

# Annual Report 2006

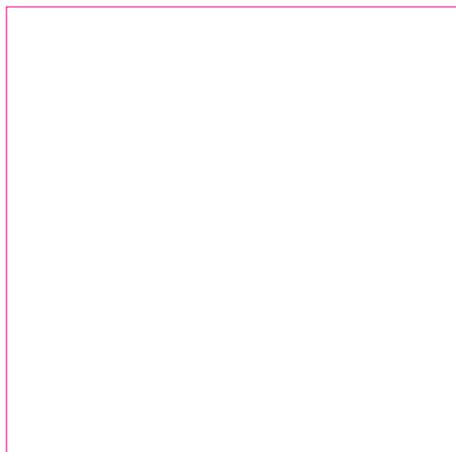


“Behind all these numbers and successes of our company are individuals and teams full of enthusiasm, determination and new ideas – our employees.”



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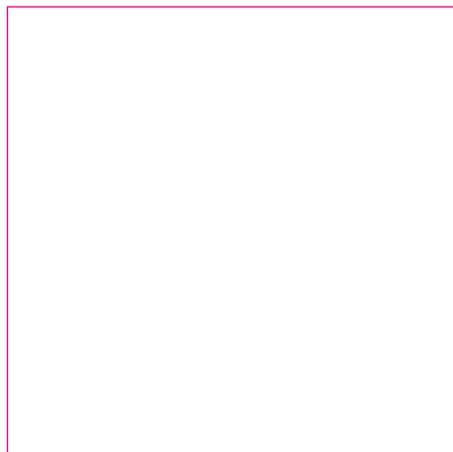
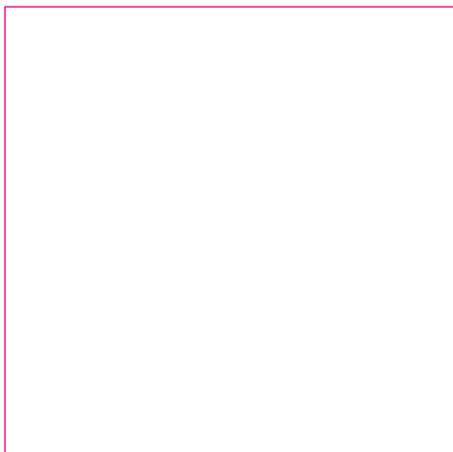
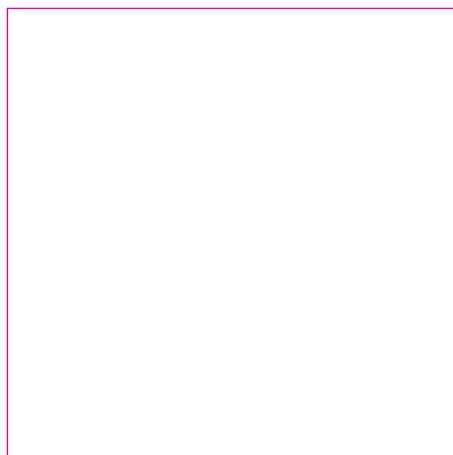
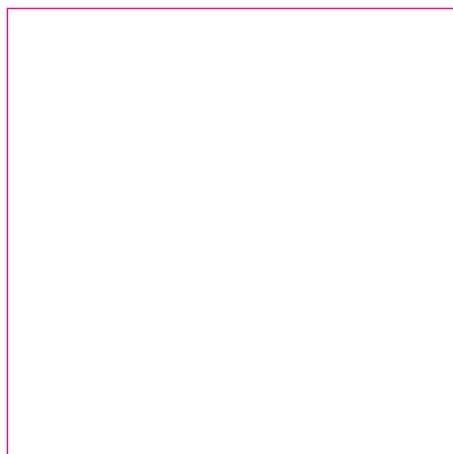
# Company profile

T-Mobile Czech Republic a.s. was established in 1996 (then called RadioMobil) and in the same year began offering mobile communications services under the name Paegas. In 2002, the Company changed its brand and subsequently its name. T-Mobile operates a public mobile communications network on the GSM standard and is authorized to operate a third-generation network, UMTS. As of 31 December 2006, 5,049 million customers were using T-Mobile services.

Besides tariff programmes, T-Mobile offers services for users of prepaid cards under the Twist brand and services tailored to the needs of the business segment and public sector. In addition to voice services and SMS, customers are also making increasing use of other non-voice services, e.g. data transmission via GPRS, WiFi, EDGE and 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, T-Mobile's leading position as an innovator and its contribution to the development of the mobile market has been rewarded with various prizes, both on the national and international levels. Since its establishment, the Company has emphasized the quality of services offered. This approach has recently been rewarded several times. At the end of 2003, T-Mobile was the only Czech mobile operator to receive the "Committed to Excellence" quality award based on the European standard. At the end of 2004, T-Mobile reached the second level called "Recognised for Excellence", after having received the National Quality Award – the most prestigious Czech award for quality management granted by the Czech Quality Council.

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



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# T-Mobile in 1996–2006

## 1996

On 14 March 1996, the CMobil B.V. consortium won the tender proceedings, organized by the Ministry of Economy, to become an international partner of České radiokomunikace.

- RadioMobil was registered in the Commercial Register in June, and the Paegas GSM network began operation on 30 September.
- The number of Paegas phone owners exceeded 30,000 by the end of the year.

## 1997

- In the prestigious CZECH TOP 100 survey, RadioMobil was named the most dynamically developing company of the year.
- By the end of the year, a remarkable 173,000 customers were using the new services, the internet connection and the first ever prepaid cards on the Czech market.

## 1998

- RadioMobil introduced a number of groundbreaking innovations (e.g., Paegas Internet Call, Paegas Info, GSM Banking).
- The Company was voted the most admired telecommunications company in the Czech Top 100 survey.
- 373,000 customers were using Paegas services, a 115% increase compared to 1997.

## 1999

- At the annual conference organized by the GSM Association in Cannes, RadioMobil won the prize for Best Technological Innovation in the GSM Market.
- The Paegas network was one of the first in the world to enable users of Twist prepaid cards to send and receive short text messages.
- A new call centre began operation in Louny, providing services to 875,000 customers by year's end.

## 2000

- Transmitters in the 1800 MHz band went on the air. Combining internet services and mobile phone capabilities, a new comprehensive portal, Paegas Click, was launched.
- Paegas (together with the German D1 network operated by T-Mobil) was the first operator in the world to offer users of Twist prepaid cards the opportunity to make direct calls in foreign networks.
- By the end of the year, the number of Paegas users had approached 1,865,000.

## 2001

- The Company launched the GPRS system, allowing high-speed data transfer, and obtained a licence to operate a third-generation network, UMTS.
- Two prizes were awarded to the Company at the INVEX trade fair: The Best of INVEX for Paegas Navigator and the Crystal Disc for ClickBox.
- 2.85 million customers were using Paegas services.

## 2002

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

## 2003

- Fully in T-Mobile colours: The Company changed its name to T-Mobile Czech Republic a. s.
- T-Mobile introduced the t-zones portal and launched MMS and devices designed exclusively for T-Mobile customers.
- The Company set the goal to become number one in the Czech market. T-Mobile launched special tariffs for various target groups (such as students and foreigners) and the most favourable mobile internet connection.
- For the second year in a row, T-Mobile obtained the highest number of new clients. As of 31 December, the number of T-Mobile customers was over the 3.9 million mark.

## 2004

- A new office building in the Prague district of Rožtyly became the new Company headquarters.
- T-Mobile was a main sponsor of the EURO 2004 football championship.
- New tariff plans for contract customers provided the most favourable per-minute pricing of calls to all networks. The newly launched EDGE technology offered the fastest mobile internet connection, and this year also saw the launch of the T-Mobile HotSpot service.
- T-Mobile became the general partner of the t-music programme; a website of the same name was created to support it.
- The number of customers exceeded the magic 4 million mark in April. Customer numbers climbed to 4.36 million by the end of the year. For the third year in a row, T-Mobile acquired the highest number of new customers. Most companies relied on T-Mobile.

## 2005

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

## 2006

- T-Mobile introduced "simply closer" as the new company claim that expresses the company's endeavor 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 favorable calls from abroad for prices comparable to those for calls within the Czech Republic, the unique BAV SE 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 CSR area, 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.

“Ten years on the market and five million customers – these outstanding numbers can sum up the significance of the past year in the history of T-Mobile Czech Republic a.s.”



**Michael Günther**  
Chairman of the Board of T-Mobile  
Czech Republic a.s.

# Foreword from the Chairman of the Board

Ladies and Gentlemen,

Ten years on the market and five million customers – these outstanding numbers can sum up the significance of the past year in the history of T-Mobile Czech Republic a.s. I would like to take this opportunity to recall the most significant events and moments of 2006 which contributed to the fact that our magenta operator again became number one in the Czech market.

It is no exaggeration to say that the past year surpassed our boldest expectations. The excellent results were achieved thanks to the coordination of efforts on several “frontlines”. I use the term “frontlines” because maintaining a growth trend in such a competitive environment as the mobile communications market is an everyday battle to reach every customer. And the fact that we won this battle last year does not mean that we have won the war. To be able to maintain the number one position, we must place ever more intensive emphasis on retaining customer trust and loyalty. T-Mobile is aware that this goal can only be achieved by increasing the quality of products and services provided and by continuously monitoring the needs of individual customer groups.

By the end of year 2006, T-Mobile was providing its services to 5,049 million customers, which represents an incredible increase of 415 thousand customers, i.e. 9 percent. The figure relevant to the contract-customer segment is cause for even more satisfaction, as this segment reported an increase of more than 40 percent, while the number of prepaid-card users fell slightly. This development was fully in line with the Company’s overall strategy to strengthen the contract-customer segment. In this respect, it is also worth mentioning one more positive development, namely with respect to the mobile number portability service that was launched at the beginning of 2006. The number of customers who decided to port their number to the T-Mobile network outweighed by 4,679 the number of those who switched to another operator.

Our effort to meet customer needs was positively illustrated by the financial figures, which reflect the launch of several attractive new services, favorable tariff plans and implementation of other activities, including the successful Save for Growth program. The financial figures indicate the healthy growth of the Company, thanks to which we can invest even more in our service to customers.

In addition to the figures mentioned above, T-Mobile’s successful performance was confirmed by the recognition that the Company received from the broader public as well as from professionals. These include the “Good Brand 2006” award, success in the national Employer of the Year competition, first place in WebTop100, several awards within the prestigious Golden Semicolon contest and the top ranking in the area of customer care.

Our employees are the foundation of the Company’s success. I would like to hereby thank all employees for their efforts and immense contribution to strengthening our position in the market. Last year, we celebrated the Company’s tenth anniversary and for the next decade, I wish the Company an abundance of satisfied and highly motivated employees. It is primarily thanks to them that we can become the most highly regarded service company and be simply closer to our customers.



**Michael Günther**  
Chairman of the Board of T-Mobile  
Czech Republic a.s.

# Management

## Meet the management

We asked the main representatives of our Company two questions

1. In your opinion, what was T-Mobile's greatest achievement last year? What do you regard most highly for the whole Company and for your division?
2. What do you consider to be the greatest challenge for you this year, and what are the key tasks that you are facing?



R. Mahler

1. Thanks to the positive impact of our campaigns in which we tried to gain new customers by acquisition as well as by porting, and keep the current ones, we returned to the No. 1 position among Czech mobile operators. We launched many new services and were highly rated by our customers in terms of the customer care we provided to them. And last but not least, we also had an opportunity to reminisce by celebrating the 10th anniversary of our Company with various activities.

2. In terms of the financial indicators, we have managed to further close the gap with our main competitor in this area and we are definitely on the right but still very challenging track to becoming No. 1 in terms of revenues as well. Quite understandably, we are prepared to focus our activities on achieving this goal – ranging from further increasing the quality of products to providing excellent customer care as well as enhancing the corporate culture and employee satisfaction.

**Roland Mahler**  
Managing Director of T-Mobile  
Czech Republic

**Born:** 1949, Worms, Germany  
**Education:** Technical University of Darmstadt  
**Career history:** Deutsche Bundespost, Federal Ministry of Post and Telecommunications, Deutsche Telekom, T-Mobile Germany; he has served as the Managing Director since joining T-Mobile Czech Republic in 2000.



Jiří Dvorjančanský

1. We can be proud of many services that we offered to our customers last year. I would especially like to mention the web'n'walk service by means of which we have brought to the market fully functional and perfectly user-friendly access to the internet. Other important steps include a significant simplification of calls when roaming, not only for our contract customers but also for Twist users. And last but not least, we confirmed that our reputation as an innovator is fully deserved when we launched the MMS Courier service, thanks to which it is no longer necessary to call one's voice mailbox.

2. We can expect a truly turbulent telecommunications environment in the coming months and years – especially with regard to the possible consolidation in the fixed line market. And another challenge for us is, of course, to become No. 1 in the mobile communications market as far as revenues are concerned.

**Jiří Dvorjančanský**  
Executive Vice President Marketing

**Born:** 1969, Karviná, Czech Republic  
**Education:** Czech Technical University in Prague, Faculty of Electrical Engineering; National Polytechnic Institute in Grenoble, France.  
**Career history:** Čokoládovny Praha, COTY Czech Republic; he has been working at TMCZ since 1999, becoming Executive Vice President Marketing in 2002.



Otakar Král

1. Personally I most value the fact that we have managed to harmonize our efforts to achieve the common goal of becoming the leading brand in the Czech mobile telecommunications market. How has the Finance Division contributed to this? In my opinion, by providing professional support to our colleagues in other divisions. And we also managed to maintain high standards and rapid development in the operational area.

2. 2007 will be a year of significant changes in the Czech mobile communications market. I suppose that our competitors will put stronger pressure on us, and also that new technologies will emerge on the stage. The biggest challenge will be, therefore, to prepare T-Mobile for this period so that it retains its current position in the future.

**Otakar Král**  
Executive Vice President Finance

**Born:** 1966, Prague, Czech Republic  
**Education:** Czech Technical University in Prague, Faculty of Economy and Management; Association of Chartered Certified Accountants (ACCA), London; Masaryk Institute of Advanced Studies at the Czech Technical University in Prague.  
**Career history:** Škoda Diesel, Deloitte & Touche; he has been working at TMCZ since 1996, becoming Executive Vice President Finance in 2002.



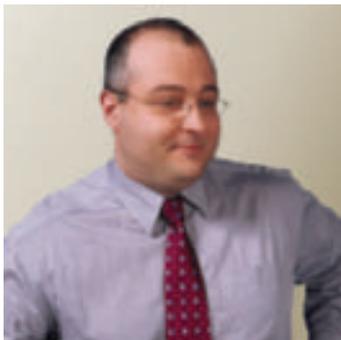
Rakowski

1. When looking back on last year, we can talk of the huge success of the whole Company as well as of the people who work for it, but also of the successful long-term strategy to become No. 1 in the Czech mobile communications market. As far as the Sales Division is concerned, I would of course like to emphasize the fact that we have significantly exceeded all the goals we set for ourselves. And equally important, in my opinion, is another indicator, this time an internal one: most of our employees state that they are highly satisfied with working in the Sales Division. We regularly measure our employees' satisfaction and I am glad that it remains, as in the past, on a very high level.

2. The target for this year was set in 2003: to become No. 1 among mobile operators in terms of financial performance. It is definitely a highly ambitious target, but it is achievable, in my opinion.

**Miroslav Rakowski**  
Executive Vice President Sales

**Born:** 1968, Český Těšín, Czech Republic  
**Education:** Brno University of Technology, Faculty of Mechanical Engineering  
**Career history:** Gillette Czech Republic, COTY Czech Republic, COTY Poland; he has held the position of Executive Vice President Sales since joining TMCZ in 2002.



T. Růžička

1. For all of us who provide care to our customers, being No. 1 with respect to the number of customers means a great deal of responsibility. Therefore, I eagerly awaited the results of independent surveys measuring customer satisfaction. As far as assisted customer service was concerned, we have retained our primacy in the private-customer sector and, for the first time in our history, achieved the top position among business clients. I also value the fact that in an independent test of electronic communication, T-Mobile fared the best due to the fact that 100% of email queries sent to us were answered quickly and correctly.

2. We introduced our "101% care" quality certificate. It is our goal to give our customers this quality guarantee whenever they come into contact with our services, such as in the monthly Statement of Services, which we guarantee as error-free, easily comprehensible and delivered on time, but also when calling the infoline, communicating with us via email, visiting any of the T-Mobile Shops, etc. This is our main task for 2007.

**Tomáš Růžička**  
Executive Vice President Customer Service

**Born:** 1969, Tábor, Czech Republic  
**Education:** Czech Technical University in Prague, Faculty of Electrical Engineering; University of Economics of Prague, Faculty of Finance.  
**Career history:** New Boston Associates Inc., Boston MA, USA; Traplová-Hakr-Kubát, Intellectual Property & Attorney Office, Prague; he has been with TMCZ since 1996, becoming Executive Vice President Customer Service in 2003.



H. Schmid

1. After having launched the UMTS TDD network in Prague in 2005, we extended this network in 2006 to all big and important cities in Czech Republic. Using as the first operator worldwide the 872 MHz band for this technology, we had, in the early days, to fight with some teething issues that have been solved meanwhile so that we can now offer a very fast and high-quality data network to our customers.

2. First of all, keeping the quality of our voice and data networks on the current excellent high standard. Secondly, we plan to transfer the responsibility for all our IT equipment to our sister company T-Systems Czech Republic, which is a very important step for the future of both companies, but it will also be a big challenge for the whole team.

**Heinz Schmid**  
Executive Vice President Technology

**Born:** 1951, Nuremberg, Germany  
**Education:** University of Applied Sciences, Faculty of Electrical Engineering, Nuremberg  
**Career history:** Deutsche Telekom, T-Mobile Deutschland; he has been working at TMCZ since 1996, becoming Executive Vice President Technology in 1999.



Stejskalová

1. It is hard to pick one specific thing because I believe that the overall success of our Company depends on small, individual successes. That is why I greatly value the work and effort of all our employees who strive to keep the Company growing and who incorporate the changes that will improve customer satisfaction. From the perspective of the Human Resources Division, I am glad that our Company's managers have a growing interest in the development of their team-leaders' abilities.

2. A lot of our internal projects will be focused on further improving work efficiency. Just like other activities, these projects will also be in accordance with the changing corporate culture, which is our long-term concern and is related not only to the Company's management but, to a certain extent, to virtually each and every employee.

**Barbora Stejskalová**  
Executive Vice President Human Resources

**Born:** 1971, Boskovice, Czech Republic  
**Education:** Masaryk University in Brno, Faculty of Education; Nottingham Trent University - MBA.  
**Career history:** Johnson & Johnson Praha, GE Capital Czech Republic and Slovakia, T-Mobile Slovakia; she joined TMCZ as Executive Vice President Human Resources in November 2005.

