



ANNUAL REPORT 2008

T-MOBILE CZECH REPUBLIC a.s.

**2008**

...T...Mobile





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— T-Mobile Czech Republic, a.s. was established in 1996 (then called RadioMobil, a.s.). In the same year it began offering mobile telecommunications services via the GSM network under the name Paegas. In 2002, the Company changed its brand and subsequently its name to T-Mobile. At present, T-Mobile operates a 2.5G GSM/GPRS/EDGE network and a 3G UMTS network. As of 31 December 2008, T-Mobile served 5.42 million customers in the Czech Republic.

— Besides tariff plans, we offer services for users of prepaid cards under the Twist brand. Our portfolio includes a wide range of services for homes and professional solutions for the business segment and public sector. In addition to voice services and SMS, customers are also increasingly using other non-voice services such as data transmission via GPRS, WiFi, EDGE and UMTS. MMS and a number of multimedia services on the t-zones mobile portal also rank among popular services. The T-Mobile network currently covers more than 99.7% of the Czech population.

— Over the past several years, our leading position as an innovator and our contribution to the development of the mobile market have been recognised with various awards, both at the national and international levels. Since our establishment, we have emphasized the quality of offered services. For this approach, we have recently been rewarded several times. At the end of 2003, T-Mobile was the only Czech mobile operator to receive the "Committed to Excellence" award based on the European standard of quality. At the end of 2004, T-Mobile reached the second level called "Recognised for Excellence", after having received the National Quality Award – the most prestigious award for quality management granted by the Czech Quality Council. T-Mobile Czech Republic has also received a number of awards for the care it devotes to its employees and their development. During the past four years, we have also concentrated heavily on the area of corporate social responsibility and assisting people in need. We currently support a number of programs focused on improving the living conditions of those who need it most.

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

— Last year, the global mobile communications group T-Mobile International served more than 128 million customers in 12 countries. This subsidiary of Deutsche Telekom was established in December 1999, thus becoming part of the strong T-family, of which we in the Czech Republic are of course proud to be a member! Besides T-Mobile, this group also includes T-Systems, which provides ICT solutions to large and medium-sized enterprises (and is represented in the Czech Republic), and T-Home (T-Com), offering state-of-the-art fixed telecommunications services for homes in a number of European countries.

— In addition to the Czech Republic, the T-Mobile brand is well-known to millions of customers in Austria, Croatia, Germany, Hungary, Macedonia, Montenegro, the Netherlands, Slovakia, the UK and the United States. T-Mobile International also holds a majority share in the Polish mobile network operator PTC, operator of the ERA network. T-Mobile Czech Republic thus has a strong international background that enables sharing of information, knowledge and synergies. Also, our own specialists have an opportunity to participate in the research and development of services that will be used by tens of millions of people in the countries where T-Mobile operates. Thanks to this international cooperation, a number of our former employees hold managerial positions in our sister companies abroad.

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

— Ease-of-use and availability anywhere and anytime. We relentlessly adhere to this principle, which our customers can confirm. Services such as t-zones, web'n'walk, Mých5 (MyFaves) and Uvítací tóny (Caller Tunes), exclusive handsets such as the T-Mobile MDA and T-Mobile G1, and data cards for notebooks, allow seamless switching between individual mobile data networks, without the user having to do anything at all. Making life easier for our customers in this way is what our corporate philosophy is based on.

— We don't want to burden our customers' minds with terms such as GPRS, EDGE, UMTS, HSDPA, Wi-Fi and WAP. They don't need them for their lives. We only try to simply explain to our customers that when they want to access the internet, read new e-mails on their phone or send a message, they just need to press a button and we take care of the rest. When developing new services or products, we try to see them through the customers' eyes, putting ourselves in the customers' shoes and asking: What is the simplest possible way to make this work? At the same time, we think about the benefits for our Czech customers, because the needs and desires of people in individual countries differ to some extent. All our efforts are thus focused on bringing our customers the possibility to easily share their experiences with their friends and family, anywhere and anytime.

- 1996**
- On 14 March 1996, the CMobil consortium won the tender proceedings for an international partner of České radiokomunikace organized by the Ministry of Economy.
  - RadioMobil was registered in the Commercial Register in June, and the Paegas GSM network began operation on 30 September.
- 1997**
- The number of Paegas phone owners exceeded 30,000 by the end of the year.
- 1998**
- In the prestigious CZECH TOP 100 survey, RadioMobil was named the most dynamically developing company of the year.
  - By the end of the year, a remarkable 173,000 customers were using the new services, internet connection and the first ever prepaid cards on the Czech market.
- 1999**
- RadioMobil introduced a number of groundbreaking innovations (e.g., Paegas Internet Call, Paegas Info, GSM Banking).
  - The Company was voted the most admired telecommunications company in the Czech Top 100 survey.
  - 373,000 customers were using Paegas services, a 115% increase compared to 1997.
- 2000**
- At the annual conference organized by the GSM Association in Cannes, RadioMobil won the prize for Best Technological Innovation in the GSM Market.
  - The Paegas network was one of the first in the world to enable users of prepaid Twist cards to send and receive short text messages.
  - A new call centre began operation in Louny, providing services to 875,000 customers by year's end.
  - Transmitters in the 1800 MHz band went on the air. Combining internet services and mobile phone capabilities, a new comprehensive portal, Paegas Click, was launched.
  - Paegas (together with the German D1 network operated by T-Mobile) was the first operator in the world to offer users of Twist prepaid cards the opportunity to make direct calls in foreign networks.
  - By the end of the year, the number of Paegas users had approached 1,865,000.
- 2001**
- The Company launched the GPRS system, allowing high-speed data transfer, and obtained a licence to operate a third-generation network, UMTS.
  - Two prizes were awarded to the Company at the INVEX trade fair: The Best of Invex for Paegas Navigator and the Crystal Disc for ClickBox.
- 2002**
- This year represented a breakthrough: Paegas became T-Mobile. The Company received the Rhodos award for the most attractive image.
  - The Company opened the Regional Centre in Hradec Králové and laid the cornerstone of its new headquarters in the Prague district of Roztyle.
  - The T-Mobile network came through unscathed during the August floods, renumbering of all telephones in the Czech Republic and the November NATO summit in Prague.
- 2003**
- The number of customers exceeded 3.5 million.
  - Fully in T-Mobile colours: the Company changed its name to T-Mobile Czech Republic, a.s.
  - T-Mobile introduced the t-zones portal and launched MMS and devices designed exclusively for T-Mobile customers.
  - The goal to become number one in the Czech market was set. T-Mobile launched special tariff plans for various target groups (such as students and foreigners) and the most favourable mobile internet connection.
  - For a second year in a row, T-Mobile obtained the highest number of new clients. As of 31 December, the number of T-Mobile customers was over the 3.9 million mark.
- 2004**
- A new office building in the Prague district of Roztyle became the new Company headquarters.
  - T-Mobile was a main sponsor of the EURO 2004 football championship.
  - New tariff plans for contract customers brought the most favourable per-minute prices of calls to all networks.
  - The EDGE technology offered the fastest mobile internet connection, and this year also saw the launch of the T-Mobile HotSpot service.
  - T-Mobile became the general partner of the t-music program; a website of the same name was created to support it.
  - The number of customers exceeded the magic four-million mark in April. Customer numbers climbed to 4.36 million by the end of the year. For a third year in a row, T-Mobile acquired the highest number of new customers.
  - Most companies relied on T-Mobile.

- 2005**
- On 30 June, T-Mobile recorded the largest number of customers among Czech mobile operators.
  - T-Mobile launched the first UMTS network in the Czech Republic under the name Internet 4G, thus extending its data services portfolio.
  - The T-Mobile Team placed first in the overall team classification in the Tour de France cycling race. Turning its sights on mobile music, T-Mobile became the sponsor of the Czech band Chinaski's concert tour and reached out to the world's music fans when T-Mobile International announced its exclusive partnership with Robbie Williams.
  - Customer numbers climbed to 4.63 million by the end of the year. T-Mobile confirmed its leading position in the business segment.
- 2006**
- T-Mobile introduced "simply closer" as the new Company motto that expressed the Company's endeavour to be closer to its customers, deliver to them what they really need and at the same time enable them to stay closer in touch in both their private and working lives.
  - Mobile internet access under the name web'n'walk, the TV in Your Pocket pilot project, very favourable calls from abroad for prices comparable to those for calls within the Czech Republic, the unique Bav se (Enjoy Yourself) tariff plan for young people – these are only some of the new products and services introduced in 2006.
  - Thanks to the fact that T-Mobile sponsored the Czech national football team, our customers were in the centre of events at the World Cup. In the area of charity, the launch of the T-Mobile Employee Fund proved a huge success.
  - At the end of the year, the number of T-Mobile customers – in terms of active SIM cards – surpassed the five million mark. As of 31 December, 5.049 million customers were using T-Mobile services.
- 2007**
- T-Mobile introduced new-generation tariff plans (credit plans), which offered unlimited rollover of unused credit to subsequent billing periods. During the year, the portfolio of tariff plans was supplemented with the special Mých5 plan and the Girls Talk add-on.
  - 2007 was a year of innovations in the field of mobile music. In February, the t-music portal was enhanced with a unique new service called t-music PLAY! Thus, customers received the opportunity to buy individual songs or complete albums using their mobile phones and play them on either a handset or PC. June saw the launch of a new music portal, t-music Stage, offering free presentation for hundreds of music artists.
  - The Company significantly extended its activities in the area of corporate social responsibility. In addition to the traditional T-Mobile Fund grant programs and support for Centrum Paraple, an organization helping people with spinal-cord injuries, the Company organized the first Mobile Etiquette Day that was held on 3 April 2007, as well as safe driving campaigns, one of which received the Golden Watch prize within the prestigious Golden Drum awards in Slovenia, and a campaign promoting recycling and environmental awareness. Thanks to this, T-Mobile arranged the recycling of 20,000 mobile phones, almost 30 times as many as in 2006.
  - The number of customers reached 5.27 million by 31 December 2007, which confirmed T-Mobile's leading position among mobile operators in terms of customer numbers. Over two million of them were contract customers.
- 2008**
- T-Mobile adopted the new "Life is for sharing" motto of its parent company, Deutsche Telekom. Along with this motto, T-Mobile introduced new community-based services and tariff-plan add-ons offering very favourable rates.
  - The year 2008 was also notable for environmental projects. The Company collected, during a single month, 30,000 obsolete mobile phones for recycling, introduced its new environmental strategy, thanks to which it reduced its carbon footprint by more than 264 tons of CO<sub>2</sub>, and began upgrading its GSM base transceiver stations and base station controllers, which will bring a 30% savings in power consumption.
  - T-Mobile initiated a number of preparatory works related to building a modern UMTS FDD network which is to be launched in the last quarter of 2009. The necessary changes in backbone infrastructure will prepare T-Mobile for long-term development of the voice and data mobile networks and the launch of the fourth-generation networks.
  - The number of customers reached 5.42 million by 31 December 2008, which again confirmed T-Mobile's leading position among Czech mobile operators in terms of customer numbers. The contract-customer base recorded a significant increase of 12%. At the end of the year, almost 2.5 million customers were using the T-Mobile tariff plans.

## FOREWORD FROM THE CHAIRMAN OF THE BOARD

Dear Readers,

— Our company has been operating in the Czech market for twelve years already, and I am very pleased to say that we managed to again maintain the leading position in terms of the number of SIM cards throughout 2008. In a mobile market as saturated as the Czech Republic's, we managed to not only increase our customer base but also to increase our revenues by 4.36% to a total of CZK 33.126 billion. Thanks for this great success go to T-Mobile employees, a great team of professionals who do a great job and achieve new and bigger successes in a market with mobile-phone penetration of 130%, and who are also very customer-focused in everything they do.

— In 2008 our focus on customer satisfaction was at the centre of everything we did. Our new motto, "Life is for sharing", best reflects the fact that mobile communications as a whole, and mobile internet and mobile services in particular, permeate our lives. Used properly, they can help us share our experiences with friends and family, wherever they are. This is what we are now offering and will continue to offer to our customers. In 2008 we began designing completely new services and types of tariff plans. We have already introduced some of them to the market and many of them will be launched during 2009.

— For our company, 2008 also signified the beginning of a brand new phase. Decisions were taken on commencement of preparatory works on the roll-out of a new mobile UMTS FDD network and on building of backbone infrastructure for the fourth-generation networks. At the same time, we commenced the renovation of the radio part of our GSM/GPRS network, which, upon completion, will bring new services to our customers and a decrease of 30% in power consumption and reduced CO<sub>2</sub> emissions.

— In summary, 2008 was a very successful year for us. The total customer base of almost 5,422,000 SIM cards at the year's end represents 52% of the Czech Republic's population. A total of 2,499,370 customers (46%) opted for a tariff plan. This is a clear signal that customers trust our company and appreciate the care provided to them.



Michael Günther  
Chairman of the Board of Directors  
T-Mobile Czech Republic





**ROLAND MAHLER**  
MANAGING DIRECTOR

**BORN:** 1949, Worms, Germany

**EDUCATION:** Technical University of Darmstadt

**CAREER HISTORY:** at T-Mobile Czech Republic since 2000; previously: T-Mobile Germany, Federal Ministry of Post and Telecommunications, Deutsche Bundespost

**1** I regard it as a big achievement that we further fortified our market leadership. We improved the structure of our customer base, our customer relationship results are remarkable and customer satisfaction could be increased.

**2** The biggest challenge is to find the right balance between protecting the company against the risks from the more hostile economic environment and, at the same time, using the difficult situation as an opportunity to strengthen us even more and by doing so to secure our long-term future.



**PETR DVOŘÁK**  
EXECUTIVE VICE PRESIDENT MARKETING

**BORN:** 1972, Děčín, Czech Republic

**EDUCATION:** Executive MBA program at Thunderbird Prague; Jan Evangelista Purkyně University in Ústí nad Labem, Faculty of Social and Economic Studies

**CAREER HISTORY:** at T-Mobile Czech Republic since 2001, since 2008 in the position of Executive Vice President Marketing; previously: Nestlé Čokoládovny, Lybar

**1** We succeeded in achieving a lot of things, no question about that. We can be dissatisfied with the time it took. But the reality is that we have managed to take another step forward and improve our position, not only as a company but also as individuals. And that's what success is based on.

**2** It's not hard to win, but winning all the time is a challenge. So the answer to the question of the greatest challenge in 2009 is easy: to be able to keep winning and be happy with that.



**OTAKAR KRÁL**  
EXECUTIVE VICE PRESIDENT FINANCE

**BORN:** 1966, Prague, Czech Republic

**EDUCATION:** Executive MBA, CMC/Thunderbird (The Gavin School of International Management), Masarykova škola vysších studií (ČVUT, Prague); Association of Chartered Certified Accountants, London; Fakulta ekonomie a řízení (ČVUT, Prague)

**CAREER HISTORY:** at T-Mobile Czech Republic since 1996; previously: Deloitte & Touche, Škoda Diesel

**1** In my view it is the fact that we succeeded in maintaining the leading position on the Czech market and achieving a high level of customer satisfaction.

**2** The greatest challenge in 2009 will be to maintain and strengthen our position on the market, without any adverse effects and impacts of the financial crisis on our services. To achieve this, we must put even greater emphasis on our customers and offer them services that can help them resolve their problems in these turbulent times.



