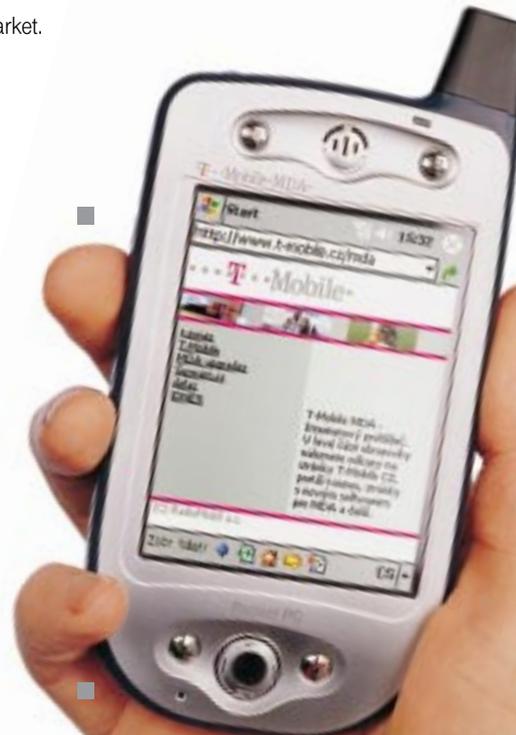
## ■ Services for corporate clients

### **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.

## ■ 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  
and Financial Statements in Accordance  
with International Accounting Standards

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## ■ 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 statements of income, changes in equity and cash flows for the year then ended ("the financial statements"). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of RadioMobil a.s. as at 31 December 2002, and the results of its operations, its changes in equity and its cash flows for the year then ended in accordance with International Accounting Standards.

17 February 2003

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers Audit, s.r.o.

## ■ Balance Sheet

Year ended 31 December 2002

ASSETS	Notes	31 December 2002 CZK'000	31 December 2001 CZK'000
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	5	1,186,292	1,162,881
Accounts Receivable and Prepayments	6	2,276,489	1,816,098
Tax Receivable		451,874	423,453
Inventories	7	810,073	1,248,252
Other Current Assets	8	1,255,737	1,250,083
<b>Total Current Assets</b>		<b>5,980,465</b>	<b>5,900,767</b>
<b>NON-CURRENT ASSETS</b>			
Property and Equipment	9	25,096,969	24,103,782
Intangible Assets	11	5,798,206	5,779,999
Long Term Other Assets	12	7,641	61,296
<b>Total Non-Current Assets</b>		<b>30,902,816</b>	<b>29,945,077</b>
<b>TOTAL ASSETS</b>		<b>36,883,281</b>	<b>35,845,844</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Payables	13	6,179,512	4,619,421
Income Tax Payable		-	34,568
Current Portion of Long Term Debt	14	1,280,790	2,602,503
Deferred Income	15	1,176,704	1,295,867
Bank Overdrafts and Loans	16	3,877,638	51,980
<b>Total Current Liabilities</b>		<b>12,514,644</b>	<b>8,604,339</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank and Other Loans	16	2,123,077	5,747,317
Other Long Term Borrowings	16	5,056,269	5,051,791
Long Term Payables	17	2,355,804	3,287,977
Deferred Tax Liabilities	18	2,138,646	1,257,543
Long Term Other Liabilities	19	-	2,100,566
<b>Total Non-Current Liabilities</b>		<b>11,673,796</b>	<b>17,445,194</b>
<b>EQUITY</b>			
Share Capital	22	520,000	520,000
Share Premium	22	5,344,110	5,344,110
Statutory Reserve Fund	22	104,000	104,000
Retained Earnings		6,726,731	3,828,201
<b>Total Equity</b>		<b>12,694,841</b>	<b>9,796,311</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>36,883,281</b>	<b>35,845,844</b>

The financial information on pages 36 to 58 has been approved by the Company's Board of Directors for issue on 17 February 2003.

## ■ Income Statement

Year ended 31 December 2002

	Notes	2002 CZK'000	2001 CZK'000
Revenue	23	21,568,320	21,107,346
Other Operating Income		1,078,347	1,046,697
Cost of Goods and Services	24	(7,153,826)	(9,756,940)
Staff Costs	25	(1,399,834)	(1,118,143)
Depreciation and Amortization	26	(4,476,612)	(2,863,572)
Marketing and Selling Expenses		(1,464,840)	(1,086,534)
Other Operating Expenses	27	(3,130,261)	(2,569,047)
<b>Profit from operations</b>		<b>5,021,294</b>	<b>4,759,807</b>
Finance income and expenses, net	28	(761,750)	(1,152,923)
<b>Profit before tax</b>		<b>4,259,544</b>	<b>3,606,884</b>
Income Tax Expense	29	(1,361,014)	(1,069,954)
<b>Net profit for the period</b>		<b>2,898,530</b>	<b>2,536,930</b>