“Growth – this was the key word for the market segment of key account customers in 2006. The acquisition of new customers and strengthening of T-Mobile’s position in the market was possible thanks to a consistently applied development strategy, cross-company cooperation within T-Mobile International and new products for multinational companies.”



**Milan Růžička**  
Senior Head of Market Segment  
Management

Some people may almost consider me part of the company’s basic equipment because I started working at T-Mobile in 1997 as a Customer Care Representative. I became a Customer Care Processes Specialist, then a SME Segment Manager and, since autumn 2006, I have held the position of Senior Segment Manager responsible for key account customers and multinational companies.

# Strategy

## Creating a service culture

Working towards the T-Mobile Mission. We will be the most highly regarded service company.

Most mobile communications markets in Europe are characterized by penetration rates of close to 100 percent. In the Czech Republic, this mark was surpassed a long time ago. However, contrary to wide-spread belief, there still remains room for growth. It is likely that, in the near future, people will talk more over their mobile phones than via fixed-line networks. What counts now is not simply acquiring new customers, but delivering to them what they really want and need. This requires excellent customer insight as the basis for outstanding service. And T-Mobile has the clear aim of becoming the most highly regarded service company. How? By adhering to the three strategic building blocks: customer centricity, superior network experience, and operational excellence. These constitute the framework for success in all national T-Mobile companies and across all functional areas.

### Customer centricity

Customer insight and understanding are paramount for becoming the best service company. We focus on clients' wishes and carefully differentiate between them – some people want personal consultation, others prefer settling their issues on their own, e.g. via the internet. We want to provide mobile communications for everyone. T-Mobile has no mass of customers. It has millions of individual customers, each with specific needs. The commitment is to deliver personalized services on a large scale.

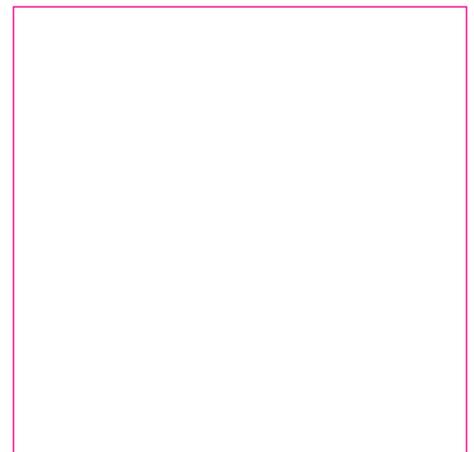
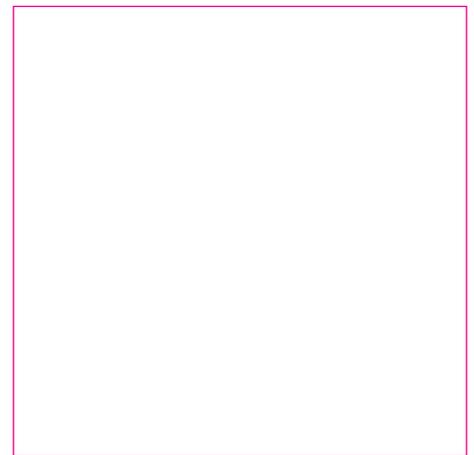
T-Mobile will make customers' lives better through its services; better because the company cares. T-Mobile must be the brand of choice and the Company works hard to retain its customers. We already see through our customers eyes and even try to anticipate their wishes.

### Superior network experience

The seamless integration of technologies – including GSM (Global System of Mobile Communications), GPRS (General Packet Radio Service), EDGE (Enhanced Data Rates for GSM Evolution), UMTS (Universal Mobile Telecommunications System) as well as W-LAN (Wireless Local Area Network) – is among the company's main objectives. T-Mobile wants customers to benefit from the fastest possible connection, wherever they are and whenever they like. The user is not interested in the underlying technology – what counts is that everything works simply and effectively. With regard to W-LAN, T-Mobile now serves travelers with roughly 17,000 of its own HotSpot locations in Europe and the United States, and has gained a leading position with the largest commercial international public W-LAN network in the world.

### Operational excellence

Operational excellence is the basis for creating customer centricity and a superior network – now and in future. This requires a reduction of complexity throughout the entire organization, a tightened portfolio, and a stronger focus on the core business. In addition, operational excellence builds on the idea that "One Company" is the only winning strategy – across every aspect of business. Despite the number of national markets, "One Company" means one set of purchasing requirements, one technology architecture, one marketing and communications strategy, and one set of customer service standards. In short: as the competitive landscape of the mobile communications market becomes increasingly international, being "One Company" is an indispensable prerequisite for the Group's future success.



“Without hesitation, I can say that the number-one event was last year’s World Cup. For several months, the T-Mobile brand rode the wave of football emotion and customers became fans. The demanding preparations, which took almost six months, paid off and we did a great job.”



**Zuzana Kadlečková**  
Head of Sponsorship

As a student in 1999, I briefly worked at the reception desk and then as an assistant in the Managing Director's office. For the next three years, I served as the personal assistant to the Executive Vice President Sales, after which I gathered valuable experience in other positions, particularly in the area of BTL activities. The next opportunity for my professional growth came last year, when I accepted the offer of my current post.

# Brand

## A multinational brand for global movers

**Simply closer** – this is T-Mobile's unequivocal promise to its customer. The claim expresses a special proximity to the customer and, at the same time, creates a link to mobile services.

T-Mobile customers are on the move around the globe and want to use their mobile phones everywhere problem-free. For them, a recognizable T-Mobile brand, which is present on international markets and assures the same high quality everywhere, is an important point of orientation. More than just a core asset, the T-Mobile brand is the living expression of what the company is and will be. It is a reflection of the joint effort made by all T-Mobile employees to understand the customer's needs and to deliver a reliable and consistent service platform. The focus is not only on offering cutting-edge technology; customers today are more interested in mobile solutions that are relevant to their lives, inspiring, affordable, and easy to use. Complementary to a focused strategy, a strong brand is the key for us to fulfill our mission of becoming the most highly regarded service company with the passion to provide true freedom of movement for everyone.

### Smart simplicity – closer in touch

In 2006, T-Mobile introduced "simply closer" as the new company claim. These two words stand for the promise we want to deliver to our customers: offers that are easy to understand and use, prices and tariffs that are transparent and fair, and innovations that are a true customer benefit. We want our customers to feel that they are in good hands, that their needs are understood, and sometimes even anticipated, whenever they meet our brand. Our business is to enable people to stay closer in touch in their private as well as in their working lives. In addition, we want to stay closer to our customers and, as a premium service brand, deliver what they really need.

### Global brand attributes

Around the globe, customers recognize T-Mobile on the basis of its three brand attributes: reliability, simplicity, and inspiration – three clear benefits that mobile phone users say they want and need.

### Reliability – the service brand I can trust and depend on

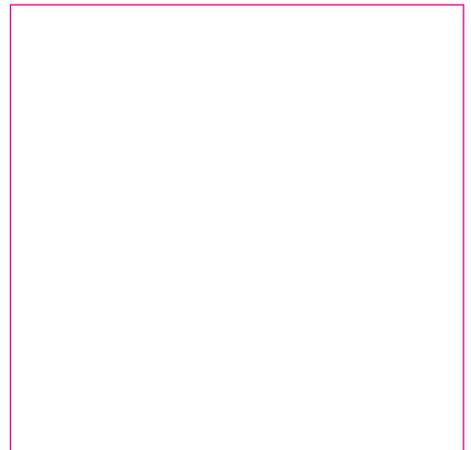
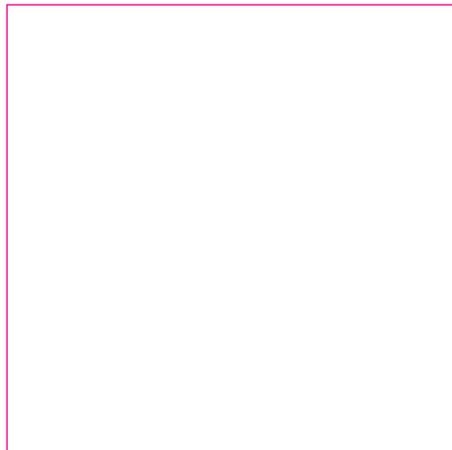
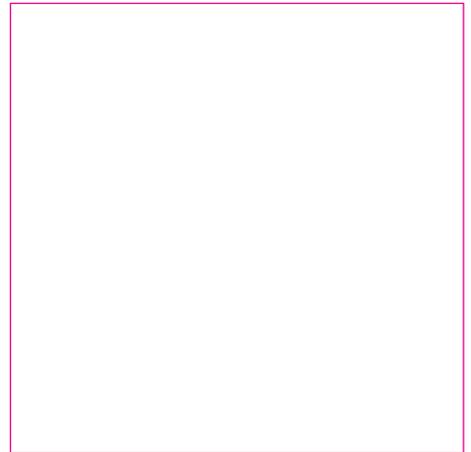
Reliability stands for the bond of trust and confidence between T-Mobile and its customers. We employ substantial resources to ensure high availability and high reliability of our services around the world, whenever they are needed. A key commitment to customers is creating a brand that people can trust and depend upon. This idea is embedded in the Guiding Principle: "I am T-Mobile – count on me."

### Simplicity – the service brand that makes the complex simple

Customers want services that are easy to use and features that are self-explanatory rather than require hours of reading. T-Mobile makes the complex simple and is committed to delivering smart simplicity. Why complicate things when there is an easier way? According to the Guiding Principle "We value simplicity", we offer our customers low-cost, simple rate plans and seamless, integrated networks.

### Inspiration – the service brand that inspires and sometimes surprises me

We are committed to offering our customers surprising new services and products – both enjoyable and useful to have at hand wherever and however the customer wants. With web'n'walk and the MobileTV service, we are taking the customer into a new era – now users can surf the internet with their mobile phones, chat with friends, correspond via e-mail, and keep track of all appointments thanks to the calendar function. Or – in the near future – they can simply lie back and watch a variety of entertaining and informing programs on their 3G mobile phones.



“Even coffee breaks can be a source of inspiration.”



# Services

## Shaping the future

Our offer combines everything our customers want. We give a new face to every form of communication that mankind has ever known – voice, pictures, text, data and the internet.

To offer people the products and services they really want and need, we try to see through the customers' eyes and think what they are thinking. People want products and services that are easy to use, regardless of the underlying technology. Based on the fact that people no longer want to use their mobile phones merely for talking, we have resolutely opted for mobile broadband technologies while continuing to expand the range of our services to meet very different requirements.

### More than data

In 2006, we presented a comprehensive solution for mobile internet access – **web'n'walk**, which now represents all types of internet connections offered by T-Mobile, i.e. internet on your mobile, internet on the move and internet on your desk. Internet on the move and internet on your desk are solutions based on a data card or a modem. Internet on your mobile is based on applications that do not need a PC for surfing the internet – it allows browsing the full versions of websites directly on the phone's display. With several tariff plans and add-ons, **web'n'walk** represents a comprehensive offer of high-speed internet access via Internet 4G, EDGE and GPRS. Customers can simply choose the option that best meets their needs.

The **TV in Your Pocket** project can best be thought of as a step into the future. This new service, which brings TV broadcasts to the displays of mobile phones, was introduced for the first time at the Invex trade fair in 2005. TV in Your Pocket, which uses DVB-H technology, received the Crystal Disk Award for Best Product in the category of Digital Household Technology. In 2006, TV in Your Pocket faced its first real acid test: after experimental testing during the winter Olympic Games in Torino, a public test of this project was commenced at the end of the year. The service was tested by more than 250 users who were able to choose from among ten TV channels. The signal, broadcast from the Strahov transmitter, for the first time covered an extensive area that included Prague and the interiors of buildings. T-Mobile would like to launch the TV in Your Pocket service on a commercial basis as early as in 2007. However, the commercial launch will require the allocation of relevant frequencies and changes in legislation.

### More than calls

At the beginning of 2006, T-Mobile introduced the best rates for calls made from abroad. With the **Cestovatel** roaming add-on, customers can call from abroad for prices comparable to those for calls within the Czech Republic. This roaming add-on applies in all eleven countries where T-Mobile operates its networks. Calls from abroad became simpler and cheaper overall: the world was divided into four zones and calls are charged at a flat rate according to the individual zones. Prices charged to prepaid-card users were unified with the prices applicable to contract customers, and were thus significantly reduced.

Shortly before summer, we extended our portfolio of **tariff plans and tariff add-ons**. Customers could thus choose the option that would best reflect their needs and demands depending on whether they prefer to use SMS or where and when they call most. One of the new tariff plans offered the best rates for calls within the T-Mobile network, while another tariff plan offered the best value on the market in terms of free minutes.

A few years ago, we introduced a tariff plan intended for young people called **Tariff Student**. As this tariff plan met with great interest, we decided to offer such a tariff to younger children as well as to those who do not continue their education after graduating from high school. We therefore launched a new tariff plan, **BAV SE**, for all young people aged 6 to 26. The benefits of this tariff plan include very favorable prices and simple conditions.

Our **"Ten times the free minutes"** offer met with a great response from our customers. All customers who entered into a new two-year Subscriber Contract or switched from Twist to any of the tariff plans received a package of ten times the free minutes included in the tariff they selected. The **Christmas offer** was also successful, with T-Mobile giving its contract customers a package of 5,000 free minutes and 5,000 free SMS within the T-Mobile network. Twist customers could enjoy weekend and evening calls for as little as CZK 1/min. and a discount on a new handset.

A number of new features related to **topping up Twist credit** were introduced for users of pre-paid services: in addition to the standard ways of topping up credit, they can now also top up their credit at Globus check-out counters, at Rossmann drugstores and cosmetics shops, through Česká spořitelna's ATMs or directly from Poštovní spořitelna accounts using phone banking.

### More than entertainment

In the middle of last year, it was **football** that kept the world going round. And T-Mobile was present at the championship. As a partner of both the Czech national team and the World Cup itself, we could offer our customers a range of exclusive services related to the championship. Football fans could obtain replicas of Czech national team jerseys at our shops and, of course, receive the hottest news, exclusive live broadcasts and football news coverage, including interviews with players and behind-the-scenes information, directly on their mobile phones. In addition to this, T-Mobile also held a competition for six exclusive trips to World Cup matches.

Users of mobile phones should be considerate of other people. This was the idea behind the mobile etiquette project **"jaXmobilem"**, prepared in cooperation with the well-known cartoonist Štěpán Mareš. The project is centered around the **jaxmobilem.cz** portal which in an amusing way illustrates how to use a mobile phone in a correct and considerate manner. Visitors to the website could read the Ten Mobile Commandments, test themselves in mobile etiquette, learn how to recycle their old handsets, and take part in a contest for interesting prizes.

We confirmed that our reputation as an innovator is fully deserved when we launched the **MMS Courier** service, thanks to which it is no longer necessary to call one's voice mailbox, as voice messages are delivered directly to users' mobile phones as MMS.

### Business customers

In the second half of 2006, T-Mobile also introduced a new, improved version of the **Partnership Program**. Companies cooperating with T-Mobile have thus been enjoying much broader support, depending on the scope of cooperation. Based on this parameter, partners are divided into four categories. The program allows partner companies to use the T-Mobile network's technological platform for the development of their own products and services intended for both corporate and private end-users. Partner solutions are focused, for example, on mobile data collection, remote access to the office, car-fleet management, household security, SMS applications and premium services. The annual double-digit growth of the number of SIM cards in use demonstrates the popularity of the Partnership Program.

We created a new portal, **pomahamepodnikat.cz**, intended for business customers. Visitors to the portal may, among other things, have an electronic guide advise them with regard to which of the solutions offered by T-Mobile would be suitable for their firm. Last year, after entering all required information and answering the question "Which telecommunications solution would help my company most and why?", they could participate in a contest for attractive prizes. In addition to the electronic guide, the portal includes a comprehensive overview of professional and partner solutions for business customers and a section where customers can see, by way of the example of virtual companies, how their normal working day would look if they used our professional solutions.

“In over 90 cities and their surroundings, we provide the fastest internet access via the Internet 4G service while continuing to expand our coverage.”



# The T-Mobile network

## Extending coverage

A high-performance mobile communications network allows us to provide high-quality services.

Historically, the first calls in our network – upon its launch into commercial operation – were made on 30 September 1996. The first text message was sent shortly after that, and the system allowing data transmission in the GSM network, which today is a matter of course, was launched in 2001. It is no exaggeration to say that we have come a long way since commencing operation. Although the word “phone” implies making calls, people now expect a lot more from it. A mobile handset is a work tool, while also serving as an entertainment device and information source, and enabling internet access, etc. All of this would be unthinkable without state-of-the-art technologies, continuous improvement of the network, strengthening network capacity and enhancing signal coverage.

### GSM network

In 2006, we continued to increase the availability of our GSM network. Population coverage increased to more than 99.7 percent, and coverage of E-class roads increased to more than 99.2 percent. Our signal covered over 96.3 percent of the territory of the Czech Republic. The total number of base stations (BTS) surpassed 4,200.

In 2006, the call set-up success rate was more than 99.3 percent and the call completion success rate was more than 98.7 percent. The base station availability rate exceeded 99.9 percent.

### Data transmission

Three technologies allow high-speed data transmission: GPRS and EDGE in the GSM network, and UMTS (Internet 4G service) in the UMTS TDD network. Internet connection via GPRS allows data transmission speeds of up to 85.6 kbps to be achieved and is now available throughout the entire Czech Republic. The EDGE network now covers 70 percent of the population and the transfer speed using the EDGE technology can reach up to 236.8 kbps. In the GSM network, EDGE accounted for 75 percent of data transmission in 2006, with GPRS representing 25 percent. The volume of downloaded data in the GSM network exceeded 20 TB per month.

The UMTS TDD network that utilizes the 872 and 1900 MHz frequencies and allows operation of the Internet 4G service covered more than 55 percent of the population last year. The base station availability rate exceeded 99 percent. According to internal measurements, the average downlink speed via the FTP DL protocol was 1450 kbps in good radio conditions. The volume of downloaded data in the UMTS TDD network exceeded 41 TB per month.

### Independent quality measurement

According to an independent measurement carried out by the ETH Institute in Zurich, T-Mobile shared the notional top spot with its nearest competitor in 17 out of 24 measured parameters of network quality. The main parameters included voice quality, early terminated connection and failed connection measured in various locations in the Czech Republic. The independent measurement with respect to the quality of GPRS and EDGE placed T-Mobile in first place together with its nearest competitor in six out of eight parameters. The measurement was related to the downloading of a reference file over the FTP DL protocol.

### Transmission network

In 2005 T-Mobile was the first mobile operator in the Czech Republic to begin using the modern connection of terminal stations (BTS, NodeB) using the Point-to-Multipoint (PMP) solution allowing the connection of a number of terminals to single node equipment. In 2006, the PMP infrastructure grew to nearly 200 stations, which is a three-fold increase in comparison with the end of the previous year.