**MIROSLAV RAKOWSKI**  
EXECUTIVE VICE PRESIDENT CUSTOMER SERVICES & SALES

**BORN:** 1968, Český Těšín, Czech Republic

**EDUCATION:** University of Technology in Brno, Faculty of Mechanical Engineering

**CAREER HISTORY:** at T-Mobile Czech Republic since 2002; previously: COTY Poland, COTY Czech Republic, Gillette Czech Republic

**1** 2008 was a year of extensive organisational changes for our division. In August, we successfully integrated two departments: Shops Residential Sales Unit and Indirect Sales Unit. In October, we began consolidating two divisions of the Company – Sales and Customer Services. Both these tasks were completed quickly and successfully. We managed to achieve excellent results in spite of the demanding changes.

**2** To keep all employees highly motivated despite the adverse economic environment that has been having a negative impact on all companies since last autumn.



**HEINZ SCHMIDT**  
EXECUTIVE VICE PRESIDENT TECHNOLOGY

**BORN:** 1951, Nuremberg, Germany

**EDUCATION:** Georg-Simon-Ohm University, Faculty of Electrical Engineering, Nuremberg

**CAREER HISTORY:** at T-Mobile Czech Republic since 1996; previously: T-Mobile Germany, Deutsche Telekom Consulting, Deutsche Bundespost



**BARBORA STEJSKALOVÁ**  
EXECUTIVE VICE PRESIDENT HUMAN RESOURCES

**BORN:** 1971, Boskovice, Czech Republic

**EDUCATION:** Nottingham Trent University; Masaryk University in Brno, Faculty of Education

**CAREER HISTORY:** at T-Mobile Czech Republic since 2005; previously: T-Mobile Slovakia, GE Capital Czech Republic and Slovakia, Johnson & Johnson Prague

**1** As an employer, we achieved great success on the labour market last year by winning the most prestigious award in that area – Employer of the Year. We also won the 2008 edition of the Company of the Year: Equal Opportunities competition. This significantly strengthened our HR marketing activities both on the labour market and towards our employees.

**2** In view of the situation on the market, the greatest challenge this year will be, in my opinion, to maintain good business results and a stable, motivated team of employees.

— The year 2008 started very well for T-Mobile: the Company entered the year as No. 1 in terms of customer numbers in the Czech mobile communications market. At the end of January, we won in another area – the number of collected obsolete mobile handsets. In January alone, customers returned approximately 30,000 unused phones to T-Mobile shops, which is nearly 50% more than in the whole of 2007.

— In February, we introduced an entirely new and improved T-Mobile Bonus loyalty program, offering the same conditions for contract customers, whose number saw a record increase last year, as well as for pre-paid card users, who still represent a slight majority.

— In March, Petr Dvořák, the former Vice President Category & Product Management, was named the new head of the Marketing Division at T-Mobile Czech Republic. March also saw the launch of the fourth annual T-Mobile Fund grant program. The Company announced its intention to allocate a record CZK 8 million to non-profit organizations, double the amount provided in 2007.

— In April, we continued to support recycling and to develop our environmental responsibility during the Mobile Etiquette Day. To provide a good example of an environmentally friendly approach, the Company implemented automated shutdown of inactive computer monitors and hard disks. Electricity consumption was thus reduced by 226 MWh, resulting in the reduction of CO<sub>2</sub> emissions by 264 tons.

— In May, we introduced a number of new services in line with the motto "Life is for sharing". The new services included the T-Mobile Family tariff add-on, allowing free calls among up to five T-Mobile numbers, and the Call Me Back! service for Twist customers allowing them to make up to five emergency calls or send a free SMS within the T-Mobile network even if they are out of credit. Furthermore, the Company was awarded the information security management certificate according to the ISO/IEC 27001:2005 standard. The certificate confirms that T-Mobile has adopted all measures necessary for the protection of sensitive information against unauthorized access, harmonized its internal procedures with the requirements of the standard and complies with all legislative and other requirements. The certified information security management system guarantees to our customers that all information is duly protected – whether in printed or electronic form. In

cooperation with Komerční banka, we also introduced the T-Mobile Bonus card offered to participants in the T-Mobile Bonus loyalty program. Customers may thus earn Bonus points also when paying with the T-Mobile Bonus card.

— In June T-Mobile received the prestigious Employer of the Year 2008 award from jobpilot.cz, which confirms the longterm quality of the care T-Mobile provides to its more than 2,500 employees.

— At the beginning of summer, we radically reduced the prices for data roaming in all EU countries, Iceland, Lichtenstein and Norway. The prices for internet access via APN Internet, corporate APN and Blackberry while roaming were unified with the prices charged for these services in the Czech Republic, resulting in a 79% price reduction. In addition, we extended our offer with the new 4G USB modem and HP Compaq 6710b notebook with the Internet 4G modem at favourable prices.

— August brought the unique new T-Mobile Combi tariff plan combining all the advantages of a tariff plan and the Twist pre-paid card. The Apple iPhone 3G had its Czech premiere on 22 August, going on sale at the T-Mobile shop on Národní třída in Prague at midnight and in all other T-Mobile shops the following morning. At the end of August, we further reduced the roaming prices for calls in EU member states. During the same period, we also introduced a brand-new free SMS and MMS gateway.

— In September, some customers had their first meeting with Týna, a unique automated voice responder which replaces the traditional touchtone selection with advanced humanspeech recognition. Týna uses the state-of-the-art technology provided by the American company Nuance Communications, based on the principle of "Natural Language Understanding". T-Mobile was the first company in the Czech Republic to use this technology in trial operation.

— In October, we began a radical modernization of our 2G network, which will bring new services and better coverage to our customers while reducing the network's impact on the environment. The new base transceiver stations and base station controllers consume 30% less electric energy than those previously in use. Businesspeople were surely pleased with the new Podnikatel credit plans, which allow them to use credit not only for standard calls, SMS and MMS, but also for

international calls within Europe and calls within a corporate VPN. On 1 October T-Mobile's Sales Division and Customer Services Division were merged into the new Sales and Customer Services Division headed by Miroslav Rakowski, Executive Vice President Sales.

— In November, T-Mobile received another important award: similarly as in the previous year, the Company won the last year's fifth edition of the respected Company of the Year: Equal Opportunities competition, which was organized by Gender Studies, a non-profit organization. The five-member expert jury recognized particularly T-Mobile's systematic concept of harmonizing the professional and private lives of its employees.

— In December, T-Mobile officially announced its intention to launch the UMTS FDD network by the end of 2009, which is also the first step towards the transition to the next-generation mobile networks. Intense preparations of our backbone networks for this transition started last year and the five largest cities in the Czech Republic should be covered by the end of 2009. The reasons for the commencement of implementation are the large demand for high-speed internet access, lower prices of 3G technologies and the increasing number of 3G-enabled mobile handsets.

— The T-Mobile brand stands for reliability, simplicity and innovation. Our vision is to be a partner for our customers, helping them communicate, establish relationships and easily share their experiences with their loved ones, wherever they may be. In order to realize this vision, we strive to be straightforward, open, friendly and optimistic while also being playful. Our services and marketing campaigns are designed to reflect this approach.

— The year 2008 took our Company's previous motto "Simply closer" to a new dimension, becoming "Life is for sharing", which not only reflects the wish for all of us to be closer to each other, but focuses directly on the aim and overall motif of being closer. It is no longer only about "what", but also about "how". This naturally means a great transformation in the process of designing new services as well as in the manner of providing care to our customers and, of course, in all areas of marketing, which helps create experiences for sharing.

— This requires us to take a more systematic and focused approach to individual target groups or, in other words, communities. For customers interested in information technologies and virtual worlds we prepared, for example, the virtual island Makapiti in the Second Life virtual world with emphasis on music, football and leisure-time activities. For all music fans we organized a number of concerts by popular artists and offered them the chance to share their experiences on the increasingly popular t-music Stage portal. And, as the general partner of the Czech national football team, on the t-zones portal we offered all football fans exclusive content related to the 2008 European football championship.

— We also rewarded our customers for their loyalty last year. Within the T-Mobile Bonus program, our customers could earn bonus points and exchange them for attractive benefits, such as new handsets, soccer balls, free credit for calls and text messages and special rates for calls to T-Mobile numbers, which gave our customers even more options for sharing their experiences. Our T-Mobile Family service and the BAV SE tariff plan with Mých5 add-on, as well as the significant reduction of prices for data roaming services in the EU and for calls within the EU, also helped our customers overcome communication barriers and share their experiences with their loved ones more easily and quickly.

— In our effort to simplify communication with our customers, we completely redesigned our websites at [www.t-mobile.cz](http://www.t-mobile.cz) and launched pilot operation of Týna, the intelligent automated response service based on advanced speechrecognition technology. In addition, thanks to changes in the technology platform, we will very soon be able to introduce other communication channels using the USSD and WAP text codes.

— Our business customers inspired us to design new tariff plans called Podnikatel. These tariff plans were tailored to meet the needs of business customers, which were identified on the basis of a survey. At their request, we also launched the free internet SMS gateway enhanced with the unique, free MMS gateway, which enables sending free text messages to T-Mobile numbers from the popular ICQ instant-messaging client. All of our customers can now also easily pay for public-transportation tickets and doctor's fees via SMS.

— Customers are the alpha and omega of everything we do. They are at the centre of our attention and the factor that determines the development of all our services and the manner in which these services are provided. In such a highly competitive environment as the Czech market, it is very important to stay a step ahead of the competition and to anticipate the needs and wishes of customers. Therefore all of our activities are aimed at fulfilling our motto, "Life is for sharing", to the maximum extent possible. We try to offer services that not only enable our customers to get connected with each other but also help them to easily and quickly share experiences with their friends and family wherever they are. We also want to participate in the creation of these experiences.

— Last year, we therefore introduced a redesigned T-Mobile Bonus customer loyalty program that can be used by all customers, both prepaid and contract. Program members can choose the benefit that best suits their needs. The first option consists in collection of bonus points depending on the amount they spend (they obtain 100 points upon initial registration in the program). Bonus points can be used to purchase handsets, accessories, packages of free units and other goods or services based on the valid catalogue. The second type of benefit is a Special Service, which is changed periodically. In the six months since its introduction, the new T-Mobile Bonus program met with great success – at the end of July 2008, the total number of customers registered in the program had grown by 62% compared with February 2008. The total number of the program's members exceeded two million, with Twist customers accounting for more than 37%. The most frequently ordered benefits within the T-Mobile bonus program were the black-and-silver Nokia 6300, CZK 200 top-up voucher, black Nokia 3110 Classic, Puma soccer ball and black Nokia 2610.

— T-Mobile puts its customers first in other areas as well. For example, the T-Mobile Assistant service is not limited to "merely" providing information about phone numbers; it also offers a number of other services. It is able to set up a conference call with up to 30 participants and provide professional interpreting and translation services in 40 languages. It also helps our customers when searching for information on various topics. Some of their questions were really peculiar, we

must say. Last year, customers asked our assistants how many years a hippo can live, when Napoleon was born and how many people live in Madagascar, to name just a few unusual topics. Most callers contacted 1183 on Mondays and Wednesdays; the busiest days were those before the summer vacation season and in December. The most frequent questions concerned phone numbers, addresses and transport connections.

— T-Mobile also strives to permanently improve the communication channels used by customers for configuration of their services. Therefore we began testing the intelligent automated response service Týna, which is based on advanced speech-recognition technology and could replace the standard touchtone response system in future. Týna currently works with a database of approximately 20,000 sentences and collocations allocated to various topics. Communication with Týna is similar to that with a human assistant. When customers submit their request (e.g., "I would like to activate the MMS service"), Týna recognizes the key words ("MMS") and requested actions ("activate"). Týna then verifies the request, asks for confirmation that it has understood it correctly ("Do you wish to activate MMS") and subsequently proceeds to handle the request. Users do not have to wait until the response system has replayed all the options, though they can switch to the standard touchtone response system at any time. In the case of repeated misunderstandings, Týna offers the option of switching the customer to a human assistant.

— Customers who called our Customer Centre in 2008 waited only 23 seconds on average for their call to be answered by an assistant. The waiting period thus decreased by almost one-half compared with 2007. Conversely, the number of calls to our customer infoline increased slightly last year to a daily average of 18,240. In the ICCA survey, customers gave our assistants the average rating of 1.93 (on a scale of 1 to 5, where 1 is "excellent"). Besides requests that our assistants handled by phone and e-mail, another 62,467 requests per day on average were handled through self-service channels. Every second request was handled through the Interactive Voice Response (IVR) system, which is the reason why we focused our efforts on developing the Týna automated response system that could replace IVR in future.

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## COMMUNITY PRODUCTS

— When planning and developing new services, our main focus is to fulfil the wishes of our customers and so we try to see the world through their eyes. We make sure that all our offers are as comprehensible and user-friendly as possible and that our services allow customers to share their experiences with their family and friends, even if they are hundreds of kilometres away.

— To enable our customers to share their experiences, we prepared a number of interesting new tariff plans and add-ons last year. For example, we introduced the new Twist Maxi plan intended for the large group of users of prepaid Twist cards. This plan allows those who top up their credit with at least CZK 600 every 30 days to make calls and send text messages at rates that are, respectively, 44% and 35% cheaper. Thus they can make more calls and send more text messages to their family and friends than before. Users of prepaid Twist cards were also offered the possibility to stay in contact with their loved ones even if they run out of credit. Their family or friends with any of the T-Mobile tariff plans may activate a service called Sponzor. This service allows their loved ones who are using a prepaid Twist card to make collect calls even if their credit is low (i.e. less than CZK 10). Twist customers can also make a connection even without the activated Sponzor service. With the "Call me back!" service, they can notify the called person with a short ring, no matter which mobile operator they are with. If the called person is a T-Mobile customer, a Twist user may even send a free SMS asking him or her to call back. So even having zero credit is no hindrance for our customers' sharing their experiences.

— Last year, we also introduced a unique new tariff-plan add-on called T-Mobile Family, which is completely in line with our motto "Life is for sharing". With this add-on, a group of up to five people registered in the T-Mobile network can call each other free of charge, the only condition being that the add-on may be activated by only one member of the group. Children can then make free calls to both their parents, but equally to their brothers or sisters or to their grandmother provided they are members of the group. The T-Mobile Family add-on can also be activated by, for example, inseparable friends who want to share their experiences or any other group of customers.

— A special new service was also prepared for young people aged 6 to 26. The BAV SE tariff plan with the Mych5 add-on offers a very low monthly fee and calls to up to five selected numbers from any of the Czech mobile networks at 40% cheaper rates. Moreover, no fee is charged for the text messages sent

to the selected numbers. Why? Because young people like to communicate with their family and friends via short text messages, and do so frequently. The new tariff plan offers them a unique and very cheap tool for sharing their experiences.

— A brand-new online gaming portal intended mainly for young people was launched last year at t-zones. The portal offers a total of 19 online games, including the popular tic-tac-toe, chess, checkers, battleship, Sudoku, puzzles and card games. Users can play these games directly on their handsets via T-Mobile's mobile data network with any other players, regardless of whether they play on their PCs or on handsets as well.

— Last year, T-Mobile opened new SMS and MMS gateways offering T-Mobile customers, as well as everybody else who has access to the internet, the opportunity to share their experiences by sending free text and multimedia messages to any T-Mobile customer.

— Sharing experiences via the internet and e-mail, which has become increasingly popular in recent years, was the area we focused on in the fourth quarter of last year. From 1 October, our customers could activate a fast Internet 4G connection with a 50% discount on the monthly fee or with the HP Compaq 6735s notebook for only CZK 1. We also introduced a new service facilitating mobile e-mail communication – the BlackBerry Internet Service. With this service, users of BlackBerry phones can have constant access to all e-mails from up to ten e-mail accounts. As soon as customers receive an e-mail, it is immediately displayed on their handsets.