## ■ Statement of Changes in Equity

Year ended 31 December 2002

	Share Capital CZK'000	Share Premium CZK'000	Statutory Reserve Fund CZK'000	Retained Earnings CZK'000	Total CZK'000
Balance at 31 December 2000 as previously reported:	400,000	5,344,110	80,000	2,225,746	8,049,856
Change in accounting policy – adoption of IAS 39	-	-	-	(910,475)	(910,475)
<b>Restated Balance at 1 January 2001</b>	<b>400,000</b>	<b>5,344,110</b>	<b>80,000</b>	<b>1,315,271</b>	<b>7,139,381</b>
Increase of share capital	120,000	-	-	-	120,000
Allocation to statutory reserve fund	-	-	24,000	(24,000)	-
Net profit for the period	-	-	-	2,536,930	2,536,930
<b>Balance at 31 December 2001</b>	<b>520,000</b>	<b>5,344,110</b>	<b>104,000</b>	<b>3,828,201</b>	<b>9,796,311</b>
Net profit for the period	-	-	-	2,898,530	2,898,530
<b>Balance at 31 December 2002</b>	<b>520,000</b>	<b>5,344,110</b>	<b>104,000</b>	<b>6,726,731</b>	<b>12,694,841</b>

## ■ Cash Flow Statement

Year ended 31 December 2002

	Notes	2002 CZK'000	2001 CZK'000
<b>Cash flows from operating activities</b>			
Income before tax		4,259,544	3,606,884
Adjustments to reconcile net income to net cash from operating activities:			
– Depreciation and amortization	26	4,476,612	2,863,572
– Gains on sale of fixed assets		(5,799)	(11,717)
– Provision for doubtful debts and inventories		196,660	459,542
– Foreign exchange losses, net		106,302	250,783
– Other provisions and non cash expense (income)		8,522	865,974
– Interest expense, net		655,448	662,973
Operating cash flows before working capital changes		9,697,319	8,698,011
Change in accounts receivable and other current assets		(462,291)	(1,452,865)
Change in inventories		339,134	607,089
Change in trade and other payables		1,021,457	1,133,917
Cash generated from operations		10,595,616	8,986,152
Interest paid, net		(655,448)	(662,973)
Income taxes paid		(778,392)	(150,961)
<b>Net cash provided by operating activities</b>		<b>9,161,776</b>	<b>8,172,218</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed and intangible assets		(5,294,572)	(11,178,640)
Proceeds from sales of fixed assets		19,526	12,993
<b>Net cash used in investing activities</b>		<b>(5,275,046)</b>	<b>(11,165,647)</b>
<b>Cash flows from financing activities</b>			
Proceeds from capital subscriptions	22	–	120,000
Issuance of bonds and shareholder's loan	16	300,000	3,823,078
Decrease in short term borrowings	16	(51,980)	(206,944)
Decrease in long term debt		(4,111,339)	–
<b>Net cash provided by financing activities</b>		<b>(3,863,319)</b>	<b>3,736,134</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>23,411</b>	<b>742,705</b>
Cash and cash equivalents at beginning of period	5	1,162,881	420,176
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>5</b>	<b>1,186,292</b>	<b>1,162,881</b>

# ■ Notes to the Financial Statements

Year ended 31 December 2002

## 1. GENERAL INFORMATION

RadioMobil a.s. ("RadioMobil" or "the Company"), located in Prague 2, Londýnská 730, was incorporated on 15 February 1996 as a joint stock company in the Czech Republic. It operates a public Global System for Mobile Communications ("GSM") network and provides mobile telecommunication services under the terms and conditions stated in the Authorization issued by the Ministry of Economy of the Czech Republic (no. 7660/96-611 of 25 March 1996).

The shareholders of RadioMobil as at 31 December 2002 and 2001 are:

Shareholder	No. of shares (Thousands)	Share in nominal share capital	
		CZK'000	%
CMobil B.V.	316	316,000	60.77
ČESKÉ RADIOKOMUNIKACE a.s.	204	204,000	39.23
<b>Total</b>	<b>520</b>	<b>520,000</b>	<b>100.00</b>

The ownership structure of the Company is governed by the stipulations 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. via T-Mobile International A.G. ("TMO").

The annual approval of the fulfillment of RadioMobil's GSM services obligations according to the Czech Telecommunication Office ("CTU") requirements for the period ended 31 December 2002 is expected in the near future.

Based on a decision of the CTU issued on 14 December 2001, RadioMobil obtained the right to provide telecommunication services under the UMTS system.

The shareholders 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 as at 31 December 2002.

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

## 2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with international accounting standards ("IAS") under the historical cost convention except as disclosed in accounting policies below.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. The accounting policies remain unchanged from previous year. Certain reclassifications have been made to the 2001 balances to make them more comparable to the 2002 presentation.

#### a) Entities controlled

RadioMobil does not control or significantly influence any other entity.

#### b) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### c) Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies as of the balance sheet date are recognized in the income statement.

#### d) Cash equivalents

Cash equivalents are highly liquid balances held at banks, balances due from banks, including overdrafts, bank promissory notes and other short-term financial investments.

#### e) Accounts receivable

Trade receivables are carried at the original invoice amount less a provision made for the impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms the invoiced amount. The amount of the provisions is the difference between the carrying amount and the recoverable amount, this being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

#### f) Inventories

Inventories, with the exception of the subsidized mobile telephone sets mentioned below, are stated at the lower of cost or net realizable amount. Cost is determined by the weighted average price method. The cost comprises purchase cost and other costs incurred in bringing the materials into their present location and condition. These include freight, customs and storage costs during transportation. Provisions are recorded for obsolete, slow moving and damaged inventory and are deducted from the related inventory balances.