We continued to improve the transmission network with respect to developments in the field of access technologies. A new, modern device, Traffic Node (Ericsson), enabling remote routing and traffic configuration was successfully implemented in the transmission network in the second half of 2006. In the first phase, approximately 10 percent of nodes in the T-Mobile network were covered. In 2007, we will continue to improve nodes and remote traffic routing.

### Base station roll-out

As mentioned above, the total number of base stations exceeded 4,200 last year. Coverage was extended to locations including the Administrative Centre of ČSOB Praha Radlická (one of the largest administrative centers in the Czech Republic), Magistrát hl. m. Prahy (City Hall), and the ČEZ building in Jungmannova street. We were the first operator to provide coverage to the new north terminal at Ruzyně Airport.

We should also mention the new, unique base stations rolled out last year, such as the base station Na Vypichu in Prague (tubular tower with a streetlight), the viewing tower near the town of Lhotka u Berouna, the atypical viewing tower with stone façade near the town of Nová Ves, and the viewing tower near the town of Bílov. The water-tank tower in the town of Vyžlovka and the high-voltage electricity pole in Vrané nad Vltavou were also used to house our base stations.

Mobile base stations were present, for example, at the following public events and places: the summer music festival Open Air Music Trutnov, Love Planet at Prague's Holešovice fairgrounds and in Tábor, the Rock for People festival in Český Brod, the music festival in Malá Skála, HipHop Camp in Hradec Králové, Masters of Rock in Vizovice, the Noc plná hvězd (Night of Stars) festival in Třinec, the Slušovice festival, a fireworks contest in Brno, AirFest at Brno Tuřany airport, the Golden Spike Ostrava athletics meet, RedBull Day, magenta promotion tent in Sv. Petr in Krkonoše, the funicular at Černá Hora, NATO day in Mošnov, Bitva tří císařů (Battle of the Three Emperors), etc.

### Cooperation with universities

Over the course of last year, T-Mobile further enhanced the partnership it had established with technical universities in previous years. This mutually beneficial cooperation represents a great investment and provides top-notch equipment to the academic sphere as well as an opportunity for talented students to work on real projects under the supervision of our professionals. Last year, T-Mobile continued its intensive collaboration with the Czech Technical University in Prague (Faculty of Electrical Engineering), Brno University of Technology (Faculty of Electrical Engineering and Communications Technologies) and Ostrava Technical University. We participated in the completion of renovation of the laboratory of digital telecommunications systems at the Department of Telecommunications Technology at the Czech Technical University in Prague. We also initiated cooperation on smaller research and measuring projects such as those at the antenna laboratory of the Czech Technical University in Prague and the laboratory of wireless and mobile communications of the Brno University of Technology, and we supported the continuation of independent network monitoring within the MIATT project at the Czech Technical University in Prague. In addition to the aforesaid projects, we participated in educating students through excursions, presentations and seminars.

“My main task is to provide our customers with the best services possible when they come to visit our shop.”



**Jan Rechka**  
Senior Shop Consultant

I have been working at T-Mobile since January 2000. As a Senior Shop Consultant, I am in everyday contact with our customers. My job is to help them with selecting a suitable tariff, telephone or other supplementary services.



# Our customers

## Closer to every customer

As a company oriented towards the future, T-Mobile strives not only to attract new customers but also to ensure the satisfaction of existing ones. Five million customers is not just a number; it is a commitment.

Building a stable base of satisfied customers is an undeniable prerequisite for long term success. However, increasing customer numbers bring increased demands for high-quality customer care. This is why we place particular emphasis on this area. We listen to our clients and try to satisfy their individual needs. We want to be "simply closer" to every customer at all touchpoints – in the Customer Centre, at our points of sale or via information channels such as the corporate website and publications.

### Growing customer base

At the end of last 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. In 2006, T-Mobile added more than 415 thousand new customers, which is 51 percent more than in the previous year, when T-Mobile registered customer additions of "only" 274 thousand. Contract customers totaled 1.809 million, which was 36.8 percent of the customer base. The year-on-year comparison shows an astounding figure in terms of contract customer additions: while in 2005 T-Mobile recorded 183 thousand new contract customers, last year the Company added 522 thousand new contract customers, which represents a year-on-year increase of 185 percent. The development in customer numbers in terms of customers using the Twist prepaid services was fully in accordance with the overall strategy to strengthen the contract customer segment, as the total number of Twist users fell year-on-year by 3.2 percent to 3.24 million.

T-Mobile also strengthened its position in the business customer segment. The following two tables provide an overview of selected companies and institutions which last year signed new contracts or renewed their existing contracts with our Company.

### New customers

Apostolic Church  
ATLANTIK finanční trhy, a.s.  
C.S.CARGO, a.s.  
Evangelical Church of Czech Brethren  
Czech Radio  
DataLife, s.r.o.  
ETA a.s.  
FIAT ČR spol. s r. o.  
Gumárny Zubří, akciová společnost  
HAAS FERTIGBAU spol. s r. o.  
Iveco Czech Republic, a.s.  
Kongresové centrum Praha, a.s.  
Lasselsberger, a.s.  
Lucen s.r.o.  
Neslyšící CZ  
Plzeňský Prazdroj, a. s.  
Prague Football Association  
RWE Energy Customer Services CZ, a.s.  
Management of Prague Castle  
City of Liberec

### Customers which renewed their existing contracts

Čepro, a.s.  
Czech Bishops' Conference  
Československá obchodní banka, a. s.  
Deloitte Czech Republic B.V., organizační složka  
Eurest, spol. s r. o.  
FOXCONN CZ s.r.o.  
IBM Česká republika, spol. s r. o.  
LogicaCMG s.r.o.  
MAKRO Cash & Carry ČR s.r.o.  
Penta Investments, a.s.  
PPF a.s.  
Pražská teplotárenská a.s.  
PVT, a.s.  
Secar Bohemia, a.s.  
SGS, a.s.  
Schindler CZ, a.s.  
Siemens s.r.o.  
Středočeská plynárenská, a.s.  
Toyota Peugeot Citroën Automobile Czech, s.r.o.  
Würth, spol. s r. o.

“I take an individual approach to every single customer and try to tailor a solution to meet their specific needs.”



**Michaela Čápková**  
Senior Customer Services Assistant – Business

I have been working at T-Mobile since January 2006. Every day I handle requests from customers who call our Customer Centre. I am responsible for processing their requests in the best possible way and to their maximum satisfaction.

# Our customers

## Closer to every customer

### Customer Centre

More than five hundred assistants of the T-Mobile Customer Centre, with two locations in Hradec Králové and Louny, handle almost seven million customer requests annually. The Customer Centre operates 24 hours a day, seven days a week. Customers are very positive about the services provided by our Customer Centre – last year for the second time they evaluated its services as best of their kind in the Czech market.

Excellent customer care can only be provided on the basis of deep insight into and understanding of the individual needs of customers. This is reflected at the very moment of processing an incoming call and its subsequent forwarding to the competent Customer Centre assistant. At the same time, this insight and understanding is supported with a detailed qualification program for our employees responsible for handling specific types of customer requests. The same approach is applied when handling requests of customers who contact our Customer Centre by e mail, fax or post. Our efforts to provide high-quality customer care in every way are demonstrated by the fact that T-Mobile was named the number one provider in the Czech market with respect to electronic communication with customers in an independent survey conducted by United Interactive in 2006.

### Points of sale

T-Mobile products are available to customers at 58 **T-Mobile Shops** in all major Czech cities. Trained personnel at the shops offer a level of care comparable to that of the T-Mobile Customer Centre. Customers can thus get everything they need, whether they are purchasing a mobile phone or seeking advice on services or phone settings, or even paying their phone bills. The shops were visited by an average of approximately 125 thousand customers per week last year; as could be expected, the T-Mobile Shops experienced the heaviest rush before Christmas, serving nearly 240 thousand customers per week.

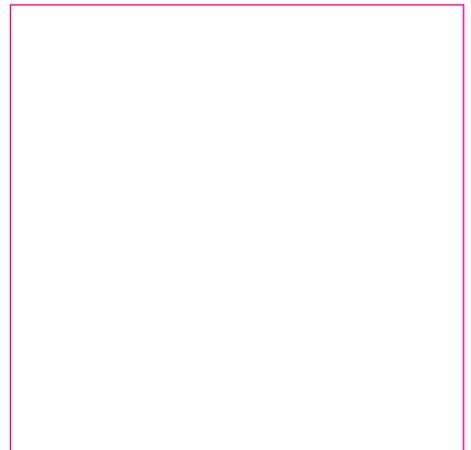
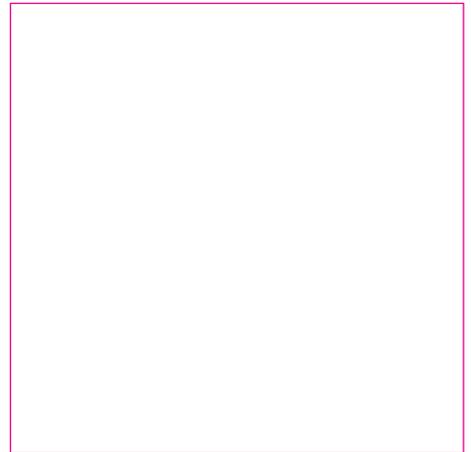
Nearly forty T-Mobile shops underwent renovation last year in order to increase customer satisfaction. Thanks to the remodeling, there is more room for displaying handsets and enabling customers to try everything out. The shop interiors are more attractive also thanks to plasma screens and interactive features. Our effort to push the concept of shops forward and capture the interest of shoppers by providing excellent customer service not only in the telecommunications field can be seen in the T-Mobile Shop on Na Příkopě street in Prague: at the end of last year, we opened the first T-Mobile Shop with a Coffee Heaven café.

Customer care comparable to that in our T-Mobile Shops can also be obtained at our **Partner Shops**, the number of which is continually increasing. At the end of last year, there were 84 Partner Shops in operation. Our distribution network further comprises almost 1,800 dealer points of sale of various categories. The T-Mobile sales and service network guarantees the highest quality of provided services and is one of the pillars of the good relationship between the Company and its customers.

### Company website and publications

Our customers are provided with information on new services and on happenings at T-Mobile through our website, **t-mobile.cz**, which placed first in the Telecommunications category of last year's fifth annual WebTop competition on best corporate web presentation, and was ranked third in the overall evaluation. The internet portal for journalists, **tpress.cz**, was successful in last year's Golden Semicolon competition, where it ranked second in the On-line Company Presentation category.

T-Mobile also issues several print **publications** for customers. These include Dialog, a monthly newsletter providing an overview of current services and handsets on offer, Impuls, a lifestyle magazine featuring articles on mobile communications as well as interviews with famous people and articles on travel, culture and sports, and Professional, a magazine designed particularly for business customers. Professional was also successful in last year's Golden Semicolon competition, where it ranked third in the Best B2B Magazine category.



“Based on employees’ needs and on current trends in the market, we prepared a structured concept of employee training, the General Development Plan for 2007. One of its advantages is that training is now simply structured into management and non-management categories, with recommendations on the content and time schedule of the individual training activities.”



**Sylva Hrabcová**  
Learning Specialist

I started working at my current position in June 2006. Our team is responsible for the development and training of T-Mobile employees. My part of these duties includes the creation of concepts and structures for general development courses in the Education Program Catalogue and training preparation for the Get Stronger at Leadership program. I also plan training and development activities for teams of employees.

# Human resources

## Employees are the key to our success

We realize in every respect that human resources are our most valuable investment. The improvement of our corporate culture and the work environment should be a matter of course.

At the end of last year, the Company had 2,643 employees. And it is each individual employee who contributes to the achievement of Company's business goals. Therefore, we strive to create a work environment where determined, committed and intelligent people are the greatest asset. This is the reason why corporate culture became one of the key strategic areas for 2006. Human resources activities placed great emphasis on employee training and development, improvement of the system of remuneration and employee benefits, and the use of various internal communication tools.

### Remuneration and employee benefits

Last year we focused on further improvement of the flexible benefit plan. Our employees could for the first time participate in forming the structure of the cafeteria employee benefit plan by recommending a new vendor. New features in the cafeteria plan included the possibility of express delivery of orders and the possibility of donating the allocated funds to charity. Employees could also purchase mobile phones at favorable prices. In addition, we extended the portfolio of discounts on purchases at selected suppliers, achieved improvements in catering services and provided support to employee sports clubs.

In the first quarter of 2006, we introduced a new system of rewards and recognition, simply called Rewards & Recognitions, based on which employees could nominate any of their colleagues for a reward. This reward system met with great enthusiasm, which is evident from the continuously increasing number of nominated employees and rewards granted.

### Learning and development

Our learning and development system is based on the corporate strategy and analysis of the training needs of teams and individuals. Specialized programs and trainings give employees the opportunity to develop their knowledge, talents and skills. Every employee has his/her own individual development plan that is closely linked to the performance evaluation system. The learning and development possibilities include a wide range of activities, including mandatory trainings required by law, various professional seminars focused on improving skills relevant to a particular job, computer trainings, foreign-language studies and soft-skills trainings in, for example, the area of management skills, negotiation skills and presentation skills.

In the middle of 2006, we initiated a leadership development program called Grow our Leaders consisting in a series of trainings supporting the development of managers and feedback among managers and teams. The aim of this initiative is to improve the leadership culture at T-Mobile and increase employee satisfaction as well as the overall performance of the Company. Part of this initiative is a platform titled Get Together, encouraging top company managers to meet more frequently and on a regular basis in order to discuss and increase the overall awareness of strategic plans, initiatives and key projects across the Company's divisions. Our managers at all levels can participate in seminars and trainings called Get Stronger at Leadership focused on the development of specific management skills.

At the beginning of 2006, we launched an international job-rotation program which had been prepared in cooperation with other national companies from the T-Mobile International Group. This program is intended for high-potential individuals and represents a development tool that managers can use when planning and managing the careers of their subordinates. The principal goal of this program is to help employees gain experience on the international level, increase their understanding of business strategies and support the sharing of knowledge, skills and experience. Employees who take part in the job-rotation program are expected to apply their newly attained experience in their everyday work and to share the know-how that they have gained. Eleven of our employees participated in this program from March until the end of last year and our Company welcomed eight colleagues from Austria, Croatia and Slovakia.

### Recruitment

The organizational structure of the Human Resources Division was significantly changed at the beginning of last year. New teams were established, headed by HR managers who provide consultancy and support with respect to human resources issues, including employment law, to managers and employees of all company divisions. Over the course of last year, the Human Resources Division helped implement new HR processes, rules and projects such as the new Performance Management System (PMS), employee surveys and the Matrix project, and assisted in the review of the recruitment process and disciplinary code. In relation to this, changes were also implemented in the agency employment rules, the portfolio of external suppliers was reviewed and the company's electronic recruitment application, Peopleclick, was updated. Within the recruitment process, we processed 13,150 employment applications and filled 1,077 positions, of which 35 percent were staffed from within. The average length of the recruitment process was seven weeks, depending on the type of position and division. Recruitment efficiency measured on the basis of probation-period data was nine percent.

Last year, T-Mobile placed second in a public poll on the Most Preferred Employer in the Czech Republic within the national Employer of the Year competition. The Company ranked first among the country's mobile operators. T-Mobile also ranked in the top fifteen most attractive employers in the Czech market among students.

### Internal communication: information for everybody

Information on happenings at the Company is provided through a bimonthly employee magazine called echo. In addition to information on happenings at the Company, it also contains articles about employees and teams, as well as lifestyle topics. The echo magazine, which has been issued regularly since 1997 and has been awarded a number of prizes, succeeded last year in the traditional Golden Semicolon competition, where it ranked first in the category of Best Internal Magazine.

Up-to-date information, presentation of new services, information on sponsorship activities and news from the telecommunications industry can be found in the magazine's online version, echoPlus. Launched in 2002, echoPlus is available to all employees on the Company's intranet and now contains more than 3,500 articles. Important internal news and announcements are communicated in the echoNews newsletter, which is distributed to all employees every Monday.

### Meetings between management and employees

Employees have several opportunities to meet the Company's top management. Every year, T-Mobile organizes Roadshows – meetings between management representatives and employees in all of the regions where T-Mobile is present. At the Roadshow meetings, the management representatives present the Company's strategy, as well as successes and failures in the area of products and services. As in previous years, the January T Mobile Roadshow 2006 was enlivened by videos featuring T-Mobile customers and employees, by competitions and interactive presentations of new products which employees could try out on the spot.

In addition to the Roadshow meetings, employees can also meet with management representatives at the Lighthouse Meetings. Important events such as press conferences and presentations of new services are broadcasted live on the Company's intranet. In February last year, for example, our employees could watch a press conference on the announcement of the Company's financial results for 2005.

Every year, all employees can get together for winter and summer employee parties which offer an enticing program, competitions and performances by well-known bands. Last year's summer party was the symbolic start of the Company's 10th anniversary celebrations and was attended by a record 4,500 employees and their family members.

There were a number of other anniversary activities held last year, offering our employees the opportunity to look back on the past years, on how the company was established and on its historical milestones. Such activities included an exhibition about the Company's history from various perspectives that was shown in Prague, Hradec Králové and Louny, with an exhibit of obsolete mobile phones that could be seen in Prague. The Company issued a booklet titled "Ten Years in the Network" which describes the Company's history in more detail and an electronic application called The History of Mobile Communications which can be viewed on the intranet. Employees could also see the best advertisements created since 1996 and participate in an intranet knowledge-based contest about the history of our Company.

A woman with short dark hair, wearing a plaid shirt, is smiling and looking towards a man. The man is seen from the side, wearing a light-colored checkered shirt and light-colored trousers. They appear to be in an outdoor setting with a railing.

“I believe that we managed to contribute to the fact that T-Mobile’s financial goals were surpassed by 50% last year. And I also believe that we provided outstanding service and support to our colleagues in relation to finance, budgets, analyses and business cases, thus developing – or strengthening – our very good working relationships.”



**Jiří Kučera**  
Senior Controller

I have been working at T-Mobile since July 2005 when I started as Controller in the Corporate Functions Controlling Unit. At present, I am the acting Head of this unit. Our main task is to contribute to the achievement of our company goals, particularly financial ones, and at the same time to serve as competent and customer-focused financial consultants to all T-Mobile employees.

# Corporate Social Responsibility

## Being a good citizen and neighbour

We understand corporate philanthropy primarily as an expression of the brand values and fulfilment of the promise to be "simply closer". Our actions are driven by what we believe in.