— The internet activities that T-Mobile continued to develop last year also included the popular internet portal for music fans called t-music Stage. This is a community website that allows solo artists, bands and DJs of all genres to present their music free of charge. During the portal's first eight months, the 40 most popular amateur artists had an opportunity to use the services of a professional recording studio free of charge or offer T-Mobile customers their songs in the form of full tracks, ringtones or Caller Tunes. During 2008, the number of bands and solo artists registered on the t-music Stage portal exceeded the milestone level of 1,500. In addition to unsigned artists, t-music Stage also features profiles of well-known solo artists and bands.

## TECHNOLOGY: THE FOUNDATION OF OUR SUCCESS

— We can say that 2008 was truly a groundbreaking year for T-Mobile from the technology point of view.

— We initiated thorough modernization of our GSM network. In October, we entered into a contract with Huawei, which will replace all of our existing 4,500 base transceiver stations and 150 base-station controllers with new (and certainly better) ones. But the best part is that in addition to further development, this overhaul will result in a 30% reduction of power consumption. Our GPRS network will, of course, also undergo modernization. Huawei will replace the old SGSN and GGSN network components with new ones. The new SGSNs will have a backup function, which means that in the event of failure of any SGSN, data traffic will be rerouted to the remaining SGSNs in operation. This will be particularly beneficial for our customers, because our data services are often used also in industrial and telemetric applications. The network management system (OMC) is to also undergo modernization, thus completing the Company's technology trifecta.

— Last year, we also commenced all preparatory works needed to roll out the UMTS FDD network and to build fourth-generation mobile networks. We are focusing particularly on development and modernization of our fiber-optic backbone data network, which involves a number of separate, individual projects, such as the "Single Fiber-Optic Network" project, launched in close cooperation with T-Systems, which is aimed at building a nation-wide, high-capacity fiber-optic network. This network employs the advanced DWDM technology, which is a cost-effective and flexible tool for increasing the capacity of the backbone network.

— The modernization has also extended to the signaling part of the network. Thanks to a complete restructuring of the SS7 signaling network, we will be able to offer new services such as immediate charging of calls and SMS in the case of roaming prepaid-card users or the SMS Home Routing technology which offers increased service quality for SMS sent while roaming and enables the launch of other services, including SMS forwarding to other telephone numbers.

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## SELLING IS AN ART

— Last year was a successful year for our Company. Although mobile-phone penetration exceeded 130% in the Czech Republic, we managed to increase our customer base and recorded a net addition of 150,640 SIM cards. We are also proud that our new, attractive tariff plans and tariff-plan bundles are behind the increase of the contract customer base, which numbered nearly two and half million at the end of the year.

— We recorded a significant increase in the business customer segment, which grew by 12.4% year-on-year. This important success can be attributed, among other things, to T-Mobile ProfiNet, our new comprehensive bundle of fixed and mobile convergence services. T-Mobile Profinet, which was introduced in September 2008, represents a new concept of services which combines not only fixed and mobile voice and data services, but also services such as outsourcing of digital private branch exchanges implemented in cooperation with Siemens and Alcatel, and implementation of non-public hotspots at the customer's place of business.

— Our mobile data services rank among the most popular services that we provide to our customers, allowing them to access the internet using a mobile phone or a notebook. At the end of the year, more than 800,000 customers were using our mobile data services, which represents a 14.5% increase compared with 2007. Services that met with a great response from customers also included our data bundles combining a notebook, data device and data tariff plan.

— T-Mobile is clearly the market leader in the field of partner solutions, i.e. applications that bring customers great technological solutions based on a mobile internet connection, ranging from car fleet management to purchasing public transportation tickets or paying a doctor's fee via mobile phone. In 2008 we recorded another increase in SIM cards in this area, which means that customers chose T-Mobile not only as their voice services provider but also as their partner in the area of technological solutions. Last year we recorded the highest growth in the field of car fleet management, though growth was recorded also in other areas such as care provision for senior citizens and people with disabilities.

— In the OEM/IT area, we began a new, groundbreaking project called "Backward Subsidy", which involves our partners offering specially-priced notebooks in combination with T-Mobile data tariff plans in their shops.

— The year 2008 also saw significant changes in the Company's Sales and Customer Services divisions. These divisions were merged and are now headed by Miroslav Rakowski. This step will enable us to more quickly bring to our customers services that will respect their needs. This step also fully reflects the fact that the T-Mobile employees whom customers meet through the customer infoline or at T-Mobile shops can quickly resolve customers'

problems and meet their needs and requests for activation of new services or the popular add-on bundles. The customer infoline is a very important sales channel, handling 42.4% of all requests for contract renewals and 30.9% of all requests for porting a number to T-Mobile from another network provider.

— Last year we also strengthened and extended our sales network by opening nine new T-Mobile shops. The largest of these new shops is located in Prague's Arkády Pankrác shopping centre. In total, there were 72 T-Mobile shops, 92 partner shops and another 1,700 dealer points of sale available to customers at the end of 2008. In addition, our T-Mobile shops received the best customer-satisfaction ranking of all T-Mobile shops throughout Europe.

— Our eShop is also gaining in popularity among customers. Compared with the previous year, the e-shop traffic increased 35%, while a 16% increase was recorded in the number of orders placed through this sales channel. The largest number of requests placed via the e-shop concerns contract renewals; last year the number of contracts which were renewed via the e-shop grew by 31% compared with the previous year.

— Last year was thus very successful for us in terms of both contract and business customers. We are very pleased that, in spite of the highly competitive nature of the Czech market, our offer appealed to a number of renowned companies that either renewed their contracts or signed new contracts with us.

## SELECTED NEW BUSINESS CUSTOMERS IN 2008

- Carrier Refrigeration Operation Czech Republic s. r. o.
- CCS Česká společnost pro platební karty s. r. o.
- Danone a. s.
- Český telekomunikační úřad
- J&T Banka, a. s.
- Jablonex Group a. s.
- Kimberly-Clark, s. r. o.
- Raiffeisenbank a. s.
- Ústavní soud České republiky

## SELECTED CUSTOMERS THAT RENEWED THEIR EXISTING CONTRACTS IN 2008

- C.S. Cargo a. s.
- Česká televize
- E.ON Česká republika, s. r. o.
- IBM Česká republika spol. s r. o.
- Ministerstvo zahraničních věcí České republiky
- Plzeňský Prazdroj, a. s.
- RWE Interní služby, a. s.
- Skanska CZ a. s.
- Škoda Holding a. s.

## OUR EMPLOYEES' SATISFACTION IS IMPORTANT TO US

— Employees are T-Mobile's most valuable investment. None of last year's or the previous years' achievements would have been possible without the great team of people at T-Mobile. Therefore, in 2008 we continued to place great emphasis on human resources development and improvement of our corporate culture and work environment. Our efforts were rewarded with the prestigious "Employer of the Year 2008" award presented by jobpilot.cz. We also ranked second in the Employer of the Region category.

— Our long-term efforts in the area of equal opportunities ensured a first-place finish in the annual Firm of the Year competition in the Equal Opportunities category. The five-member expert jury rated highly particularly our systematic policy of balancing employees' professional and private lives. In addition to flexible working hours and part-time employment, the forms of flexible work arrangements now also include job sharing, partial home-based work and the possibility of taking a leave of absence for up to six months. We became one of the principal promoters and sponsors of the Alternativa project, which supports cooperation with the Czech Association for Human Resources Development.

— T-Mobile offers its 2,500 employees a number of other benefits such as the Cafeteria benefit system, contributions to optional pension schemes, personal development and trainings, employee mobile phones, medical care, five weeks of vacation, two days of personal leave, employee parties, including a party for family members, and discounts on the purchase of various goods and services.

— In addition, last year we launched a new, long-term program called Healthy Company which develops, in a pleasant and friendly way, partner cooperation between the employer and the employee in the area of health and safety at work. The motto, "Healthy Employees at Successful Company", supports the three program segments: prevention focused on a healthy workplace, lifestyle promoting healthy eating habits and focus on safety consisting in various trainings for our workers in the field.

— Furthermore, we organized the first Healthy Day for You, during which every employee received fresh fruit and juice upon arriving at work. Employees in the centers in Prague, Hradec Králové and Louny, where 80% of our employees are based, could take part in a program consisting of lectures on Vaccination – Myths and Reality, Practical Ergonomics of the Workplace and Healthy Lifestyle. On this day employees could also have their blood-sugar level, blood pressure and cholesterol checked, participate in a rehabilitation program, and buy fresh fruit directly in the T-Mobile building and nutritious meals prepared according to healthy diet principles in the canteen. This event was followed by an initiative called Healthy Friday, which is conducted on a regular basis and during which employees can buy fresh fruit or take part in a program focused on prevention of lifestyle diseases.

— In addition to the Healthy Company project, we focused our attention on employees' personal development. For example, we introduced the "career interview" and continued to organize the popular tailor-made trainings and the Grow Our Leaders program, which recorded a 50% increase in the number of participants. Our managers also more frequently take part in the group-wide job-rotation program within T-Mobile International, and last year we introduced an internal job-rotation program, which quickly proved popular.

— Another area of our HR Department's focus last year was increased emphasis placed on corporate culture, thanks to which T-Mobile has for many years been at the top of the rankings of employers in the Czech Republic.

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FOR A BETTER WORLD

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Our main motto, "Life is for sharing", describes our approach to customers and development of new services. It also suggests how we want to conduct ourselves in relation to our community. We consider ourselves to be a part of the world around us and want to help to make it a better place. Therefore last year, the Company lent a helping hand to a number of people in need. Moreover, we, the employees of T-Mobile Czech Republic, were actively involved in providing this help.

— The main pillar of our charitable activities is the T-Mobile Fund. Since 2005, it has distributed more than CZK 33 million to non-profit organizations in the regions where the Company operates (i.e., the Louny and Hradec Králové regions and the district of Prague 11). Last year, the fund doubled the volume of financial assistance and supported 135 projects in total. This growth was in response to the ever-increasing number of applications for grants from the T-Mobile Fund and our employees' growing enthusiasm for helping people in need.

— Another 47 projects received support from the T-Mobile Employee Fund which provides funding to projects of non-profit organizations based on recommendations from T-Mobile's employees, who last year selected, for example, a series of seminars for women who had undergone breast-cancer surgery, two international volunteer camps in Putim and a construction of a recreation facility for children and adults in Česká Skalice.

— In 2007 we partnered with the AISIS civic association to implement a unique project for students called Small Grants. At the beginning of the project, we organized educational seminars for nearly 150 teachers from the Hradec Králové, Moravia-Silesia and Ústí nad Labem regions, during which teachers were given instruction on how to prepare, promote, implement and evaluate projects and many other useful skills. Thanks to the know-how acquired during the seminars, selected teachers could then organize grant procedures in their schools, giving their students an opportunity to raise funds to realize their own ideas. In 2008 the winning students' projects from each of the ten schools received financial support in the amount of CZK 66,000.

— However, our employees are also personally involved in charitable activities within the One Day for People in Need project. Last year, for example, they prepared a day of games and competitions at Letohrádek Vendula (Vendula Summer Palace), a daycare centre for mentally disabled people in Horní

Bezděkov. Other employees put on work clothes and lent a helping hand to the Centrum pro všechny (Centre for Everyone) in Nymburk, which focuses on integrating disabled children into the mainstream. Last year, 454 employees, including members of the Company's management, participated in this project. In the four years since the project's launch, T-Mobile employees have dedicated more than 1,100 man-days to the non-profit sector.

— Another project in which T-Mobile's employees could be actively involved last year was preparation of the Calendar for a Good Cause. Every employee who loves photography could take pictures on the subject of "Life is for sharing". The jury then selected the twelve best photographs to be published in the 2009 calendar. The calendar can be bought in all T-Mobile shops for the symbolic price of CZK 30. The proceeds from sales of the calendar will be donated to Centrum Paraple, an organisation that assists people with spinal-cord injuries.

— Charity is traditionally associated with the Christmas season. One of the events that has gained significant popularity among our employees is the charitable electronic auction on T-Mobile's intranet. The products put up for last year's auction were manufactured by 13 non-profit organizations and civic associations mainly from the Hradec Králové region. Last year's sixth edition of the auction, in which 273 employees placed their bids, yielded CZK 76,650. T-Mobile contributed additional funds, bringing the total amount donated to the participating organizations to CZK 150,000. The employees of the Company's headquarters in Prague-Roztyly could also attend the second annual Christmas Fair and purchase products hand-made in sheltered workshops. The proceeds distributed among the organizations were in excess of CZK 130,000.

— Even though senior citizens are sometimes slightly disadvantaged in using modern communication technologies, they too want to use computers and the internet, communicate with their children and grandchildren via mobile phones and use bank cards. The project titled Senior Citizens Communicate, implemented in cooperation with the Livia and Václav Klaus Charitable Fund, is intended to help seniors in this regard. Last year, 1,500 senior citizens from 97 towns and villages of the Czech Republic attended educational seminars organized within the project. T-Mobile provides not only financial support to the Livia and Václav Klaus Charitable Fund (in the form of money raised during the Company's traditional charitable golf

tournaments); the Company's employees volunteer to work as teachers within the project, instructing senior citizens on how to use mobile phones.

— Another way that T-Mobile's employees can help others is to donate points from the Cafeteria employee benefit system. Last year, these points were distributed among three non-profit organizations: Centrum Paraple, the Alternative Family Care Centre and the Union for Nature Conservation. It is certainly gratifying to learn that these organizations received a total of CZK 108,946 in 2008, an increase of CZK 6,000 over the previous year.

— Last year was also an important milestone for T-Mobile in the area of environmental protection. The Company implemented automated shutdown of inactive computer monitors and hard disks. Last year, this helped reduce power consumption by 226 MWh and CO<sub>2</sub> emissions by 264 tons. Within our environmental activities, we also began upgrading GSM base transceiver stations and base-station controllers, replacing them with modern network elements that offer a 30% saving on power consumption.

— T-Mobile organized another Mobile Etiquette Day last year, which is traditionally held at the beginning of April. Last year's event focused on recycling of mobile phones and electronic waste in general. Visitors could learn a lot of interesting information on recycling used handsets, see clothes and fashion accessories made from recycled materials and watch Maxim Velčovský, the 2007 Designer of the Year, as he created an original sculpture called AutoMOBIL, a car constructed entirely of obsolete mobile telephones.

— The Mobile Etiquette Day celebrations followed the phenomenal success of the Recyklistek campaign that ran from 7 November 2007 to 30 January 2008. When returning their old, unused or broken mobile phones to a T-Mobile shop, customers could obtain a recycling voucher worth CZK 200 that could be used when purchasing a new handset, Twist set or accessories.

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## EXCEPTIONAL EXPERIENCES FOR OUR CUSTOMERS

— We take our motto, "Life is for sharing", very seriously. For many years, we have been involved in sponsorship programs that allow particularly all sports and music fans to get together and share their experiences. The year 2008 was no exception.

— Since 1999 we have been a supporter of Czech football, so much so that we became the general partner of the Czech national football team. Therefore we could not miss Euro 2008, the biggest European football event. Although the Czech team did not make it to the final, they showed the whole continent that they are a force to be reckoned with in European football. During the football championship, our customers could enjoy exclusive football-related news and videos, and play the officially licensed UEFA EURO 2008 game on their mobiles. In addition, so that our customers could share their experiences from EURO 2008, we enhanced our roaming add-on offering favourable rates for calls when abroad to also include Switzerland, where some of the matches of the championship were played. All customers registered in the T-Mobile Bonus program could get football jerseys, T-shirts, soccer balls, scarves, backpacks and other souvenirs.

— However, we invested most of our energy in this area to supporting music. Unlike other activities, music is unique in many ways – it brings people together regardless of their gender, age or educational background, while offering an opportunity to relax and express emotions. And above all, music can give us new experiences to share which we otherwise would not have. That is why we pay so much attention to this area, which is viewed very positively particularly by young people under the age of 25. The Music Mapping survey conducted for our Company showed that for young people T-Mobile is the company that does the most to enhance their music experiences. A full 95% of respondents know the t-music brand and 45% of young people consider T-Mobile the most active company in the music field.