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

#### g) Provisions

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.

## **h) Financial instruments**

### **Financial assets**

The Company's principal financial assets are bank balances and cash and trade and other receivables. Trade and other receivables are stated at their nominal value and reduced by the appropriate allowances for estimated unrecoverable amounts.

### **Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements. Significant financial liabilities include interest-bearing bank loans and overdrafts, other loans and bonds, promissory notes, finance lease obligations and trade and other payables.

Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Trade and other payables are stated at their nominal value.

### **Financial derivatives**

Information about accounting for derivative financial instruments and hedging activities is included in Note 4 "Financial risk management".

## **i) Property and equipment**

Property and equipment are stated at acquisition cost less depreciation. Acquisition costs are comprised of the purchase price, transportation cost, customs cost, installation cost and other relevant costs. Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized to those assets, until such time as the assets are substantially ready for their intended use or sale.

Depreciation is calculated on a straight-line method over an asset's estimated useful life as follows:

Land	Not depreciated
Buildings and leasehold improvements	20 years
Equipment:	
- Vehicles, computers, office equipment	3 - 5 years
- Network equipment	8 years
- Towers and poles	20 years

Repairs and maintenance costs are charged to the income statement as expenditures are incurred.

If the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected cash flows are discounted to their present values.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

#### **Finance leases**

Leased property and equipment where RadioMobil assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the estimated net present value of the underlying lease payments. The corresponding current and long term rental obligations, net of finance charges, are included as current and long term payables respectively. Finance charges are charged to the income statement over the lease period.

Interest is allocated to future payments using the straight line method, which does not significantly differ from the effective interest method.

#### **j) Operating leases**

Payments made under operating leases are charged to the income statement in equal installments over the period of the lease, except where an alternative method is more representative of the time pattern from which benefits are derived.

#### **k) Intangible assets**

Intangible assets comprise the following:

- i) GSM Licenses, which represent the right to provide telecommunication services in the Czech Republic and to build and operate GSM telecommunication equipment, are accounted for at the purchase price from the Ministry of Economy of the Czech Republic. This amount has been capitalized and is being amortized over its useful life using the straight-line method. The useful life is considered to be 20 years.
- ii) UMTS License, acquired in December 2001, represents the right to provide telecommunication services in the Czech Republic under the UMTS system. As at 31 December 2002, the UMTS license is not yet in use as the system is in the process of preparation for the commercial launch. Once in use, the license will be amortized over its license life.
- iii) Software costs are amortized over the expected period of the benefit of the cost, which is four years. The costs include the cost of the license for use of software and cost of consulting services related to the implementation of the software. Costs of consulting services, which are incurred after the relevant subsystem of the software is put into routine operation, are charged to the income statement as incurred.
- iv) Development costs are recognized as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Development costs represent studies for microwave connections within the GSM network performed by the external supplier. Development costs are amortized using the straight-line method over the period of time for which the study is expected to contribute to revenues, i.e. 8 years.

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized to those assets, until such time as the assets are substantially ready for their intended use or sale.

### **l) Revenues**

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 airtime amounts billed in advance and value added tax.

In instances when RadioMobil 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 consumption of prepaid airtime.

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 31, "Contingencies" for further discussion.

Interest income is accrued as earned, by reference to the principal outstanding and the applicable interest rate.

### **m) Cost of Goods and Services**

Cost of goods and services includes costs of sold handsets and accessories, dealer's commissions and bonuses and costs of leased lines, roaming costs and interconnecting fees for delivering calls that terminate outside RadioMobil's network. The costs are charged to income in the period in which the related revenue is recognized.

### **n) Marketing and Selling expenses**

All marketing and selling costs are charged to the income statement as incurred.

### **o) Employee benefits**

The Company does not have any post-employment benefits, termination benefits or equity compensation benefits.

### **p) Income taxes**

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

Deferred tax is charged or credited in the income statement, except when it relates to the items credited or charged directly to equity, in which case the deferred tax is also recorded through equity.

## 4. FINANCIAL RISK MANAGEMENT

### Foreign exchange and interest risk management

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

Risk management is the responsibility of the Company's treasury department under policies and guidelines set by the Board of Directors of RadioMobil a.s. and approved by DTAG and TMO treasury departments. The Company's Treasury department identifies, evaluates and hedges financial risks within the guidelines and criteria set by the "TMO Group Hedging Policy" and "Hedging Strategy for RadioMobil" which have been approved by the Board of Directors of RadioMobil a.s. and are in accordance with the strategy of DTAG and TMO treasury departments. The hedging policy provides written principles for overall risk management, while the hedging strategy describes specific guidelines for areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivative financial instruments.

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

The Company also uses interest rate swaps to hedge a portion of its interest rate risk arising from borrowings.

### Concentrations of credit risk

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

### Liquidity management

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

### Accounting for derivative financial instruments

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

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

The Company's derivative transactions provide effective economic hedges under the Company's risk management policies and guidelines. The Company has not opted to apply hedge accounting under the specific guidelines of IAS 39. Therefore, in accordance with IAS 39, the derivatives are not classified as hedging instruments. Changes in the fair value of derivatives which do not meet hedge accounting rules in accordance IAS 39 are immediately reported in the income statement.