It was three years ago when T-Mobile started to map its CSR activities in detail, focusing primarily on environmental protection, relationships with employees, business partners, suppliers and, of course, charity. In most of these areas, we were doing very well, with just one exception – corporate philanthropy. T-Mobile's corporate philanthropy activities lacked a clear concept, as a result of which it was not possible to fully use their potential for building the Company's reputation. And, naturally, this is what T-Mobile and its shareholders expect. Thus, the objective was clear: redefine the priorities, taking into account the previous charitable activities to ensure that the Company's philanthropy is in line with our claim to be "simply closer" and to help T-Mobile in building its image. The result of these considerations was the establishment of a corporate philanthropy strategy focused on the support of the regions where the Company has its offices, i.e. Louny and Hradec Králové where T-Mobile customer centres are located, and the district of Prague 11, where the Company has its headquarters. We want to concentrate on the locations in which we operate and to show that T-Mobile is a good corporate citizen and neighbour.

### T-Mobile Fund in service to the public

For "our" regions, we have established the T-Mobile Fund, which supports various local initiatives in the form of an open grant programme. When launching the programme in 2005, we were excited to see how it would be accepted and whether our expectations would be met. The response from applicants assured us that we had taken a step in the right direction. We succeeded in arousing interest in the regions where we operate and encouraging local people to do something for the place where they live. Alternately, we simply helped them continue in what they had been doing for a long time and only made it easier thanks to the money from the T-Mobile Fund. The number of applicants speaks for itself: while 166 applications in the aggregate value of CZK 11.5 million were filed in 2005, the number of applications reached 206 in 2006, totalling CZK 19.8 million.

The T-Mobile Employee Fund, launched in 2006, also met with a great response. What exactly is the T-Mobile Employee Fund? Employees who knew an organization engaged in meaningful activities and wanted to help it could assist such an organization in obtaining a grant of up to CZK 70,000. The only thing they had to do was to provide the organization with information on the grant programme and vouch for it with their signature on the application form. The key to success of the open grant programme consists in the project selection criteria, which are transparent and known in advance. High-quality, meaningful projects bringing specific benefits for any of our regions or people who live there are eligible for support. Projects are always evaluated by a five-member committee that decides by an absolute majority of votes which ones will receive an aid contribution. The committee includes a public personality or representative of the non-profit sector, a journalist, a T-Mobile employee, a local government member and, of course, a representative of the foundation that administers the T-Mobile Fund. We have decided to use professional services and have outsourced the Fund, which is now administered by two foundations: the VIA Foundation and the Community Foundation of Euroregion Labe. In 2006, 111 projects totalling CZK 7.5 million were supported.

Using money from the T-Mobile Fund, we also increased the proceeds from the **Points for a Good Cause** project, which allows customers to donate their T-Mobile Bonus loyalty points to Centrum Paraple, a charitable organization that provides support and services to people with spinal cord injuries. In 2006, the points reached a total value of CZK 200,000, which, as in the previous year, T-Mobile matched. During a benefit performance held at the Jára Cimrman Theatre in September 2006, Zdeněk Svěrák, President of Centrum Paraple, was thus presented with a cheque for CZK 400,000, which was credited to Centrum Paraple's account. We also supported Centrum Paraple with proceeds from the sale of the **Calendar for a Good Cause** which for the second year in a row contained photographs taken by Company employees and was available before Christmas at T-Mobile Retail Shops for the nominal price of CZK 30. Sales of the calendar brought almost CZK 30,000, which were deposited in Centrum Paraple's account.

The **Small Grants** project met with extraordinary success in 2006. Small Grants is a unique project of cooperation between the non-profit organization Aisis o.s., T-Mobile and the European Union as a co-financer. Its objective is to provide secondary schools and colleges with know-how in the area of obtaining funds and organizing small grant programmes for students at their schools, thus helping them realize their ideas. During the first six months of the year, 137 teachers from the Hradec Králové, Ústí nad Labem and North Moravia regions attended project-management, fundraising and self-knowledge and self-development courses. After the end of the educational part of the course, the ten best participants were selected, each of whom received CZK 66,000 from the T-Mobile Fund to open a grant programme at their schools. By mid-2007, students at ten Bohemian and Moravian schools will be able to fulfil their dreams with the help of contributions in the total amount of CZK 660,000 within small grant programmes.

### Employee engagement

Employees play a significant part in deciding on CSR activities. It has been proven repeatedly that the majority of them consider it very important for the Company to engage in charity and contribute part of its profit to the betterment of society. Therefore, we try to encourage our employees to take an active part in CSR activities (in addition to the T-Mobile Employee Fund), for example by means of the **electronic charity auction**, which again took place before Christmas. For the fourth time, non-profit organizations, special schools and civic associations, mainly from the Hradec Králové region, provided items for the auction and received its proceeds, which reached a respectable CZK 150,000 including money added by T-Mobile.

**One Day for People in Need**, a volunteer work project, also met with great enthusiasm from employees. In 2006, a total of 260 employees took the opportunity to spend one day helping out in the non-profit sector while being paid by the Company. This project even received the Customer Service Award, whose winners are selected by employees. Enthusiasm for this project is also obvious from reports published by employees on the corporate intranet. Employees' interest in CSR is also evidenced by a survey that we conducted at the end of 2005 and that also became the most successful employee survey in the Company's history – the number of participants reached 1,242, which is almost half of all Company employees. The key finding of the survey was that 98 percent of employees expressed clear support for CSR and willingness to take part in particular projects. In addition, One Day for People in Need has become a popular teambuilding tool, as an increasing number of teams use this natural opportunity to do something together outside the office and, at the same time, help a good cause.

Taking the T-Mobile Bonus loyalty points programme – allowing customers to donate their T-Mobile Bonus loyalty points to Centrum Paraple – as an example, we launched a pilot project in 2006 that provided employees with the opportunity to donate their **Cafeteria points** to charity. Throughout the year, T-Mobile employees can use these points for various sports and social activities, healthcare and shopping. The result of the pilot project after two months was astonishing: a total of CZK 68,017 was collected and therefore we plan to continue the project in 2007.

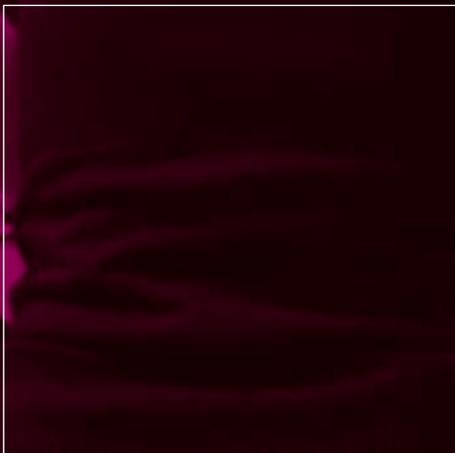
### Other forms of support

T-Mobile also participated in a conference held as part of the **Days of the People of Goodwill at Velehrad** where the Company presented its corporate philanthropy concept. In addition, the Company became a partner of a competition in football skills for children and youths that took place under the auspices of football legend Antonín Panenka.

The programme of donor messages, **DMS**, was also very successful in 2006. Thanks to DMS, CZK 154 million was collected, which otherwise would have never been donated to the non-profit sector. It is therefore good news that DMS is now being launched in neighbouring Slovakia and negotiations on its implementation are also under way in Germany, Poland and the UK. To support the project, T-Mobile donates top-up coupons promoting DMS in the total value of CZK 400,000 to four selected non-profit organizations every year. In 2006, the Donors Forum, VIA Foundation, Community Foundation of Euroregion Labe and the Livia and Václav Klaus Charitable Fund received the coupons.

In 2006, we also provided significant support to the **Livia and Václav Klaus Charitable Fund** by organising two charity golf tournaments in Karlovy Vary. The proceeds from the registration fees and competitions were supplemented by the Company, bringing the total amount donated to the Livia and Václav Klaus Charitable Fund to nearly CZK 300,000. Furthermore, we added a cheque for a million Czech crowns, which was presented to the founder of the Fund, Václav Klaus, by the Company's Managing Director, Roland Mahler. The presentation ceremony was part of the gala celebration of 10 years of T-Mobile's existence at Prague's Žofín Palace on 4 September 2006.

Scorers, playmakers, defenders.  
“We are a well-rounded team.”



# Sponsorship activities

## Football and music in magenta

Our stable position and financial background allow us to take part in a wide range of events enriching the country's sporting and cultural life.

T-Mobile's partnership with the Czech national football team and support of musical events are the two main pillars of the Company's sponsorship program. We have been supporting both areas over the long term, thus bringing customers "simply closer" to the worlds of culture and sport.

### Czech national football team

T-Mobile has been the general partner of the Czech national football team since 2002. The Company was the official mobile operator of last year's major (and long-awaited) football event, the World Cup, for which the Czech team qualified for the first time in sixteen years. Thanks to the partnership between T-Mobile and the Czech national team, customers could receive the hottest news from the championship right on their mobile phones wherever they happened to be. T-Mobile provided exclusive services and content related to this sporting event of the year to its customers, including up-to-date news coverage, and football-related ringtones, Caller Tunes, games and pictures.

The coming months will also see a number of exciting football matches, as the team coached by Karel Brückner will play in a series of matches during the qualification round for the European championship in 2008. Shortly before last year's world championship, T-Mobile and STES, the holder of advertising and marketing rights of the Czech Football Association, extended the contract for joint cooperation for another two years.

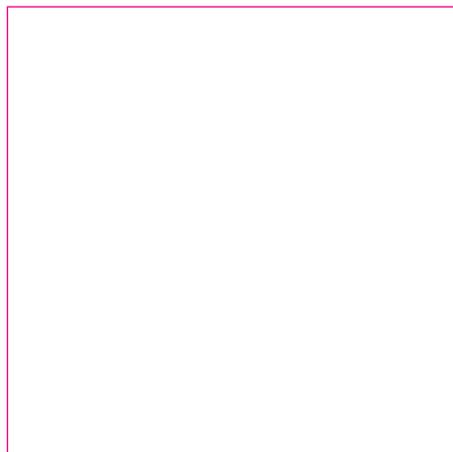
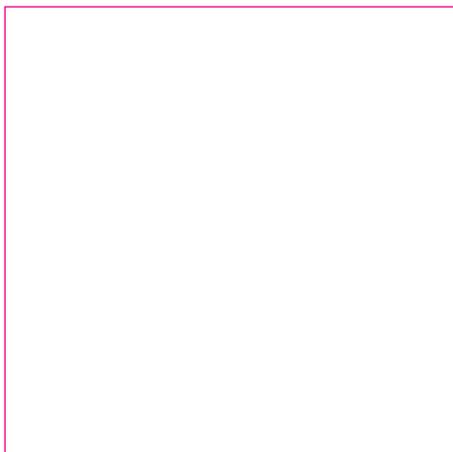
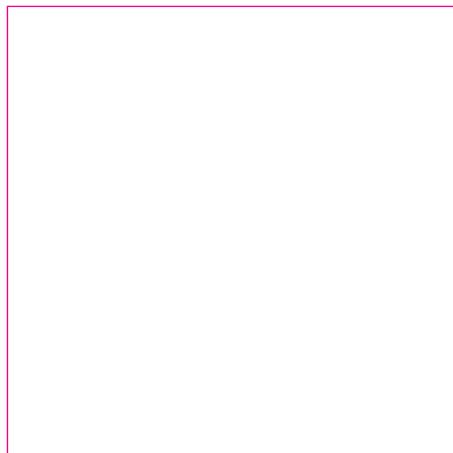
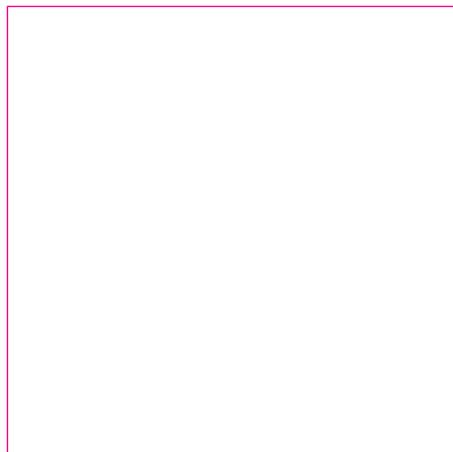
### Music projects

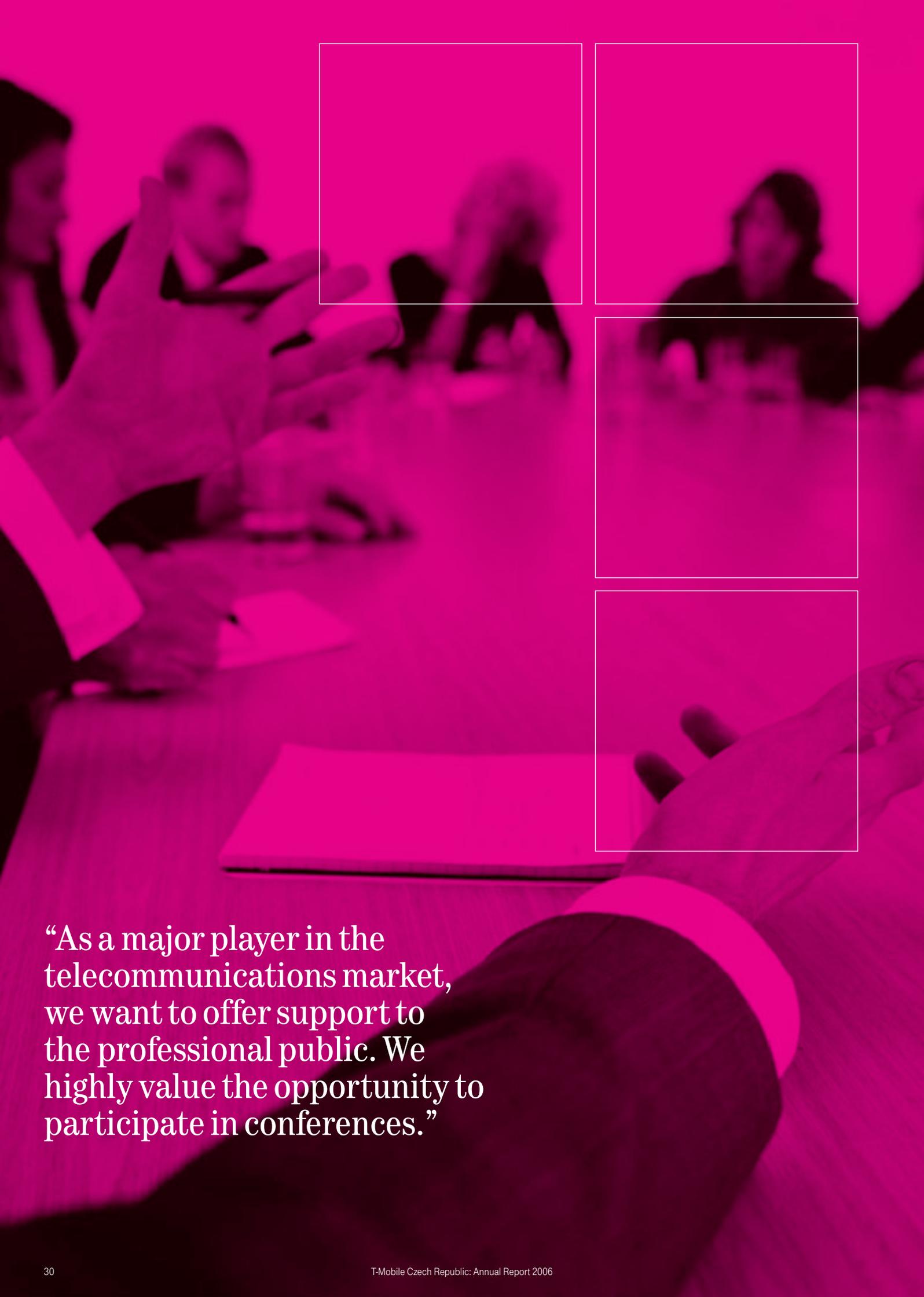
As a general partner of the Interkoncerts agency since 2004, T-Mobile brings the best Czech and international artists to the concert stage, including such acts as Depeche Mode, the Red Hot Chili Peppers, Pearl Jam, Deep Purple, Seal, Pink and Christina Aguilera, all of whom performed in the Czech Republic last year. For many music fans, the crowning event of last year's concert schedule was the Madonna concert in September.

At the end of 2004, T-Mobile became the general partner of t-music, a TV lifestyle program about music, fashion and entertainment. The show is supplemented by a music chart of the same name on the Evropa 2 radio station and t-music.cz web portal. In the fall of last year, t-music introduced the project called "t-music on tour". Visitors to selected music clubs could thus look forward to meeting the host of t-music, Libor Bouček, and exclusive guests, as well as to various attractive competitions for prizes.

For the second year in a row, T-Mobile was present at major music festivals. Visitors to the festivals could stop in the T-Mobile Café and refresh themselves with drinks or recharge the batteries of their mobile phones. The t-music corner in the T-Mobile Café was the hit of the summer last year, offering visitors the possibility to try out downloading MP3s and polyphonic ringtones, the Walkman SE W810 and W300 with Robbie Williams songs, and a new feature of the popular Caller Tunes service which enables setting up different tunes for different callers. During the festivals, music fans could also visit the T-Mobile truck equipped with PCs and free internet access. More than ten thousand customers visited the T-Mobile Café at four festivals – Rock for People, Venetian Night, Masters of Rock and Love Planet.

Last year, T-Mobile presented – for the first time in the Czech Republic – the international 'electronic beats' music project, which is a trendsetting program focusing on the link between entertainment, modern technologies and communication. The 'electronic beats' festival came to Prague in October 2006. More than four thousand visitors had a chance to see a live performance by such bands as Prodigy, Car Craig, Slam, N.O.H.A. and Yonderboi at Prague's Trade Fair Palace.





“As a major player in the telecommunications market, we want to offer support to the professional public. We highly value the opportunity to participate in conferences.”

# T-Mobile at conferences

## Closer to professional public

As a major player in the telecommunications market, we want to offer support to the professional public. We highly value the opportunity to participate in conferences.

Since its establishment, our Company has participated in numerous professional conferences and seminars, which were not limited to telecommunications topics. In addition to T-Mobile's representatives taking part in conferences as speakers, we also provide sponsorship for a number of events of this type. Last year was not an exception in this respect – we became partners of twenty prestigious projects and T-Mobile's representatives spoke at nearly seventy professional conferences, both well established events as well as those which were held for the first time last year. The conferences and seminars in which T-Mobile participated last year addressed a wide variety of topics.

In January, mayors and deputy mayors from the South Bohemia region met in Český Krumlov to discuss, among other topics, information and communication systems in public administration. At this meeting, T-Mobile presented its services offered in this area. The participants at the meeting showed great interest in the SMS Connect service which can make communication between city halls and local residents easier and more effective.

The second annual **Business & Information Forum** held in the New Gallery of Prague Castle focused on strategic ICT (Information & Communications Technology) management. More than 200 guests, including the then Minister of Information Technologies Dana Běrová, attended the forum. T-Mobile, as one of the partners of the forum, took part in the discussion on the development of a competitive economy with the support of ICT.