— The t-music brand is the backbone for our music activities. Since February 2008 viewers of the only Czech music TV station, Óčko, can watch the exclusive t-music chart show offering two hours of videos and news from the world of music, three times a week. The same chart show is broadcast on the popular Evropa 2 radio station. t-music is also the general partner of Rock for People, the popular summer music festival held regularly at the beginning of July at the former airport in Hradec Králové. Last year, t-music also presented concerts by Rihanna, Simple Plan and the British Kaiser Chiefs. Projects featuring Czech artists included the t-music Skyline and t-music Sto zvířat tours.

— Throughout 2008, we continued the Electronic Beats project, which involves a specialized music magazine and website, a fashion collection, marketing partnerships with the mobile-phone manufacturer Sony Ericsson and a series of music-festival and club events across Europe. Last year, Prague hosted the Electronic Beats festival twice, with headliners Roisin Murphy and Underworld. Eager fans practically stormed the ticket offices and both events sold out far in advance and ranked among the most successful in Europe.

— The t-music brand was also prominent at many other music festivals. In special t-music zones festival-goers could learn about the t-music Stage portal, and try out our service for purchasing music on-line, as well as the fast mobile Internet 4G service. Festival-goers could also recharge their mobile phones free of charge or play a game of table foosball.

## ON THE CONFERENCE CIRCUIT IN 2008

— We are not only the largest operator in the Czech market in terms of customer numbers but we are also prominent in the field of professional expertise. We boast a number of top specialists whose knowledge is part of the Company's know-how and who also regularly represent the Company at various conferences, seminars and meetings. Through partnerships, we contribute to the organisation of events aimed at promoting the development of telecommunications and related fields.

— Yet telecommunications is not the only focus of our Company. We are proud to say that for many years, we have succeeded in outrivalling our competitors in the area of human resources, which is evidenced by a number of various awards. Last year, we therefore concentrated on events focused on human resources as well as on external and internal communication, corporate social responsibility and, naturally, sponsoring. Our employees were among the most sought-after speakers, giving speeches, for example, on how to manage corporate finance properly, ensure sufficient security of personal data or master partner solutions.

— In March 2008, we were the main partner of the Business & Information Forum 2008 hosted by the Czech National Bank. The event attracted more than 200 honoured guests – technology suppliers, representatives of customers, IT managers and a number of other specialists. The floor was given, for example, to Alexandr Vondra, Deputy Prime Minister for European Affairs, and CNB Board Member Vladimír Tomšík. Miroslav Uřičař, T-Mobile's General Legal Counsel, contributed to the discussion on behalf of T-Mobile.

— In May, we supported the Czech Broadband CAEC 2008 conference organized by the Czech Association of Electronic Communications under the auspices of the Chancellor of the Technical University in Prague. The conference's main topic was regulation and radio and television broadcasting.

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**FINANCIAL PART**

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**INDEPENDENT AUDITOR'S REPORT****TRANSLATION NOTE**

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

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF T-MOBILE CZECH REPUBLIC, a.s.**

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of T-Mobile Czech Republic, a.s. ("the Company"), which comprise the balance sheet as at 31 December 2008, the income statement and cash flow statement for the year then ended and notes, including a summary of significant accounting policies ("the financial statements"). Details of the Company are disclosed in Note 1 to these financial statements.

**BOARD OF DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors of the Czech Republic, International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with

ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

**OPINION**

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2008, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS****REPORT ON THE ANNUAL REPORT**

In addition we have verified that the other information included in the annual report of the Company for the year ended 31 December 2008 is consistent with the financial statements which are included in this annual report in chapter Financial Statements 2008. The Board of Directors is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

**AUDITOR'S RESPONSIBILITY**

We conducted our verification procedures in accordance with the International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform

the verification procedures to obtain reasonable assurance about whether the other information included in the annual report which describes matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

**OPINION**

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2008 is consistent, in all material respects, with the financial statements referred to above.

**REPORT ON REVIEW OF THE REPORT ON RELATIONS**

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2008 ("the Report"). The completeness and accuracy of the Report is the responsibility of the Board of Directors of the Company. Our responsibility is to review the accuracy of information included in the Report.

**SCOPE OF REVIEW**

We conducted our review in accordance with the International Standards on Review Engagements 2410 and the related application guidance of the Chamber of Auditors of the Czech Republic for review of the report on relations. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material misstatement. A review is limited primarily to inquiries of Company personnel, analytical procedures and examination, on a test basis, of factual accuracy of data. A review therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**CONCLUSION**

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

27 March 2009

*PricewaterhouseCoopers Audit, s.r.o.*  
PricewaterhouseCoopers Audit, s.r.o.  
represented by

*Alexander Šrank*  
Alexander Šrank  
Partner

*Pavel Kulhavý*  
Pavel Kulhavý  
Auditor, Licence No. 1538

Note: Our report has been prepared in Czech and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

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## FINANCIAL STATEMENTS 2008

## BALANCE SHEET

ASSETS		31.12.2008		31.12.2007	
		Gross amount CZK million	Provision CZK million	Net amount CZK million	Net amount CZK million
B.	Fixed assets	49,542	(31,773)	17,769	20,392
B. I.	Intangible fixed assets	10,841	(6,325)	4,516	4,816
B. I. 1.	Development costs	300	(285)	15	8
B. I. 2.	Software	5,224	(4,829)	395	438
B. I. 3.	Valuable rights	4,887	(1,211)	3,676	3,903
B. I. 4.	Intangible fixed assets in the course of construction	430	-	430	466
B. I. 5.	Advances paid for intangible fixed assets	-	-	0	1
B. II.	Tangible fixed assets	38,701	(25,448)	13,253	15,576
B. II. 1.	Land	18	-	18	18
B. II. 2.	Constructions	8,545	(3,303)	5,242	5,000
B. II. 3.	Equipment	28,369	(22,105)	6,264	7,371
B. II. 4.	Other tangible fixed assets	1	-	1	1
B. II. 5.	Tangible fixed assets in the course of construction	1,681	(40)	1,641	3,186
B. II. 6.	Advances paid for tangible fixed assets	87	-	87	-
C.	Current assets	18,475	(3,526)	14,949	13,608
C. I.	Inventories	539	(115)	424	498
C. I. 1.	Raw materials	146	(73)	73	70
C. I. 2.	Goods for resale	393	(42)	351	428
C. II.	Long-term receivables	43	-	43	23
C. II. 1.	Trade receivables	13	-	13	15
C. II. 2.	Long-term advances paid	8	-	8	8
C. II. 3.	Deferred tax asset	22	-	22	-
C. III.	Short-term receivables	11,886	(3,411)	8,475	5,298
C. III. 1.	Trade receivables	5,914	(3,411)	2,503	3,376
C. III. 2.	Receivables – controlling entity	3,540	-	3,540	-
C. III. 3.	Receivables from members of associations	30	-	30	10
C. III. 4.	Taxes and state subsidies receivable	-	-	-	2
C. III. 5.	Short-term advances paid	143	-	143	70
C. III. 6.	Anticipated assets	2,221	-	2,221	1,792
C. III. 7.	Other receivables	38	-	38	48
C. IV.	Short-term financial assets	6,007	-	6,007	7,789
C. IV. 1.	Cash in hand	65	-	65	44
C. IV. 2.	Cash at bank	833	-	833	636
C. IV. 3.	Short-term investments	5,109	-	5,109	7,109
D. I.	Accruals and deferrals	53	-	53	41
D. I. 1.	Prepaid expenses	46	-	46	40
D. I. 2.	Accrued revenue	7	-	7	1
TOTAL ASSETS		68,070	(35,299)	32,771	34,041

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## BALANCE SHEET (CONTINUED)

LIABILITIES AND EQUITY		31.12.2008	31.12.2007
		Net amount CZK million	Net amount CZK million
A.	Equity	24,193	25,681
A. I.	Share capital	520	520
A. I. 1.	Share capital	520	520
A. II.	Capital contributions	5,352	5,364
A. II. 1.	Share premium	5,344	5,344
A. II. 2.	Other capital contributions	8	8
A. II. 3.	Assets and liabilities revaluation	-	12
A. III.	Reserve fund, non-distributable reserves and other reserves	104	104
A. III. 1.	Statutory reserve fund	104	104
A. IV.	Retained earnings	9,176	11,870
A. IV. 1.	Retained profits	9,176	11,870
A. V.	Profit for the current period	9,041	7,823
B.	Liabilities	7,761	7,463
B. I.	Provisions for liabilities	3,256	1,128
B. I. 1.	Tax-deductible provisions	-	2
B. I. 2.	Income tax provision	394	352
B. I. 3.	Other provisions	2,862	774
B. II.	Long-term liabilities	11	753
B. II. 1.	Trade payables	5	14
B. II. 2.	Long-term advances received	6	11
B. II. 3.	Deferred tax liability	-	728
B. III.	Short-term liabilities	4,480	5,582
B. III. 1.	Trade payables	1,337	1,465
B. III. 2.	Liabilities to members of associations	20	17
B. III. 3.	Liabilities to employees	89	72
B. III. 4.	Liabilities for social security and health insurance	44	52
B. III. 5.	Taxes and state subsidies payable	35	81
B. III. 6.	Short-term advances received	72	99
B. III. 7.	Anticipated liabilities	2,866	3,770
B. III. 8.	Other payables	17	26
B. IV.	Bank loans and overdrafts	14	-
B. IV. 1.	Short-term bank loans and overdrafts	14	-
C.	Accruals and deferrals	817	897
C. I.	Deferred revenue	817	897
TOTAL LIABILITIES AND EQUITY		32,771	34,041

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## FINANCIAL STATEMENTS 2008

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## INCOME STATEMENT

	For the year ended 31 December	
	2008	2007
	CZK million	CZK million
I. Sales of goods	995	1,333
A. Cost of goods sold	2,358	2,811
+ Gross profit	(1,363)	(1,478)
II. Sales of production	32,131	30,408
II. 1. Sales of own products and services	32,058	30,354
2. Own work capitalised	73	54
B. Cost of sales	13,299	12,798
B. 1. Raw materials and consumables	645	599
2. Services	12,654	12,199
+ Added value	17,469	16,132
C. Staff costs	2,298	2,236
C. 1. Wages and salaries	1,674	1,578
2. Emoluments of board members	2	1
3. Social security and health insurance costs	542	586
4. Other social costs	80	71
D. Taxes and charges	225	273
E. Depreciation and amortisation of long-term assets	4,774	4,268
III. Sale of long-term assets and raw materials	36	49
III. 1. Sale of long-term assets	36	48
2. Sale of raw materials	-	1
F. Net book value of long-term assets and raw materials sold	23	48
F. 1. Net book value of long-term assets sold	10	44
2. Net book value of raw materials sold	13	4
G. Change in operating provisions	1,777	763
IV. Other operating income	3,119	2,068
H. Other operating charges	580	672
* Operating result	10,947	9,989

## INCOME STATEMENT (CONTINUED)

	For the year ended 31 December	
	2008	2007
	CZK million	CZK million
VI. Income from sales of securities and shares	4,300	3,350
J. Securities and shares sold	4,300	3,350
VIII. Income from short-term investments	248	84
IX. Gain on revaluation of securities and derivatives	19	18
L. Loss on revaluation of securities and derivatives	54	31
X. Interest income	161	103
N. Interest expense	1	1
XI. Other financial income	275	178
O. Other financial expense	320	191
* Financial result	328	160
Q. Tax on profit on ordinary activities	2,234	2,326
Q. 1. - current	2,984	2,769
Q. 2. - deferred	(750)	(443)
** Profit on ordinary activities after taxation	9,041	7,823
*** Net profit for the financial period	9,041	7,823
**** Net profit before tax	11,275	10,149

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## FINANCIAL STATEMENTS 2008

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## CASH FLOW STATEMENT

	2008	2007
	CZK million	CZK million
<b>Cash flows from operating activities</b>		
A. Net profit on ordinary activities before tax	11,275	10,149
A.1. Adjustments for non-cash movements:		
A.1.1. Depreciation and amortisation of fixed assets	4,774	4,268
A.1.2. Change in provisions	1,777	763
A.1.3. Profit from disposal of fixed assets	(26)	(4)
A.1.4. Net interest income and income from short-term investments	(160)	(186)
A.1.5. Other non-cash movements	378	505
A*. Net cash flow from operating activities before tax and changes in working capital	18,018	15,495
A.2. Working capital changes:		
A.2.1. Change in receivables and prepayments	215	(2,423)
A.2.2. Change in short-term payables and accruals	(1,134)	130
A.2.3. Change in inventories	116	(241)
A.2.4. Change in short-term investments	2,519	(5,262)
A**. Net cash flow from operating activities before tax	19,734	7,699
A.3. Interest paid	(1)	(1)
A.4. Interest received	161	176
A.5. Income tax on ordinary activities paid	(2,943)	(2,765)
A ***. Net cash flow from operating activities	16,951	5,109
<b>Cash flows from investing activities</b>		
B.1. Acquisition of fixed assets	(2,223)	(2,743)
B.2. Proceeds from the sale of fixed assets	54	30
B.3. Loans to related parties	(3,540)	-
B***. Net cash flow from investing activities	(5,709)	(2,713)
<b>Cash flows from financing activities</b>		
C.1. Dividends paid	(10,517)	(6,678)
C***. Net cash flow from financing activities	(10,517)	(6,678)
Net increase / (decrease) in cash and cash equivalents	725	(4,282)
Cash and cash equivalents as at the beginning of the year	859	5,141
Cash and cash equivalents as at the end of the year	1,584	859

**NOTES TO FINANCIAL  
STATEMENTS 2008**

## NOTES TO FINANCIAL STATEMENTS 2008

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

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## 1 GENERAL INFORMATION

### 1.1 ESTABLISHMENT AND DETAILS OF THE COMPANY

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

— The Company operates a public mobile communication network and provides mobile communication services under the terms and conditions stated in the licence issued by the Czech Telecommunication Office ("CTO") on 29 August 2005 under reference number 310. The licence authorises the Company to undertake business in electronic communications, to carry out communication activities that include the establishment and provision of a public mobile communication network and provision of electronic communication services. Based on a permit issued by CTO on 16 November 2007 under reference number 310/1, the communication services were expanded to also cover the establishment and provision of a public fixed electronic communication network and provision of public electronic communication services within the public fixed electronic communication network.

— The financial statements have been prepared as at 31 December 2008. The accounting period is represented by the calendar year from 1 January 2008 to 31 December 2008.

— As at 31 December 2008, the Company is organised into the following six divisions – Managing Director division, Marketing division, Finance division, Sales and Customer Support division, Technology division and Human Resources division. During 2008 the Sales division merged with the Customer support division and became the Sales and Customer Support division.

### 1.2 STRUCTURE OF THE COMPANY'S OWNERSHIP

**AS AT 31 DECEMBER 2008 AND 31 DECEMBER 2007,  
THE OWNERSHIP STRUCTURE OF THE COMPANY WAS  
AS FOLLOWS:**

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

— The ownership structure of the Company is governed by the terms of the Shareholders Agreement between CMobil B.V. and ČESKÉ RADIOKOMUNIKACE, a.s. TMCZ Holdco II (Lux) S.à.r.l. (formerly CESKE RADIOKOMUNIKACE S.à.r.l.) assumed the rights and obligations established by the Shareholders Agreement based on an agreement referred to as Adherence Agreement dated 13 November 2006.