## 5. CASH AND CASH EQUIVALENTS

CZK'000	31.12.2002	31.12.2001
Cash at banks and in hand	1,186,292	158,881
Cash equivalents	-	1,004,000
<b>Total</b>	<b>1,186,292</b>	<b>1,162,881</b>

Cash Equivalents at 31 December 2001 mainly consist of bank promissory notes. The promissory notes represent short term investments carried out for cash management purposes.

## 6. ACCOUNT RECEIVABLE AND PREPAYMENTS

CZK'000	31.12.2002	31.12.2001
Trade receivables	3,461,597	2,735,592
Prepayments	144,042	154,894
Trade receivables and prepayments	3,605,639	2,890,486
Less: Provision for doubtful debts	(1,377,473)	(1,086,425)
Trade receivables and prepayments (net of provision)	2,228,166	1,804,061
Other receivables	48,323	12,037
<b>Total</b>	<b>2,276,489</b>	<b>1,816,098</b>

Trade receivables primarily relate to the GSM service customers, other telecommunication companies (interconnection charges) and independent dealers.

## 7. INVENTORIES

CZK'000	31.12.2002	31.12.2001
Handsets and accessories for sale	401,949	646,441
Technical inventories (network spare parts)	568,005	813,982
Other inventories	43,593	85,691
<b>Subtotal</b>	<b>1,013,547</b>	<b>1,546,114</b>
Less: Provisions	(203,474)	(297,862)
<b>Total</b>	<b>810,073</b>	<b>1,248,252</b>

## 8. OTHER CURRENT ASSETS

CZK'000	31.12.2002	31.12.2001
Accrued revenue	1,049,255	1,063,436
Positive fair value of derivatives	51,570	-
Other current assets	154,912	186,647
<b>Total</b>	<b>1,255,737</b>	<b>1,250,083</b>

Accrued revenue is attributable to GSM services provided to subscribers that were not invoiced as of year end and also accrued interconnection charges.

## 9. PROPERTY AND EQUIPMENT

	Buildings and land CZK'000	Equipment and other fixed assets CZK'000	Tangible fixed assets under construction and advances CZK'000	Total CZK'000
<b>Cost</b>				
31.12.2000	732,208	17,302,203	2,710,103	20,744,514
Additions *	32,675	11,304,206	(1,031,604)	10,305,277
Disposals	(5,736)	(1,059,999)	-	(1,065,735)
31.12.2001	759,147	27,546,410	1,678,499	29,984,056
Additions *	478,395	5,143,828	-	5,622,223
Disposals	(11,662)	(808,548)	(333,187)	(1,153,397)
31.12.2002	1,225,880	31,881,690	1,345,312	34,452,882
<b>Accumulated depreciation</b>				
31.12.2000	132,036	3,536,788	-	3,668,824
Depreciation	53,863	2,604,851	-	2,658,714
Disposals	(916)	(446,348)	-	(447,264)
31.12.2001	184,983	5,695,291	-	5,880,274
Depreciation	19,064	3,663,310	-	3,682,374
Provision	54,733	-	160,000	214,733
Disposals	(3,756)	(417,712)	-	(421,468)
31.12.2002	255,024	8,940,889	160,000	9,355,913
<b>Net book value</b>				
31.12.2001	574,164	21,851,119	1,678,499	24,103,782
31.12.2002	970,856	22,940,801	1,185,312	25,096,969

\* Additions and reclassifications of tangible fixed assets under construction and advances are presented as net (negative) additions.

Additions to equipment and other fixed assets are primarily a result of the development of the GSM network. The major part of disposals consists of removed network equipment reused in other locations or recognized as inventory until reused in a subsequent accounting period.

No property of the Company is pledged.

## 10. FINANCIAL LEASES

Future lease liabilities relate to cars leased under financial lease contracts as of 31 December 2002 and are as follows:

CZK'000	2003	2004	2005	Total
Payables including interest	70,780	45,819	14,805	131,404
Payables excluding interest	62,979	42,318	13,951	119,248

Current lease liabilities are included in Payables (see Note 13). Non current lease liabilities are included in Other Long Term Borrowings (See Note 16).

The total net book value of assets under financial leases as of 31 December 2002 is approximately CZK 120 million (as of 31 December 2001: CZK 116,303 thousand) and is included under Equipment and other fixed assets.

## 11. INTANGIBLE ASSETS

	Development Costs	Software	GSM and other Licenses	Intangible fixed assets not in use	Advances	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
<b>Acquisition cost</b>						
31.12.2000	137,235	1 285,671	709,879	213,490	15,629	2,361,904
Additions*	6,268	511,941	337,200	3,874,824	(12,614)	4,717,619
Disposals	-	(1,276)	-	-	-	(1,276)
31.12.2001	143,503	1,796,336	1,047,079	4,088,314	3,015	7,078,247
Additions*	25,543	553,109	8,791	225 646	30,729	843,818
Disposals	(3,099)	(5,897)	-	(28,627)	-	(37,623)
31.12.2002	165,947	2,343,548	1,055,870	4,285,333	33,744	7,884,442
<b>Accumulated amortisation</b>						
31.12.2000	62,983	631,824	398,583	-	-	1,093,390
Amortization	38,139	400,247	34,874	-	-	473,260
Correction of error on GSM licenses depreciation	-	-	(268,402)	-	-	(268,402)
31.12.2001	101,122	1,032,071	165,055	-	-	1,298,248
Amortization	46,112	695,295	52,831	-	-	794,238
Disposals	(1,635)	(4,615)	-	-	-	(6,250)
31.12.2002	145,599	1,722,751	217,886	-	-	2,086,236
<b>Net book value</b>						
31.12.2001	42,381	764,265	882,024	4,088,314	3,015	5,779,999
31.12.2002	20,348	620,797	837,984	4,285,333	33,744	5,798,206

\* Additions and reclassifications of intangible fixed assets under construction and advances are presented as net (negative) additions.