The end of April is the time for the annual **CACC Czech Broadband Communication** conference. Last year's seventh edition of the conference focused on the development of competitive electronic communications services. T-Mobile was the sponsor of the first day of the conference and our representatives took part in all panel discussions.

Almost 300 ICT enthusiasts gathered in Prague for the **eTime** conference. The main topics discussed included issues related to the further development of information and telecommunications technologies and the influence thereof on the development of the economy and public infrastructure. T-Mobile contributed to the conference program with its presentation "T-Mobile – More than a SIM Card."

The **Reputation Management** conference focused on building the good name of corporations welcomed a number of renowned Czech and foreign public-relations experts, including Lord Alan Watson of Burson-Marsteller Europe and Paul Holmes of The Holmes Group. The conference program also included discussions with Czech politicians. T-Mobile gave a presentation on corporate social responsibility.

T-Mobile also supported the "Česká hlava" (Czech Brain) project and became one of the sponsors of the **Science – The Future of Europe** conference. The conference was accompanied by an unusual display of scientific and technical exhibits in Prague's streets. T-Mobile's exhibit featuring Internet 4G, the new generation of mobile internet, could be seen on Jan Palach Square.

After thirty-nine years, Prague again became the global center of astronomy. In mid August, the Prague Congress Centre hosted the 26th General Assembly of the **International Astronomical Union**. The IAU General Assembly meets every three years, when several thousand astronomers from all over the world gather in the host country. T-Mobile provided the participants with free Wi-Fi internet access.

The program of the International Engineering Fair in Brno featured a professional conference called **M2M Communication**. As the name implies, the principal topic was the latest developments in M2M (machine-to-machine) communication. The conference presented a comprehensive overview of key applications and new business opportunities offered in relation to this technology.

Although T-Mobile did not exhibit at the International Engineering Fair, our logo was clearly visible on the fairgrounds, as T-Mobile was the main partner of the **INVEX Forum**, a conference devoted to electronic communications issues. The principal topics of last year's forum included e-government, relevant markets and roaming, and the participants could also meet with Ivan Langer, Minister of the Interior and of Information Technologies.

Representatives of T-Mobile were on hand to offer congratulations on the occasion of the eighth anniversary of the weekly magazine **Euro**. The gala celebration took place in the Spanish Hall of Prague Castle, with renowned guests including President Václav Klaus in attendance.

Another well-established conference on electronic communications, **tel.con spektrum**, was held in Prague's Hotel Diplomat, attracting several hundred visitors particularly from the telecommunications and IT industries. T-Mobile was a partner of this conference and gave presentations on new services, technologies and products in its network.

The third annual professional conference on expected developments in the **automotive industry** in the Czech Republic and Central Europe took place on 31 October in Brno. T-Mobile representatives gave talks on mobile solutions in the automotive industry. The central topic of the conference was the competitiveness and prospects of the automotive industry in the Czech Republic.

The seventh annual **TELEINFORMATIKA** conference attracted more than three hundred specialists in electronic communications and information technologies. As in previous years, T-Mobile was a partner of this conference and Managing Director Roland Mahler gave a welcome speech during the celebratory opening at the Bethlehem Chapel.

Last year saw five "**Wireless Wednesday**" events. The topics included, for example, mobile internet and content created by users in mobile networks. Each event was attended by several dozen visitors, particularly representatives of mobile operators, content providers and developers.

Last year's conference season culminated with the tenth annual **Strategic Forum**, a prestigious meeting of renowned businessmen, specialists and politicians. The main objective of the Strategic Forum is to present the successes and failures of local companies, showcase business management practices across the most successful firms and hold discussions with top managers on new possibilities of company development.

# About T-Mobile International

## Global player in mobile communications

Putting the customer first. Over the past few years, T-Mobile has become one of the largest international mobile communications operators in the world.

The mobile world has been changing rapidly in recent years and continues to do so. New technologies are driving innovative voice and data solutions for businesses and consumers. At the same time, single-product national businesses are moving into a complex multi-product service world. Just ten years ago, national operators with almost no international presence dominated their respective markets. More than 106 million customers in Europe and the USA have opted for T-Mobile and recognize the value of being served by the global T-Mobile family.

### A global market leader

T-Mobile International, a wholly-owned subsidiary of Deutsche Telekom, was established in December 1999. Since then, it has positioned itself as one of the largest international mobile communications carriers. It was the first to operate a trans-Atlantic mobile network based on GSM (Global System for Mobile Communications), the world's most successful digital wireless standard. T-Mobile subsidiaries and affiliates were among the world's first operators to use future-oriented technologies such as GPRS, UMTS (3G) and W-LAN. T-Mobile is a member of FreeMove, an alliance formed by four of Europe's leading mobile companies – Orange, TIM (Telecom Italia Mobile), TeliaSonera, and T-Mobile – to help their customers communicate as easily while travelling abroad as they do at home.

### Dedicated to our customers

T-Mobile is committed to offering its customers a broad range of easy to use services and products wherever they are. The considerable effort of the group's approximately 50,000 employees is focused on the goal of delivering the best state-of-the-art mobile communications. High-quality multimedia networks and continuing investment in the research and development of new ideas are reshaping the way in which people use mobile communications for information, work, and fun. Thanks to T-Mobile's innovative web'n'walk service, mobile internet access is currently conquering the mobile telecommunications markets with full vigor. Customers increasingly use their mobile phones to surf the World Wide Web while traveling.

### On the right track

In October 2004, T-Mobile International won the World Communication Award (WCA) in the "Best Global Mobile Carrier" category for the second time in a row. On the local level, this success is reflected in the various prizes and awards received by the subsidiaries. For example, in the United States, J.D. Power and Associates, the established expert in objective third-party reviews of products and services, has repeatedly singled out T-Mobile for its outstanding quality. Most recently, T-Mobile USA was ranked highest in the 2006 Wireless Regional Customer Satisfaction Index Study. In March 2006, T-Mobile Germany was declared the best mobile network for the seventh year in a row, and in September 2006 the company received the "Digital Lifestyle Award" as the best network operator. Over 1,000,000 readers took part in Europe's largest poll in the field of electronic communications. In addition, Reader's Digest declared T-Mobile Czech Republic as the country's "most trusted brand" and T-Mobile Hungary as the "most trusted mobile operator" in May 2006. These and many other awards prove that T-Mobile is heading in the right direction, towards a promising future.

# Financial Statements 2006



**INDEPENDENT AUDITORS' 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 2006, 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.

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

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2006, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

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

## Report on the Annual Report

In addition we have also audited the annual report of the Company for consistency with the financial statements for the year ended 31 December 2006 which are included in this annual report on pages 36 – 50. The Board of Directors is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

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

In our opinion, the information included in the annual report of the Company for the year ended 31 December 2006 is consistent, in all material respects, with the financial statements referred to above.

## Report on review of the Report on Relations

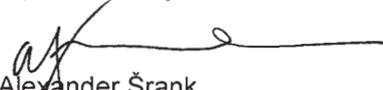
In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2006 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Board of Directors of the Company. Our responsibility is to review the accuracy of information included in the Report.

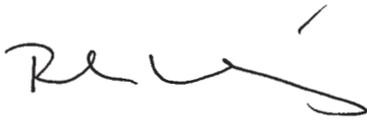
We conducted our review in accordance with the International Standard on Review Engagements 2400 and related application guidance of the Chamber of Auditors of the Czech Republic for review of the report on relations. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material misstatement. A review is limited primarily to inquiries of Company personnel, analytical procedures and examination, on a test basis, of factual accuracy of data. A review therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

23 March 2007

  
PricewaterhouseCoopers Audit, s.r.o.  
represented by

  
Alexander Šrank  
Partner

  
Pavel Kulhavý  
Auditor, Licence No. 1538

# Balance Sheet

		Gross	Provision	2006	2005
		CZK'000	CZK'000	Net	Net
				CZK'000	CZK'000
<b>ASSETS</b>					
<b>B.</b>	<b>Fixed assets</b>	<b>46,139,676</b>	<b>(23,795,629)</b>	<b>22,344,047</b>	<b>24,082,877</b>
<b>B. I.</b>	<b>Intangible fixed assets</b>	<b>9,776,024</b>	<b>(4,729,904)</b>	<b>5,046,120</b>	<b>5,816,755</b>
B. I. 1.	Research and development	282,163	(264,588)	17,575	41,879
2.	Software	4,257,054	(3,723,213)	533,841	828,575
3.	Valuable rights	4,544,852	(742,103)	3,802,749	3,969,109
4.	Intangible fixed assets in the course of construction	691,422	-	691,422	976,734
5.	Advances paid for intangible fixed assets	533	-	533	458
<b>B. II.</b>	<b>Tangible fixed assets</b>	<b>36,363,652</b>	<b>(19,065,725)</b>	<b>17,297,927</b>	<b>18,266,122</b>
B. II. 1.	Land	16,810	-	16,810	16,721
2.	Buildings and constructions	7,186,734	(2,324,714)	4,862,020	4,799,148
3.	Equipment	25,038,106	(16,688,320)	8,349,786	10,109,136
4.	Other tangible fixed assets	760	-	760	708
5.	Tangible fixed assets in the course of construction	4,109,289	(52,691)	4,056,598	3,336,987
6.	Advances paid for tangible fixed assets	11,953	-	11,953	3,422
<b>C.</b>	<b>Current assets</b>	<b>14,253,917</b>	<b>(3,021,400)</b>	<b>11,232,517</b>	<b>12,240,766</b>
<b>C. I.</b>	<b>Inventories</b>	<b>414,484</b>	<b>(130,328)</b>	<b>284,156</b>	<b>611,355</b>
C. I. 1.	Raw materials	173,984	(96,550)	77,434	308,908
2.	Goods for resale	240,500	(33,778)	206,722	302,447
<b>C. II.</b>	<b>Long-term receivables</b>	<b>23,852</b>	<b>-</b>	<b>23,852</b>	<b>24,582</b>
C. II. 1.	Trade receivables	15,315	-	15,315	16,316
2.	Long-term advances paid	8,537	-	8,537	8,266
<b>C. III.</b>	<b>Short-term receivables</b>	<b>7,029,716</b>	<b>(2,891,072)</b>	<b>4,138,644</b>	<b>3,460,708</b>
C. III. 1.	Trade receivables	5,375,974	(2,891,072)	2,484,902	2,165,507
2.	Receivables from members of associations	13,198	-	13,198	6,076
3.	Taxes and state subsidies receivable	19,866	-	19,866	50,450
4.	Short-term advances paid	99,910	-	99,910	117,775
5.	Anticipated assets	1,480,867	-	1,480,867	1,111,640
6.	Other receivables	39,901	-	39,901	9,260
<b>C. IV.</b>	<b>Short-term financial assets</b>	<b>6,785,865</b>	<b>-</b>	<b>6,785,865</b>	<b>8,144,121</b>
C. IV. 1.	Cash in hand	72,825	-	72,825	23,865
2.	Cash at bank	1,061,867	-	1,061,867	3,329,324
3.	Short-term investments	5,651,173	-	5,651,173	4,790,932
<b>D. I.</b>	<b>Accruals and deferrals</b>	<b>49,078</b>	<b>-</b>	<b>49,078</b>	<b>76,809</b>
D. I. 1.	Prepaid expenses	48,772	-	48,772	74,923
2.	Accrued revenue	306	-	306	1,886
<b>TOTAL ASSETS</b>		<b>60,442,671</b>	<b>(26,817,029)</b>	<b>33,625,642</b>	<b>30,400,452</b>

		2006	2005
		Net	Net
		CZK'000	CZK'000
<b>LIABILITIES AND EQUITY</b>			
<b>A.</b>	<b>Equity</b>	<b>24,521,101</b>	<b>26,499,866</b>
<b>A. I.</b>	<b>Share capital</b>	<b>520,000</b>	<b>520,000</b>
A. I. 1.	Share capital	520,000	520,000
<b>A. II.</b>	<b>Capital contributions</b>	<b>5,348,787</b>	<b>5,344,989</b>
A. II. 1.	Share premium	5,344,110	5,344,110
2.	Other capital contributions	8,020	8,020
3.	Assets and liabilities revaluation	(3,343)	(7,141)
<b>A. III.</b>	<b>Reserve fund, non-distributable reserves and other reserves</b>	<b>104,000</b>	<b>104,000</b>
A. III. 1.	Statutory reserve fund/non-distributable reserves	104,000	104,000
<b>A. IV.</b>	<b>Retained earnings</b>	<b>12,846,388</b>	<b>15,783,996</b>
A. IV. 1.	Retained profits	12,846,388	15,783,996
<b>A. V.</b>	<b>Profit for the current period</b>	<b>5,701,926</b>	<b>4,746,881</b>
<b>B.</b>	<b>Liabilities</b>	<b>8,071,061</b>	<b>8,699,209</b>
<b>B. I.</b>	<b>Provisions</b>	<b>1,162,534</b>	<b>1,602,054</b>
B. I. 1.	Tax-deductible provisions	4,858	4,295
2.	Income tax provision	348,491	849,056
3.	Other provisions	809,185	748,703
<b>B. II.</b>	<b>Long-term liabilities</b>	<b>1,409,860</b>	<b>1,982,894</b>
B. II. 1.	Trade payables	1,325	1,625
2.	Long-term advances received	237,051	258,965
3.	Deferred tax liability	1,171,484	1,722,304
<b>B. III.</b>	<b>Short-term liabilities</b>	<b>5,498,667</b>	<b>5,109,511</b>
B. III. 1.	Trade payables	1,039,704	1,202,413
2.	Liabilities to shareholders	181	174
3.	Liabilities to employees	77,751	67,205
4.	Liabilities for social security and health insurance	66,749	49,032
5.	Taxes and state subsidies payable	41,981	24,353
6.	Short-term advances received	333,788	245,576
7.	Anticipated liabilities	3,915,168	3,504,086
8.	Other payables	23,345	16,672
<b>B. IV.</b>	<b>Bank loans and overdrafts</b>	<b>-</b>	<b>4,750</b>
B. IV. 1.	Short-term bank loans and overdrafts	-	4,750
<b>C.</b>	<b>Accruals and deferrals</b>	<b>1,033,480</b>	<b>1,201,377</b>
C. I. 1.	Accruals	-	57
2.	Deferred revenue	1,033,480	1,201,320
<b>TOTAL LAIBILITIES AND EQUITY</b>		<b>33,625,642</b>	<b>36,400,452</b>

# Income Statement

		For the year ended 31 December	
		2006	2005
		CZK'000	CZK'000
I.	Sales of goods	1,152,225	1,259,167
A.	Cost of goods sold	2,417,658	2,535,732
<b>+</b>	<b>Gross profit</b>	<b>(1,265,433)</b>	<b>(1,276,565)</b>
II.	Sales of production	28,003,061	26,567,074
II.	1. Sales of own products and services	27,942,170	26,098,741
	2. Own work capitalised	60,891	468,333
B.	Cost of sales	11,941,054	10,929,553
B.	1. Raw materials and consumables	581,919	679,354
	2. Services	11,359,135	10,250,199
<b>+</b>	<b>Added value</b>	<b>14,796,574</b>	<b>14,360,956</b>
C.	Staff costs	2,157,358	1,911,343
C.	1. Wages and salaries	1,499,752	1,324,396
	2. Emoluments of board members	1,487	1,694
	3. Social security and health insurance costs	558,263	498,358
	4. Other social costs	97,856	86,895
D.	Taxes and charges	252,138	223,207
E.	Depreciation of fixed assets	5,314,960	5,140,094
III.	Sale of fixed assets and raw materials	87,549	516,552
III.	1. Sale of fixed assets	82,018	512,756
	2. Sale of raw materials	5,531	3,796
F.	Net book value of fixed assets and raw materials sold	190,759	742,114
F.	1. Net book value of fixed assets sold	170,550	583,592
	2. Net book value of raw materials sold	20,209	158,522
G.	Change in provisions for operating liabilities and charges and complex prepaid expenses	384,315	619,498
IV.	Other operating income	1,480,395	1,111,274
H.	Other operating charges	629,687	650,954
<b>*</b>	<b>Operating result</b>	<b>7,435,301</b>	<b>6,701,572</b>
VI.	Income from sales of securities and shares	900,000	600,000
J.	Securities and shares sold	900,000	600,000
VIII.	Income from short-term investments	80,290	17,422
IX.	Gain on revaluation of securities and derivatives	3,369	3,431
L.	Loss on revaluation of securities and derivatives	34,997	29,113
X.	Interest income	80,543	75,705
N.	Interest expense	1,010	1,379
XI.	Other financial income	148,040	117,700
O.	Other financial expenses	115,760	110,369
<b>*</b>	<b>Financial result</b>	<b>160,475</b>	<b>73,397</b>
Q.	Tax on profit or loss on ordinary activities	1,893,850	2,028,088
Q.	1. - current	2,444,670	2,254,733
	2. - deferred	(550,820)	(226,645)
<b>**</b>	<b>Profit or loss on ordinary activities after taxation</b>	<b>5,701,926</b>	<b>4,746,881</b>
<b>***</b>	<b>Net profit for the financial period</b>	<b>5,701,926</b>	<b>4,746,881</b>
<b>****</b>	<b>Net profit before tax</b>	<b>7,595,776</b>	<b>6,774,969</b>

# Cash Flow Statement

		2006	2005
		CZK'000	CZK'000
Cash flows from operating activities			
	<b>Net profit on ordinary activities before tax</b>	<b>7,595,776</b>	<b>6,774,969</b>
A.1	Adjustments for non-cash movements:	5,670,324	5,466,794
A.1.1	Depreciation of fixed assets	5,314,960	5,140,094
A.1.2	Change in provisions	384,316	465,137
A.1.3	Loss from disposal of fixed assets	88,531	70,836
A.1.4	Net income and income from short-term investments	(159,823)	(91,748)
A.1.5	Other non-cash movements	42,340	(117,525)
<b>A *</b>	<b>Net cash flows from ordinary activities before tax, changes in working capital and extraordinary items</b>	<b>13,266,100</b>	<b>12,241,763</b>
A.2	Working capital changes:	76,281	(1,962,770)
A.2.1	Increase in receivables and prepayments	(1,142,199)	(595,825)
A.2.2	Increase in short-term payables and accruals	435,238	1,225,626
A.2.3	Decrease/(increase) in inventories	125,705	(294,430)
A.2.4	Decrease/(Increase) in short-term investments	657,537	(2,298,141)
<b>A **</b>	<b>Net cash flows from ordinary activities before tax and extraordinary items</b>	<b>13,342,381</b>	<b>10,278,993</b>
A.3	Interest paid	(1,010)	(54,186)
A.4	Interest received	158,508	91,241
A.5	Income tax on ordinary activities paid	(2,945,235)	(2,722,279)
<b>A ***</b>	<b>Net cash flows from ordinary activities</b>	<b>10,554,644</b>	<b>7,593,769</b>
Cash flows from investing activities			
B.1	Acquisition of fixed assets	(3,670,844)	(2,557,796)
B.2	Proceeds from sale of fixed assets	100,815	515,128
<b>B ***</b>	<b>Net cash flows from investing activities</b>	<b>3,570,029</b>	<b>(2,042,668)</b>
Cash flows from financing activities			
C.2	Dividends paid	(7,684,489)	(149,001)
<b>C ***</b>	<b>Net cash flows from financing activities</b>	<b>(7,684,489)</b>	<b>(149,001)</b>
	<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(699,874)</b>	<b>5,402,100</b>
	<b>Cash and cash equivalents at the beginning of the year</b>	<b>5,841,230</b>	<b>439,130</b>
	<b>Cash and cash equivalents at the end of the year</b>	<b>5,141,356</b>	<b>5,841,230</b>

# Notes to the Financial Statements 2006

Company name: T-Mobile Czech Republic a.s.  
Registered office: Tomíčková 2144/1, Praha 4, 149 00  
Legal form: Joint stock company  
Company registration number: 64949681  
Registered with the 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, Tomíčková 2144/1, was incorporated on 15 February 1996, as a joint stock company in the Czech Republic.