— The ultimate parent company of T-Mobile Czech Republic, a.s. during the accounting periods ended 31 December 2008 and 31 December 2007 is Deutsche Telekom AG ("DTAG") which controls CMobil B.V. via T-Mobile International AG (previously T-Mobile International AG&Co.KG) ("TMO").

### 1.3 LICENCES AND TRADEMARKS

**AS AT 31 DECEMBER 2008, THE COMPANY HAD THE  
RIGHT TO USE THE FOLLOWING FREQUENCY BANDS:**

- Allocation of frequency bands for provision of public mobile network of electronic communication under the GSM standard in the 900 MHz and 1800 MHz frequency bands for the period of 20 years (after prolongation expires in 2024);
- Allocation of frequency bands for provision of public mobile network of electronic communication under the UMTS standard in the 2.1 GHz and 28 GHz frequency bands for the period of 20 years (expires in 2024);
- Allocation of frequency bands for provision of public mobile network of electronic communication in the 872 MHz frequency band for the period of 10 years (expires in 2015).
- The allocations of the frequency bands are referred to in these financial statements as "licences".
- The Company owns 63 registered trademarks and has duly submitted applications for the registration of 2 additional trademarks in the Industrial Property Office Register of the Czech Republic, out of which 1 is in the process of publication.
- Based on a sub-liscence agreement between the Company and TMO, the Company is also entitled to use certain trademarks registered by DTAG in the Czech Republic.

**1.4 STATUTORY AND SUPERVISORY BODIES****THE MEMBERS OF THE BOARD OF DIRECTORS AS AT 31 DECEMBER 2008 WERE AS FOLLOWS:**

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

— The resignation of Mr Murat Erkurt from the position of Member of the Board of Directors was discussed on the General meeting of the Company held on 3 December 2008. A new Member of the Board of Directors has not been appointed yet. The change has not been reflected in the Commercial Register.

**THE MEMBERS OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2008 WERE AS FOLLOWS:**

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

— Mr Frank Stoffer was re-appointed as Chairman of the Supervisory Board on the Supervisory Board meeting held on 11 September 2008. The change has not been reflected in the Commercial Register.

— In 2008, Mr Thomas Konschak resigned from the position of Member of the Supervisory Board effective from 15 September 2008. On the same day, Mr Holger Quade was co-opted as a Member of the Supervisory Board. He was appointed by the General meeting as a Member of the Supervisory board effective from 12 November 2008. Both changes were reflected in the Commercial Register.

## 2 ACCOUNTING POLICIES AND GENERAL ACCOUNTING PRINCIPLES

**2.1 BASIS OF PREPARATION**

- The financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic and Czech Accounting Standards and have been prepared under the historical cost convention. Derivatives and other available-for-sale securities are shown at fair value.
- All amounts in the financial statements are expressed in millions of Czech crowns (CZK million).

**2.2 VALUATION METHODS****2.2.1 TANGIBLE AND INTANGIBLE FIXED ASSETS**

- Tangible and intangible fixed assets except for land are recorded at acquisition cost less accumulated depreciation and provisions for impairment. The acquisition cost comprises the purchase price, transportation costs, customs, installation costs and other relevant costs.

**INTANGIBLE ASSETS COMprise THE FOLLOWING:**

- i) UMTS licence  
The UMTS licence represents the right to operate mobile communication networks in the Czech Republic under the UMTS standard. The licence is recorded at cost less accumulated amortisation. The licence was put into commercial use in October 2005. The licence is being amortised over its useful life using the straight-line method. The useful life of the licence is considered to be the period from the start of its commercial use, through to the licence expiration date in 2024.
- ii) GSM licence  
The GSM licence which represents the right to provide communication services in the Czech Republic and to establish and operate GSM communication equipment is recorded at cost less accumulated amortisation. The licence is being amortised over its useful life using the straight-line method. The useful life of the licence is considered to be the period from the start of its commercial use, through to the licence expiration date in 2024.

**iii) Software**

Capitalised software costs include the licence fees for the use of software and costs of consulting services related to software implementation. Software costs are amortised over the expected period of the benefit of the cost, which is two years, three years or over the length of the contract. Costs of consulting services, which are incurred after the relevant subsystem of the software is put into routine operation and as such do not fulfil the criteria for capitalisation, are charged to the income statement as incurred.

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

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

— Technical improvement of tangible fixed assets and intangible fixed assets exceeding CZK 40 thousand per year is capitalised. Technical improvement below the stated amount is charged directly to the income statement.

**2.2.2 FINANCIAL INVESTMENTS**

- The Company classifies securities and investments, other than investments in subsidiaries and associated undertakings, in the following categories: trading, available-for-sale or held-to-maturity.
- All securities and investments are initially recorded at acquisition cost (including fees and commissions to brokerage agencies and stock exchanges). The acquisition cost does not include interest from the acquisition of loans financing the securities and the related administration costs.

**2.2.3 INVENTORIES**

- Purchased inventories are stated at acquisition cost less provision. The acquisition cost primarily includes the purchase price of materials and other costs incurred to bring inventory to its present state and location. These include customs, storage costs during transportation and freight costs.
- All disposals of purchased inventories are valued using the weighted-average cost method.

**2.3 DEPRECIATION METHOD**

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

**ESTIMATED USEFUL LIVES FOR THE MAIN ASSET CATEGORIES ARE AS FOLLOWS:**

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

- The Company does not depreciate land.
- Tax depreciation is calculated using the straight-line depreciation method with the exception of GSM equipment, which for tax purposes is depreciated using the accelerated depreciation method.
- The estimated useful life of existing technological equipment has been reassessed to reflect the 2G network modernization project. The aim of this project is to replace the existing 2G technology during the years 2009 and 2010. The contract with the main supplier was signed at the beginning of October 2008. Since October 2008, the Company started to depreciate the existing technological equipment to reflect the current valid project plan of the technology replacement. The impact of accelerated depreciation for the year 2008 is a CZK 594 million increase in the depreciation charge.

## 2.4 METHOD OF DETERMINING PROVISIONS FOR ASSETS AND LIABILITIES

### 2.4.1 PROVISIONS FOR ASSETS

#### PROVISIONS FOR IMPAIRMENT OF TANGIBLE AND INTANGIBLE FIXED ASSETS

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

#### PROVISIONS FOR RECEIVABLES

The Company creates a provision for receivables based on the ageing of receivables and information about the current payment discipline of customers and dealers. The provision is calculated as a percentage of the nominal value of receivables, ranging from 2 to 90.4%. Bad debts from customers are offset against deposits obtained from them at the beginning of the contract period. A provision is not created for group receivables.

#### PROVISIONS FOR INVENTORIES

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

### 2.4.2 PROVISIONS FOR LIABILITIES

The Company recognises provisions relating to probable future obligations that would require settlement in cash, when the purpose of the obligations is known but the accurate amount, or the time when the obligation will arise, is not known. The Company takes into account all the predictable risks and possible losses when recognising provisions. The Company also recognises tax deductible provisions relating to significant future repairs of property, plant and equipment as defined by the Act on Provisions.

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

## 2.5 REVENUErecognition

- Voice revenues constitute the principal part of total revenues, consisting primarily of domestic and foreign (roaming) airtime revenues and interconnection revenues from termination of traffic originating from the networks of other operators.
- Interconnection revenues are recognised based on valid agreements.
- Monthly subscription fees, revenues from non-voice services such as SMS, data transmissions and MMS, and revenues from the sale of handsets and accessories represent another significant part of total revenues.
- Revenues from post-paid customers are recognised on the basis of airtime used and are recorded in monthly billing cycles.
- Revenues from the sale of pre-paid cards are deferred and based on operational data are recognised at the moment when the customer uses the pre-paid credit.
- The activation fee included in both pre-paid and post-paid package revenues is recognised in the period when the card is activated by the customer.
- Revenues from the sale of handsets and accessories are recognised at the time of the customer's or independent dealer's purchase.
- Interest income is recorded on an accrual and deferral basis using the effective interest method.

## 2.6 FOREIGN CURRENCY TRANSLATION

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

**2.7 DEFERRED TAXATION**

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

**2.8 FINANCE RISK MANAGEMENT****FINANCE RISK MANAGEMENT PRINCIPLES**

— The Company's activities expose it to a variety of financial risks, primarily currency risk, interest rate risk and price risk influencing the Company's assets, liabilities and planned transactions. The Company's overall risk management strategy focuses on the unpredictability of financial markets. The Company seeks to minimise the potentially adverse effects on the Company's financial performance through its operating and financial procedures. Based on its risk assessment, the Company uses selected derivative and non-derivative hedging instruments to manage exposures. The derivatives are used solely for hedging purposes, not for trading or speculating. In order to manage credit risk, hedging transactions are generally entered into with institutions that meet the requirements of the Company's Investment and Hedging strategy for required rating.

— Financial risk management procedures are carried out by the Company's Treasury Department under policies and directions set by the Board of Directors of the Company, except for credit risks arising from sales activities which are managed by the Credit Risk Department.

**MARKET RISK****Currency Risk**

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

**b) Interest Rate Risk**

The Company is exposed to interest rate risk of short-term financial assets and the loan to DTAG.

**CREDIT RISK**

— The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed, the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

— Customers of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

— In 2008, the Company invested part of its financial means in a loan to the parent company DTAG.

— The counterparties for financial transactions settled in cash are limited to high credit quality financial institutions as defined in the policies and directions set by the Board of Directors of the Company and included in its Investment strategy. The Company carries out financial transactions with financial institutions with a credit rating from an independent rating agency at the level of at least BBB+ / Baa1. If the counterparty does not have a rating from a global rating agency the credit quality is assured by other conventional methods or assessed in the context of credit risk management on the DTAG level.

— The Company manages the credit risk associated with its trading operations by using various instruments such as insurance, bank guarantees, credit limits, differentiated debt collecting process, etc.

**LIQUIDITY RISK**

— Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The aim of the Treasury Department is to maintain flexibility in funding by maintaining availability under committed credit facilities.

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

**FAIR VALUE ESTIMATION OF FINANCIAL INSTRUMENTS**

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

**ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES**

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

— The Company uses currency forward contracts to hedge estimated cash flows and the fair value of existing balance sheet items. Beginning 1 January 2004, the Company introduced hedge accounting under the existing legal provisions, which resulted in the change of fair value of certain derivatives being classified within the "Assets and liabilities revaluation". Fair value of the derivatives is released into the income statement in the same period as the underlying items.

— All transactions below the equivalent of EUR 15 million are recognised as trade derivatives with changes in fair value being recorded in the income statement.

**2.9 FINANCE AND OPERATING LEASES**

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

**2.10 CASH FLOW STATEMENT**

— The Company has prepared a cash flow statement following the indirect method. Cash equivalents represent bank account balances, bank deposits and their securitised equivalents, and overdrafts. For reconciliation of Short-term financial assets and cash equivalents, refer to Note 3.4 Short-term Financial Assets.

**2.11 SUBSEQUENT EVENTS**

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

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

### **3 ADDITIONAL INFORMATION ON THE BALANCE SHEET AND THE INCOME STATEMENT**

**3.1 FIXED ASSETS****3.1.1 INTANGIBLE FIXED ASSETS**

Cost CZK million	Development costs	Software	Valuable rights – GSM, UMTS and other licences	Intangible fixed assets in the course of construction and advances paid	Total
1. 1. 2007	282	4,257	4,545	692	9,776
Transfers	8	553	330	(889)	2
Additions	–	–	–	668	668
Disposals	(3)	(79)	–	(4)	(86)
31. 12. 2007	287	4,731	4,875	467	10,360
Transfers	19	521	12	(544)	8
Additions	–	–	–	509	509
Disposals	(6)	(28)	–	(2)	(36)
31. 12. 2008	300	5,224	4,887	430	10,841

Accumulated amortisation/provisions CZK million	Development costs	Software	Valuable rights – GSM, UMTS and other licences	Intangible fixed assets in the course of construction and advances paid	Total
1. 1. 2007	265	3,723	742	–	4,730
Transfers	–	1	–	–	1
Additions	17	648	229	–	894
Disposals	(3)	(79)	–	–	(82)
31. 12. 2007	279	4,293	971	–	5,543
Transfers	–	–	–	–	–
Additions	12	565	240	–	817
Disposals	(6)	(29)	–	–	(35)
31. 12. 2008	285	4,829	1,211	–	6,325

Net book value CZK million	Development costs	Software	Valuable rights – GSM, UMTS and other licences	Intangible fixed assets in the course of construction and advances paid	Total
31. 12. 2007	8	438	3,903	467	4,816
31. 12. 2008	15	395	3,676	430	4,516

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## NOTES TO FINANCIAL STATEMENTS 2008

### 3.1.2 TANGIBLE FIXED ASSETS

Cost CZK million	Buildings, constructions and land	Equipment and other tangible fixed assets	Tangible fixed assets in the course of construction and advances paid	Total
1. 1. 2007	7,204	25,039	4,121	36,364
Transfers	623	1,911	(2,536)	(2)
Additions	3	6	1,689	1,698
Disposals	(28)	(399)	(49)	(476)
31. 12. 2007	7,802	26,557	3,225	37,584
Transfers	791	2,288	(3,086)	(7)
Additions	-	-	1,691	1,691
Disposals	(30)	(475)	(62)	(567)
31. 12. 2008	8,563	28,370	1,768	38,701

Accumulated depreciation/provisions CZK million	Buildings, constructions and land	Equipment and other tangible fixed assets	Tangible fixed assets in the course of construction and advances paid	Total
1. 1. 2007	2,325	16,688	53	19,066
Transfers	-	(1)	-	(1)
Additions	487	2,887	-	3,374
Disposals	(27)	(390)	-	(417)
Provisions	-	-	(14)	(14)
31. 12. 2007	2,785	19,184	39	22,008
Transfers	-	-	-	-
Additions	548	3,409	-	3,957
Disposals	(30)	(488)	-	(518)
Provisions	-	-	1	1
31. 12. 2008	3,303	22,105	40	25,448

Net book value CZK million	Buildings, constructions and land	Equipment and other tangible fixed assets	Tangible fixed assets in the course of construction and advances paid	Total
31. 12. 2007	5,018	7,372	3,186	15,576
31. 12. 2008	5,260	6,265	1,728	13,253

### 3.1.3 FINANCE LEASES

#### A SUMMARY OF FUTURE PAYMENTS RELATING TO FINANCE

##### LEASE CONTRACTS FOR CARS

AS AT 31 DECEMBER 2008 AND 31 DECEMBER 2007 IS AS FOLLOWS:

	Total number of Concluded contracts	Maturity		
		Up to 1 year (CZK million)	1 + years (CZK million)	Total (CZK million)
31 December 2007	495	72	54	126
31 December 2008	275	39	16	55

In 2008, finance lease payments totalled CZK 72 million (in 2007: CZK 84 million).

### 3.2 INVENTORIES

CZK million	31. 12. 2008	31. 12. 2007
Handsets and accessories	393	505
Technology inventories	139	139
Other inventories	7	11
Total inventories – gross	539	655
Provision for inventories	(115)	(157)
Total inventories – net	424	498

#### THE CHANGE IN THE PROVISION FOR OBSOLETE AND SLOW-MOVING INVENTORY CAN BE ANALYSED AS FOLLOWS:

CZK million	2008	2007
Opening balance as at 1 January	157	130
Creation of the provision	8	53
Release / utilisation of the provision	(50)	(26)
Closing balance as at 31 December	115	157

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## NOTES TO FINANCIAL STATEMENTS 2008

### 3.3 RECEIVABLES

#### 3.3.1 SHORT-TERM RECEIVABLES

CZK million	31.12.2008	31.12.2007
Trade receivables		
- current and overdue less than 180 days	3,403	3,810
- overdue more than 180 days	2,511	3,246
Total trade receivables - gross	5,914	7,056
Provision for receivables	(3,411)	(3,680)
Total trade receivables - net*	2,503	3,376

\* The net trade receivables balance as at 31 December 2007 comprises amounts relating to a dispute with Telefónica O2 Czech Republic, a.s. regarding settlement of interconnection fees for mutually-provided services in 2001. The related amount includes trade receivables of CZK 512 million, less provision for impairment of CZK 434 million, i.e. net receivable of CZK 78 million. As at 31 December 2007, the Company also recognised a liability related to this case in the same amount. The referred items were settled during the year 2008 as a result of the received payment in the amount of CZK 2,003 million from Telefónica O2 Czech Republic, a.s.