RadioMobil purchased a UMTS License on 14 December 2001 in a public bid. The purchase price was CZK 3,861 million. As the highest bidder, RadioMobil also obtained two new license bands of GSM 1800 MHz that were included in the price. The UMTS license itself has been valued at the price of CZK 3,535 million (amount of competing bid) and the two new bands of GSM 1800 MHz have been valued at CZK 326 million. The UMTS license is included in Intangible fixed assets not in use. Capitalised interest as at 31 December 2002 represents CZK 225,646 thousand.

## 12. LONG-TERM OTHER ASSETS

CZK'000	31.12.2002	31.12.2001
Positive fair value of derivatives	-	55,566
Other receivables	7,641	5,730
<b>Total</b>	<b>7,641</b>	<b>61,296</b>

### 13. PAYABLES

CZK'000	31.12.2002	31.12.2001
Trade payables	295,383	914,513
Derivatives due to be settled within 1 year	1,868,877	1,055,287
Uninvoiced capital expenditures – GSM network	555,816	309,232
Deposits and prepayments	278,763	205,945
Other taxes and social security	2,120	41,259
Financial lease (current)	62,979	64,512
Estimated payables – interconnection	735,671	655,675
Estimated payables – other	1,629,391	960,665
Accruals for customer loyalty program	321,414	231,990
Other accruals	284,958	180,343
Bill of Exchange to be paid	144,140	–
<b>Total</b>	<b>6,179,512</b>	<b>4,619,421</b>

Deposits and prepayments include deposits received from customers for the Company services.

Estimated payables mainly consist of uninvoiced deliveries of inventories and services.

### 14. CURRENT PORTION OF LONG TERM DEBT

The current portion of long term debt relates to the promissory notes of CZK 994,690 thousand (31 December 2001: CZK 2,316,403 thousand) due within 1 year of the balance sheet date. The current portion of the long term liability to the Czech state of CZK 286,100 thousand as at 31 December 2002 (31 December 2001: 286,100 thousand) is a result of the purchase of the UMTS license in December 2001. Refer to Note 17, Long term payables.

### 15. DEFERRED INCOME

CZK'000	31.12.2002	31.12.2001
Deferred airtime related to prepaid customers	848,152	891,638
Deferred income from activation fees	192,256	299,703
Other deferred income	136,296	104,526
<b>Total</b>	<b>1,176,704</b>	<b>1,295,867</b>

## 16. FINANCING

### Bank and Other Loans

Description	Maturity	Balance in original currency DEM'000	Balance as of 31.12.2002 CZK'000	Balance as of 31.12.2001 CZK'000
Bank overdraft			-	51,980
Short term syndicated loan	June/2003			
Tranche A		100,000	1,615,682	-
Tranche B		140,000	2,261,956	-
<b>Total Bank Overdrafts and Loans (short term)</b>		-	<b>3,877,638</b>	<b>51,980</b>
Long term syndicated loan	June/2003			
Tranche A		100,000	-	1,635,100
Tranche B		140,000	-	2,289,140
Shareholder's subordinated loan	May/2008	-	1,823,077	1,823,077
Subordinated long term loan	Dec./2004	-	300,000	-
<b>Total Bank and Other Loans (long term)</b>		-	<b>2,123,077</b>	<b>5,747,317</b>

#### Bank loan

A syndicate of 17 banks provided the syndicated loan on 17 June 1998 (total credit line of DEM 250,000 thousand). The joint arrangers were 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 was 2.88% p.a. at 31 December 2002 (as at 31 December 2001, it was 3.256% p.a.).

The interest for tranche B is based on 3M EURO LIBOR interest, which was 3.09% p.a. at 31 December 2002 (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 30).

#### Shareholder's loan

The Company was granted a subordinated loan in 2001 which has an outstanding balance of CZK 1,823,077 thousand at 31 December 2002. The debt has been provided by CMobil B.V., repayable in May 2008, and was used for financing the acquisition of the UMTS license. The debt has an interest rate of 3.78% (3M PRIBOR + 1%) as at 31 December 2002 (31 December 2001: 5.76%).

Additionally, RadioMobil has been granted a subordinated loan with an outstanding balance of CZK 300,000 thousand at 31 December 2002. The debt has been provided by Deutsche Telekom International Finance B.V., a wholly owned subsidiary of DTAG.

Refer also to Note 21, Fair value of financial assets and liabilities.