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

Shareholder	No. of shares (thousands)	Paid in share capital	
		CZK'000	%
CMobil B.V.	316	316,000	60.77
CESKE RADIOKOMUNIKACE S.à.r.l.* 204		204,000	39.23
<b>Total</b>	<b>520</b>	<b>520,000</b>	<b>100.00</b>

\* former RADIOKOMUNIKACE a.s.

The ownership structure of the Company is governed by the terms of the Shareholders Agreement dated 3 December 2002, which replaced the Shareholders Agreement dated 19 October 2000, as amended by the Amendment to the Shareholders Agreement dated 22 July 2002. Based on the Adherence Agreement dated 13 November 2006, CESKE RADIOKOMUNIKACE S.à.r.l. assumed the rights and obligations previously held by RADIOKOMUNIKACE a.s. established by the Shareholders Agreement. The ultimate parent company of the majority shareholder CMobil B.V. is Deutsche Telekom AG ("DTAG") which controls CMobil B.V. via T-Mobile International AG&Co.KG ("TMO").

## 1.3. Licences and Trademarks

The Company had the right to use the following frequency band allocations as at 31 December 2006:

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

Under the new legal regulation – Act on Electronic Communications No. 127/2005 Coll. that became legally enforceable on 1 May 2005 – CTO issued allocations to the Company of the above mentioned frequency bands that became legally enforceable on 27 September 2005. The frequency band allocations include the same rights and obligations with respect to these radio frequencies that were stated in the original telecommunication licences. Due to the new legislation the original licences ceased to exist on 30 September 2005.

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

On 23 May 2006, CTO confirmed in writing that the Company complied with the obligations stipulated by the UMTS license acquired in 2001. These obligations required the Company to launch the UMTS network with initial coverage of 90% of the urban area of Prague by 1 January 2007.

The Company owns 39 registered trademarks and duly submitted applications for the registration of 19 additional trademarks in the Industrial Property Office Register, 12 of which are in the process of publication.

Based on a sub-licence agreement between the Company and TMO, the Company is also entitled to use the relevant 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 2006 were as follows:

Mr Timotheus Höttges	Chairman
Mr Terrence Edward Valeski	Vice-Chairman
Mr Murat Erkurt	Member
Mr Craig Nimrod Butcher	Member
Mr Thomas Georg Winkler	Member
Mr Roland Mahler	Member
Mr Hamid Akhavan-Malayeri	Member

On 11 December 2006, Messrs Dominic Robert Nicholas Redfern and Timothy James Lang Taylor resigned as members of the Board of Directors and Mr Mark Robert Donegan resigned from the position of Vice-Chairman of the Board of Directors. Messrs Terrence Edward Valeski, Murat Erkurt and Craig Nimrod Butcher were appointed members of the Board of Directors effective from 11 December 2006. The changes in the composition of the Board of Directors have not been reflected in the Commercial Register yet.

The directors of the Supervisory Board as at 31 December 2006 were as follows:

Mr Frank Stoffer	Chairman
Mr Tomáš Tomiczek	Vice-chairman
Mrs Monika Vobořilová	Member
Mr Tomáš Svoboda	Member
Mr Thomas Konschak	Member
Mr Antonius Joseph Zijlstra	Member

On 17 August 2006, Mr Vítězslav Žalud resigned from the Supervisory Board. The electoral period of Pavel Keprt expired based on the employees representatives election held from 6 to 14 November 2006 which appointed Mrs Monika Vobořilová and Mr Tomáš Svoboda as new members of the Supervisory Board effective from 14 November 2006. The changes in the composition of the Supervisory Board have not been reflected in the Commercial Register yet.

## 2. ACCOUNTING POLICIES AND GENERAL ACCOUNTING PRINCIPLES

### 2.1. Basis of Accounts

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

#### Changes of classification and accounting method

##### Tangible and intangible fixed assets

As at 1 January 2006, the Company changed the classification of purchased GSM/UMTS network assets. The Company reassessed items of current assets with respect to their significance, purpose of use and evidence and reclassified certain items of current assets to tangible fixed assets. Refer to Note 3.1.2., Tangible Fixed Assets.

### 2.2. Methods of Valuation

#### 2.2.1. Tangible and Intangible Fixed Assets

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

Intangible assets comprise the following:

- I. UMTS licence  
The UMTS licence represents the right to operate mobile communication networks in the Czech Republic under the UMTS standard. The licence was put into commercial use in October 2005. The licence is being amortized over its useful life using the straight-line method. The useful life of the UMTS licence is considered to be the period from when the licence goes into commercial use, through to the licence expiration date in 2024.
- II. GSM licence  
The GSM licence which represents the right to provide communication services in the Czech Republic and to establish and operate GSM communication equipment is accounted for at the purchase price from the Ministry of Economy of the Czech Republic. This amount has been capitalised and is being amortised over the licence's useful life using the straight-line method. The useful life is based on the terms of the licence, which is 20 years.
- III. Software  
Capitalised software costs include the licence fees for the use of software and costs of consulting services related to the software implementation. Software costs are amortised over the expected period of the benefit of the cost, which is two or three years. Costs of consulting services, which are incurred after the relevant subsystem of the software is put into routine operation and as such do not fulfil the criteria for capitalisation, are charged to the income statement as incurred.

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

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

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 cost (including fees and commissions to brokerage agencies and stock exchanges). The acquisition cost does not include interest from the acquisition of loans financing the securities and the related administration costs.

#### 2.2.3. Inventories

Purchased inventories are recorded at acquisition cost. The acquisition cost primarily includes the purchase price of materials and other costs incurred to bring inventory to its present state and location. These costs include customs, storage costs during transportation and freight costs.

Inventories are valued using the weighted-average cost method.

### 2.3. Depreciation Plan

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

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

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

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

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

#### 2.4.1. Provisions for Assets

##### Provisions for tangible and intangible fixed assets

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

##### Provisions for receivables

The Company creates a provision for receivables based on the ageing of receivables and information about the current financial situations of customers and dealers. The provision is calculated as a percentage of total receivables, ranging from 2% to 100%. Bad debts from customers are offset against deposits obtained from them at the beginning of the contract period.

##### Provisions for inventories

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

#### 2.4.2. Provisions for Liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. In addition, the Company also recognises provisions relating to significant future repairs of property, plant and equipment as defined by the Act on Reserves.

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

#### 2.5. Revenue Recognition

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

Interconnection revenues are recognised based on valid agreements. In cases where there are no valid contracts or written price agreements concluded, revenues are recognised based on the best estimate of the Company's management. Any necessary adjustments are recorded in the period when price settlement is agreed. Refer to Note 3.12., Commitments and Contingencies for further discussion.

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

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

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

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

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

Interest revenues are recorded on accrual and deferral basis using effective interest rate.

#### 2.6. Foreign Currency Translation

Transactions denominated in a foreign currency are translated and recorded at the exchange rate published by the Czech National Bank as at the date of the transaction. 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, with the exception of gains and losses arising from transactions treated under hedge accounting which are recognised in equity.

#### 2.7. Deferred Taxation

Deferred income tax is determined based on temporary differences between the carrying amount of assets and liabilities and their tax bases, 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 income tax charged or credited to the income statement is measured as the change in the net deferred income tax asset or liability during the year. The principal temporary differences arise from tax and accounting depreciation on fixed assets, tax non-deductible adjustments and non-taxable provisions and revaluation of other assets and liabilities.

#### 2.8. Hedging of Currency and Interest Rate Risks

##### Currency and interest risk management

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

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

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

The Company does not undertake any speculative transactions.

##### Concentrations of credit risk

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

The Company manages credit risk associated with different business transaction counterparties by using various instruments as insurance, bank guarantees, credit limits, deposit policy, differentiated debt collecting process, etc.

##### Liquidity risk management

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

##### Fair value estimation of financial instruments

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

### Accounting for derivative financial instruments

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

All derivative financial instruments held by the Company are recognised using settlement-date accounting.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains and losses credited or charged to the income statement.

The Company uses foreign 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 "Revaluation differences" of assets and liabilities. Fair value of derivatives is released into the income statement in the same period as the underlying items to match the gains and losses of the hedged items.

The Company has not used hedge accounting for contracts hedging currency risks not exceeding the equivalent value of EUR 15,000 thousand. Such transactions are recorded as trading derivatives and changes in fair value are recognised in the income statement.

### 2.9. Finance and Operating Leases

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

### 2.10. Cash Flow Statement

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

### 2.11. Subsequent Events

The effect of events that occurred between the balance sheet date and the date of signing the financial statements is reflected in the financial statements only if further evidence of situations that arose as a result of such events at the balance sheet date was available.

In the case that significant events subsequent to the balance sheet date but preceding the signing of the financial statements occur, and they are indicative of conditions after the balance sheet date, the effect of these events is disclosed but is not reflected in the financial statements.

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

### 3.1. Fixed Assets

#### 3.1.1. Intangible Fixed Assets

Cost (CZK'000)	Research and development	Software	Valuable right (GSM , UMTS and other licences)	Intangible fixed assets in the course of construction and advances paid	Total
<b>1.1.2005</b>	<b>275,495</b>	<b>4,638,304</b>	<b>699,820</b>	<b>4,450,634</b>	<b>10,064,253</b>
Transfers	9,006	547,752	3,795,682	(4,241,303)	111,137
Additions	-	-	-	794,434	794,434
Disposals	(1,401)	(274,448)	(120)	(26,573)	(302,542)
<b>31.12.2005</b>	<b>283,100</b>	<b>4,911,608</b>	<b>4,495,382</b>	<b>977,192</b>	<b>10,667,282</b>
Transfers	2,584	828,360	49,350	(858,056)	22,238
Additions	-	-	120	581,878	581,998
Disposals	(3,521)	(1,482,914)	-	(9,059)	(1,495,494)
<b>31.12.2006</b>	<b>282,163</b>	<b>4,257,054</b>	<b>4,544,852</b>	<b>691,955</b>	<b>9,776,024</b>

Accumulated amortisation/provisions (CZK'000)	Research and development	Software	Valuable right (GSM , UMTS and other licences)	Intangible fixed assets in the course of construction and advances paid	Total
<b>1.1.2005</b>	<b>206,233</b>	<b>3,411,957</b>	<b>462,222</b>	-	<b>4,080,412</b>
Transfers	-	69,494	-	-	69,494
Additions	36,389	814,418	64,171	-	914,978
Disposals	(1,401)	(212,836)	(120)	-	(214,357)
<b>31.12.2005</b>	<b>241,221</b>	<b>4,083,033</b>	<b>526,273</b>	-	<b>4,850,527</b>
Transfers	(827)	1,167	(340)	-	-
Additions	27,715	1,121,900	216,170	-	1,365,785
Disposals	(3,521)	(1,482,887)	-	-	(1,486,408)
<b>31.12.2006</b>	<b>264,588</b>	<b>3,723,213</b>	<b>742,103</b>	-	<b>4,729,904</b>

Net book value (CZK'000)	Research and development	Software	Valuable right (GSM , UMTS and other licences)	Intangible fixed assets in the course of construction and advances paid	Total
<b>31.12.2005</b>	41,879	828,575	3,969,109	977,192	<b>5,816,755</b>
<b>31.12.2006</b>	17,575	533,841	3,802,749	691,955	<b>5,046,120</b>

#### 3.1.2. Tangible Fixed Assets

Cost (CZK'000)	Constructions, buildings and land	Equipment and other tangible fixed assets	Tangible fixed assets in the course of construction and advances paid	Total
<b>1.1.2005</b>	<b>6,396,917</b>	<b>26,386,712</b>	<b>2,475,265</b>	<b>35,258,894</b>
Transfers	376,521	1,121,966	(1,609,624)	(111,137)
Additions	2,344	1,892	2,097,422	2,101,658
Disposals	(55,015)	(2,190,144)	(58,777)	(2,303,936)
Relocation*	(778)	(783,574)	462,312	(322,040)
<b>31.12.2005</b>	<b>6,719,989</b>	<b>24,536,852</b>	<b>3,366,598</b>	<b>34,623,439</b>
Reclassification **	-	-	419,971	419,971
Transfers	520,891	1,785,119	(2,328,248)	(22,238)
Additions	-	2,351	2,869,636	2,871,987
Disposals	(37,336)	(1,285,456)	(206,715)	(1,529,507)
<b>31.12.2006</b>	<b>7,203,544</b>	<b>25,038,866</b>	<b>4,121,242</b>	<b>36,363,652</b>

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

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

Accumulated depreciation/provisions (CZK'000)	Constructions, buildings and land	Equipment and other tangible fixed assets	Tangible fixed assets in the course of construction and advances paid	Total
<b>1.1.2005</b>	<b>1,441,759</b>	<b>13,261,145</b>	<b>23,010</b>	<b>14,725,914</b>
Transfers	(322)	(69,172)	-	(69,494)
Additions	492,340	3,732,776	-	4,225,116
Disposals	(29,446)	(2,052,255)	-	(2,081,701)
Provisions	-	(17,942)	3,179	(14,763)
Relocation*	(211)	(427,544)	-	(427,755)
<b>31.12.2005</b>	<b>1,904,120</b>	<b>14,427,008</b>	<b>26,189</b>	<b>16,357,317</b>
Reclassification **	-	-	128,873	128,873
Transfers	1,541	(1,541)	-	-
Additions	447,695	3,501,480	-	3,949,175
Disposals	(28,642)	(1,238,627)	-	(1,267,269)
Provisions	-	-	(102,371)	(102,371)
<b>31.12.2006</b>	<b>2,324,714</b>	<b>16,688,320</b>	<b>52,691</b>	<b>19,065,725</b>

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

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

Net book value (CZK'000)	Constructions, buildings and land	Equipment and other tangible fixed assets	Tangible fixed assets in the course of construction and advances paid	Total
<b>31.12.2005</b>	<b>4,815,869</b>	<b>10,109,844</b>	<b>3,340,409</b>	<b>18,266,122</b>
<b>31.12.2006</b>	<b>4,878,830</b>	<b>8,350,546</b>	<b>4,068,551</b>	<b>17,297,927</b>

### 3.1.3. Finance Leases

A summary of future payments relating to finance lease contracts for cars at 31 December 2006 and 31 December 2005 is as follows:

	Total number of concluded contracts		Maturity		Total (CZK'000)
	Up to 1 year (CZK'000)	1 + years (CZK'000)	1 + years (CZK'000)	Total (CZK'000)	
<b>31 December 2006</b>	516	74,005	63,275	137,280	
<b>31 December 2005</b>	472	70,758	54,736	125,494	

In 2006, finance lease payments totalled CZK 88,094 thousand (2005: CZK 78,956 thousand).

### 3.2. Inventories

(CZK'000)	31.12.2006	31.12.2005
Handsets and accessories for sale	240,500	322,699
Technology inventories	153,180	590,430*
Other inventories	20,804	14,982
<b>Subtotal</b>	<b>414,484</b>	<b>928,111</b>
Provision for inventories	(130,328)	(316,756)*
<b>Total inventories</b>	<b>284,156</b>	<b>611,355</b>

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

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

(CZK'000)	2006	2005
<b>Opening balance as at 1 January</b>	<b>316,756</b>	<b>116,620</b>
Reclassification	(128,873)	-
Creation of the provision	15,808	200,136
Release / utilisation of the provision	(73,363)	-
<b>Closing balance as at 31 December</b>	<b>130,328</b>	<b>316,756</b>

### 3.3. Receivables

#### 3.3.1. Short-term Receivables

(CZK'000)	31.12.2006	31.12.2005
Trade receivables		
- current and overdue less than 180 days	2,502,527	2,011,495
- overdue more than 180 days	2,873,447	2,561,888
<b>Total trade receivables - gross</b>	<b>5,375,974</b>	<b>4,573,383</b>
Provision for receivables	(2,891,072)	(2,407,876)
<b>Total trade receivables - net</b>	<b>2,484,902</b>	<b>2,165,507</b>

As at 31 December 2006, the overdue receivables were CZK 3,847,603 thousand (31 December 2005: CZK 3,188,674 thousand).

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

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

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

(CZK'000)	2006	2005
<b>Opening balance as at 1 January</b>	<b>2,407,876</b>	<b>2,121,847</b>
Creation of the provision	1,633,766	1,170,963
Release / utilisation of the provision	(1,150,570)	(884,934)
<b>Closing balance as at 31 December</b>	<b>2,891,072</b>	<b>2,407,876</b>

Increase in provision for doubtful debts in 2006 compared to 2005 results from the higher receivables balance due to increased customer base.

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 interconnection capacity provided to other providers of communication services.

### 3.3.2. Long-term Receivables

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

## 3.6. Equity

Movements in the Company's equity:

(CZK'000)	Registered capital	Share premium	Assets and liabilities revaluation	Statutory reserve fund	Other capital contributions	Retained earnings	Net profit under approval	Total
<b>1.1.2005</b>	<b>520,000</b>	<b>5,344,110</b>	<b>(10,787)</b>	<b>104,000</b>	<b>8,020</b>	<b>11,646,995</b>	<b>4,286,002</b>	<b>21,898,340</b>
Distribution of 2004 profit	-	-	-	-	-	4,137,001	(4,137,001)	-
Revaluation of financial instruments	-	-	3,646	-	-	-	-	3,646
Dividends paid	-	-	-	-	-	-	(149,001)	(149,001)
Net profit for the period	-	-	-	-	-	-	4,746,881	4,746,881
<b>31.12.2005</b>	<b>520,000</b>	<b>5,344,110</b>	<b>(7,141)</b>	<b>104,000</b>	<b>8,020</b>	<b>15,783,996</b>	<b>4,746,881</b>	<b>26,499,866</b>
Revaluation of financial instruments	-	-	3,798	-	-	-	-	3,798
Dividends paid	-	-	-	-	-	(2,937,608)	(4,746,881)	(7,684,489)
Net profit for the period	-	-	-	-	-	-	5,701,926	5,701,926
<b>31.12.2006</b>	<b>520,000</b>	<b>5,344,110</b>	<b>(3,343)</b>	<b>104,000</b>	<b>8,020</b>	<b>12,846,388</b>	<b>5,701,926</b>	<b>24,521,101</b>

### 3.6.1. Share Capital and Capital Contributions

The Company's shares have a nominal value of CZK 1,000 each and are uncertified, registered and not publicly traded. Approved and subscribed share capital is fully paid off.