As at 31 December 2008, the overdue receivables were CZK 3,884 million (31 December 2007: CZK 4,366 million).

— Trade receivables represent mainly receivables from the communication network users, receivables from other communication services providers, receivables from partners for the electronic recharging of Twist prepaid cards and receivables from independent dealers.

— Overdue receivables relate primarily to unsettled interconnection fees and overdue receivables from customers of electronic communication services.

#### THE CHANGE IN THE PROVISION FOR DOUBTFUL DEBTS MAY BE ANALYSED AS FOLLOWS:

CZK million	2008	2007
Opening balance as at 1 January	3,680	2,891
Creation of the provision	1,811	2,505
Release / utilisation of the provision	(2,080)	(1,716)
Closing balance as at 31 December	3,411	3,680

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

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### 3.5 ACCRUALS AND DEFERRALS

#### 3.5.1 PREPAID EXPENSES

— Prepaid expenses in 2008 include primarily costs related to the lease of office space and buildings needed for the installation of communication technologies, paid in advance. These costs are recorded as expenses on an accrual basis. Their total value as at 31 December 2008 was CZK 46 million (31 December 2007: CZK 40 million).

### 3.3.2 LONG-TERM RECEIVABLES

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

### 3.4 SHORT-TERM FINANCIAL ASSETS

#### SHORT-TERM FINANCIAL ASSETS CAN BE ANALYSED AS FOLLOWS:

CZK million	31.12.2008	31.12.2007
Cash in hand, cash in transit and cash at bank	898	680
Short-term investments	5,109	7,109
Total short-term financial assets	6,007	7,789
Bank overdrafts	(14)	—
Mortgage-backed securities	(4,409)	(5,417)
Specialised investment fund	—	(1,513)
Total cash and cash equivalents	1,584	859

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## NOTES TO FINANCIAL STATEMENTS 2008

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### 3.6 EQUITY

#### MOVEMENTS IN THE COMPANY'S EQUITY:

CZK million	Registered capital	Share premium	Other capital contributions	Assets and liabilities revaluation	Statutory reserve fund	Retained earnings	Profit for the current period	Total
1. 1. 2007	520	5,344	8	(3)	104	12,846	5,702	24,521
Revaluation of financial instruments	-	-	-	15	-	-	-	15
Dividends paid	-	-	-	-	-	(976)	(5,702)	(6,678)
Net profit for the period	-	-	-	-	-	-	7,823	7,823
31. 12. 2007	520	5,344	8	12	104	11,870	7,823	25,681
Revaluation of financial instruments	-	-	-	(12)	-	-	-	(12)
Dividends paid	-	-	-	-	-	(2,694)	(7,823)	(10,517)
Net profit for the period	-	-	-	-	-	-	9,041	9,041
31. 12. 2008	520	5,344	8	-	104	9,176	9,041	24,193

#### 3.6.1 SHARE CAPITAL AND CAPITAL CONTRIBUTIONS

The Company's shares have a nominal value of CZK 1,000 each and are book-entered, registered and not publicly traded. Approved and subscribed share capital is fully paid off. All shares have equal voting rights. As at 31 December 2008 and 31 December 2007, the registered capital was represented by 520 thousand shares.

A share premium of CZK 5,344 million was settled by the Company's shareholders 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 (at present the Ministry of Industry and Trade), CMobil B.V. and ČESKÉ RADIOKOMUNIKACE, a.s.\*, dated 25 March 1996. The valuable right to provide communication services under the GSM standard forms a part of the share premium.

\* Currently TMCZ Holdco II (Lux) S.à.r.l. (previously CESKE RADIOKOMUNIKACE S.à.r.l.)

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

#### 3.6.2 DIVIDENDS

Based on a resolution of the General meeting held on 27 June 2008, the Company distributed part of its retained earnings to the shareholders as a dividend in the aggregate amount of CZK 7,737 million (CMobil B.V.: CZK 4,702 million, TMCZ Holdco II (Lux) S.à.r.l.: CZK 3,035 million). Based on a resolution of the Extraordinary general meeting held on 3 December 2008, the Company distributed another part of its retained earnings to the shareholders as an extraordinary dividend in the aggregate amount of CZK 2,780 million (CMobil B.V.: CZK 1,689 million, TMCZ Holdco II (Lux) S.f.r.l.: CZK 1,091 million).

During 2007, the Company distributed profit for the year 2006 and part of retained earnings to the shareholders as a dividend in the aggregate amount of CZK 6,678 million (CMobil B.V.: CZK 4,058 million, TMCZ Holdco II (Lux) S.à.r.l.: CZK 2,620 million).

#### 3.7 PROVISION FOR LIABILITIES

CZK million	Provision for tax payable	Other provisions	Total
1. 1. 2007	348	814	1,162
Charge for the year	352	562	914
Released / used in the year	(348)	(600)	(948)
31. 12. 2007	352	776	1,128
Charge for the year	394	2,662	3,056
Released / used in the year	(352)	(576)	(928)
31. 12. 2008	394	2,862	3,256

As at 31 December 2008, the Company recorded a provision of CZK 587 million for estimated future costs related to the T-Mobile bonus for allocated loyalty points unused as at year-end (31 December 2007: CZK 520 million).

Other current provisions relate primarily to the payment from Telefónica O2 Czech Republic, a.s. in the amount of CZK 2,003 million received on 18 April 2008. The payment was made in relation to execution initiated by the Company against Telefónica O2 Czech Republic, a.s. in connection with a dispute concerning interconnection charges for the period of 1 January to 26 November 2001 (including the related late payment interest). Whilst the payment led to a conclusion of execution proceedings, it has no impact on the ultimate outcome of the underlying dispute, which is currently in progress and is subject to multiple uncertainties.

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## NOTES TO FINANCIAL STATEMENTS 2008

### 3.8 SHORT-TERM LIABILITIES

#### TRADE PAYABLES

CZK million	31.12.2008	31.12.2007
Trade payables		
- domestic payables	1,280	1,429
- foreign payables	57	36
Total trade payables	1,337	1,465

As at 31 December 2008, the amount of overdue payables was CZK 97 million (31 December 2007: CZK 32 million).

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

Liabilities to members of associations represent advances received from members of the associations which were established for the purpose of building up telecommunications infrastructure. Liabilities to the members of associations as at 31 December 2008 amounted to CZK 20 million (as at 31 December 2007: CZK 17 million).

#### ANTICIPATED LIABILITIES

Anticipated liabilities include the cost of goods and services that were received during the year, but for which no invoice was received as at the balance sheet date.

### OVERVIEW OF ANTICIPATED PAYABLES BY CATEGORY AS AT 31 DECEMBER 2008 AND 31 DECEMBER 2007:

CZK million	31.12.2008	31.12.2007
Estimated liability for interconnection costs	1,179	1,646
Estimated liability for operational expenditure	1,014	1,278
Estimated liability for capital expenditure	238	387
Estimates liability for staff costs	435	459
<b>Total anticipated payables</b>	<b>2,866</b>	<b>3,770</b>

#### OTHER PAYABLES

##### OTHER SHORT-TERM PAYABLES HAD THE FOLLOWING BALANCES AS AT 31 DECEMBER 2008 AND 31 DECEMBER 2007:

CZK million	31.12.2008	31.12.2007
Currency forward contracts	3	1
Other short-term payables	14	25
<b>Total other payables</b>	<b>17</b>	<b>26</b>

### 3.9 BANK LOANS AND OVERDRAFTS

The total limit of bank overdrafts and flexible credit lines available to the Company is EUR 3 million (CZK 81 million) and CZK 800 million, respectively.

As at 31 December 2008, overdrafts amounting to CZK 14 million were drawn. The Company did not draw any loan or significant overdraft as at 31 December 2007.

### 3.10 FINANCIAL INSTRUMENTS

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

#### FORWARD CONTRACTS

As at the end of 2008, the Company had open currency forward contracts with a total nominal value of CZK 156 million (31 December 2007: CZK 316 million). These transactions focus on managing currency risks associated with the settlement of the Company's liabilities resulting from the customer-supplier relations and denominated in EUR. All currency forward contracts as at 31 December 2008 were initiated during 2008 with maturity by the end of the year 2009. During 2008, currency forward contracts in a total nominal value of CZK 4,773 million were settled (in 2007: CZK 5,929 million).

Open currency forward contracts CZK million	31.12.2008	31.12.2007
Open currency forward contracts securing other foreign exchange liabilities:		
Positive fair value	7	4
Negative fair value	(3)	(1)
<b>Total fair value of forward contracts</b>	<b>4</b>	<b>3</b>

**3.11 ACCRUALS AND DEFERRALS****3.11.1 ACCRUALS**

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

**3.11.2 DEFERRED REVENUE**

- Deferred revenue includes deferred airtime revenue related to TWIST prepaid services.

**3.12 COMMITMENTS AND CONTINGENCIES**

— Tax authorities are authorised to inspect books and records at any time within 3 years subsequent to the reported tax year, and consequently may impose additional income tax and penalties. The last income tax inspection took place in 2006 and 2007 for the period 2003. The Company's management are not aware of any circumstances which may in the future give rise to a potential material liability in this respect.

— On 31 May 2004, Vodafone Czech Republic, a.s. (Český Mobil, a.s. in the decisive period) filed a claim in Municipal court in Prague against the Company for compensation of damages in the total amount of CZK 615 million including claim attribution. Vodafone Czech Republic, a.s. insists that the Company abused its dominant position on the market by charging its customers CZK 1 more for calls on the Vodafone network than on the Telefónica O2 Czech Republic, a.s. network (Eurotel Praha, spol. s r.o. in the decisive period).

— The municipal court in Prague held a series of court hearings, where evidence was gathered, witnesses were heard. The first instance decision has not been made yet. The Management of the Company concluded that there are no risks arising from the case that should be accounted in the financial statements of the Company.

**THE COMPANY'S FUTURE CAPITAL COMMITMENTS TO MAJOR TECHNOLOGY SUPPLIERS AS AT 31 DECEMBER 2008 AND 31 DECEMBER 2007 ARE AS FOLLOWS:**

CZK million	31.12.2008	31.12.2007
Up to 1 year	2,476	1,351
1–3 years	1,916	1,057
3–5 years	1,376	938
Over 5 years	—	433
Total	5,768	3,779

**THE FUTURE MINIMUM LEASE PAYMENT COMMITMENTS UNDER IRREVOCABLE OPERATING LEASES ARISING FROM THE RENTAL OF MICROWAVE CONNECTIONS, COMMUNICATION BASE STATIONS, OTHER BUILDINGS AND OFFICES ARE AS FOLLOWS:**

CZK million	31.12.2008	31.12.2007
Up to 1 year	425	445
1–3 years	564	611
3–5 years	494	535
Over 5 years	1,218	1,416
Total	2,701	3,007

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## NOTES TO FINANCIAL STATEMENTS 2008

### 3.13 GUARANTEES

As at 31 December 2008, bank guarantees totalling CZK 72 million were issued to lessors of commercial space and real estate at the Company's request (31 December 2007: CZK 71 million).

As at 31 December 2008, the Company's liabilities from import duties were covered by bank guarantees totalling CZK 50 million (31 December 2007: CZK 50 million).

### 3.14 REVENUES AND EXPENSES FROM OPERATING ACTIVITIES

#### 3.14.1 OPERATING REVENUES ACCORDING TO MAIN ACTIVITIES

(CZK million)	2008	2007
Sales of handsets and accessories	995	1,333
Communication network services	32,058	30,354
Total	33,053	31,687

#### 3.14.2 OPERATING REVENUES AND EXPENSES

(CZK million)	2008	2007
Operating revenues	33,053	31,687
Other revenues	3,228	2,171
<b>Total revenues</b>	<b>36,281</b>	<b>33,858</b>
Cost of goods sold	2,358	2,811
Consumption of material and energy	645	599
Services	12,654	12,199
Staff costs	2,298	2,236
Depreciation of intangible and tangible fixed assets	4,774	4,268
Other operating charges	2,605	1,756
<b>Total operating expenses</b>	<b>25,334</b>	<b>23,869</b>
<b>Operating results</b>	<b>10,947</b>	<b>9,989</b>

Other revenues includes an additional interest penalty charge in the amount of CZK 1,025 million related to receivable from Telefónica O2 Czech Republic, a.s.

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

### 3.15 REVENUES AND EXPENSES FROM FINANCING ACTIVITIES

(CZK million)	2008	2007
Revenues from financial operations and interest income	4,477	3,473
Financial revenues – other	525	260
Cost of financial operations and interest expense	(4,301)	(3,350)
Financial expenses – other	(373)	(223)
<b>Financial result</b>	<b>328</b>	<b>160</b>

### 3.16 RELATED PARTY TRANSACTIONS AND BALANCES

#### THE FOLLOWING TRANSACTIONS ARE RELATED TO THE SHAREHOLDERS AND THEIR AFFILIATES:

(CZK million)	2008	2007
České Radiokomunikace, a.s.*:		
Purchase of services (leased lines, rent and other services)	224	272
DTAG group:		
Roaming, interconnect and related purchased services	426	470
Other purchased goods and services	145	220
Expenses from cross charges of services	461	505
IT services	962	548
Purchased foreign currency at fair value	390	884
<b>Total purchases</b>	<b>2,608</b>	<b>2,899</b>
České Radiokomunikace, a.s.*:		
GSM and interconnection services sold	65	81
DTAG group:		
Roaming, interconnection and related sold services	452	439
Re-branding – reimbursement	16	16
Income from sale of PP&E and intangibles	–	15
Income from cross charges of services	424	316
Interest income from loan provided	49	–
<b>Total sales</b>	<b>1,006</b>	<b>867</b>

#### RELATED PARTY RECEIVABLES:

(CZK million)	31.12.2008	31.12.2007
České Radiokomunikace, a.s.*:		
Receivables from GSM and other services	10	22
DTAG group:		
Receivables from roaming, interconnection and related sold services	452	423
Receivables and prepayments from other services and discounts	211	243
Loan provided	3,540	–
Receivables from derivatives (fair value)	2	1
<b>Total related party receivables</b>	<b>4,215</b>	<b>689</b>

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## NOTES TO FINANCIAL STATEMENTS 2008

**RELATED PARTY PAYABLES:**

CZK million	31.12.2008	31.12.2007
České Radiokomunikace, a.s.*:		
Payables from leased lines and other rentals	18	21
DTAG group:		
Payables from roaming, interconnection and related purchased services	388	650
Payables from other services and discounts	365	394
Payables from derivatives (fair value)	2	-
<b>Total related party payables</b>	<b>773</b>	<b>1,065</b>

\* České Radiokomunikace, a.s. and TMCZ Holdco II (Lux) S.à.r.l. are under joint control

— The long-term loan with a total limit of CZK 3,823 million, provided by Deutsche Telekom International Finance B.V., and with maturity on 31 December 2011, was not drawn as at 31 December 2008 or 31 December 2007.

— The Company provided a short-term loan to Deutsche Telekom AG in the amount of CZK 3,540 million as at 31 December 2008. The loan consists of four individual obligations with maturity not exceeding two months and individual interest rates determined on an arms'-length basis. All obligations are denominated in CZK.