## Other Long Term Borrowings

CZK'000	31.12.2002	31.12.2001
Bonds issued	5,000,000	5,000,000
Long term part of the finance lease payables	56,269	51,791
<b>Total</b>	<b>5,056,269</b>	<b>5,051,791</b>

In 1999, RadioMobil issued bonds on the Prague Stock Exchange with an interest rate of 8.20% p.a., due in 2004, in the aggregate nominal amount of CZK 3,000 million as of the initial date.

The issue was arranged and subscribed by the Joint Lead Managers: ABN AMRO Bank N.V., Commerzbank Capital Markets (Eastern Europe) a.s. and Česká spořitelna, a.s. The issue price of all bonds as of the Initial Issue Date was 99.85% of their nominal value.

In April 2001, the Company issued additional bonds in the aggregate nominal amount of CZK 2,000 million with an interest rate 8.20% p.a. due in 2004. The issue price of the bonds as of the Initial Issue Date was 106.42% of their nominal value.

The second issue was arranged and subscribed by the Joint Lead Managers: ABN AMRO Bank N.V., Commerzbank Capital Markets (Eastern Europe) a.s. and Česká spořitelna, a.s.

The difference between the issue price and the nominal value of the bonds is recognized as financial expense/income in the income statement on the accrual basis.

## 17. LONG TERM PAYABLES

CZK'000	31.12.2002	31.12.2001
Long term promissory notes	15,447	713,077
Payable to the Czech state (UMTS license)	2,288,800	2,574,900
Other long term payables	51,557	-
<b>Total</b>	<b>2,355,804</b>	<b>3,287,977</b>

RadioMobil issues long term promissory notes for financing a portion of the investment needs of the GSM network. The maturity of the promissory notes is usually 18 months from the issuance date. Interest is charged on the notes at a rate based on EURIBOR + margin 0.55% p.a. (2001: from 0.40% to 0.55%).

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 represents 8 installments payable from 2004 to 2011. Short term portion of this obligation is payable in 2003 and is included in Note 14, Current portion of long term debt. The current interest rate charged on the outstanding amount is 4.06% as of 31 December 2002.

## 18. DEFERRED TAX LIABILITIES

The movement for the year in deferred tax liabilities was as follows:

CZK'000	2002	2001
At 1 January	(1,257,543)	(684,442)
Effect of adoption of IAS 39 on the opening balance	-	409,054
Charge to the income statement for the year	(881,103)	(982,155)
Total change in deferred tax	(881,103)	(573,101)
At 31 December	(2,138,646)	(1,257,543)

Deferred income tax liabilities consist of the following:

CZK'000	31.12.2002	31.12.2001
Depreciation differences for fixed and intangible assets	(8,290,558)	(7,341,991)
Foreign exchange gains not taxable in the current period	-	(766,290)
Fair value of derivatives (Difference between tax and accounting values)	289,370	3,100,287
Provisions for receivables and inventories	522,332	719,415
Other accruals	479,999	231,990
Investment tax relief credits available	100,000	-
Base for deferred tax computation	(6,898,857)	(4,056,589)
Tax rate	31%	31%
Total	(2,138,646)	(1,257,543)

## 19. LONG TERM OTHER LIABILITIES

Long term other liabilities refer to derivatives recognized at their negative fair value. The amount of liability consisted of CZK 2,075 million in long term forward exchange contracts and CZK 25 million in long term interest rate swaps as at 31 December 2001. All forward exchange contracts and interest rate swaps are classified as short term as at 31 December 2002. Forward exchange contracts that are due to be settled within the period of one year following the balance sheet date are shown under current payables (Note 13) and Other current assets (Note 8). Refer also to Note 20, Derivative Financial Instruments.

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

### Interest rate swaps

The Company entered into four five-year Interest Rate Swaps ("IRS") with a total nominal value of DEM 100,000 thousand in 1998 to hedge a part of the interest rate risk resulting from the DEM 250,000 thousand syndicated credit facility (as of 31 December 2001, DEM 240,000 thousand has been drawn down). The 6 M EUROLIBOR floating interest rate was changed into a fixed average rate of 4.22% p.a. Two IRS have been settled as of 30 December 2002. The other IRS mature in 2003.

In 2000, two IRS transactions with a total nominal value of CZK 400 million were commenced to change the fixed interest rate of 8.20% p.a. from a portion of the issued bonds into 6 M PRIBOR. These instruments mature in 2004.

In 2001, two IRS transactions with a total nominal value of DEM 60 million were commenced to change the floating interest rate of 3M EUROLIBOR on a syndicated loan into the fixed average rate of 5.01% p.a. These instruments mature in 2003.

In 2002, two IRS transactions in the total amount of DEM 80 million were commenced to change the floating interest rate of 3M EUROLIBOR p.a. of a syndicated loan into the fixed average rate of 4.10% p.a. These instruments mature in 2003.

IRS with positive fair values are included in the Other Current Assets totaling CZK 39,843 thousand as at 31 December (Note 8) (as at 31 December 2001, CZK 32,982 thousand, in Long Term Other Assets), IRS with negative fair value as at 31 December 2002 of CZK 18,905 thousand are shown within Payables (Note 13) (as at 31 December 2001 CZK 25,467 thousand, in Long Term Other Liabilities).

### Forward contracts

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.