Share premium of CZK 5,344,110 thousand was paid under the Joint Venture Agreement of the joint stock company between ČESKÉ RADIOKOMUNIKACE a.s.<sup>1</sup> and CMobil B.V., dated 25 March 1996, and the Agreement between the Ministry of Economy of the Czech Republic, CMobil B.V. and ČESKÉ RADIOKOMUNIKACE a.s.<sup>1</sup>, dated 25 March 1996. The valuable right to provide communication services under the GSM standard forms a part of the share premium.

The statutory reserve fund comprises funds that the Company is required to retain according to the current legislation. Use of the statutory reserve fund is limited by legislation and Statutes of the Company and it is not available for distribution to the shareholders, but may be used to offset losses.

<sup>1</sup> today CESKE RADIOKOMUNIKACE S.à.r.l.

## 3.4. Short-term Financial Assets

Short-term financial assets can be analysed as follows:

(CZK'000)	31.12.2006	31.12.2005
Cash in hand, cash in transit and cash at bank	1,134,692	3,353,189
Short-term investments	5,651,173	4,790,932
<b>Total short-term financial assets</b>	<b>6,785,865</b>	<b>8,144,121</b>
Bank overdrafts	-	(4,750)
Commercial papers held to maturity	(1,644,509)	(2,298,141)
<b>Total cash and cash equivalents</b>	<b>5,141,356</b>	<b>5,841,230</b>

## 3.5. Accruals and Deferrals

### 3.5.1. Prepaid Expenses

Prepaid expenses in 2006 include costs related to the lease of office space and buildings needed for the installation of communication technologies, paid in advance. These costs are recorded as expenses on an accrual basis. Their total value as at 31 December 2006 was CZK 48,772 thousand (31 December 2005: CZK 74,923 thousand).

### 3.6.2. Dividends

Based on a resolution of the General meeting held on 21 June 2006, the Company distributed a share of retained earnings to the shareholders as a dividend in the aggregate amount of CZK 7,684,488 thousand (CMobil B.V.: CZK 4,669,804 thousand, RADIOKOMUNIKACE a.s.: CZK 3,014,684 thousand).

## 3.7. Provision for Liabilities and Charges

(CZK'000)	Provision for tax payable	Other provisions	Total
<b>1.1.2005</b>	<b>1,316,589</b>	<b>604,902</b>	<b>1,921,491</b>
Creation of provision	849,056	606,888	1,455,944
Clearing / utilisation of provision	(1,316,589)	(458,792)	(1,775,381)
<b>31.12.2005</b>	<b>849,056</b>	<b>752,998</b>	<b>1,602,054</b>
Creation of provision	348,491	571,133	919,624
Clearing / utilisation of provision	(849,056)	(510,088)	(1,359,144)
<b>31.12.2006</b>	<b>348,491</b>	<b>814,043</b>	<b>1,162,534</b>

As at 31 December 2006, the Company recorded a provision of CZK 459,322 thousand for estimated future costs related to the T-Mobile Bonus programme for allocated loyalty points unused at year-end (31 December 2005: CZK 461,830 thousand).

### 3.8. Short-term Liabilities

#### Trade payables

(CZK'000)	31.12.2006	31.12.2005
Trade payables		
- domestic payables	1,009,215	1,170,863
- foreign payables	30,489	31,550
<b>Total trade payables</b>	<b>1,039,704</b>	<b>1,202,413</b>

As at 31 December 2006, the amount of overdue payables was CZK 109,862 thousand (31 December 2005: CZK 43,183 thousand).

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

#### 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 2006 and 31 December 2005:

(CZK'000)	31.12.2006	31.12.2005
Estimated liability for interconnection costs	1,532,660	1,056,599
Estimated liability for operational expenditure	1,310,386	1,511,622
Estimated liability for capital expenditure	671,314	681,963
Estimated liability for staff costs	400,808	253,902
<b>Total anticipated payables</b>	<b>3,915,168</b>	<b>3 504,086</b>

#### Other payables

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

(CZK'000)	31.12.2006	31.12.2005
Forward currency contracts	6,354	6,214
Other short-term payables	16,991	10,458
<b>Total other payables</b>	<b>23,345</b>	<b>16,672</b>

### 3.9. Bank Loans and Overdrafts

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

The Company did not draw loans as at 31 December 2006; as at 31 December 2005 overdrafts amounting to CZK 4,750 thousand were drawn.

### 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., Hedging of Currency and Interest Rate Risks).

#### Forward contracts

As at the end of 2006, the Company had open forward contracts with a total nominal value of EUR 6,199 thousand (31 December 2005: EUR 18,532 thousand). These transactions focus on managing currency risks associated with settlement of financial liabilities of the Company resulting from the customer-supplier relations and denominated in EUR. All forward contracts as at 31 December 2006 were initiated during 2006. During 2006, forward contracts with a total nominal value of EUR 222,532 thousand were settled (in 2005: EUR 178,414 thousand).

The revaluation of foreign exchange forward contracts at fair values as at 31 December 2006 and 2005 is as follows:

	31.12.2006	31.12.2005
Open forward foreign exchange contracts (in CZK'000)		
Open forward foreign exchange contracts securing other foreign exchange liabilities:		
Positive fair value	5,739	525
Negative fair value	(6,354)	(6,214)
<b>Total fair value of forward contracts</b>	<b>(615)</b>	<b>(5,689)</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 related to TWIST prepaid services.

### 3.12. Commitments and Contingencies

There are ongoing negotiations concerning the settlement of interconnection fees from 2001 with ČESKÝ TELECOM, a.s., at present Telefónica O2 Czech Republic, a.s., which are concurrent with the court proceedings. Results of these negotiations might influence 2001 interconnection revenues and costs and any necessary adjustment will be accounted for in the period of final resolution.

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

The Company is not aware of any major litigation that would require adjustment or disclosure in the financial statements as at 31 December 2006, other than that which has already been adjusted or disclosed as at 31 December 2006.

As at 31 December 2006, the Company's future commitments with respect to technologies totalled CZK 1,249,062 thousand (of which CZK 938,678 thousand related to capital expenditure and CZK 310,384 thousand related to operational expenditure). As at 31 December 2005, these future commitments totalled CZK 844,415 thousand (of which CZK 396,195 thousand related to capital expenditure and CZK 448,220 thousand related to operational expenditure).

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

(CZK'000)	31.12.2006	31.12.2005
Up to 1 year	728,853	713,151
1-3 years	1,244,513	1,236,058
3-5 years	1,059,220	1,085,696
Over 5 years	3,032,980	3,100,343
<b>Total</b>	<b>6,065,566</b>	<b>6,135,248</b>

### 3.13. Guarantees

As at 31 December 2006, bank guarantees totalling CZK 67,887 thousand were issued to lessors of commercial space and real estate at the Company's request (as at 31 December 2005: CZK 67,172 thousand).

As at 31 December 2006, the Company's liabilities from import duties were covered by bank guarantees totalling CZK 50,370 thousand (as at 31 December 2005: CZK 50,370 thousand).

Other guarantees as at 31 December 2006 totalled CZK 5,500 thousand (as at 31 December 2005: CZK 16,000 thousand).

### 3.14. Revenues and Expenses from Operating Activities

#### 3.14.1. Operating Revenues according to Main Activities

(CZK'000)	31.12.2006	31.12.2005
Sales based on activities (CZK'000)	31,12,2006	31,12,2005
Sales of handsets and accessories	1,152,225	1,259,167
Communication network services	27,942,170	26,098,741
<b>Total</b>	<b>29,094,395</b>	<b>27,357,908</b>

#### 3.14.2. Operating Revenues and Expenses

(CZK'000)	31.12.2006	31.12.2005
Operating revenues	29,094,395	27,357,908
Other revenues	1,628,835	2,070,629
<b>Total revenues</b>	<b>30,723,230</b>	<b>29,428,537</b>
Cost of goods sold	2,417,658	2,535,732
Consumption of material and energy	581,919	679,354
Services	11,359,135	10,250,199
Staff costs	2,157,358	1,911,343
Depreciation of intangible and tangible fixed assets	5,314,960	5,140,094
Other operating charges	1,456,899	2,210,243
<b>Total operating expenses</b>	<b>23,287,929</b>	<b>22,726,965</b>
<b>Operating results</b>	<b>7,435,301</b>	<b>6,701,572</b>

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

### 3.15. Revenues and Expenses from Financing Activities

(CZK'000)	31.12.2006	31.12.2005
Revenues from financial operations and interest income	990,886	687,926
Financial revenues – other	221,355	126,332
Costs of financial operations and interest expense	(901,009)	(601,379)
Financial expenses – other	(150,757)	(139,482)
<b>Profit from financing activities</b>	<b>160,475</b>	<b>73,397</b>

### 3.16. Related Party Transactions and Balances

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

(CZK'000)	31.12.2006	31.12.2005
<b>RADIOKOMUNIKACE a.s.*:</b>		
Purchase of services (leased lines, rent and other services)	277,392	293,635
<b>DTAG group:</b>		
Roaming, interconnect and related purchased services	388,327	407,293
Other purchased goods and services	87,473	117,168
Cross charges	514,147	450,409
IT services	626,299	357,170
Purchased foreign currency – hedging	1,367,879	932,429
<b>Total related party purchases</b>	<b>3,261,517</b>	<b>2,558,104</b>

(CZK'000)	31.12.2006	31.12.2005
<b>RADIOKOMUNIKACE a.s.*:</b>		
GSM and interconnection services sold	64,811	25,477
<b>DTAG group:</b>		
Roaming, interconnection and related sold services	424,462	562,516
Re-branding reimbursement	16,019	16,019
Income from sale of PP&E and intangibles	13,007	445,442
Cross charges	364,253	138,788
<b>Total related party sales</b>	<b>882,552</b>	<b>1,188,242</b>

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

(CZK'000)	31.12.2006	31.12.2005
<b>RADIOKOMUNIKACE a.s.*:</b>		
GSM and other services	14,840	3,826
<b>DTAG group:</b>		
Roaming, interconnection and related sold services	497,454	227,093
Other services and discounts	166,888	123,529
<b>Total related party receivables</b>	<b>679,182</b>	<b>354,448</b>

Závazky z obchodní činnosti popsané v bodě 3.8. Krátkodobé závazky zahrnují k 31. prosinci 2006 následující závazky vůči spřízněným osobám:

(CZK'000)	31.12.2006	31.12.2005
<b>RADIOKOMUNIKACE a.s.*:</b>		
Leased lines and other rentals	24,969	23,852
<b>Skupina DTAG:</b>		
Roaming, interconnection and related purchased services	797,456	439,583
Other services and discounts	405,449	304,903
<b>Total related party payables</b>	<b>1,227,874</b>	<b>768,338</b>

\* The company RADIOKOMUNIKACE a.s. is a related party of the company CESKE RADIOKOMUNIKACE S.á.r.l.

The Company had no borrowings within the group as at 31 December 2006. The long-term loan with a total limit of CZK 3,823,077 thousand, provided by Deutsche Telekom International Finance B.V., and with maturity on 31 December 2011, was not drawn as at 31 December 2006 and 31 December 2005.

### 3.17. Taxation

#### 3.17.1. Current Corporate Income Tax

The Company estimates the following current income tax results:

(CZK'000)	31.12.2006	31.12.2005
Accounting profit before tax	7,595,776	6,774,969
Tax non-deductible costs	1,502,448	1,776,670
Non-taxable revenues	(516,965)	(391,623)
Difference between accounting and tax depreciation	1,674,284	483,048
<b>Tax base before deductions</b>	<b>10,255,543</b>	<b>8,643,064</b>
Gifts allowed as tax deductible	(13,988)	(17,348)
Returned 10% reinvestment relief	20,000	82,114
<b>Tax base after adjustment</b>	<b>10,261,555</b>	<b>8,707,830</b>
<b>Income tax expense</b>	<b>2,462,773</b>	<b>2,264,036</b>
Supplementary decrease in tax expense related to prior periods	(18,103)	(9,303)
<b>Current period income tax expense</b>	<b>2,444,670</b>	<b>2,254,733</b>
Advances paid	(2,114,282)	(1,414,980)
<b>Income tax payable</b>	<b>348,491</b>	<b>849,056</b>

### 3.17.2. Deferred Tax

Deferred tax	31. 12. 2006	31. 12. 2005
Difference between net book value and net tax value of fixed assets	(6,449,512)	(8,689,101)
Difference between net book value and net tax value of inventories	130,328	316,756
Difference between net book value and net tax value of receivables	630,372	500,393
Other provisions	807,630	692,027
<b>Total temporary differences</b>	<b>(4,881,182)</b>	<b>(7,179,925)</b>
<b>Net deferred tax liability</b>	<b>(1,171,484)</b>	<b>(1,722,304)</b>

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

Period	Tax rate
2005	26 %
2006 and onwards	24 %

## 4. EMPLOYEES AND MANAGEMENT

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

	Total		Management only	
	2006	2005	2006	2005
Average number of employees	2,532	2,449	44	48
Wages and salaries	1,499,752	1,324,396	169,615	186,280
Remuneration for board members	1,487	1,694	-	-
Social security and health insurance costs	558,263	498,358	61,044	66,320
Other social costs	97,856	86,895	8,023	3,109
<b>Total staff costs</b>	<b>2,157,358</b>	<b>1,911,343</b>	<b>238,682</b>	<b>255,709</b>

Remuneration for the members of statutory bodies and the supervisory board for 2006 was as follows:

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

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

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

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

Since 2002, the Company has been providing its employees with a contribution to supplementary pension insurance. In 2006, the total contribution provided was CZK 33,567 thousand (in 2005: CZK 31,712 thousand).

In 2006 and 2005, the Company did not provide any loans to members of statutory bodies. Company cars are made available for use by management for business and personal purposes. The total acquisition cost of cars used by the Company's management as at 31 December 2006 was CZK 45,320 thousand (31 December 2005: CZK 57,115 thousand). Since 2004, the Company has provided top management with compensation for fuel used for private purposes. In 2006, the compensation totalled CZK 1,152 thousand (2005: CZK 1,566 thousand).

## 5. POST BALANCE SHEET EVENTS

After the balance sheet date Timotheus Höttges, Thomas Georg Winkler and Hamid Akhavan-Malayeri resigned from their positions in the board of directors.

After the balance sheet date the extraordinary shareholders' meeting appointed Katharina Hollender, Michael Günther and Otakar Král as the members of the board of directors.

No other events which would have a significant impact on the financial statements as at 31 December 2006 occurred subsequent to the balance sheet date.

### Approval of the statutory financial statements

These financial statements have been approved by the Board of Directors on 23 March 2007.

# Report on the Relationships Between the Related Entities for the Year 2006



# REPORT ON THE RELATIONSHIPS BETWEEN THE RELATED ENTITIES FOR THE YEAR 2006

In accordance with the provision of Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code, the Board of Directors of T-Mobile Czech Republic a.s., having its registered office at Tomíčková 2144/1, 149 00 Praha 4, company registration number 64949681, which is registered in the Commercial Register administered by the Municipal Court in Prague, Section B, File No. 3787 (hereinafter referred to as "TMCZ"), prepared, in respect of the accounting period of the year 2006, 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 2006, the party controlling TMCZ was CMobil B.V. (60.77% share). The party controlling CMobil B.V. was T-Mobile Global Holding Nr. 2 GmbH (100.00% share). The party controlling the aforementioned company was T-Mobile International AG & Co. KG (100% share), whose shares were held by T-Mobile International Holding GmbH except for one share which was held by T-Mobile International AG. Both aforementioned companies were controlled by DTAG (100% share) in 2006. The company which had the most significant influence on the management and operation of TMCZ in 2006 was T-Mobile International AG & Co. KG, having its registered office at Landgrabenweg 151, 53227 Bonn.

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

## 1. Overview of the Related Parties

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

DTAG	
100.00%	T-Mobile International Holding GmbH
100.00%	T-Mobile International AG & Co. KG, Bonn (Germany)
100.00%	T-Mobile Deutschland GmbH, Bonn (Germany)
100.00%	Zweite DFMG Deutsche Funkturm Vermögens GmbH & Co. KG, Münster (Germany)
16.67%	DFMG Deutsche Funkturm GmbH, Münster (Germany)
70.50%	PTC Polska Telefonii Cyfrowa Sp. z o.o., Warsaw (Poland)
100.00%	T-Mobile Poland Holding Nr. 1 B.V. (Poland)
22.50%	PTC Polska Telefonii Cyfrowa Sp. z o.o., Warsaw (Poland)
100.00%	T-Mobile Global Holding Nr. 2 GmbH (Germany)
100.00%	CMobil B.V., Amsterdam (Netherlands)
<b>60.77%</b>	<b>T-Mobile Czech Republic a.s., Prague (Czech Rep.)</b>
100.00%	T-Mobile Austria Holding GmbH, Vienna (Austria)
100.00%	T-Mobile Austria GmbH, Vienna (Austria)
	(Effective as of 23 September 2006, the company tele.ring was merged into T-Mobile Austria GmbH)
100.00%	T-Mobile Service GmbH, Vienna (Austria)
100.00%	T-Mobile Global Holding GmbH (Germany)
100.00%	T-Mobile Holdings Ltd., London (Great Britain)
100.00%	T-Mobile No. 1 Ltd. (Great Britain)
50.00%	T-Mobile (UK) Ltd. (Great Britain)
100.00%	T-Mobile No. 2 Ltd. (Great Britain)
100.00%	One2One Ltd. (Great Britain)
100.00%	T-Mobile No. 4 Ltd. (Great Britain)
100.00%	T-Mobile No. 5 Ltd. (Great Britain)
50.00%	T-Mobile (UK) Ltd. (Great Britain)
100.00%	T-Mobile Ltd., Hertfordshire (Great Britain)
100.00%	T-Mobile USA, Inc., Bellevue (USA)
100.00%	Powertel/Memphis Inc. (USA)
100.00%	T-Mobile Netherlands Holding B.V., Den Haag (Netherlands)
100.00%	T-Mobile Netherlands B.V., Den Haag (Netherlands)
100.00%	T-Mobile Netherlands Klantenservice B.V., Den Haag (Netherlands)
100.00%	T-Mobile Netherlands Retail B.V., Den Haag (Netherlands)
100.00%	T-Mobile Worldwide Holding GmbH, Bonn (Germany)
100.00%	Holdco Sp. z o.o., Warsaw (Poland)
100.00%	Polpager Sp. z o.o., Warsaw (Poland)
4.00%	PTC Polska Telefonii Cyfrowa Sp. z o.o., Warsaw (Poland)
100.00%	T-Mobile International UK Ltd., London (Great Britain)
99.00%	T-Mobile Venture Fund GmbH & Co. KG (Germany)
100.00%	MagyarCom Holding GmbH (Germany)
59.21%	Magyar Telekom Nyrt. (previously Magyar Telekom Rt.) (Hungary)
100.00%	Stonebridge A.D. (Macedonia)
51.00%	Makedonski Telekomunikacii A.D. (Macedonia)
100.00%	T-Mobile Macedonia A.D. Skopje (previously Mobimak A.D. Skopje) (Macedonia)
100.00%	T-Mobile Hungary Rt. (Hungary)
	(on 28 February 2006, it merged into Magyar Telekom Rt. to become Magyar Telekom Nyrt.)
76.50%	Crnogorski Telekom A.D. Podgorica (previously TGC Telecom A.D. Podgorica) (Montenegro)
100.00%	T-Mobile Crna Gora D.O.O. (previously MONET d.o.o.) (Montenegro)

DTAG	
51.00% Slovak Telecom, a.s.	(Slovakia)
100.00% T-Mobile Slovensko, a.s.	(Slovakia)
51.00% HT Hrvatske Telekomunikacije d.d.	(Croatia)
100.00% T-Mobile Hrvatska d.o.o.	(Croatia)
100.00% T-Systems Enterprise Services GmbH	(Germany)
100.00% T-Systems CDS GmbH	(Germany)
100.00% T-Systems CSM GmbH	(Germany)
100.00% T-Systems Nova GmbH	(Germany)
100.00% T-Systems Czech s.r.o.	(Czech Rep.)
100.00% T-Systems PragoNet, a.s.	(Czech Rep.)
100.00% Detecon International GmbH	(Germany)
100.00% T-Systems GEI GmbH	(Germany)
100.00% Gedas Aktiengesellschaft	(Germany)
100.00% Gedas ČR s.r.o.	(Czech Rep.)