— In total, CZK 27,140 million was provided and CZK 23,600 million was received during the last quarter of 2008. Interest income from the loan in the amount of CZK 49 million was recorded. Due to the high turnover of the loan, the transactions resulting from the loan are recorded on a net basis in the Cash flow statement for the year ended 31 December 2008.

## 3.17 TAXATION

### 3.17.1 CURRENT CORPORATE INCOME TAX

#### THE COMPANY ESTIMATES THE FOLLOWING CURRENT INCOME TAX RESULTS:

CZK million	2008	2007
Accounting profit before tax	11,275	10,149
Tax non-deductible costs	2,566	1,357
Non-taxable revenues	(984)	(1,283)
Difference between accounting and tax depreciation	1,447	1,136
Tax base before deductions	14,304	11,359
Gifts allowed as tax deductible	(21)	(22)
Returned 10% reinvestment relief	-	13
Tax base after adjustment	14,283	11,350
Income tax expense	3,002	2,724
Supplementary increase/(decrease) in tax expense related to prior periods	(18)	45
Current period income tax expense	2,984	2,769
Advances paid	(2,608)	(2,372)
Income tax payable	394	352

### 3.17.2 DEFERRED TAX

CZK million	31.12.2008	31.12.2007
Difference between net book value and net tax value of fixed assets	(3,778)	(5,277)
Difference between net book value and net tax value of inventories	116	157
Difference between net book value and net tax value of receivables	820	602
Other provisions	2,861	771
<b>Total temporary differences</b>	<b>19</b>	<b>(3,747)</b>
Net deferred tax asset /(liability)	22	(728)

— The change of net deferred tax liability to net deferred tax asset during 2008 is primarily driven by the increase in provisions (related to payment received from Telefónica O2 Czech Republic, a.s. and its tax impact) and decrease of difference from accelerated tax depreciation (related to accelerated depreciation of 2G technology).

**NET DEFERRED TAX ASSET AS AT 31 DECEMBER 2008 AND NET DEFERRED TAX LIABILITY AS AT 31 DECEMBER 2007 ARE CALCULATED USING THE CORPORATE INCOME TAX RATES, SHOWN IN THE TABLE BELOW, ENACTED FOR THE PERIOD OF EXPECTED REALISATION OF DEFERRED TAX:**

Period	Tax rate	
	2008	2007
2008	21%	
2009	20%	20%
2010 and onwards	19%	19%

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**NOTES TO FINANCIAL STATEMENTS 2008**
**4 EMPLOYEES AND MANAGEMENT**

**DEVELOPMENT OF STAFF COSTS (AMOUNTS IN CZK MILLION UNLESS STATED OTHERWISE) ARE AS FOLLOWS:**

	Total		Management only	
	2008	2007	2008	2007
Average number of employees	2,559	2,535	44	45
Wages and salaries	1,674	1,577	149	127
Board emoluments	2	2	-	-
Social security and health insurance costs	542	586	14	48
Other social costs	80	71	1	2
Total staff costs	2,298	2,236	164	177

**THE EMOLUMENTS FOR THE MEMBERS OF STATUTORY BODIES AND THE SUPERVISORY BOARD FOR 2008 WERE AS FOLLOWS:**

CZK million	Total income	Monetary income	Benefit in kind
Board of Directors	1	1	-
Supervisory Board	1	1	-

**THE EMOLUMENTS FOR THE MEMBERS OF STATUTORY BODIES AND THE SUPERVISORY BOARD FOR 2007 WERE AS FOLLOWS:**

CZK million	Total income	Monetary income	Benefit in kind
Board of Directors	1	1	-
Supervisory Board	1	1	-

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**NOTES TO FINANCIAL STATEMENTS 2008**
**4 EMPLOYEES AND MANAGEMENT**

**DEVELOPMENT OF STAFF COSTS (AMOUNTS IN CZK MILLION UNLESS STATED OTHERWISE) ARE AS FOLLOWS:**

	Total		Management only	
	2008	2007	2008	2007
Average number of employees	2,559	2,535	44	45
Wages and salaries	1,674	1,577	149	127
Board emoluments	2	2	-	-
Social security and health insurance costs	542	586	14	48
Other social costs	80	71	1	2
Total staff costs	2,298	2,236	164	177

**THE EMOLUMENTS FOR THE MEMBERS OF STATUTORY BODIES AND THE SUPERVISORY BOARD FOR 2008 WERE AS FOLLOWS:**

CZK million	Total income	Monetary income	Benefit in kind
Board of Directors	1	1	-
Supervisory Board	1	1	-

**THE EMOLUMENTS FOR THE MEMBERS OF STATUTORY BODIES AND THE SUPERVISORY BOARD FOR 2007 WERE AS FOLLOWS:**

CZK million	Total income	Monetary income	Benefit in kind
Board of Directors	1	1	-
Supervisory Board	1	1	-

**NOTES TO FINANCIAL STATEMENTS 2008**
**4 EMPLOYEES AND MANAGEMENT**

**DEVELOPMENT OF STAFF COSTS (AMOUNTS IN CZK MILLION UNLESS STATED OTHERWISE) ARE AS FOLLOWS:**

	Total		Management only	
	2008	2007	2008	2007
Average number of employees	2,559	2,535	44	45
Wages and salaries	1,674	1,577	149	127
Board emoluments	2	2	-	-
Social security and health insurance costs	542	586	14	48
Other social costs	80	71	1	2
Total staff costs	2,298	2,236	164	177

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CZK million	Total income	Monetary income	Benefit in kind
Board of Directors	1	1	-
Supervisory Board	1	1	-

**THE EMOLUMENTS FOR THE MEMBERS OF STATUTORY BODIES AND THE SUPERVISORY BOARD FOR 2007 WERE AS FOLLOWS:**

CZK million	Total income	Monetary income	Benefit in kind
Board of Directors	1	1	-
Supervisory Board	1	1	-

**NOTES TO FINANCIAL STATEMENTS 2008**
**4 EMPLOYEES AND MANAGEMENT**

**DEVELOPMENT OF STAFF COSTS (AMOUNTS IN CZK MILLION UNLESS STATED OTHERWISE) ARE AS FOLLOWS:**

	Total		Management only	
	2008	2007	2008	2007
Average number of employees	2,559	2,535	44	45
Wages and salaries	1,674	1,577	149	127
Board emoluments	2	2	-	-
Social security and health insurance costs	542	586	14	48
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**THE EMOLUMENTS FOR THE MEMBERS OF STATUTORY BODIES AND THE SUPERVISORY BOARD FOR 2008 WERE AS FOLLOWS:**

CZK million	Total income	Monetary income	Benefit in kind
Board of Directors	1	1	-
Supervisory Board	1	1	-

**THE EMOLUMENTS FOR THE MEMBERS OF STATUTORY BODIES AND THE SUPERVISORY BOARD FOR 2007 WERE AS FOLLOWS:**

CZK million	Total income	Monetary income	Benefit in kind
Board of Directors	1	1	-
Supervisory Board	1	1	-

**NOTES TO FINANCIAL STATEMENTS 2008**
**4 EMPLOYEES AND MANAGEMENT**

**DEVELOPMENT OF STAFF COSTS (AMOUNTS IN CZK MILLION UNLESS STATED OTHERWISE) ARE AS FOLLOWS:**

	Total		Management only	
	2008	2007	2008	2007
Average number of employees	2,559	2,535	44	45
Wages and salaries	1,674	1,577	149	127
Board emoluments	2	2	-	-
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Total staff costs	2,298	2,236	164	177

**THE EMOLUMENTS FOR THE MEMBERS OF STATUTORY BODIES AND THE SUPERVISORY BOARD FOR 2008 WERE AS FOLLOWS:**

CZK million	Total income	Monetary income	Benefit in kind
Board of Directors	1	1	-

**REPORT ON THE RELATIONSHIPS  
BETWEEN THE RELATED PARTIES  
FOR THE YEAR 2008**

**35**

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## **REPORT ON THE RELATIONSHIPS BETWEEN THE RELATED PARTIES FOR THE YEAR 2008**

# **REPORT ON THE RELATIONSHIPS BETWEEN THE RELATED PARTIES FOR THE YEAR 2008**

- In accordance with the provision of Section 66a (9) of Act No. 513/1991, the Commercial Code, the Board of Directors of T-Mobile Czech Republic, a.s., having its registered office at Tomičkova 2144/1, 149 00 Praha 4, company registration number 64949681, which is registered in the Commercial Register administered by the Municipal Court in Prague, Section B, File No. 3787 (hereinafter referred to as "TMCZ"), prepared, in respect of the accounting period of the year 2008, the Report on the Relationships between the Controlling Party and the Controlled Party and on the Relationships between the Controlled Party and Other Parties Controlled by the Same Controlling Party.

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

In 2008, the party controlling TM CZ was CMobil B.V. (60.77% share). The party controlling CMobil B.V. was T-Mobile Global Holding Nr. 2 GmbH (100% share). The party controlling the aforementioned company was T-Mobile International AG\* (100% share). T-Mobile International AG\* was controlled by DTAG (100% share) in 2008. The company which had the most significant influence on the management and operation of TM CZ in 2008 was T-Mobile International AG, having its registered office at Landgrabenweg 151, 53227 Bonn.

\* Former T-Mobile International AG&Co.KG

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

# 1 OVERVIEW OF THE RELATED PARTIES

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

DTAG					
100.00%					T-Mobile International AG*, Bonn (Germany)
100.00%					T-Mobile Deutschland GmbH, Bonn (Germany)
70.50%					Polska Telefonia Cyfrowa Sp. z o.o., Warsaw (Poland)
	100.00%				PTC International Finance (Holding) B.V., Amsterdam (Netherlands)
		100.00%			PTC International Finance II S.A., Lucemburk (Luxembourg)
	100.00%				Zweite DFMG Deutsche Funkturm Vermögens – GmbH & Co. KG, Münster (Germany)
	16.67%				DFMG Deutsche Funkturm GmbH, Münster (Germany)
100.00%					T-Mobile Poland Holding Nr. 1 B.V., Bonn (Germany)
22.50%					Polska Telefonia Cyfrowa Sp. z o.o., Warsaw (Poland)
100.00%					T-Mobile Global Holding Nr. 2 GmbH, Bonn (Germany)
	100.00%				CMobil B.V., Brummen (Netherlands)
	60.77%				T-Mobile Czech Republic, a.s., Prague (Czech Republic)
	100.00%				T-Mobile Austria Holding GmbH, Vienna (Austria)
	100.00%				T-Mobile Austria GmbH, Vienna (Austria)
		100.00%			T-Mobile International Austria GmbH, Vienna (Austria)
	100.00%				T-Mobile Service GmbH, Vienna (Austria)
100.00%					T-Mobile Global Holding GmbH, Bonn (Germany)
	100.00%				T-Mobile Holdings Limited, Hatfield (United Kingdom)
	100.00%				T-Mobile United Kingdom Limited, Hatfield (United Kingdom)
	100.00%				One 2 One Limited, Hatfield (United Kingdom)
	100.00%				T-Mobile Limited, Hatfield (United Kingdom)
	100.00%				T-Mobile (UK) Limited, Hatfield (United Kingdom)
	100.00%				T-Mobile No. 1 Limited, Londýn (United Kingdom)
	100.00%				T-Mobile No. 5 Limited, Londýn (United Kingdom)
100.00%					T-Mobile USA, Inc., Bellevue (USA)
	100.00%				Powertel/Memphis, Inc., Bellevue (USA)
	100.00%				SunCom Wireless Holdings Inc., Bellevue (USA)
	100.00%				SunCom Wireless Investment Co., LLC, Bellevue (USA)
		100.00%			SunCom Wireless, Inc., Bellevue (USA)
		100.00%			Triton PCS Holdings Company, LLC, Bellevue (USA)
			100.00%		SunCom Wireless Operating Co., LLC, Bellevue (USA)
			100.00%		T-Mobile Netherlands Holding B.V., Haag (Netherlands)

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**REPORT ON THE RELATIONSHIPS  
BETWEEN THE RELATED PARTIES  
FOR THE YEAR 2008**

**DTAG**

100.00%	T-Mobile Netherlands B.V., Haag (Netherlands)
100.00%	T-Mobile Netherlands Klantenservice B.V., Haag (Netherlands)
100.00%	T-Mobile Netherlands Retail B.V., Haag (Netherlands)
100.00%	Tulip B.V., Hagg (Netherlands)
100.00%	Online Breedband B.V., Amsterdam (Netherlands)
100.00%	T-Mobile Worldwide Holding GmbH, Bonn (Germany)
100.00%	HOLDCO Sp. z o.o., Warsaw (Poland)
100.00%	Polpager Sp. z o.o., Warsaw (Poland)
4.00%	Polska Telefonia Cyfrowa Sp. z o.o., Warsaw (Poland)
100.00%	T-Mobile International UK Limited, Hatfield (United Kingdom)
100.00%	T-Mobile HotSpot GmbH, Bonn (Germany)
99.00%	T-Mobile Venture Fund GmbH& Co. KG, Bonn (Germany)
99.00%	T-Mobile Venture Fund II GmbH& Co. KG, Bonn (Germany)
100.00%	MagyarCom Holding GmbH, Bonn (Germany)
59.21%	Magyar Telecom Plc., Budapest (Hungary)
100.00%	Stonebridge A.D., Skopje (Macedonia)
51.00%	Makedonski Telekomunikacii A.D., Skopje (Macedonia)
100.00%	T-Mobile Macedonia A.D., Skopje (Macedonia)
76.50%	Crnogorski Telekom A.D., Podgorica (Montenegro)
100.00%	T-Mobile Crna Gora d.o.o., Podgorica (Montenegro)
51.00%	Slovak Telecom, a.s., Bratislava (Slovakia)
100.00%	T-Mobile Slovensko, a.s., Bratislava (Slovakia)
51.00%	HT – Hrvatske Telekomunikacije d.d., Zagreb (Croatia)
100.00%	T-Mobile Hrvatska d.o.o., Zagreb (Croatia)
25.00%	Hellenic Telecommunications Organization S.A. (OTE), Athene (Greece)
49.00%	CTDI Nethouse Services GmbH, Mannheim (Germany)
100.00%	DeTeFleetServices GmbH, Bonn (Germany)
100.00%	T-Systems Enterprise Services GmbH, Frankfurt (Germany)
100.00%	T-Systems CDS GmbH, Darmstadt (Germany)
100.00%	T-Systems CSS GmbH, Aachen (Germany)
100.00%	T-Systems Nova GmbH, Bonn (Germany)
100.00%	T-Systems Czech Republic, a.s., Prague (Czech Republic)
100.00%	Detecon International GmbH, Bonn (Germany)
100.00%	T-Systems GEI GmbH, Aachen (Germany)

— The entities listed in the overview are hereinafter referred to as the "Related Parties".

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**2 CONTRACTS CONCLUDED WITH  
THE RELATED PARTIES IN 2008\***

\* The figures specified with individual agreements are in CZK millions.