<b>Open foreign exchange forward contracts (CZK'000)</b>	<b>31.12.2002</b>	<b>31.12.2001</b>
Open forward exchange contracts hedging loan;		
Negative fair value	(1,531,649)	(1,406,501)
Open forward exchange contracts hedging other FX payables;		
Positive fair value	11,727	-
Negative fair value	(318,323)	(1,723,884)
<b>Forward contracts total fair value</b>	<b>(1,838,245)</b>	<b>(3,130,385)</b>

## 21. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The estimated fair value of financial assets and liabilities has been determined using the best available market information and appropriate valuation methodologies. However, considerable judgment is necessary to interpret the market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Company could realize in the current market or the value that ultimately will be received by the Company upon maturity or disposition. Therefore, because of the variety of valuation techniques, comparability of fair values among estimates may not be meaningful. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amount.

CZK'000	31.12.2002		31.12.2001	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and Cash Equivalents	1,186,292	1,186,292	1,162,881	1,162,881
Accounts Receivable and Prepayments	2,172,749	2,172,749	1,816,098	1,816,098
Other Current Assets	1,255,737	1,255,737	1,250,083	1,250,083
Long-Term other assets	7,641	7,641	61,296	61,296
<b>Financial liabilities</b>				
Payables, current portion of long term debt, and deferred income	8,570,568	8,570,568	8,517,791	8,517,791
Bank Overdrafts	-	-	51,980	51,980
Bank and other loans	6,000,715	6,000,715	5,747,317	5,747,317
Other Long-Term Borrowings	5,056,269	5,479,201	5,051,791	5,375,424
Long-Term Payables	2,355,804	2,355,804	3,287,977	3,287,977
Long-Term Other Liabilities	-	-	2,100,566	2,100,566

The fair value of these financial assets and liabilities (except where disclosed) approximate carrying value because of their immediate or short-term maturity or floating interest rate.

## 22. EQUITY

RadioMobil was established with registered capital of CZK 1 million contributed by ČESKÉ RADIOKOMUNIKACE a.s. The registered capital of RadioMobil was increased to CZK 400 million during 1996 and share premiums of CZK 5,344,110 thousand were paid under the Joint Venture Agreement of the joint stock company between ČESKÉ RADIOKOMUNIKACE a.s. and CMobil B.V., dated 25 March 1996, and the Contract between the Ministry of Economy of the Czech Republic, CMobil B.V. and ČESKÉ RADIOKOMUNIKACE a.s., dated 25 March 1996. The GSM license to provide telecommunication services is a portion of the share premium.

On 7 February 2001, CMobil B.V. exercised an option (in accordance with the Shareholders Agreement from 19 October 2000) and subscribed 120,000 of new shares in the nominal value of CZK 1,000 as a sole subscriber. The increase of the registered capital of the Company to CZK 520 million became legally effective on 18 April 2001. All shares issued are ordinary shares and have been fully paid.

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

### 23. REVENUES – SEGMENT REPORTING

For management purposes, the revenues can be split into the following business segments distinguishable by the nature of the product or business and by the type of the products or services.

For the year ended 31 December 2002:

CZK'000	Business segment	Domestic	Foreign	Total
Sales of handsets		903,658	–	903,658
Sales of services		19,685,662	979,000	20,664,662
<b>Total net revenue</b>		<b>20,589,320</b>	<b>979,000</b>	<b>21,568,320</b>

For the year ended 31 December 2001:

CZK'000	Business segment	Domestic	Foreign	Total
Sales of handsets		871,262	–	871,262
Sales of services		19,507,603	728,481	20,236,084
<b>Total net revenue</b>		<b>20,378,865</b>	<b>728,481</b>	<b>21,107,346</b>

The sale of handsets and network services are disclosed net of any sales discounts.

Based on the nature of the Company's business, it is not practicable to allocate the Company's assets and operating results between the above mentioned business segments.

### 24. COSTS OF GOODS AND SERVICES

CZK'000	2002	2001
Costs of handsets and accessories	2,220,526	3,906,227
Interconnection charges and roaming	3,658,823	4,505,475
Leased lines	480,058	503,022
Dealers commissions and bonuses	286,408	143,287
Other	508,011	698,929
<b>Total</b>	<b>7,153,826</b>	<b>9,756,940</b>

### 25. STAFF COSTS

CZK'000	2002	2001
Board emoluments	1,714	3,072
Wages and salaries	999,697	805,860
Social security costs	360,561	277,000
Other staff costs	37,862	32,211
<b>Total</b>	<b>1,399,834</b>	<b>1,118,143</b>
Average number of employees	2,522	2,276

## 26. DEPRECIATION AND AMORTIZATION

CZK'000	2002	2001
Amortization of GSM Licenses	52,831	34,874
Correction of error on amortization of GSM licenses in prior years	-	(268,402)
Amortization of other intangible fixed assets	741,407	438,386
Depreciation of tangible fixed assets	3,682,374	2,658,714
<b>Total</b>	<b>4,476,612</b>	<b>2,863,572</b>

Prior to 2001, the Company amortized the GSM licenses over 5 years, rather than the useful life. The error has been corrected through the profit of the prior period.