The entities listed in the overview shall be hereinafter referred to as the "Related Parties".

## 2. Contracts Concluded with the Related Parties in 2006

### Deutsche Telekom AG

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Agreement on Bilateral MMS eXchange (No. 016451-000-00)	615	316	MMS interworking	MMS interworking
Agreement on Benchmarking of Prices of IT Equipment and Services on the Market	5,712			Benchmarking of prices of IT equipment and services on the market
Agreement to Ensure Cooperation with Foreign Experts	591			Costs in relation to cooperation with foreign experts

### T-Mobile International AG & Co. KG

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 1 to the Agreement on the Unification of Payment Terms (No.. 015941-101-00)				
Amendment No. 2 to the Agreement on the Unification of Payment Terms (No. 015941-102-00)				
Inhouse Banking Side Agreement (Side Letter to UPT Agreement No. 015941-201-00)				
Amendment No. 1 to Agreement No. 016190-000-00 (No. 016190-101-00)				
Side Letter to the Framework Cooperation and Service Agreement (Outbound/Allocation) (No. 010564-101-00)				
Amendment No. 2 to the Service Agreement – Inbound (No. 013243-102-00)				
Amendment No. 3 to the Service Agreement – Outbound (No. 013244-103-00)				
Service Agreement for the Provision of Marketing Services (No. 016889-000-00)				
Agreement on the Provision of Services in the Area of TMO (No. 017472-000-00)	10,690			Premium allocation
Framework Agreement for Supply of Services (No. 990028-000-00)				
Letter of Variation – Amendment No. 2 to Agreement No. 012876-000-00 (No. 012876-102 00)				
Agreement on the Organization of a Cultural Event	529			Cultural event
Agreement on the Provision of Tickets	3,947			Tickets
Agreement on Financial Settlement Related to the IHC System	1,257			Costs of financial settlement related to the IHC system
Agreement on Decagram Project Methodology		-684	Decagram Methodology	

### T-Mobile Deutschland GmbH

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 10 – Modification of the Interconnection Agreement (No. 001776-110-00)				
Project Service Agreement (Remote Device Management) (No. 016886-000-00)	9,274			RDM services
Mutual Release and Termination Agreement (No. 001366-401-00)				
Amendment No. 9 – Modification of the Interconnection Agreement (No. 001776-109-00)				
Amendment No. 1 to Agreement No. 015878-000-00 – Variation Agreement (No. 015878 101 00)				
Purchase Agreement – Sale of GSM Parts (No. 016586-000-00)		1,183	Sale of assets - GSM parts	
Project Service Agreement for Troja: Prevention Solution (No. 016592-000-00)	4,993			Maintenance fee for the Troja project
Roaming Agreement for Public Wireless LAN Services (No. 016882-000-00)	153	539	WLAN roaming	WLAN roaming
Project Service Agreement (WLAN Central Service Area – HotSpot) (No. 016928-000-00)	862			WLAN services
Purchase Agreement (No. 017455-000-00)		5,280	MSC hardware – CCNC parts	
Sublicence Agreement for Cryptotickets – Software (No. 017483-000-00)				
Agreement to Ensure the XTC Platform (No. 016434-000-00)	6,201			XTC platform
Software Maintenance Agreement (No. C990001-000-00)	2,808			Software maintenance
Agreement on Development, Maintenance and Support of IBMD		262,139	Development, maintenance and support of IBMD	

### PTC Polska Telefonia Cyfrowa Sp. Z o.O.

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Roaming Agreement for Public Wireless LAN Services (No. 017796-000-00)				
Amendment No. 1 to Agreement No. 015878-000-00 – Variation Agreement (No. 015878 101 00)				

### T-Mobile (UK) Ltd.

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 1 to Agreement No. 015878-000-00 – Variation Agreement (No. 015878 101 00)				
Agreement on Purchase and Maintenance of the E-shop	10,916			Purchase and maintenance of the e-shop platform

### T-Mobile International UK Ltd.

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 49 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Player X-Content (No. 001406-149-00)				
Amendment No. 50 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Rockpool Games Content (No. 001406-150-00)				
Amendment No. 51 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – THQ Wireless International Games Content (No. 001406-151-00)				
Amendment No. 52 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – OJOM Content (No. 001406-152-00)				
Amendment No. 54 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Infospace Content (No. 001406-154-00)				

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 55 to Agreement No. 001406-000-00 (Content Reseller Agreement) – Engagement Form – Electronic Arts Games Content (No. 001406-155-00)				
Service Agreement for Provision of Interim Solution for Caller Tunes (Melody) (No. 016903 000-00)	7,884			Technical support for the Melody service

#### T-Systems Czech s.r.o.

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 1 to Sub-lease Agreement No. 014779-000-00 (No. 014779-101-00)				
Non-Disclosure Agreement (No. 016978-000-00)				
Contract for Work (No. 017107-000-00)				
Agreement on Mediation of Services to Key Accounts (No. 016361-000-00)	919			Services for key accounts
Contract for the Provision of GSM Services and Sale of Handsets		3,558	GSM services and handsets	

#### T-Systems PragoNet, a.s.

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 2 to the Service Agreement (No. 012632-102-00)				
Amendment No. 1 to Agreement No. 010340-000-00 (Agreement on Signaling for International Roaming SPR Services) (No. 010340-101-00)				
Amendment No. 5 to the Interconnection Agreement (No. 010530-105-00)				
Amendment No. 6 to the Interconnection Agreement (No. 010530-106-00)				
Amendment No. 7 to the Interconnection Agreement (No. 010530-107-00)				
Amendment No. 8 to the Interconnection Agreement (No. 010530-108-00)				
Contract for the Provision of GSM Services and Sale of Handsets		1,475	GSM services and handsets	

#### T-Systems GEI GmbH

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Software Maintenance Agreement (No. 017408-000-00)	148,383			Software maintenance

#### T-Systems Enterprise Services GmbH

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Outsourcing Agreement (No. 017682-000-00)				
Agreement to Ensure Cooperation with Foreign Experts	7,090			Costs related to cooperation with foreign experts
Software Maintenance Agreement	4,619			Software maintenance

#### T-Mobile Austria GmbH

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 1 to Agreement No. 015878-000-00 (Variation Agreement) (No. 015878 101 00)				

#### T-Mobile Netherlands B.V.

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 1 to Agreement No. 015878-000-00 (Variation Agreement) (No. 015878 101 00)				

**T-Mobile Slovensko, a.s.**

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 1 to Agreement No. 015878-000-00 (Variation Agreement) (No. 015878 101 00)				
Interconnection Agreement (No. 016452-000-00)	37,803	16,242	Interconnection	Interconnection

**T-Mobile USA, Inc.**

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 1 to Agreement No. 015878-000-00 (Variation Agreement) (No. 015878 101 00)				

**Magyar Telekom Nyrt.**

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 1 to Agreement No. 015878-000-00 (Variation Agreement) (No. 015878 101 00)				

**T-Mobile Hrvatska d.o.o.**

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Amendment No. 1 to Agreement No. 015878-000-00 (Variation Agreement) (No. 015878 101 00)	- 36,590	- 6,014	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

**Gedas ČR s.r.o.**

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Agreement on Provision of GSM Services		865	GSM services	

### 3. Contracts with the Related Parties Lasting During 2006 Based on Which Payment, Services or Goods Were Provided

**Deutsche Telekom AG**

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Letter of Understanding (No. 010003-000-00)		16,019	Rebranding	
Master Agreement for Derivate Contracts (No. 016323-000-00)	1,367,879			Foreign-currency purchase – hedging

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

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Sublicence Agreement (No. 010091-000-00)	45,256			Licence
Sublicence of TIBCO Software Licence Agreement (No. 011269-000-00)	2,204			TIBCO Enterprise licence
T-Zones Agreement (No. 012876-000-00)	42,275			t-zones
Framework Cooperation and Service Agreement (Inbound) (No. 013243-000-00)		6,166	Corporate social responsibility (CSR) services (support provided in connection with the management and organization of CSR activities, and with the development, assessment and implementation of related strategy)	

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Framework Cooperation and Service Agreement (Inbound) (No. 013243-000-00)		2,402	Customer care services (preparation of a roadmap in connection with the development of customer care technologies and trade, integration of strategic directions of customer care development and trade in individual companies of the T-Mobile International Group)	
Framework Cooperation and Service Agreement (Inbound) (No. 013243-000-00)		3,890	Human resources services (coordination and management of the "One Company" program within the T-Mobile International Group)	
Framework Cooperation and Service Agreement (Inbound) (No. 013243-000-00)		1,155	Marketing services (consultancy services related to the standardization, definition and creation of data models, and to data collection for T-Mobile International; support and consultancy services in connection with the development of databases for marketing purposes, support in ad hoc marketing analyses)	
Framework Cooperation and Service Agreement (Inbound) (No. 013243-000-00)		72,906	Technology services (preparation and planning for the development of IS technologies and the network, development of existing and new functionalities for IS technologies, the network and network components)	
Framework Cooperation and Service Agreement (Outbound/Allocation) (No. 013244-000-00)	37,581			Customer care and trade services (consultancy and support related to international purchase tenders, preparation and management of contracts with other operators, support and consultancy services involving local sales staff, support and consultancy services related to increasing the customer service efficiency)
Framework Cooperation and Service Agreement (Outbound/Allocation) (No. 013244-000-00)	100,444			Marketing services (provision of marketing survey results, consultancy services for building the corporate brand, sharing of costs related to joint marketing campaigns within the T-Mobile International Group, support in negotiations with other operators concerning roaming development)
Framework Cooperation and Service Agreement (Outbound/Allocation) (No. 013244-000-00)	248,361			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)
Pegabase – Software Maintenance and Evolution Agreement (No. 990005-000-00)	3,969			Pagabase software maintenance
Agreement on Cooperation in Providing Roaming Services (No. 014585-000-00)*	- 108,481	- 275,036	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators
Service Agreement (No. 016189-000-00)		570	Internal audit	

\* Note: The amounts of provided and received payments shown above differ from the amounts disclosed in Notes to the Financial Statements 2006 as the latter exclude payment transactions with third parties intermediated by T-Mobile International AG & Co. KG.

### T-Mobile Deutschland GmbH

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Interconnection Agreement (No. 001776-000-00)	48,521	63,276	Interconnection	Interconnection
Service Agreement – TCS Hosting & OLA (No. 014468-000-00)	1,238			TCS hosting & OLA
Project Service Agreement for Subscription Server (No. 016046-000-00)	4,227			Subscription Server
International Roaming Agreement (No. 016485-000-00)	142,496	333,441	Roaming + SMS interworking	Roaming + SMS interworking
Service Agreement Concerning the Performance of Melody Services (No. 014973-000-00)		9,908	Re-invoicing of costs related to the common platform for the Melody project	
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	- 70,590	- 227,458	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

### PTC Polska Telefonia Cyfrowa Sp. z o.o.

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 011455-000-00)	22,765	62,596	Roaming + SMS interworking	Roaming + SMS interworking
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	- 9,726	- 32,376	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

### T-Mobile Austria GmbH

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 011417-000-00)	64,079	58,325	Roaming + SMS interworking	Roaming + SMS interworking
Interconnection Agreement (No. 013609-000-00)	9,125	13,982	Interconnection	Interconnection
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	- 34,397	- 38,273	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)		1,277	Re-invoicing of costs related to the common platform for the Melody project	
International GSM Roaming Agreement (No. 000551-000-00) (The agreement was originally concluded with tele.ring)	905	4,404	Roaming + SMS interworking	Roaming + SMS interworking

### T-Mobile (UK) Ltd.

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Service Agreement Concerning the Performance of Melody Services (No. 014973-000-00)		2,840	Re-invoicing of costs related to the common platform for the Melody project	
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	- 14,754	- 32,596	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

### T-Mobile International UK Ltd.

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 000338-000-00) – agreement concluded with T-Mobile (UK) Ltd.; the contractual performance was provided by T-Mobile International UK Ltd. in 2006.	29,547	49,330	Roaming + SMS interworking	Roaming + SMS interworking
Content Reseller Agreement (No. 01406-000-00)	13,012			VAS services

### T-Mobile Netherlands Holding B.V.

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 00537-000-00)	14,573	20,510	Roaming + SMS interworking	Roaming + SMS interworking
Service Agreement Concerning the Performance of Melody Services (No. 014973-000-00)		1,134	Re-invoicing of costs related to the common platform for the Melody project	
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	- 7,581	- 13,616	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

### Magyar Telekom Nyrt.

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	- 6,236	- 41,284	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators
International GSM Roaming Agreement (No. 011437-000-00)	14,430	55,919	Roaming + SMS interworking	Roaming + SMS interworking

### T-Mobile Slovensko, a.s.

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 000178-000-00)	114,344	97,584	Roaming + SMS interworking	Roaming + SMS interworking
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	- 61,258	- 53,265	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

### T-Mobile Hrvatska d.o.o.

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 011422-000-00)	55,471	10,426	Roaming + SMS interworking	Roaming + SMS interworking

### T-Mobile USA, Inc.

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 016180-000-00)	15,695	35,139	Roaming + SMS interworking	Roaming + SMS interworking
Agreement on Cooperation in Providing Roaming Services (No. 015878-000-00)	- 2,295	- 15,297	Services provided within cooperation with individual operators	Services provided within cooperation with individual operators

**T-Systems PragoNet, a.s.**

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Framework Interconnection Agreement (No. 001111-000-00)	13,237			Lease of lines + services related to interconnection
Global Intranet GPRS Roaming eXchange (GRX) (No. 010109-000-00)	1,170			GRX service
Framework Contract for the Provision of Telecommunications Connection Services (No. 010300-000-00)	13,498			Lease of fibre optics and lines
Agreement on the Interconnection of Telecommunications Networks (No. 010530-000-00)	20	3,111	Interconnection	Interconnection
Data Transmission and Telecommunication Connection Agreement (No. 012633-000-00)	780			Back-up internet connectivity
Contract for the Provision of International Telecommunications Services (No. 012866-000-00)	59,877	36,924	Interconnection	Interconnection

**T-Systems Czech s.r.o.**

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
Final Consolidation Agreement (No. 014626-000-00)	471,505	6,576	Sale of tangible and intangible assets	Outsourcing of IT services
Sublease Agreement (No. 014776-000-00)		2,793	Sublease + services	
Sublease Agreement (No. 014778-000-00)		1,767	Sublease + services	
Sublease Agreement (No. 014779-000-00)		8,203	Sublease + services	
Lease Contract (No. 014781-000-00)		1,058	Lease + services	

**Makedonski Telekomunikacii A.D.**

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 000362-000-00)	598	824	Roaming + SMS interworking	Roaming + SMS interworking

**T-Mobile Crna Gora D.O.O.**

Name of Contract	Payment (in CZK'000)		Services, Goods	
	Provided by TMCZ	Received by TMCZ	Provided by TMCZ	Received by TMCZ
International GSM Roaming Agreement (No. 011470-000-00)	1,593	95	Roaming + SMS interworking	Roaming + SMS interworking

The Report on the Relationships does not contain contracts between the Related Parties performed in 2006, in the case of which the total value of payment/goods/services related to a single contract did not exceed CZK 500 thousand. For 2006, there are 34 such contracts in total. The overall value of payments/goods/services received by TMCZ based on these contracts amounts to CZK 2,407 thousand; the overall value of payments/goods/services provided by TMCZ based on these contracts amounts to CZK 2,830 thousand. These contracts did not result in any detriment to TMCZ's property.

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

In 2006, 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 2006, TMCZ did not take any other measures in the interest or at the instigation of the Related Parties in terms of the provisions of the Commercial Code which regulate the Report on the Relationships.

#### **6. Assessment of Reasonability of the Payments/Services/Goods and Related Considerations Ensuing from the Contracts with the Related Parties, Other Legal Transactions and Other Measures Performed in the Interest or at the Instigation of the Related Parties**

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

In 2006, no detriment in connection with the relationships with the Related Parties was incurred by TMCZ.

#### **7. Final Declaration**

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



# Affirmation

# Affirmation

The Board of Directors of T-Mobile Czech Republic a.s., having its registered office at Tomičkova 2144/1, 149 00 Prague 4, company registration No. 64949681, registered in the Commercial Register administered by the Municipal Court in Prague under section B, entry 3787, hereby affirms that any and all data stated in the 2006 Annual Report (including the data stated in the Report on the Relationships to the Related Entities in 2006 and the financial statements) are true and complete and that no material facts which might affect the precise and correct evaluation of the Company have been omitted or distorted.

Prague, 23 March 2007



**Michael Günther**

Chairman of the Board of Directors



**Roland Mahler**

Member of the Board of Directors