**DEUTSCHE TELEKOM AG**

— EBS General Service Agreement (No. 019184-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
(6)			Interconnection in 2002 – settlement

— Settlement Agreement (No. 019199-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
(6)			

**MAGYAR TELEKOM PLC.**

— 3rd Variation Agreement (No. 015878-103-00)

**T-MOBILE NETHERLANDS B.V.**

— 3rd Variation Agreement (No. 015878-103-00)

— Amendment No. 1 to Service Agreement (performance of Melody Services) (No. 014973-101-00)

**POLSKA TELEFONIA CYFROWA SP. Z O.O.**

— 3rd Variation Agreement (No. 015878-103-00)

**SUNCOM WIRELESS OPERATING CO, LLC**

— International Roaming Agreement (USA) (No. 019734-000-00)

**T-MOBILE (UK) LIMITED**

— Amendment No. 1 to Service Agreement (performance of Melody Services) (No. 014973-101-00)

— 3rd Variation Agreement (No. 015878-103-00)

— Project Service Agreement for International eSales Solution (IneSS) in TMCZ (No. 019713-000-00)\*\*

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
390			Purchase of foreign currencies at market value

— Master Agreement for Derivates and Investment Contracts (No. 019894-000-00) and Sideletter (No. 019895-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
27,140	23,649	Shareholder's loan – loan principal provided	Shareholder's loan – repayment of the loan principal and interest

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
5			Purchase and maintenance of the e-shop platform

\*\* This Agreement also reflects fulfilment provided during 2008 on the basis of homonymous Agreement No. 018008-000-00.

## REPORT ON THE RELATIONSHIPS BETWEEN THE RELATED PARTIES FOR THE YEAR 2008

### T-MOBILE AUSTRIA GMBH

- Amendment No. 1 to Service Agreement (performance of Melody Services) (No. 014973-101-00)
- 3rd Variation Agreement (No. 015878-103-00)

### T-MOBILE HRVATSKA D.O.O.

- 3rd Variation Agreement (No. 015878-103-00)

### T-MOBILE DEUTSCHLAND GMBH

- Amendment No. 1 to Service Agreement (performance of Melody Services) (No. 014973-101-00)
- 3rd Variation Agreement (No. 015878-103-00)
- Project Service Agreement for the Provision of MMSC – Services (No. 020176-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
			Common platform within the T-Mobile Group

4

### T-MOBILE INTERNATIONAL AG\*

- \* Former T-Mobile International AG&Co.KG
- Service Arrangement 2008 (Inbound) – modification to Annex No. 2 (No. 013243-104-00)
- Service Arrangement 2008 (Outbound) – modification to Annex No. 2 (No. 013244-105-00)

### T-MOBILE CRNA GORA D.O.O.

- 3rd Variation Agreement (No. 015878-103-00)

### T-MOBILE SLOVENSKO, a.s.

- 3rd Variation Agreement (No. 015878-103-00)

### T-MOBILE USA, INC.

- 3rd Variation Agreement (No. 015878-103-00)

### T-SYSTEMS CZECH REPUBLIC A. S.

- Amendment No. 10 to the Interconnection Agreement (No. 010530-110-00)
- Amendment No. 2 – change in the rent (No. 014781-102-00)
- Amendment No. 1 to the Final Consolidation Agreement II (No. 018835-101-00)
- Authorization Agreement (No. 019487-000-00)

- Authorization Agreement (No. 019682-000-00)
- Agreement on the Provision of Maintenance Services, Service Support and Related Extra Services (No. 019807-000-00)
- Settlement Agreement (No. 020012-000-00)
- Agreement on the Increase of Facility Costs (No. 020223-000-00)
- OMC Services (No. 020322-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
			Services of the Operations and Maintenance Centre

40

### DETFLEETSERVICES GMBH

- Leasing Agreement (No. 019374-000-00)

### DETFLLETSERVICES GMBH

## 3 CONTRACTS WITH THE RELATED PARTIES LASTING DURING 2008 BASED ON WHICH PAYMENT, SERVICES OR GOODS WERE PROVIDED

### T-SYSTEMS ENTERPRISE SERVICES GMBH

- Pegabase – Software Maintenance and Evolution Agreement (No. 990005-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
			Pegabase – software maintenance

3

- iBMD Agreement

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
			Technology platform

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- Agreement for Software Services

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
			Software services

3

- Consultancy Agreement

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
			Consultancy services

3

- Crosscharges of Common Platforms

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
1			Technology platform

### T-SYSTEMS CZECH REPUBLIC A. S.\*

\* Includes fulfilment from contracts with T-Systems Czech s.r.o., which was ceased by merger with company T-Systems Czech Republic, a.s. in 2008.

- Final Consolidation Agreement II (IT outsourcing – phase 2) (No. 018835-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
			IT outsourcing services

812

- Agreement on the Provision of xDSL Electronic Communication Services (No. 019266-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
			DSL connection

6

- Agreement on International Telecommunication Services (No. 012866-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
			Interconnection

52

- Agreement on Interconnection of Telecommunication Networks (No. 010530-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
			Interconnection

3

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**REPORT ON THE RELATIONSHIPS  
BETWEEN THE RELATED PARTIES  
FOR THE YEAR 2008**

- Framework Contract for Telecommunication Connection Services (No. 010300-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
15			Lease of optical fibres

- Global Intranet GPRS Roaming eXchange (GRX) (No. 010109-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
1			Lease of lines

- Data Transmission and Telecommunication Connection Agreement (No. 001356-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
2			Lease of lines

- Framework Interconnection Agreement (No. 001111-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
9			Lease of lines and services related to interconnection

- Consultancy Agreement

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
15			Consultancy services

- Contract for the Purchase of Hardware and Software

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
6			Hardware and software

- Contract for GSM Services and Sale of Handsets

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
	14	GSM services and handsets	

- Contract for Work – printing, enveloping and mailing services (No. 017107-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
149			Printing and related services

- Lease Agreement (Louny) (No. 014782-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
	3	Lease and services	

- Lease Agreement (Hradec Králové) (No. 014781-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
	26	Lease and services	

- Sublease Agreement (Roztyly) (No. 014779-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
	31	Sublease and services	

- Sublease Agreement (Koospol) (No. 014778-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
	16	Sublease and services	

- Sublease Agreement (Brno) (No. 014777-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
	1	Sublease and services	

- Sublease Agreement (Centrex) (No. 014776-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
	13	Sublease and services	

**CTDI NETHOUSE SERVICES GMBH**

- Framework Purchase Contract (No. 018498-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
			Purchase of used GSM equipment (TMD replacement)
16			

**T-MOBILE INTERNATIONAL AG\***

\* Former T-Mobile International AG&Co.KG

- Agreement on the Provision of Services in the Area of TMO (No. 017472-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
			Allocation of insurance premium
4			

- Agreement on Cooperation in Provision of Roaming Services (No. 014585-000-00)\*\*

\*\* Note: The above payments (both received and provided) differ from the data used for the Notes to the Financial Statements 2008, because they also include cases, where T-Mobile International AG\* is only a mediator of payment transactions with third parties.

**Payments**		**Services/goods**	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ

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**REPORT ON THE RELATIONSHIPS  
BETWEEN THE RELATED PARTIES  
FOR THE YEAR 2008**

— Framework Cooperation and Service Agreement  
(Outbound/Allocation) (No. 013244-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
		Customer care and trade services (consultancy and support related to international purchase tenders, preparation and management of contracts with other operators, support and consultancy services involving local sales staff, support and consultancy services related to increasing the customer service efficiency)	

29

— Framework Cooperation and Service Agreement  
(Outbound/Allocation) (No. 013244-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
		Technology services (consultancy services regarding the optimisation of information system architectures, mobile devices and value added services; consultancy services regarding the implementation, development and maintenance of a mobile network with a focus on cost and functional effectiveness)	

206

— Framework Cooperation and Service Agreement  
(Inbound) (No. 013243-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
		Marketing services (consultancy services related to the standardization, definition and creation of data models, and to data collection for T-Mobile International, support and consultancy services in connection with the development of databases for marketing purposes, support in ad hoc marketing analyses)	

1

— Framework Cooperation and Service Agreement  
(Inbound) (No. 013243-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
		Customer care services (preparation of a roadmap in connection with the development of customer care technologies and trade, integration of strategic directions of customer care development and trade in individual companies of the T-Mobile International Group)	

3

— Framework Cooperation and Service Agreement  
(Outbound/Allocation) (No. 013244-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
		Marketing services (provision of marketing survey results, consultancy services for building the corporate brand, sharing of costs related to joint marketing campaigns within the T-Mobile International Group, support in negotiations with other operators concerning roaming development)	

86

— Framework Cooperation and Service Agreement  
(Inbound) (No. 013243-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
		Technology services (preparation and planning for the development of IS technologies and the network, development of the existing and new functionalities for IS technologies, the network and network components)	

110

— Framework Cooperation and Service Agreement  
(Inbound) (No. 013243-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
		Human resources services within the T-Mobile International Group.	

4

— Sublicence of TIBCO Software License Agreement  
(No. 011269-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
		TIBCO Enterprise licence	

2

— Sublicence Agreement (No. 010091-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
		Licence	

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**REPORT ON THE RELATIONSHIPS  
BETWEEN THE RELATED PARTIES  
FOR THE YEAR 2008**

- Reinvocing of European Winner Circle Agreement (employee contest)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
1			Employee contest

- Interest on IHC

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
1			Interest settlement

- Contract for GSM Services and Sale of Handsets

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
	1	GSM services and handsets	

**T-MOBILE DEUTSCHLAND GMBH**

- Project Service Agreement (WLAN Central Service Area (CSA) – HotSpot) (No. 016928-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
7			WLAN services

- Project Service Agreement (Remote Device Management) Release 1A (No. 016886-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
3			RDM services

- International Roaming Agreement (No. 016485-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
106	154	Roaming, sms and MMS interworking	Roaming, sms and MMS interworking

- Sublicence Agreement for Micro Payment Platform XTC (No. 016434-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
6			XTC platform

- Project Service Agreement for Subscription Server (No. 016046-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
4			Subscription server

- Variation Agreement (Annex 2006) Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)

- Service Agreement Concerning the Performance of Melody Services (No. 014973-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
		Reinvoicing of costs related to the common platform for the Melody project	
	9		

- Interconnection Agreement (No. 001776-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
46	76	Interconnection	Interconnection

- Crosscharges of common platforms

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
10			Common platforms

- Agreement on Development, Maintenance and Support of iBMD

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
		Development, maintenance and support of iBMD	
	164		

**T-MOBILE SLOVENSKO, A.S.**

- Interconnection Agreement (No. 016452-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
46	39	Interconnection	Interconnection

47

- Variation Agreement (Annex 2006) Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
(34)	(35)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

- International GSM Roaming Agreement (No. 000178-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
98	93	Roaming and SMS interworking	Roaming and SMS interworking

**DEUTSCHE TELEKOM AG**

- Agreement on Bilateral MMS eXchange (No. 016451-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
1			MMS interworking

- Letter of Understanding (No. 010003-000-

48

**REPORT ON THE RELATIONSHIPS  
BETWEEN THE RELATED PARTIES  
FOR THE YEAR 2008**

**T-MOBILE USA, INC.**

- International GSM Roaming Agreement – USA (No. 016180-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
27	48	Roaming	Roaming

- Variation Agreement (Annex 2006) Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
(19)	(42)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

**MAGYAR TELEKOM PLC.**

- Variation Agreement (Annex 2006) Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
(3)	(7)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

- International GSM Roaming Agreement (No. 011437-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
11	20	Roaming and sms interworking	Roaming and sms interworking

**POLSKA TELEFONIA CYFROWA SP. Z O.O.**

- Variation Agreement (Annex 2006) Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
(8)	(22)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

- International GSM Roaming Agreement (No. 011455-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
21	47	Roaming and SMS interworking	Roaming and SMS interworking

**T-MOBILE (UK) LIMITED**

- Variation Agreement (Annex 2006) Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
(4)	(7)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

- International GSM Roaming Agreement (No. 000338-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
22	22	Roaming and SMS interworking	Roaming and SMS interworking

**Contract for the Purchase of Software**

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
1			SW SAP APO system

**Advertising services**

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
	2	Advertising services	

**T-MOBILE INTERNATIONAL UK LIMITED**

- Content Reseller Agreement (No. 001406-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
18			Value added services

**T-MOBILE AUSTRIA GMBH**

- Variation Agreement (Annex 2006) Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
(24)	(12)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

- Service Agreement Concerning the Performance of Melody Services (No. 014973-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
	(2)	Reinvoicing of costs related to the common platform for the Melody project	

- Interconnection Agreement (No. 013609-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
8	23	Interconnection	Interconnection

- International GSM Roaming Agreement (No. 011417-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
57	29	Roaming and sms interworking	Roaming and sms interworking

**T-MOBILE HRVATSKA D. O. O.**

- Variation Agreement (Annex 2006) Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)

Payments		Services/goods	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
(38)	(9)	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

- International GSM Roaming Agreement (No. 011422-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
62	12	Roaming and sms interworking	Roaming and sms interworking

#### T-MOBILE NETHERLANDS B. V.

- Variation Agreement (Annex 2006) Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
		Services provided within cooperation with individual operators	Services provided within cooperation with individual operators
(7)	(6)		

- International GSM Roaming Agreement (No. 000537-000-00)\*

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
14	13	Roaming + SMS Internetworking	Roaming + SMS Internetworking

\* This Agreement also reflects fulfilment provided during 2008 on the basis of Agreement No. 000184-000-00 concluded with Orange Netherlands B.V.

#### T-MOBILE CRNA GORA D.O.O.

- Variation Agreement (Annex 2006) Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)

<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ

(2)			Services provided within cooperation with individual operators
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Roaming Agreement (No. 011470-000-00)			
<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
2			Roaming

#### MAKEDONSKI TELEKOMUNIKACII A.D.

- International GSM Roaming Agreement (No. 000362-000-00)

International GSM Roaming Agreement (No. 000362-000-00)			
<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
1	1	Roaming	Roaming

#### HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)

- Agreement on Cooperation in Providing Roaming Services

Agreement on Cooperation in Providing Roaming Services			
<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
(6)	(3)	Roaming	Roaming

- Roaming services

Roaming services			
<b>Payments</b>		<b>Services/goods</b>	
Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
31	4	Roaming	Roaming

- The Report on the Relationships does not contain fulfilment from contracts between the Related Parties performed in 2008, where the total value of payments/goods/services related to a single contract did not exceed CZK 500 thousand. For 2008, there are 47 such contracts in total. The overall value of payments/goods/services received by TMCZ based on these contracts

amounts to CZK 3 million; the total value of payments/goods/services provided by TMCZ based on these contracts amounts to CZK 2 million. These contracts did not result in any detriment to TMCZ's property.

#### 4 OTHER LEGAL TRANSACTIONS UNDERTAKEN IN THE INTEREST OR AT THE INSTIGATION OF THE RELATED PARTIES

- In 2008 TMCZ did not perform any other legal transactions that would be in the interest or at the instigation of the Related Parties.

#### 5 OTHER MEASURES TAKEN IN THE INTEREST OR AT THE INSTIGATION OF THE RELATED PARTIES

- In 2008 TMCZ did not accept or take, in the interest or at the instigation of the Related Parties in terms of the provisions of the Commercial Code which regulate the Report on the Relationships, any other measures which could have resulted in a potential loss on the part of TMCZ.

#### 6 ASSESSMENT OF REASONABILITY OF THE PAYMENTS/SERVICES/GOODS AND RELATED CONSIDERATIONS ENSUING FROM THE CONTRACTS WITH THE RELATED PARTIES, OTHER LEGAL TRANSACTIONS AND OTHER MEASURES PERFORMED IN THE INTEREST OR AT THE INSTIGATION OF THE RELATED PARTIES

- During the 2008 accounting period, payments/services/goods and related considerations were provided based on the contracts with the Related Parties under the standard business terms and conditions and at customary prices corresponding to the payments/services/goods provided. These payments/services/goods and related considerations were in each and every case provided in compliance with laws and regulations governing economic competition and in no case were of the nature of agreements which might result in the distortion of competition in terms of the Protection of Economic Competition Act No. 143/2001.

- In 2008, no detriment in connection with the relationships with the Related Parties was incurred by TMCZ.

#### 7 FINAL DECLARATION

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







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