## 27. OTHER OPERATING EXPENSES

CZK'000	2002	2001
Consulting, seconded experts, external management and other services	247,049	190,847
Increase in provision for bad debts	291,048	459,194
Increase in other provisions	362,561	-
Rent expenses	537,566	445,519
Repair and maintenance	775,935	523,941
Administrative and other operating expenses	916,102	949,546
<b>Total</b>	<b>3,130,261</b>	<b>2,569,047</b>

## 28. FINANCE INCOME AND EXPENSES

CZK'000	2002	2001
Income from short-term investments	10,323	23,664
Interest income	76,694	78,329
<b>Total financial income</b>	<b>87,017</b>	<b>101,993</b>
Interest expense and other financial expenses	(742,465)	(764,966)
Foreign exchange losses, net	(106,302)	(489,950)
<b>Total</b>	<b>(761,750)</b>	<b>(1,152,923)</b>

## 29. INCOME TAX EXPENSE

Income Tax Expense is comprised of the following:

CZK'000	2002	2001
Current tax	(479,911)	(87,800)
Deferred tax	(881,103)	(982,154)
<b>Income tax expense</b>	<b>(1,361,014)</b>	<b>(1,069,954)</b>

The charge for the year can be reconciled to the profit before tax as follows:

CZK'000	2002	2001
Profit before tax	4,259,544	3,606,884
Tax by applying the statutory tax rate of 31%	(1,320,459)	(1,118,134)
Impact of:		
- Non deductible expenses	(214,928)	(208,203)
- Non taxed revenues	76,025	104,355
- 10% investment relief on investment in fixed assets in the current year, net	98,348	152,028
<b>Income tax expense</b>	<b>(1,361,014)</b>	<b>(1,069,954)</b>

## 30. RELATED PARTY TRANSACTION AND BALANCES

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

CZK'000	2002	2001
<b>ČESKÉ RADIOKOMUNIKACE a.s.:</b>		
Purchase of services (leased lines)	370,704	507,872
GSM services sold	8,617	10,579
<b>DTAG group:</b>		
Roaming, interconnection and other related services purchased	336,036	208,717
Other services purchased	8,271	-
Roaming and other services sold	383,073	193,279
Rebranding	323,754	-
Rebranding not settled as at 31 December 2002	42,155	-
<b>Total related party purchases</b>	<b>715,011</b>	<b>716,589</b>
<b>Total related party sales</b>	<b>757,599</b>	<b>203,858</b>

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

Rebranding that was not settled as of 31 December 2002 represents the amount due from ultimate parent, DTAG, that has not yet been paid. The resulting receivable is not recognized in the financial statements until settled.

Related party receivables:

CZK'000	31.12.2002	31.12.2001
<b>ČESKÉ RADIOKOMUNIKACE a.s.:</b>		
GSM services	672	1,319
Short term advances	23	17,111
Subtotal	695	18,430
<b>DTAG group:</b>		
Roaming and other services sold	64,262	29,772
<b>Total related party receivables</b>	<b>64,957</b>	<b>48,202</b>

Related party payables:

CZK'000	31.12.2002	31.12.2001
<b>ČESKÉ RADIOKOMUNIKACE a.s.:</b>		
Leased lines and other rentals	-	2,468
<b>DTAG group:</b>		
Roaming and other services purchased	9,074	5,022
<b>Total related party payables</b>	<b>9,074</b>	<b>7,490</b>

Loans from related parties:

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

In 2002, the total remuneration of the board of directors and the supervisory board was CZK 1,714 thousand (2001: CZK 3,072 thousand).

The Company does not have any significant balances nor have they entered into any significant transactions with the management or directors in 2002 and 2001.

### 31. CONTINGENCIES

The 2001 negotiation of interconnection fees with ČESKÝ TELECOM, a.s. and Český Mobil, a.s. is on-going. The results of the negotiation are uncertain and the final outcome may result in actual interconnection revenues and costs for 2001 that may significantly differ from the recorded amounts in the financial statements. Any resulting adjustments from the final settlement will be recorded in the period of settlement.

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.

The Company is not aware of any major litigation that would require adjustment or disclosure in the financial statements as at 31 December 2002 other than that which has already been adjusted as at 31 December 2002.

### 32. COMMITMENTS

As of 31 December 2002, the Company's future capital commitments with respect to the GSM network development, totaled CZK 154,107 thousand (as at 31 December 2001 CZK 375,840 thousand).

In June 2002, construction of the new administrative building in Roztyly has been started. The construction of the building is managed by the developer, SEKYRA Group, a.s., and is expected to be completed in December 2003. Contractual commitments to Roztyly Centrum a.s., the lessor consist of by annual rental fees exceeding CZK 200,000 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
<b>Total</b>	<b>3,952,044</b>	<b>1,452,864</b>

The following commitment resulted from the provision of public telecommunication services specified in the Authorization issued by the Ministry of Economy of the Czech Republic on 25 March 1996:

With regards to state security and in connection with the provision of telecommunication services in the area covered by emergency status, the Company is obliged to fulfill obligations specified by the legislation to support the defense and security of the state and economic measures during a time of emergency status. The obligation has to be fulfilled in priority for state authorities, defense and rescue forces and other parties specified by legislation. This commitment has not changed during the fiscal year ended 31 December 2002.

### 33. SUBSEQUENT EVENTS

There were no events, which have occurred subsequent to the year end that would have a material impact on the financial statements

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